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DANGERS OF PROTECTIONISM IN FREE TRADE

Jacob Walker

Abstract: The recent establishment of large mega-free trade agreements has led to the potential for the rapid economic development of nations through the inclusion of provisions that lower tariff rates on goods crossing borders. Some countries, such as India, have shied away from these agreements in favor of protectionist strategies, which has led to inconsistencies in treaty negotiations and economic decline. India used protectionist strategies as part of its domestic plan, which has led it to withdraw from free trade agreements and weakened its regional partnerships. This comment examines the Foreign Direct Investment flowing into India before and after its withdrawal in an effort to determine if a country's reliance on protectionism in a rapidly expanding world of free trade harms its economic development. It finds that after the breakdown of negotiations with India, many of India's prominent trading partners scaled back their investments in the country, thus ultimately harming India's policy objectives in relation to foreign trade. To rectify this harm, this comment proposes that India abandon its protectionist strategies and petition for membership in one of two regional trading organizations.

INTRODUCTION

Globalization, the genie that just won't seem to go back into the bottle. The 21st century has brought about an increasingly connected world. Thanks to the advent of the internet, goods and services can be bought and sold internationally across borders, and large multinational businesses conduct their operations throughout multiple jurisdictions. To facilitate global trade, countries have begun to form free trade agreements, designed to boost economies by reducing trade barriers such as tariffs.

Some of these are commonplace and well known, such as the European Union ("EU") or the United States-Mexico-Canada Agreement ("USMCA"), previously known as the North American Free Trade Agreement ("NAFTA"). However, other agreements are more obscure, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"), which has 11 member countries that together make up 13% of the global economy,¹ or the Regional Comprehensive Economic Partnership ("RCEP"), with 15 members and

¹ Jeffrey J. Schott, *Which Countries Are in the CPTPP and RCEP Trade Agreements and Which Want In?*, Peterson Institute for International Economics (Jan. 3, 2022), <https://www.piie.com/research/piie-charts/which-countries-are-cptpp-and-rcep-trade-agreements-and-which-want#:~:text=The%20Comprehensive%20and%20Progressive%20Agreement,and%20services%20between%20member%20countries.>

30% of the global economy.² The signing of these agreements highlights the rise of the so called mega-free trade agreements: agreements that have a large number of member countries, and whose combination of member countries' economies comprise a significant portion of global trade.³ As countries continually integrate and connect through these agreements, trade barriers will also continue to fall, international investment will rise, and the global economy will grow.

Some countries look at these agreements with skepticism and maintain a healthy distance, focusing on developing their own industries instead of integrating into the global supply chain. One of these countries is India, which has historically relied on protectionist trade laws in pursuit of its own economic development when negotiating free trade agreements. India has a desire to become a regional power in the Asian-Pacific. Due to its close proximity to other regional powers such as China, which also seeks greater regional influence, India is more relevant than ever. India must determine whether its reliance on protectionist measures such as high tariffs on imports via rule of origin laws will prevent it from fostering trade with countries who engage in more liberal trade policies such as being associated with mega-free trade zones.

This comment will address how India's trade strategies have impacted its foreign relations within the Asian-Pacific and led to a decrease in Indian influence. Part I, examines India's rising power status and how it has become a strategic competitor with China for influence. Part II analyzes India's overall strategic goals in relation to foreign trade, what strategies it has historically utilized when negotiating trade agreements, how its mentality evolved to favor more open trade policies, and how it began retreating to protectionism following RCEP negotiations. Part III looks over the RCEP agreement, how India would have benefited from joining the agreement, and the potential unrealized opportunities following its withdrawal. Part IV puts forward a number of proposals for how India can become an economic power player following its withdrawal from RCEP negotiations. Finally, Part V calls on India to set aside its protectionist strategies in order to advance its position in the global economy.

² United Nations Conference on Trade and Development, *A New Centre of Gravity: The Regional Comprehensive Economic Partnership and its Trade Effects*, (Dec. 15, 2021), https://unctad.org/system/files/official-document/ditcinf2021d5_en_0.pdf.

³ Tomas Hirst, *What are Mega-Regional Trade Agreements?*, WORLD ECONOMIC FORUM, July 9, 2014, <https://www.weforum.org/agenda/2014/07/trade-what-are-megaregionals/>.

I. INDIA AS A RISING POWER AND COUNTERBALANCE TO CHINA

India has worked to maintain its image as a powerful nation since its independence during the age of decolonization in the aftermath of WWII, setting itself up as the leader of the non-aligned movement during the Cold War, and by extension the global south.⁴ While a rising China has made its presence felt throughout the world, India has set its eyes on becoming the world's next rising economic power.⁵ There are eight primary indicators to qualify a state for rising or great power⁶ status: size of territory, size of population, gross national product, military expenditures, G20 membership, United Nations Security Council ("UNSC") service, regional centrality, and contribution to UN peacekeeping operations.⁷ A country that ranks within the top fifteen in the world in these categories is considered to have met the requirements.⁸ India has met all of these requirements and thus qualifies at a minimum for rising power status in international relations.⁹

This status as a rising power has led many countries such as the United States to consider India as a viable counterbalance to China within the region.¹⁰ As a counterbalance, India would function as an alternative power¹¹ for smaller countries such as the Association of South East Asian Nations ("ASEAN") to turn to for aid. Furthermore, China and India have a long history of being competitors within the region, as evident by a border dispute that has flared up on and off since the Sino-Indian War of 1962, which was fought due to border disputes in the

⁴ Poorvi Chitalkar & David M. Malone, *India and Global Governance*, in THE OXFORD HANDBOOK OF INDIAN FOREIGN POLICY 583--584, (David M. Malone et al. eds., 2015), <https://www-oxfordhandbooks-com.offcampus.lib.washington.edu/view/10.1093/oxfordhb/9780198743538.001.0001/oxfordhb-9780198743538>.

⁵ Sanjay Sanghoo, *India: The Next Superpower?*, FORTUNE, Jan. 25, 2015, <https://fortune.com/2015/01/25/india-the-next-superpower/>.

⁶ Hal Brands, *American Grand Strategy and the Liberal Order Community, Change, and Options for the Future*, RAND CORPORATION (2016).

⁷ *Id.*

⁸ *Id.*

⁹ Rising Powers are nations who are considered newly industrialized countries, but do not have strong international influence over other countries.

¹⁰ Peter Valente, *The Tiger and The Dragon: India as a Counterbalance to China in the Indo-Pacific*, Modern War Institute West Point (Sept. 4, 2018), <https://permanent.fdlp.gov/gpo125297/The-Tiger-and-the-Dragon.pdf>.

¹¹ An "alternative power" in this scenario is a country with enough economic, political, and militaristic clout to keep China in check and prevent them from gaining further influence.

Himalayas.¹² Recent confrontations occurred in 2017, and 2020, wherein a skirmish resulted in minor injuries to troops on both sides.¹³

Couple this with the fact that India and China share strategic interests in South East Asia. Both countries declared their intent to establish economic corridors:¹⁴ in 2013, India announced the Mekong-India Economic Corridor (“MIEC”),¹⁵ and in 2015, China announced the China-Indochina Peninsula Economic Corridor (“CICPEC”)¹⁶ as part of the One Belt One Road Initiative (“BRI”).¹⁷ If either of these policies prove successful, it will greatly increase trade among India, China, and South East Asia and increase the regional prominence of the country whose policy succeeds.

Like China, which seeks to expand its influence via the BRI, India has implemented a comprehensive economic and foreign relations policy aimed at increasing India’s influence beyond its territory. This policy, known as the Look East Policy (“LEP”), seeks to make India an economic and cultural hub, and as a result make India the lead country in Asia.¹⁸ With this policy, India seeks to strengthen its ties to neighboring countries through trade and economic investment.

II. THE LOOK EAST POLICY IN PRACTICE

The LEP was first adopted under Prime Minister Narasimha Roa in 1991, and it has become the cornerstone of Indian foreign policy in the post-Cold War era. The policy itself is an attempt to shore up India’s position in the world after the collapse of the Soviet Union, a key ally, and a U.S. alliance with neighboring

¹² Alka Acharya, *China*, in THE OXFORD HANDBOOK OF INDIAN FOREIGN POLICY 559–560, (David M. Malone et al. ed., 2015), <https://www-oxfordhandbooks-com.offcampus.lib.washington.edu/view/10.1093/oxfordhb/>.

¹³ Joanna Slater, *Soldiers Injured in Fresh Border Skirmish between India and China*, WASHINGTON POST (Jan. 25, 2021), https://www.washingtonpost.com/world/asia_pacific/india-china-clash-sikkim/2021/01/25/7d82883c-5edb-11eb-a177-7765f29a9524_story.html (wherein Chinese and Indian soldiers exchanged gunfire across their respective borders following military exercises).

¹⁴ Economic Corridors refer to regions wherein countries devote financial resources to develop infrastructure with the goals of increased trade in the future.

¹⁵ Shankar Jyoti Doley, *India’s Look East Policy: Relationship with ASEAN and Opportunities for North East India*, 4 FOCUS: J. INT’L BUS., 115, 115–136 (2017).

¹⁶ The CICPEC stands for the China – Indochina Peninsula Economic Corridor

¹⁷ Andrew Chatzky & James McBride, *China’s Massive Belt and Road Initiative*, COUNCIL ON FOREIGN RELATIONS (Jan. 28, 2020), <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative> (the one belt one road initiative being an estimated 1.3 trillion-dollar infrastructure project aimed at expanding China’s access and influence to countries globally). BRI stands for Belt and Road Initiative.

¹⁸ See generally Amitava Acharya, *India’s ‘Look East’ Policy*, in THE OXFORD HANDBOOK OF INDIAN FOREIGN POLICY 452–465, (David M. Malone et al. ed., 2015), <https://www-oxfordhandbooks-com.offcampus.lib.washington.edu/view/10.1093/oxfordhb/>.

Pakistan.¹⁹ The LEP can be distilled into four goals: (1) improvements in regional integration, i.e., increase in movement of goods over borders; (2) liberalization of trade policies; (3) rapid economic growth; and (4) increases in foreign investment in India.²⁰ To that end, India has worked to form or influence numerous trade deals over the last decade, including the South Asian Free Trade Agreement (“SAFTA”), the ASEAN-Indian Free Trade Agreement (“AIFTA”), and the Regional Comprehensive Economic Partnership (“RCEP”). These agreements show the rise, the fall, and the reemergence of India’s reliance on protectionism.

A. *The South Asian Free Trade Agreement (SAFTA)*

India’s long-term goal through the LEP is to increase its regional influence throughout Asia. In the beginning, however, the policy aimed to promote India’s prominence within South Asia.²¹ This took the form of the attempted South Asian Free Trade Agreement (“SAFTA”), wherein the countries of India, Pakistan, Sri Lanka, Nepal, Bangladesh, and Bhutan came together in 2006 to sign the agreement.²² This agreement would seek to accomplish the basic goals of lowering tariffs on goods that were traded among members. However, SAFTA faced numerous challenges with its implementation, centering on disagreement over Rule of Origin laws (hereafter ROOs). India insisted on strict ROOs but could not get every country to agree upon what the set rate should be amongst member nations.²³

Rule of Origin laws allow states that are members of free trade agreements to increase the tariffs on goods and services transported abroad if various components are sourced from countries outside the agreement.²⁴ As global manufacturing becomes more and more complex, it is common for various components or resources that comprise a product to be sourced from multiple

¹⁹ *Id.*

²⁰ Thongkholal Haokip, *India’s Look East Policy: Its Evolution and Approach.*, 18 S. ASIAN SUR., 239, 250–53 (2011) (categorizing the principal goals of the LEP into 4 distinct categories: increase in regional connectivity through FDI outflows, liberalization of trade and lower tariffs, rapid economic growth, and the development of NE India).

²¹ South Asia typically refers to the countries of India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan, and Afghanistan

²² United Nations LDC Portal – International Support Measures for Least Developed Countries, South Asian Free Trade Area (SAFTA), <https://www.un.org/ldcportal/content/south-asian-free-trade-area-safta>.

²³ *See generally How South Asia Can Become a Free Trade Area*, WORLD BANK [WBG], (Feb. 14, 2019), <https://blogs.worldbank.org/endpovertyinsouthasia/how-south-asia-can-become-free-trade-area>; Dushni Weerakoon & Jayanthi Thennakoon, *SAFTA: Myth of Free Trade*, 41 ECON. AND POL. WKLY. 3920, 3920–3923 (2006), <https://www.jstor.org/stable/4418692?seq=2>.

²⁴ *See generally* WORLD TRADE ORGANIZATION, TECHNICAL INFORMATION ON RULE OF ORIGIN, https://www.wto.org/english/tratop_e/roi_e/roi_info_e.htm.

countries and then manufactured in a singular country and sold abroad; this is known as the Global Value Chain (“GVC”).²⁵ Rule of Origin laws can enable a country to levy a tariff on all of the components that were sourced to create the final product, depending upon where each component was sourced. Therefore, strict ROOs can subtract from the overall GVC of products shipped internationally.

India faced the choice of either abandoning SAFTA or acquiescing to a uniform ROO for all members, and it chose the latter course. The end result was that SAFTA functioned as a generalized agreement on the transportation of goods and services, thus resulting in weak ROO laws.²⁶ Despite the fact that India failed to acquire the strict ROOs it desired, it quickly changed tactics and began bilateral trade negotiations with each of the member countries of SAFTA.²⁷ India was able to secure stricter ROO agreements with each of the members individually, thus allowing it to raise the tariff rate on foreign imports.²⁸

In addition, India secured desirable treatment under SAFTA for the sensitive list,²⁹ in which new goods could be reviewed for addition to the list every four years.³⁰ Curiously however, the agreement is silent as to when goods will be removed from the list.³¹ This created a scenario wherein India has a seemingly permanent method of skirting lower tariffs, by preventing imports into India from enjoying reduced tariffs, and allowing Indian exports to enjoy reduced tariffs via bilateral negotiations with SAFTA member’s. This method of avoiding SAFTA’s ROOs, has led to a steep trade imbalance among South Asian countries.³² Interregional trade amounts to only 5.6% of the total trade within the region,³³ in comparison to regions such as the Asian-Pacific³⁴ and Africa, where interregional

²⁵ Organization for Economic Cooperation and Development [OECD], *Global Value Chains (GVCs)*, <https://www.oecd.org/sti/ind/global-value-chains.htm> (last visited Nov. 16, 2022).

²⁶ See generally Selim Raihan, *Rules of Origin and Sensitive List under SAFTA and Bilateral FTAs among South Asian Countries: Quantitative Assessments of Potential Implications for Nepal*, MUNICH PERS. REPEC ARCHIVE, (2008), https://mpr.a.ub.uni-muenchen.de/37893/1/MPRA_paper_37893.pdf.

²⁷ Sachin Chaturvedi, *Trade Facilitation Measures in South Asian FTAs: An Overview of Initiatives and Policy Approaches*, (ARTNeT Working Paper Series, Working Paper No. 28, 2007), <https://www.econstor.eu/bitstream/10419/178386/1/awp-28.pdf>.

²⁸ *Id.*; Raihan, *supra* note 26, at 13–14.

²⁹ *Id.* sensitive list under SAFTA is a list of products that are not subject to the decrease in tariffs under the agreement.

³⁰ South Asian Free Trade Agreement, Annex-IV, Nov. 29–Dec. 1, 2005, http://www.doc.gov.lk/images/pdf/our_services/safta/safta_roo.pdf.

³¹ Raihan, *supra* note 26, at 13.

³² Tercan Baysan et al., *Preferential Trading in South Asia*, (WBG., Working Paper No. 3813, 2006), <https://openknowledge.worldbank.org/bitstream/handle/10986/8822/wps3813.pdf?sequence=1&isAllowed=y>.

³³ Riya Sinha & Niara Sareen, *India’s limited trade connectivity with South Asia*, THE Brookings Institution (May 26, 2020), <https://www.brookings.edu/research/indias-limited-trade-connectivity-with-south-asia/>.

³⁴ This includes ASEAN member countries

trade accounts for 50% and 22% respectively.³⁵ Furthermore, countries such as Bangladesh and Nepal maintain a trade deficit with India of USD 7.6 billion and 6.8 billion, respectively.³⁶ This has led analysts to classify SAFTA as a failure,³⁷ and experts in the field have widely regarded SAFTA as an extension of the protectionist strategies employed by India during the Cold War and thus failing to further India's long-term goal of regional integration under the LEP.³⁸

India's engagement with SAFTA highlights the conflicting nature of its approach to international trade. By participating in regional free trade zones, India seeks to lower the cost of its products being exported to neighboring countries, but after these agreements were signed, India then attempted to negotiate bilateral trade agreements with individual member countries that include stricter ROOs that raise the number of tariffs levied on good imported into India. India effectively can have its cake and eat it too. This approach has led to large trade imbalances among member nations, and as a result many scholars classify this free trade agreement as a failure.³⁹ India's participation in SAFTA is evidence of how it has sought to engage in foreign trade in the past: a reliance on strict ROOs showcases the protectionist mindset India has employed before. However, India is capable of change, as evidenced by the free trade agreement that was negotiated with ASEAN, wherein India turned away from its protectionist mindset.

B. ASEAN & Economic Corridors

Following the attempt at greater regional integration in South Asia through the establishment of free trade zones, India began to focus its efforts on increasing its economic integration with South East Asia, in particular with the Association of South East Asian Nations ("ASEAN"). As previously mentioned, India and China are strategic competitors within South East Asia and have worked to establish economic corridors within the region as part of their respective foreign policies, LEP and BRI.⁴⁰

³⁵ Sinha & Sareen, *supra* note 33.

³⁶ *Id.*

³⁷ Granth Vanaik, *The Problem with India's Economic Diplomacy in South Asia*, THE DIPLOMAT: THE PULSE (Apr. 22, 2021), <https://thediplomat.com/2021/04/the-problem-with-indias-economic-diplomacy-in-south-asia/>.

³⁸ Haokip, *supra* note 20, at 251.

³⁹ *See Id.*; Malone, *supra* note 44; Vanaik, *supra* note 37; Sachin Chaturvedi, *Trade Facilitation Measures in South Asian FTAs: An Overview of Initiatives and Policy Approaches* (ARTNet Working Paper Series, Working Paper No. 28, 2007), <https://www.econstor.eu/bitstream/10419/178386/1/awp-28.pdf>.

⁴⁰ *Id.*

As part of its economic development policy, India has sought to take advantage of the large percentage of overseas nationals within South East Asia by investing heavily in countries with large Indian communities.⁴¹ Furthermore, many of these countries coincide with India's economic corridor, the MIEC, through which it has worked to develop infrastructure through outbound Foreign Direct Investment ("FDI") in the following countries: Cambodia, Laos, Myanmar, Thailand, and Vietnam.⁴²

It is in South East Asia that India's LEP has shined by engaging in a variety of treaties such as the Treaty of Amity and Co-operation, which affirmed India's observer status in ASEAN and ASEAN's regional integrity.⁴³ In addition, there is a growing security convergence among India and ASEAN members, as evident in India's participation in numerous region security forums such as the ASEAN Region Forum (ARF), the Council for Security Co-operation, and the Shangrila dialogue.⁴⁴ This underscores India's desire to hold itself out to ASEAN members as an alternative partner to a rising⁴⁵ and more aggressive China that continually ignores condemnations and orders from ASEAN on issues regarding the South China Sea.⁴⁶

Most importantly, however, India has also begun increased trading with ASEAN by creating the ASEAN-India Free Trade Agreement ("AIFTA").⁴⁷ This agreement has two parts, a goods agreement and a service agreement. The overall agreement was completed in 2014⁴⁸ between India and ASEAN, representing the individual member nations,⁴⁹ with the goods agreement being signed on January 1,

⁴¹ Kripa Sridharan, *India and Southeast Asia in the Context of India's Rise*, in *RISING INDIA AND INDIAN COMMUNITIES IN EAST ASIA*, 73–76 (K Kesavapany et al. eds., 2008), <https://muse.jhu.edu/book/18308>.

⁴² Shankar Jyoti Doley, *India's Look East Policy: Relationship with ASEAN and opportunities for North East India*, 4 *FOCUS: J. INT'L BUS.* 115, 115–136 (2017).

⁴³ SUDHIR DEVARE, *INDIA AND SOUTHEAST ASIA: TOWARDS SECURITY CONVERGENCE*, 74–75 (2005).

⁴⁴ *Id.* at 76.

⁴⁵ *See generally* FRÉDÉRIC GRARE, *INDIA TURNS EAST: INTERNATIONAL ENGAGEMENT AND US-CHINA RIVALRY*, 169–178 (2017).

⁴⁶ *See generally* Ass'n of Se. Asian Nations [ASEAN], *Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity (2016-2020)* (2016), <https://www.asean.org/wp-content/uploads/images/2015/November/27th-summit/ASEAN-China%20POA%20%202016-2020.pdf>; *see also* ASEAN-China Summit, *Declaration for a decade of coastal and marine environmental protection in the South China Sea (2017-2027)* (2017), <https://asean.org/storage/2017/11/Declaration-for-a-Decade-of-Coastal-and-Marine-Environmental-Protection-in-the-South-China-Sea-2017-2027.pdf>.

⁴⁷ DEVARE, *supra* note 43, at 153.

⁴⁸ *ASEAN-India Free Trade Agreement (AIFTA)*, ASEAN: EXTERNAL RELATIONS, <https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20AIFTA.pdf> (last visited Nov. 16, 2022).

⁴⁹ ASEAN comprises the countries of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

2010 and the service agreement being sign on November 2014. These agreements pledged to remove tariffs such as ROOs on up to 76.4% of goods.⁵⁰

AIFTA differs significantly from the SAFTA arrangement and the ensuing bilateral trade agreements. SAFTA maintained very lax regulations for which goods and materials were put on the sensitive list, thus allowing India to keep tariffs high on most goods with relative ease. By contrast, India agreed in AIFTA to lower the tariff rates on all goods, regardless of whether they were on the sensitive list.⁵¹ In addition, AIFTA's ROOs are far more liberal than what was negotiated under SAFTA and India's various bilateral trade agreements. Under AIFTA, as long as the goods are primarily manufactured or assembled within a territory, then the goods will be taxed according to that country's tax rate.⁵²

The lower tariff rates led to a 0.62% decrease in demand for local goods in India, which was offset by a larger increase in demand for Indian goods in ASEAN member states.⁵³ Following the implementation of the agreement, the trade value between India and ASEAN was valued at USD 68.4 billion, and total Indian investments was USD 2.1 billion.⁵⁴ By 2019-2020, this value of trade increased to USD 86 billion. This was followed by the signing of the ASEAN-India Trade in Service Agreement, and the ASEAN-India Investment Agreement, which when combined with AIFTA created the ASEAN-India Free Trade Area.⁵⁵

With these agreements, India and ASEAN have pledged to work to reduce tariffs on more than 90% of goods.⁵⁶ This lends weight to the conclusion that India has learned from the mistakes of SAFTA and has worked to implement a more liberal trade policy under the LEP. However, India later turned back to protectionist strategies after the formation of the Regional Comprehensive Economic Partnership ("RCEP"), of which all ASEAN members are party. Given that the current free trade agreements between ASEAN and India expired in 2020 and are up for renegotiation,⁵⁷ time will tell if ASEAN's participation in RCEP will hamper future trade.

⁵⁰ ASEAN, *supra* note 48.

⁵¹ Chandrima Sikdar, *Impact of India-ASEAN Free Trade Agreement: A cross-country analysis using applied general equilibrium modelling*, ARTNeT Working Paper Series, Working Paper No. 107 (2011). , <https://www.unescap.org/sites/default/files/AWP%20No.%20107.pdf>.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *ASEAN-India Free Trade Area*, INV. IN ASEAN, <http://investasean.asean.org/index.php/page/view/free-trade-areas/view/734/newsid/772/aseanindia-free-trade-area.html> (last visited Nov. 16, 2022).

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

C. *RCEP and complications*

RCEP is a multilateral trade agreement that encompasses the countries of ASEAN, plus China, South Korea, Japan, and Australia.⁵⁸ ASEAN first proposed the agreement as a means of leveraging its strategic position between China and India.⁵⁹ The primary goal of RCEP is to harmonize the various bilateral trade agreements that have existed among member nations, and to create a uniform system of trade.⁶⁰ Once the agreement is fully implemented in 2022, it will connect roughly 30% of the world's people,⁶¹ and account for roughly 50% of the world's manufacturing.⁶² Furthermore, the agreement has the potential to increase FDI inflows within SE Asia by providing easier access to Belt & Road funds,⁶³ and it is also predicted that RCEP's two tier negative list system⁶⁴ will lead to increases in FDI inflows by creating a flexible investment strategy.⁶⁵ Wherein countries can limit foreign investment in key strategic industries such as agriculture in one tier, but encourage investment in infrastructure, and the service sector.⁶⁶

In addition to provisions to increase FDI inflows, the agreement has generous ROOs that will help decrease tariffs significantly on goods traded among member nations.⁶⁷ The cumulative provision of the ROO (Article 3.4) provides that goods will not be taxed regardless of where the individual components of the good are sourced.⁶⁸ Thus, a good with components from China being manufactured in Vietnam but sold to Japan would be treated as if it was completely sourced and manufactured in Vietnam for tariff purposes. This will ease the selling of goods

⁵⁸ MINISTRY OF TRADE AND INDUS. SING., WHAT YOU NEED TO KNOW ABOUT THE REGIONAL AND COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP), (2014).

⁵⁹ Jean-Marc F. Blanchard & Wei Lang, *Pondering Anew RCEP's Political Ramifications*, THE DIPLOMAT (Jan. 15 2022), <https://thediplomat.com/2022/01/pondering-anew-rceps-political-ramifications/>.

⁶⁰ Joshua Kurlantz, *The RCEP Signing and Its Implications*, COUNCIL ON FOREIGN RELATIONS. (Nov. 16 2020), <https://www.cfr.org/blog/rcep-signing-and-its-implications>.

⁶¹ Peter A. Petri & Michael Plummer, *RCEP: A New Trade Agreement that will Shape Global Economics and Politics*, THE BROOKINGS INSTITUTION (Nov. 16, 2020), <https://www.brookings.edu/blog/order-from-chaos/2020/11/16/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics/>.

⁶² UNCTAD, RCEP AGREEMENT A POTENTIAL BOOST FOR INVESTMENT IN SUSTAINABLE POST-COVID RECOVERY, 4 (2022).

⁶³ *Id.*

⁶⁴ See EUR. COMM'N, ACCESS TO MARKETS POSITIVE AND NEGATIVE LISTS (2022).

⁶⁵ Jean-Marc F. Blanchard & Wei Liang, *Reconsidering RCEP's Impact on Foreign Investment*, THE DIPLOMAT: PAC. MONEY (June 25, 2021), <https://thediplomat.com/2021/06/reconsidering-rceps-impact-on-foreign-investment/>.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ Regional Comprehensive Economic Partnership ch. 3, Nov. 15, 2020.

among member nations, thus increasing intra-regional trade, and is predicted to add USD 19 billion to South East Asia by 2030.⁶⁹

Despite the obvious gains that can arise from RCEP, India has opted not to join the agreement, pulling out of negotiations in 2019.⁷⁰ India's primary reason for pulling out of RCEP is its failure to secure stricter ROOs. Of all RCEP member countries, India was the only country to utilize a dual ROO structure in its trade agreements with ASEAN.⁷¹ India also worried that Chinese goods would flood India's market should the country become a party to the agreement.⁷² In pulling out of RCEP negotiations, India misses out on a multitude of benefits, including lower prices on raw material imports for its manufacturing, cheaper energy sourced from neighboring countries like Cambodia, and greater freedom of movement for individuals, which would boost the country's already considerable service industry.⁷³

India's decision to pull out of RCEP negotiations has damaged its attempt to become a regional power and undermined its own policy objectives laid out in the LEP. RCEP would have increased coordination, integration, and India's ability to access greater markets for its goods and services, all of which would further the increase in economic growth goals of the LEP.⁷⁴ Participation in RCEP would have afforded India greater access to FDI inflows,⁷⁵ which would have furthered the goal of developing northeast India.⁷⁶ Finally, RCEP would have increased the amount of investments coming into India from ASEAN member nations, thus furthering the connectivity goal of the LEP⁷⁷ through the continuing development of projects like the MIEC.

India's foreign policy relating to foreign trade and economic development has evolved rapidly from 2004 to 2022. In its initial attempts to engage in foreign

⁶⁹ Petri & Plummer, *supra* note 61.

⁷⁰ Alyssa Ayres, *India Says No to Trade Bloc. Will It Ever Say Yes to Tough Reforms?*, COUNCIL ON FOREIGN RELATIONS, (Nov. 4, 2019, 12:00 PM), <https://www.cfr.org/blog/india-says-no-trade-bloc-will-it-ever-say-yes-tough-reforms>.

⁷¹ Basanta K. Sahu & Soumya Surabhi, *India and Mega-Regional Trade Agreements*, 21 WORLD AFFS.: THE J. OF INT'L ISSUES 98, 98—119 (2017).

⁷² Alyssa Ayres, *India Says No to Trade Bloc. Will It Ever Say Yes to Tough Reforms?*, COUNCIL ON FOREIGN RELATIONS, (Nov. 4, 2019, 12:00 PM), <https://www.cfr.org/blog/india-says-no-trade-bloc-will-it-ever-say-yes-tough-reforms>.

⁷³ Basanta K. Sahu & Soumya Surabhi, *India and Mega-Regional Trade Agreements*, 21 WORLD AFFS.: THE J. OF INT'L ISSUES 98, 98—119 (2017).

⁷⁴ Haokip, *supra* note 20, at 252.

⁷⁵ Basanta K. Sahu & Soumya Surabhi, *India and Mega-Regional Trade Agreements*, 21 WORLD AFFS.: THE J. OF INT'L ISSUES 98, 98—119 (2017).

⁷⁶ Haokip, *supra* note 20, at 252.

⁷⁷ *Id.*

trade through the establishment of SAFTA, India relied on strict Rule of Origin provisions that resulted in high tariff rates and a decrease in regional trade. Following the failure of SAFTA, India began engaging with ASEAN in South East Asia to establish the AIFTA, but this time India relaxed its reliance on strict Rule of Origin provisions. This saw India's total trade with the region and foreign investments in India increase, indicating a shift in Indian foreign trade. However, India appeared to backslide into its old ways during the negotiations for RCEP. This led to its withdrawal from the agreement and uncertainty about India's future in a region that will be governed by RCEP.

III. RCEP: THE GATEWAY TO ECONOMIC PROMINENCE OR DECLINE

India stood to make a tidy profit off of RCEP in GDP increases and foreign investment. Its withdrawal from the agreement has weakened its economic standing in the region, and resulted in a decrease in foreign investment into India.⁷⁸ This has led many commentators to view RCEP as a victory for China,⁷⁹ as it increases a Chinese influence that was already growing within South East Asia through China's BRI project.⁸⁰ The liberalized trade between ASEAN and China will now make it easier for China to offload its products within the region. In fact, some fear that China will use ASEAN and RCEP as a backdoor to offload Chinese products into India, despite India's withdrawal from RCEP.⁸¹ Therefore, it is probable that India will seek more stringent ROOs in this next round of negotiations.

A. *Benefits of RCEP*

RCEP made history simply by coming into existence. Previously, the world's largest free trade agreement in the Asian Pacific, the CPTPP, only accounted for

⁷⁸ See Appendix II, showing an average decrease of FDI investments into India by RCEP member countries following its withdrawal from the negotiations in 2019. This is in comparison to countries who remained RCEP members and saw an increase in FDI, See Appendixes III, IV.

⁷⁹ Blanchard & Lang, *supra* note 59.

⁸⁰ See generally, Jinny Yan, *The Belt and Road Initiative in Southeast Asia*, CIMB ASEAN RESEARCH INSTITUTE (Oct. 2018), <https://www.lse.ac.uk/ideas/Assets/Documents/reports/LSE-IDEAS-China-SEA-BRI.pdf> (showing that Chinese investments throughout Southeast Asia has led to an increase in the regions FDI by 595 billion USD).

⁸¹ Subrata Majumder, *RCEP Leverages Chinese Backdoor Entry into India: Vietnam Is the Potential Gateway*, EURASIA REVIEW (Sep. 13, 2021), <https://www.eurasiareview.com/13092021-rcep-leverages-chinese-backdoor-entry-into-india-vietnam-is-the-potential-gateway-analysis/>.

13% of global trade.⁸² RCEP accounts for 30% of global trade.⁸³ There is a high probability that RCEP will significantly reshape the global economy following its implementation. It will stimulate intra-regional trade among members, thus boosting their local economies; increase the value of goods manufactured within the region; and see an increase in the flow of FDI from members with stronger economies to ones who are still developing. By not participating in RCEP, India is not receiving these benefits and its growth will be less. This leaves the door open for competitors like China to bolster their influence with member countries and realize the economic benefit.

RCEP is expected to boost intra-regional trade among member nations by 187 billion USD by 2030.⁸⁴ This will primarily be done through a process called trade diversion, wherein member countries will begin to export fewer goods to non-member countries and instead sell those goods to member countries that can now afford them due to the lowering of tariffs like ROOs.⁸⁵ China, Japan, Korea, and Singapore are expected to see the largest gains under RCEP, and as such greater FDI outflows to other RCEP members are expected from these countries.⁸⁶ This will help offset the global stagnation of FDI inflows since the COVID pandemic began.⁸⁷ Furthermore, RCEP's elimination of cumulative ROOs is expected to increase the global value of goods originating from the Asian Pacific.⁸⁸ If India had remained within the agreement, it could have benefited from the increase in trade by seeing increases in its GDP and FDI flowing into the country.

B. *India and RCEP, what could have been*

India stood to make serious gains if it joined the RCEP economic bloc. It would have gained access to greater markets, opened new pathways for foreign investments into the country, and seen an overall increase to India's GDP.⁸⁹ All of

⁸² Robert A. Manning, *Global and Regional Trade Systems*, ATLANTIC COUNCIL (July 7, 2020), <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/global-and-regional-trade-systems/>.

⁸³ U.N. CONFERENCE ON TRADE AND DEVELOPMENT, *A NEW CENTRE OF GRAVITY – THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AND ITS TRADE EFFECTS* (2021).

⁸⁴ POLICY DEPARTMENT FOR EXTERNAL RELATIONS DIRECTORATE GENERAL FOR EXTERNAL POLICIES OF THE UNION, *SHORT OVERVIEW OF THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)* (Feb. 9, 2021).

⁸⁵ *Id.*

⁸⁶ UNCTAD, *supra* note 62, at 12.

⁸⁷ *Id.*

⁸⁸ *Id.* at 15.

⁸⁹ Peter A. Petri & Michael G. Plummer, *East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs* 24, (Peterson Inst. for Int'l Econ., Working Paper No. 20-9, 2020), <https://www.piie.com/system/files/documents/wp20-9.pdf>.

this would have furthered the country's Look East Policy objectives.⁹⁰ Instead, India will not see the rapid economic growth that was predicted. Furthermore, foreign investment into India has decreased, as indicated by the steady decrease in FDI inflows since India left the agreement.⁹¹

i. Missed GDP opportunities

By not joining the RCEP agreement, India is losing out on an estimated 60 billion dollars in added trade value to its GDP by 2030.⁹² India's total GDP is predicted to *shrink* by six billion dollars by 2030.⁹³ India's primary concern in joining the RCEP agreement was the potential loss in its manufacturing sector, which is still developing, and its fear that Chinese manufactured goods would drive Indian manufacturers out of business.⁹⁴ Following India's withdrawal from RCEP India's exports of their manufactured goods decreased significantly with key RCEP members such as Japan, China, Singapore; seeing decreases in the range of 1 billion USD, 23 billion USD, and 5 billion USD respectively.⁹⁵

Furthermore, while it was possible that Chinese manufactured goods would have become prevalent within India, the World Bank predicted prior to India's withdrawal from RCEP that the agreement would have seen an increase in demand for Indian exports by 80 billion USD.⁹⁶ Thus, while Indian goods may not have been in high demand in India, joining RCEP would not have driven Indian manufacturers out of business.

⁹⁰ Haokip, *supra* note 20, at 251–52.

⁹¹ See Annex II.

⁹² Peter A. Petri & Michael G. Plummer, *East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs* 24, (Peterson Inst. for Int'l Econ., Working Paper No. 20-9, 2020), <https://www.piie.com/system/files/documents/wp20-9.pdf>.

⁹³ *Id.*

⁹⁴ Surupa Gupta & Sumit Ganguly, *Why India Refused to Join the World's Biggest Trading Bloc*, FOREIGN POLICY, (Nov. 23, 2020), <https://foreignpolicy.com/2020/11/23/why-india-refused-to-join-rcep-worlds-biggest-trading-bloc/>; Prachi Priya & Aniruddha Ghosh, *India's Out of RCEP, What's Next for the Country and Free Trade*, THE DIPLOMAT (Dec. 15, 2020), <https://thediplomat.com/2020/12/indias-out-of-rcep-whats-next-for-the-country-and-free-trade/>.

⁹⁵ *India exports of manufactured goods*, TRADING ECONOMICS, <https://tradingeconomics.com/india/exports-of-manufactured-goods#:~:text=Exports%20of%20Manufactured%20Goods%20in%20India%20averaged%20553.08%20INR%20Billion,India%20Exports%20of%20Manufactured%20Goods> (last visited Nov. 16, 2022).

⁹⁶ Michael J. Ferrantino et al., *Actual and Potential Trade Agreements in the Asia Pacific: Estimated Effects*, WORLD BANK (Oct. 2019), <https://openknowledge.worldbank.org/bitstream/handle/10986/33549/Actual-and-Potential-Trade-Agreements-in-the-Asia-Pacific-Estimated-Effects.pdf?sequence=1&isAllowed=y>.

ii. FDI: missed opportunities, and steady decreases

The RCEP held great opportunity for India to tap into a large reservoir of global FDI funds. The RCEP region saw total FDI investment of 5.7 trillion dollars in 2019, accounting for 24% of global FDI investments.⁹⁷ Of the total FDI investments flowing into the RCEP region, 30% was a result of intra-regional flows from the major economies of RCEP: China, Japan, Singapore, and South Korea.⁹⁸ In addition, RCEP countries accounted for 6.5 trillion dollars of FDI outflows,⁹⁹ or 36% of the total global FDI outflow.¹⁰⁰ Joining RCEP would have encouraged investment, a core component of the India's LEP.

Following India's withdrawal from RCEP, the amount of FDI inflows to India from the major RCEP economies has slowed significantly. Prior to RCEP negotiations and the eventual Indian withdrawal from negotiations in 2019, FDI inflows to India were steadily increasing.¹⁰¹ From 2013 to 2019, FDI inflows to India from the major RCEP economies were as follows: Japanese inflows accounting for 7% of India's FDI in 2013, Chinese inflows for 0.15%, and South Korean inflows for 0.62%.¹⁰² Every following year until 2019 saw each of these countries' FDI contributions increase by roughly 1%.¹⁰³

Most telling is the rapid decrease of Singapore's FDI inflows to India following India's withdrawal from RCEP. Singapore's status as a leading economy in ASEAN makes its relationship with India critical to an analysis of the impact of India's withdrawal from RCEP. It provides a reference point for how ASEAN members view India post-RCEP withdrawal.

In 2013, Singapore's contributions accounted for 10% of India's total FDI and increased steadily at a rate of 3% a year until 2019.¹⁰⁴ Given that Singapore is a powerful financial,¹⁰⁵ and trade hub linking 123 countries through its ports,¹⁰⁶ one

⁹⁷ UNCTAD, *supra* note 62, at 5.

⁹⁸ *Id.* at 7.

⁹⁹ Outflows is the money countries invest into other countries

¹⁰⁰ UNCTAD, *supra* note 62, at 6.

¹⁰¹ See Appendix II

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ Ankit Panda, *Singapore: A Small Asian Heavyweight*, COUNCIL ON FOREIGN RELATIONS (Apr. 16, 2020, 8:00 AM), <https://www.cfr.org/backgrounders/singapore-small-asian-heavyweight>; *GDP per Capita*, WORLDOMETER, <https://www.worldometers.info/gdp/gdp-per-capita/> (last visited Nov. 2, 2022) (showing Singapore has the 4th largest per capita GDP in the world).

¹⁰⁶ *Singapore*, INVEST IN ASEAN, <http://investasean.asean.org/index.php/page/view/asean-member-states/view/709/newsid/788/singapore.html> (last visited Nov. 2, 2022).

of the five largest economies within ASEAN,¹⁰⁷ and that ASEAN is India's third largest trading partner in exports,¹⁰⁸ Singapore's FDI into India merits special attention. Following India's withdrawal from RCEP in 2019, Singapore's FDI into India dipped from an average growth rate of 3% to 1.5% from 2018-2019, and then again to 1% in 2019-2020, and finally to 0.22% in 2020-2021.¹⁰⁹

This rapid drop in foreign investment from a primary trading partner that is also a leading economy in ASEAN and RCEP indicates that India's withdrawal from RCEP has damaged its reputation. Couple the loss of FDI with the lost potential in GDP growth, and calls from India to renegotiate AIFTA in order to stop ASEAN products from flooding Indian markets due to the lower tariffs,¹¹⁰ which will likely lead to further foreign investment decreases. India's withdrawal from RCEP is doing more harm than good to its economy. Conversely, India's chief regional competitor, China, will see its economic position elevated following India's withdrawal from the agreement. To offset this gain by its competitor, India must rethink its regional trade strategy by pursuing membership in alternative trade agreements.

C. India's loss is China's gain

Keeping China in check was one goal behind the formation of RCEP. RCEP was originally conceived by the ASEAN member nations as a means to create a unified framework for trade agreements in East Asia.¹¹¹ As China has spent large sums of money in South East Asia through the Belt and Road Initiative, many had hoped that including India, one of China's chief economic rivals in Asia and beyond, would help act as a counterbalance to Chinese influence within the agreement.¹¹² Now that India has withdrawn from the agreement, China can use RCEP to actualize the trade connections that it has been building through its

¹⁰⁷ INTERNATIONAL MONETARY FUND, REGIONAL ECONOMIC OUTLOOK ASIA AND PACIFIC SAILING INTO HEADWIND 21 (IMF eds., 2022) (highlighting that Singapore is a member of the ASEAN-5); the ASEAN-5 is a term to refer to the largest 5 economies within ASEAN.

¹⁰⁸ *India's exports to ASEAN seen at \$46 billion in FY22: Minister*, BUSINESS STANDARD (Aug. 24, 2021, 11:51 PM), https://www.business-standard.com/article/economy-policy/india-s-exports-to-asean-seen-at-46-billion-in-fy22-minister-121082401144_1.html.

¹⁰⁹ *Supra* note 101.

¹¹⁰ Alexander C. Koty, *The ASEAN-India Trade in Goods Agreement*, ASEAN BRIEFING (Oct. 18, 2021), <https://www.aseanbriefing.com/news/asean-india-trade-in-goods-agreement/>; *India is in discussion with ASEAN to start FTA review: Patel*, THE ECONOMIC TIMES (Feb. 9, 2022, 9:49PM), <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-is-in-discussion-with-asean-to-start-fta-review-patel/articleshow/89460256.cms?from=mdr>.

¹¹¹ Kurlantz, *supra* note 60.

¹¹² Peter A. Petri & Michael G. Plummer, *East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs* 23, (Peterson Inst. for Int'l Econ., Working Paper No. 20-9, 2020), <https://www.piie.com/system/files/documents/wp20-9.pdf>.

investments in the region.¹¹³ China has invested heavily in RCEP members through the BRI program, and by joining RCEP China will have greater access to markets, enabling it to sell more goods regionally and bolster its economy. Far from its original goal of keeping China in check, RCEP is now poised to boost China.

i. GDP and Trade Volume growth

China is expected to see GDP growth of roughly 100 billion dollars by being party to the agreement.¹¹⁴ The decrease in tariffs on Chinese imports by other RCEP countries will benefit China, as its pre-RCEP trade in goods among member nations was limited to roughly 27% of its total exports, amounting to roughly USD 688 billion¹¹⁵ Notably, RCEP allows member states to vary their level of tariff commitments to other member nations.¹¹⁶ China, however, has not discriminated among the major players of RCEP (ASEAN, Australia, Japan, and Korea) by a large margin, with its commitments to initial tariff reductions varying by only 1-2%.¹¹⁷

Conversely, smaller member states of RCEP, such as the ASEAN member nations, have kept higher tariff rates on the larger member countries such as China, Japan, and Korea. For China, the average tariff rate is 3.1% in its manufacturing sector. Compared to countries like Australia, where the average rate is 0%, this is high.¹¹⁸ China is still predicted to see large gains in its total trade volume because of the tariff concessions afforded by RCEP. This will deepen China's ties to the strongest economies of Asia.¹¹⁹ In fact, China is predicted to see overall gains of 11 billion dollars, and Japan will see growth of 20 billion dollars despite smaller countries' reservations on concessions.¹²⁰ This reservation related to tariff concessions shows that not only will China see an increase in trade volume with its neighboring countries, but that RCEP is flexible enough to accommodate both free trade and slightly restrictive trade policies.

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ U.N. Conference on Trade and Development, *An Assessment of the Regional Comprehensive Economic Partnership (RCEP) Tariff Concessions*, UNCTAD Research Paper No. 73 (Dec. 15, 2021).

¹¹⁶ *Id.* at 8

¹¹⁷ *Id.*

¹¹⁸ U.N. Conference on Trade and Development, *A New Centre of Gravity – The Regional Comprehensive Economic Partnership and its trade effects* (2021), https://unctad.org/system/files/official-document/ditcinf2021d5_en_0.pdf.

¹¹⁹ U.N. Conference on Trade and Development, *An Assessment of the Regional Comprehensive Economic Partnership (RCEP) Tariff Concessions*, UNCTAD Research Paper No. 73 (Dec. 15, 2021).

¹²⁰ *Id.*

By not joining RCEP India due to a fear of Chinese goods flooding their markets India did not realize all of the economic benefits that could have been gained from the agreement. India could have increased its exports to RCEP member countries which account for 30% of global trade, its total GDP is predicted to shrink by 6 billion USD, and it is missing out on potential increases to its FDI given RCEP accounts for 36% of the worlds FDI inflows. All of these unrealized gains were due to the potential of Chinese goods undercutting Indian manufactured goods however, as shown, India could have negotiated with RCEP members to keep higher tariffs on Chinese goods and thus guard itself against the offloading of Chinese goods.

IV. INDIA'S PATHS TO BECOMING AN ECONOMIC POWER PLAYER

India's decision not to join RCEP signals the reemergence of a protectionist mindset that harms its economic development and its status as an economic power player. To overcome this, India has several options to strengthen its economic ties around the world, but it must abandon the protectionist mindset. India can experience major economic growth if it chooses not to insist upon strict Rule of Origin laws and stringent Foreign Direct Investment restrictions.

India could choose from at least two options if it relaxes its reliance on strict ROOs. First, it could seek membership in the Asia-Pacific Economic Cooperation and by extension increase its trade capabilities with the Asian Pacific region. Second, it could attempt to foster a positive relationship with a slowly unifying Africa.

A. Asia-Pacific Economic Cooperation

If India decided to take a more open approach to foreign trade and investment, it could redouble its efforts to join the Asia-Pacific Economic Cooperation ("APEC"). APEC is an informal economic forum hosted by a different member nation every year wherein the 21 member countries in the Asian Pacific meet to discuss broad economic goals such as reducing tariffs, and also to negotiate infrastructure plans to help their economies grow.¹²¹ Combined, APEC's members represent over a third of the world's population, 47% of global trade, and

¹²¹ About APEC, ASIA-PACIFIC ECONOMIC COOPERATION (Sept. 2021), <https://www.apec.org/about-us/about-apec>; unlike RCEP or the CPTPP APEC is informal and does not carry the force and effect of law. APEC Goals are achieved through annual funding by member nations. Countries include: Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States, Taiwan, Hong Kong, China, Mexico, Papua New Guinea, Chile, Peru, Russia, and Vietnam.

60% of the world's GDP.¹²² When APEC was formed in 1989, India was excluded because its economy was seen as undeveloped.¹²³ When the community was expanded in 1998, India was still left behind as countries such as Russia, Vietnam, and Peru took their respective seats at the table.¹²⁴

Now, however, many current members view India as ready to join the agreement. They observe that India is now a maritime power and has strengthened its ties with other member nations, such as the ones that comprise ASEAN.¹²⁵ Countries including the United States, Japan, Indonesia, and Australia favor including India in the agreement.¹²⁶ The U.S. views India as a counterweight to China, Japan sees it as a strategic partner in the emerging ecommerce sector, and Australia sees it as a significant labor market.¹²⁷ Thus, these countries are likely to support India's inclusion into APEC.¹²⁸ Furthermore, India has been engaged in APEC as an observer since 2013, and has had negotiations with Indonesia, which has expressed its interest in supporting India's inclusion into the forum as a member.¹²⁹

The broader policy goals of APEC would also benefit India in that APEC primarily seeks to lower the transaction costs of goods and services bought abroad, thus making the free flow of commerce more efficient.¹³⁰ APEC members would also benefit because India would provide a large market for their products.¹³¹ Furthermore, APEC members would gain access to a large labor market in India for their businesses to tap into.¹³² The U.S.-China trade war has created a tense environment among APEC members; thus, the inclusion of India would give the forum members an alternative way to balance out the two feuding powers and minimize the costs of the trade war.

While a few member countries have been open to the idea of India's inclusion, a persistent anti-India faction within APEC claims that India's foreign

¹²² Ritikia Passi, *India in APEC? Hanging between rhetoric reality*, OBSERVER RESEARCH FOUNDATION (May 7, 2019), <https://www.orfonline.org/research/india-apec-hanging-between-rhetoric-reality-50561/>.

¹²³ Sandeep Gopalan, *Time to bust myth that India doesn't belong in APEC*, TRIBUNE INDIA (Nov. 28, 2018), <https://www.tribuneindia.com/news/archive/comment/time-to-bust-myth-that-india-doesn-t-belong-in-apec-689954>.

¹²⁴ *Id.*; between 1998 and 2012, APEC had a moratorium on adding new members, thus preventing India from joining.

¹²⁵ *Id.*

¹²⁶ Peter Varghese, *India in APEC: Views from the Indo-Pacific*, PERTH USASIA CENTRE (May 2019), <https://perthusasia.edu.au/getattachment/Our-Work/India-in-APEC-Views-from-the-Indo-Pacific/PerthUSAsiaCentre-India-in-APEC.pdf.aspx?lang=en-AU>.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Gopalan, *supra* note 123.

¹³¹ Gopalan, *supra* note 123.

¹³² Passi, *supra* note 122.

policy and approach to trade has not been liberalized enough. These countries argue that India still relies too heavily on protectionist strategies.¹³³ Malaysia, for instance, noted India's reluctance to reduce tariffs and insistence on strict ROOs in RCEP negotiations.¹³⁴ These positions could be problematic for APEC if India is allowed to join.

i. Advantages to APEC: free trade agreements aplenty

Several avenues exist for India to acquire APEC membership. India's inclusion into the Free Trade-Area of the Asian Pacific ("FTAAP") is one option. The FTAAP is a free trade agreement that would unite all APEC members in creating uniform tariff rates, investment strategies, and other related goals. The FTAAP has not yet been established, but the members of APEC have considered creating it since 2006.¹³⁵ The potential benefits of the FTAAP are numerous for example; should the FTAAP come into being with all member nations included the expected GDP growth in the Asian-Pacific is estimated to range from 809.8 billion USD to 1,502 billion USD with the vast majority of that wealth flowing to developing countries, with trade in the region increasing by 76.1%.¹³⁶

APEC leaders had hoped to establish the FTAAP following the achievement of the Bogor Goals¹³⁷ – lowering of tariffs on goods and services, decreasing barriers to entry for investment, and infrastructure improvements – by 2020.¹³⁸ At the time of the 2020 check in the Bogor Goals had made large progress in the areas of tariff reduction, liberalization of trade, and economic growth;¹³⁹ with much of

¹³³ Rani Singh, *What's Stopping India from joining the Asia-Pacific Economic Forum?*, FORBES (Mar. 17, 2016), <https://www.forbes.com/sites/ranisingh/2016/03/17/whats-stopping-india-joining-the-asia-pacific-economic-forum/?sh=41b596735dad>.

¹³⁴ Varghese, *supra* note 126.

¹³⁵ *Free Trade Area of the Asia-Pacific*, PACIFIC ECONOMIC COOPERATION COUNCIL, <https://www.pecc.org/research/ftaap>.

¹³⁶ Carlos Kuriyama et al., *Taking Forward the Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP) – Study on Tariffs*, ASIA-PACIFIC ECONOMIC COOPERATION 16–22 (Nov. 2019), https://www.apec.org/docs/default-source/publications/2019/11/study-on-tariffs/219_psu_compiled-ftaap-tariff-project.pdf?sfvrsn=87def792_1; the CPTPP replaced the TPP following the US's withdrawal from the agreement in 2016.

¹³⁷ The Bogor goals are a broad set of objectives by member nations, they do not mandate specific actions. Objectives include: negotiation of bi-lateral or multilateral trade agreements, reduction of tariffs in accordance with GATT & WTO principles, and improvement of transportation and communication services. *What are the Bogor Goals?*, ASIA-PACIFIC ECONOMIC COOPERATION (Sept. 2019), <https://www.apec.org/about-us/about-apec/factsheets/bogor-goals>; *1995 Leaders' Declaration*, ASIA-PACIFIC ECONOMIC COOPERATION (Nov. 19, 1995), https://www.apec.org/Meeting-Papers/Leaders-Declarations/1995/1995_aelm.

¹³⁸ *Id.*; *The Final Review of APEC's Progress towards the Bogor Goals*, ASIA-PACIFIC ECONOMIC COOPERATION (OCT. 2021), <https://www.apec.org/about-us/about-apec/achievements-and-benefits/2020-bogor-goals>.

¹³⁹ *Id.* at 1–5.

this progress being attributed to the rise of Regional Free Trade Agreements (“RTAs”) such as the CPTPP.¹⁴⁰

This highlights the importance of RTAs such as the CPTPP and RCEP in shaping and developing the Asian-Pacific economies. In fact, many scholars within APEC foresee the CPTPP and RCEP as two potential avenues for the development of the FTAAP following the completion of the Bogor Goals.¹⁴¹ Should RCEP become the predominant model through which the FTAAP is created then developing countries are predicted to receive the greatest economic benefit with expected GDP increases of 68%-70%.¹⁴² Conversely if the CPTPP becomes the predominant model then developed countries are expected to net the greatest economic benefit, with the GDP growth predicted to be between 33%-56%.¹⁴³ While the Bogor Goals were not entirely met due to the COVID-19 Pandemic, and the U.S.-China trade war, scholars are still optimistic that either RCEP or the CPTPP could lead to the realization of the FTAAP.¹⁴⁴

Should India join APEC, it could help determine how these agreements would shape the Asian Pacific. This in turn would increase the likelihood of India being able to influence the formation of the FTAAP and capture all of the economic benefits.

ii. Pathways to APEC

APEC is an informal trade forum wherein countries operate on a cooperative consensus. Member countries set the agenda of each yearly meeting by submitting their ideas to the APEC secretariat in Singapore.¹⁴⁵ A country seeking to join APEC must meet the following requirements: (1) it must be an economy located in the Asian Pacific, (2) it must maintain substantial trade ties with current APEC members, (3) trade with current members must be a high percentage of the country’s international trade, (4) it must maintain open market policies, and (5) it must show an action plan for how to implement APEC policies.¹⁴⁶ If a country

¹⁴⁰ *Id.* at 110–113.

¹⁴¹ *Supra* note 136.

¹⁴² *Id.* at 14

¹⁴³ *Id.*

¹⁴⁴ *See generally* Ferrantino et. al., *supra* note 96.

¹⁴⁵ APEC, WHAT IS THE ASIAN PACIFIC ECONOMIC COOPERATION?, <https://www.apec.org/about-us/about-apec#:~:text=APEC%20operates%20as%20a%20cooperative,binding%20commitments%20or%20treaty%20obligations>.

¹⁴⁶ APEC, STATEMENT ON MEMBERSHIP (1997), https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/1997/1997_amm/statement_on_membership.

meets these goals, it can submit a request for membership to the secretariat for the current members to vote on at the next meeting.¹⁴⁷ All members must agree on the inclusion of the proposed country.¹⁴⁸

To join APEC, India it must first abandon its protectionist strategies such as a reliance on strict ROOs, and pursue open economic policies such as tariff reduction. India must also foster positive relations with current members, and increase the amount of its exports to these members. Thus, the most likely path for India to APEC membership would be to seek participation in RCEP or the CPTPP, as these agreements would increase trade between India and members of APEC, and foster goodwill between them.

a. India & RCEP

India could seek to join RCEP as a stepping-stone to APEC membership. India would need to lower its reliance on ROOs and high tariffs in order to address the concerns of countries such as Malaysia. However, as seen throughout this comment, India's actions related to the formation of RCEP have damaged its relationship with member countries, and investment from those countries into India has steadily declined since India's withdrawal from the negotiations.¹⁴⁹ Thus, the likelihood of this path to APEC membership is low.

b. India & the CPTPP

India could alternatively seek to join the CPTPP. Many of the major economies of the CPTPP, such as Japan and Australia, have previously voiced support for India joining APEC.¹⁵⁰ Therefore, they are likely to support India's inclusion in the CPTPP. India stands to gain access to significant markets should it choose to join the CPTPP, which comprises 13% of the global economy.¹⁵¹ In addition, this agreement could grow in the coming years as countries such as the

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

¹⁴⁹ *Supra* note 92.

¹⁵⁰ *Supra* note 117.

¹⁵¹ Divesh Kaul, *How India Is Navigating Global Trade Agreement Trends*, DIPLOMAT (Dec. 8, 2018), <https://thediplomat.com/2018/12/how-india-is-navigating-global-trade-agreement-trends/>.

UK,¹⁵² Taiwan,¹⁵³ South Korea,¹⁵⁴ Ecuador,¹⁵⁵ and Thailand¹⁵⁶ have all either applied to join or declared their intent to join.

The mechanism for joining the CPTPP may present obstacles. If a single member objects to India's inclusion, the process will not even begin.¹⁵⁷ This could prove troublesome for India, as China has recently moved to apply for membership in the agreement.¹⁵⁸ While there is still a long way to go for China to become a full-fledged member of the CPTPP, if it succeeds, India's admission prospects will decrease. As noted, China and India are strategic competitors, and have had a rocky history, from border skirmishes to the fallout of the RCEP. India's admission to the CPTPP closely parallels Taiwan's membership application, i.e., should China be admitted then they will likely move to block any future membership applications by India as they would Taiwan.¹⁵⁹ Therefore, time is of the essence if India wants to use the CPTPP as a potential avenue to APEC membership.¹⁶⁰

Ultimately, India is unlikely to join APEC in the near future. As previously noted, India's goodwill with RCEP members has been tarnished due to its withdrawal from the agreement. This is evidenced by the decrease in FDI inflows into India from RCEP member countries. APEC membership can only be granted if all current members agree, so if India cannot repair its relationship with RCEP countries, it will struggle to be admitted as a member. This would be true even if India one day sought membership in the CPTPP and fostered a good relationship with APEC members party to that agreement.

¹⁵² AUSTRALIA GOVERNMENT DEPARTMENT OF FOREIGN AFFAIRS OF TRADE, COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP) (2021), <https://www.dfat.gov.au/trade/agreements/in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership>.

¹⁵³ Shihoko Goto, *Taiwan's CPTPP Bid Will Test the Resolve of the Indo-Pacific*, DIPLOMAT (Oct. 01, 2021), <https://thediplomat.com/2021/10/taiwans-cptpp-bid-will-test-the-resolve-of-the-indo-pacific/>.

¹⁵⁴ *South Korea to apply for CPTPP free trade pact membership*, JAPAN TIMES (Dec. 13, 2021), <https://www.japantimes.co.jp/news/2021/12/13/business/south-korea-cptpp-trade/>.

¹⁵⁵ Jeffrey J. Schott, *Which Countries Are in the CPTPP and RCEP Trade Agreements and Which Want in?*, PETERSON INST. FOR INT'L ECON. (Jan. 3, 2022), <https://www.piie.com/research/piie-charts/which-countries-are-cptpp-and-rcep-trade-agreements-and-which-want>.

¹⁵⁶ Phusadee Arunmas, *Minister to Submit Letter on CPTPP*, BANGKOK POST (Oct. 22, 2021, 9:33 AM), <https://www.bangkokpost.com/business/2202059/minister-to-submit-letter-on-cptpp>; *Thailand Plans to Join Talks on Trans-Pacific Trade Pact Membership*, REUTERS (Nov. 22, 2021, 5:16 AM), <https://www.reuters.com/world/asia-pacific/thailand-plans-join-talks-trans-pacific-trade-pact-membership-2021-11-22/>.

¹⁵⁷ *How to Join the CPTPP*, ASIAN TRADE CTR. (Feb. 2, 2021), <https://asiantradecentre.org/talkingtrade/how-to-join-the-cptpp>.

¹⁵⁸ Joanna Shelton, *Look Skeptically at China's CPTPP Application*, CTR. FOR STRATEGIC & INT'L STUD. (Nov. 18, 2021), <https://www.csis.org/analysis/look-skeptically-chinas-cptpp-application>.

¹⁵⁹ Kaul, *supra* note 151.

¹⁶⁰ Abhijit Singh, *Why APEC is Not Letting India Join as Its Member?*, MANOHAR PARRIKAR INST. FOR DEF. STUD. & ANALYSIS (last visited Oct. 22, 2022), <https://idsa.in/askanexpert/APECisnotlettingIndiajoin>.

B. *Africa as an alternative*

If India chooses not to pursue APEC membership, there is an alternative option: it could seek to deepen its economic ties with the African continent. Recently, Africa announced the African Continental Free Trade Area (“AfCTA”) with the intention of promoting intra-African trade. This agreement, once completed, would connect 55 countries and 1.3 billion people, would be valued at 3.4 trillion dollars, and by 2035 would increase the global economy by 450 billion dollars.¹⁶¹ Thus, there is strong potential for a vast increase in regional trade, trade that India could capitalize on if it fostered positive relations with African countries.

India has begun to engage with Africa in its foreign policy. Much of this comment has discussed the Look East Policy – the opening of market access in East Asia – but India has recently begun developing the Link West Policy.¹⁶² This policy focuses on increasing Indian investments in infrastructure projects within East Africa in order to gain greater access to raw materials for India’s manufacturing sector.¹⁶³ India has taken practical steps to strengthen these interests, such as establishing the Asian-African Growth Corridor (“AAGC”), an infrastructure investment agreement with Japan that channels Asian investments in East Africa.¹⁶⁴

This project has been viewed as a more affordable, fewer-strings-attached alternative to the Chinese BRI project.¹⁶⁵ The AAGC has a predicted budget of 10 billion USD,¹⁶⁶ this is compared to the BRI where China is predicted to spend anywhere from 1 trillion USD to 8 trillion USD.¹⁶⁷ Not only is the AAGC cheaper than the BRI, but more borrower friendly. BRI projects are primarily financed through Chinese state banks and State-Owned Enterprises (SOEs) by giving loans

¹⁶¹ WORLD BANK GROUP [WBG], *The African Continental Free Trade Area* (July 27, 2020), <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>; WBG, *The African Continental Free Trade Area Economic & Distributional Effects* (2020), <https://openknowledge.worldbank.org/bitstream/handle/10986/34139/9781464815591.pdf>.

¹⁶² See generally Lan Jianxue, *India's Link West Strategy: Origin, Progress and Prospects*, 77 CHINA INT’L STUD. 131 (2019).

¹⁶³ *Id.*

¹⁶⁴ See generally ECON. RSCH. INST. FOR ASEAN AND E. ASIA, ASIA AFRICA GROWTH CORRIDOR, P’SHIP. FOR SUSTAINABLE AND INNOVATIVE DEV., A VISION DOCUMENT (May 22, 2017), <https://www.eria.org/Asia-Africa-Growth-Corridor-Documents.pdf>. Investor countries include Japan, India, Bangladesh, Mongolia, and Singapore. Investment Recipient countries include Kenya, Madagascar, Maldives, Mauritius, Tanzania, Zambia, and Zimbabwe.

¹⁶⁵ Preethi Amaresh, *An Aisle of Opportunity: The Asia Africa Growth Corridor*, DIPLOMATIST (June 27, 2020, 12:00 PM), <https://diplomatist.com/2020/06/27/an-aisle-of-opportunity-the-asia-africa-growth-corridor/>.

¹⁶⁶ Shri V. Muraleedharan, Comment to *Question No. 233 Status of Asia Africa Growth Corridor*, MINISTRY OF EXTERNAL AFFAIRS GOV’T OF INDIA (Feb. 03, 2022), <https://www.mea.gov.in/rajya-sabha.htm?dtl/34796/QUESTION+NO233+STATUS+OF+ASIA+AFRICA+GROWTH+CORRIDOR>.

¹⁶⁷ Johnathan Hillman, *How Big Is China’s Belt and Road?*, CTR. FOR STRATEGIC AND INT’L STUD. (Apr. 3, 2018), <https://www.csis.org/analysis/how-big-chinas-belt-and-road>.

to partner countries. The terms of these loans enable the banks or the SOEs to cancel the loan at any times and demand immediate repayment.¹⁶⁸ Given that in some cases the amount of the loans can equal a significant portion of the countries GDP such as in the Sierra Leon port project wherein the loan was equal to 15% of the country's GDP;¹⁶⁹ this prevents a serious risk to developing countries who accept BRI funds.

Conversely, India has shown a commitment to the Debt Service Suspension Initiative developed by the G20 wherein countries who could default on their loan can have their loan suspended.¹⁷⁰ India has already suspended the debt of 45 countries which amounted to roughly 80% of the total debts the country was owed.¹⁷¹ Furthermore, India is adjusting its tariff strategy for African countries, in which it gives duty-free preferential treatment to African nations labeled "least developed nations."¹⁷²

Given that the AAGC is cheaper for India to implement, and maintains friendlier debt financing terms than the BRI it is likely India will find greater support amongst African countries in the future. All of these factors indicate that India is attempting to retool its strategy following what has occurred since the RCEP negotiations. Therefore, if India chooses to pursue the African option, it must exercise patience because seeing tangible results could take at least a decade.

V. CONCLUSION

As regional free trade agreements become more common in international trade and relations, countries that rely on strict protectionist policies are likely to find themselves isolated in terms of trade. India is a prime example of this: it has historically relied on stringent Rule of Origin laws to increase the level of tariffs that can be leveled against imports from foreign countries. By relying on protectionist strategies India has lost most of the benefits that the country gained during its negotiations with ASEAN, such as the increase in foreign investment

¹⁶⁸ See generally Anna Gelpern, et al., *How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments*, PETERSON INST. FOR INT'L ECON., KIEL INST. FOR THE WORLD ECON., CTR. FOR GLOB. DEV., AND AIDDATA AT WILLIAM & MARY (Mar. 2021), <https://www.aiddata.org/data/how-china-lends-dataset-version-1-0>.

¹⁶⁹ *Id.* In the case of the Sierra Leone Port project, China's SOE repossessed the port as collateral for the failure to repay the debt.

¹⁷⁰ Sara Joy, *The Common Framework of 2020 Could Offer Countries Debt Relief*, MINT (July 27, 2021, 9:23 AM), <https://www.livemint.com/opinion/online-views/the-common-framework-of-2020-could-offer-countries-debt-relief-11627400178837.html>.

¹⁷¹ *Id.*

¹⁷² See generally HARSH V. PANT, *India in Africa and Central Asia: Part of the New "Great Game"*, in INDIAN FOREIGN POLICY: AN OVERVIEW 149, 149—159 (1st ed. 2016).

into the country. India has seen foreign investment by ASEAN members into its country decrease at a rapid rate following its withdrawal from RCEP. This proves that India's relations that it has worked so hard to build in the Asian-Pacific region are damaged. Furthermore, as India calls for the renegotiation of its free trade agreement with ASEAN, these damaged relations can threaten to stall negotiations.

Should India continue to rely on the protectionist mindset and shun free trade agreements, the country may find itself increasingly isolated regarding Asian-Pacific trade. India's main regional competitor, China, is capitalizing on India's withdrawal from the RCEP agreement by nurturing the agreement into existence, weakening India's position in the region. If India does not take immediate action to implement a new trade policy centered along free trade, such as joining the CPTPP, then the country runs the risk of China further dominating the Asian-Pacific markets. Alternatively, India could abandon its goals of being an economic power player in the Asian-Pacific and instead nurture positive trading relations in Africa. However, for any of this to work, India must abandon its protectionist mindset and reliance on strict rule of origin laws.

Appendix 1

AAGC	Asian-African Growth Corridor
AfCTA	African Continental Free Trade Area
AIFTA	ASEAN-Indian Free Trade Agreement
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Region Forum
ASEAN	Association of South East Asian Nations
BRI	One Belt One Road Initiative, AKA Belt & Road Initiative
CICPEC	China-Indochina Peninsula Economic Corridor
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Trade
EU	European Union
FDI	Foreign Direct Investment
FTAAP	Free Trade-Area of the Asian Pacific
GDP	Gross Domestic Product
GVCs	Global Value Chain
LEP	Look East Policy
MIEC	Mekong-India Economic Corridor
NAFTA	North American Free Trade Agreement

RCEP	Regional Comprehensive Economic Partnership
ROOs	Rule of Origin laws
RTAs	Regional Free Trade Agreements
SAFTA	South Asian Free Trade Agreement
SE	South East
SOEs	State-Owned Enterprises
TPP	Trans-Pacific Partnership
UNSC	United Nations Security Council
USMCA	United States – Mexico – Canada Agreement

Appendix II

Below is a chart wherein FDI inflows into India was collected by India's department of for Promotion of Industry and International Trade. For the purposes of this comment, the change in percentage of total FDI inflows was measured from reporting year to reporting year.¹⁷³

Year	Country	FDI Inflows into India (in USD Millions)	Percentage of total inflows	Change in yearly percentage of inflows (from prior year)
2014	Singapore	29,757.98	12.47%	X
2015	Singapore	43,712.31	15.53%	+3.05%
2016	Singapore	52,994.49	16.34%	+8.1%
2018	Singapore	79,746.67	19.49%	+3.15%
2019	Singapore	94,650.84	20.72%	+1.23%
2020	Singapore	113,386.28	21.74%	+1.02%
2021	Singapore	123,146.03	21.96%	+2.2%
2014	Japan	17,694.86	7.42%	X
2015	Japan	19,434.78	6.99%	-.43%
2016	Japan	25,215.45	7.77%	+7.8%
2018	Japan	29,519.14	7.21%	-.56%
2019	Japan	33,080.56	7.24%	+0.3%
2020	Japan	34,526.34	6.62%	-.62%
2021	Japan	36,253.29	6.46%	-.16%

¹⁷³ DEP'T FOR PROMOTION OF INDUS. AND INTERNAL TRADE, FDI STATISTICS, <https://dpiit.gov.in/publications/fdi-statistics> (last visited Nov. 1, 2022).

2014	Korea	1,517.13	.64%	X
2015	Korea	1,761.44	.63%	-.01%
2016	Korea	2,196.30	.68%	+.05%
2018	Korea	3,537.34	.87%	+.19%
2019	Korea	4,412.23	.97%	+.10%
2020	Korea	4,829.87	.93%	-.09%
2021	Korea	5,061.44	.96%	+.03%
2014	China	435.82	.19%	X
2015	China	1,322.81	.48%	+.29%
2016	China	1,611.66	.50%	+.02%
2018	China	2,168.15	.53%	+.03%
2019	China	2,342.03	.51%	-.02%
2020	China	2,438.68	.47%	-.04%
2021	China	3,446.15	.44%	-.03%

Appendix III

Below is a chart wherein FDI inflows into Japan, data was collected from the Japan external trade organization. For the purposes of this comment, the change in percentage of FDI inflows by country was measured year to year.¹⁷⁴

Year	Country	FDI inflows (Millions USD)	Change in percentage
2016	China	44,286	X
2017	China	47,450	+7.1%
2018	China	52,820	+11.3%
2019	China	70,102	+32.7%
2020	China	86,843	+23.8%
2021	China	84,594	-2.5%
2016	Singapore	20,216	X
2017	Singapore	21,993	+8.7%
2018	Singapore	23,269	+.05%
2019	Singapore	33,405	+43.5%
2020	Singapore	40,749	+21.9%
2021	Singapore	32,221	-20.9%
2016	Korea	3,429	X
2017	Korea	5,102	+48.7%

¹⁷⁴ JAPAN EXTERNAL TRADE ORG., FDI LOW (BASED ON BALANCE OF PAYMENTS, NET) BY COUNTRY AND REGION, <https://www.jetro.go.jp/en/reports/statistics/> (last visited Nov. 1, 2022).

2018	Korea	6,712	+31.5%
2019	Korea	7,365	+9.7%
2020	Korea	9,063	+23%
2021	Korea	8,073	-10.9%

Appendix IV

Below is a chart wherein FDI inflows into Singapore, data was collected from the Singapore Department of Statistics. For the purposes of this comment, the change in percentage of total FDI inflows by country was measured year to year.¹⁷⁵

Year	Country	FDI Inflows (Millions USD)	Change in percentage
2016	Japan	91,706	X
2017	Japan	97,745	+6.5%
2018	Japan	115,879	+18.5%
2019	Japan	130,827	+12.8%
2020	Japan	139,948	+6.9%
2016	China	23,806	X
2017	China	39,696	+66.7%
2018	China	39,990	+0.74%
2019	China	42,956	+7.4%
2020	China	43,872	+2.1%
2016	Korea	13,919	X
2017	Korea	16,522	+18.7%
2018	Korea	19,723	+19.3%
2019	Korea	23,509	+19.1%
2020	Korea	28,512	+21.2%

¹⁷⁵ DEP'T. OF STAT. SING., FOREIGN DIRECT INVESTMENT IN SINGAPORE BY INVESTOR SOURCE (STOCK AS AT YEAR-END), <https://tablebuilder.singstat.gov.sg/table/TS/M083801> (last visited Nov. 1, 2022).