

India and the TPP, missed opportunity or postponed engagement?

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News concerning the Trans Pacific Partnership (TPP) agreement generated comments in India ranging from a sentiment of having missed the TPP train to a well-thought plan deliberately showing interest in a trade deal of which conditions were unattainable. Whatever the opinion, India's reaction to the TPP needs more scrutiny because it will become a major player in the world economy as its active population grows at the pace which will overtake China in the upcoming years.

While India is pursuing different trade deals with various countries, it has inked trade deals with Asian developed nations such as Japan, South Korea and Singapore but very few from the West. Negotiations with Europe, Australia and Canada's FTA are still ongoing and further liberalization of trade with the USA remains remote. This paper examines Indian response to the TPP and details the different reasons why India has not joined the agreement. Regulations of the TPP which constitute great challenges for India will be highlighted to demonstrate that India's incapacity to attain certain requirements for a TPP deal puts its manufacturing exporting capacity at risk.

Countries involved in the TPP account for 40% of world GDP and represents 25% of India's exports. The United States, Japan and Singapore, all signatories of the TPP, are India's main TPP trading partners. In 2014, India's trade with TPP countries amounted to US\$ 152 billion with a surplus of 4 billion. Ten years ago, the USA accounted for 34% of TPP exports to India but now sit at 28%. Furthermore, 87% of India's TPP imports came from developed countries a decade now represent 70%. In comparison, 'the share of developing countries in India's import basket has increased to around 30% in 2014 from

a mere 13% in 2005'¹. Asia represents about 80% of India's total trade with countries from the South (including China). This is why arguing that the Regional Comprehensive Economic Partnership (RCEP) is a better deal for India for the moment gains some ground which could shift like it as in the recent past. I will therefore briefly examine the impact of Indian decision making when two competing economic multilateral agreements are concerned.

Choosing a camp

Decisive factors (critical junctures) forge the path of strategic alliances. According to Giovanni Capoccia and Daniel Kelemen, critical junctures have two components. First of all, these moments are destinations of choice, in the sense that, when a State adopts a particular option between two or more variants, it frames a geostrategic trajectory². Secondly, once the line is activated, it becomes progressively more difficult to return to the initial point. Thus, these critical junctures are important because they place the institutional arrangements on tracks that are resistant to change. That is why the dilemma between the TPP and the RCEP can be regarded as a 'special' choice because it reveals a commitment to strategic and bureaucratic intensity. Given the structural scale of TPP, delaying its application permits India to save time but it won't exempt her from its impact.

Choosing a commercial organisation can contribute to amplify Indian power or at least maximize its institutional capacity. The deployment of the Go Global and the Look East Policy strategies faces Chinese influence but also mobilizes the fears of other Asian nations towards the 'Golden standards' imposed by the TPP. For the past years, the

¹ BANGA, Rashmi and Prithish Kumar Sahu, Trans-Pacific Partnership Agreement (TPPA): Implications for India's Trade and Investments, Centre for WTO Studies (CWS), Indian Institute of Foreign Trade CWS/WP/200/24, October 2015, p. 9-11.

²CAPOCCIA, Giovanni and Daniel Kelemen, 'The study of Critical Junctures' *World Politics*, Vol. 59, no. 3, 2007, p. 341-369.

rechauffement of Sino-Indian relations push Asian countries, especially ASEAN, in a strategic dilemma. Partner with the United States/Japan axis as do Viet Nam and Malaysia by signing the TPP or either consolidate the Asian block through the RCEP and China's overwhelming influence.

According to Barry Buzan and Ole Weaver, different types of regional organizations structure polarity (and multipolarity). Focused regional organizations are the result of an impulse of a regional power or a superpower (such as the United States in the case of the TPP). In other cases, regional organizations are the result of multiple integrated countries (e.g. Europe) under the idea to institutionalise their relations and offer a maximum benefit from trade and security agreements. Finally, another model of super-complexe regional organization consists of countries grouped under the threat or the influence of a neighboring superpower (such as ASEAN, the TPP or the RCEP in a broader sense).

The TPP is also geostrategic soft power. The 'United States also stands to obtain geostrategic benefits by having India and more ASEAN members in the TPP that will make the latter a more effective counterbalance to the economic and political hegemony of China in the region³'. Sheridan even considers the TPP as Obama's main geostrategic success in his 'pivot of Asia' pforeign policy. As Sheridan puts it, the TPP 'is a massive play by the US for continued geostrategic leadership in the Asia Pacific. (...) The TPP is the only significant forward move by the US in Asia in Barack Obama's second term. It is all about the US rivalry for regional leadership with China⁴'. Accordingly, Hamanaka does see multilateral economic agreements as geostrategic tools comparable with security alliances.

Traditional theorists explain regional integration efforts as a "balancing" phenomenon. For them, the United States leadership in the Trans-Pacific Partnership (TPP) negotiations is related to its attempt to balance against a rising the People's Republic of China (PRC). Likewise, they would argue that PRC's

³ PALIT, Amitendu. *The Trans Pacific Partnership, China and India: Economic and Political Implications*, Routledge, 1ère édition, 2014, p. 106.

⁴ SHERIDAN, Greg, 'TPP a triumph for US role in Asia', *The Australian* - October 09, 2015.

policy to establish the Regional Comprehensive Economic Partnership (RCEP) can be best understood as a counter-proposal for a regional economic coalition vis-à-vis the United States-led TPP⁵.

International organizations, sponsored by China and India such as the RCEP have multiple purposes: build trust and institutionalize relations in order to facilitate trade and access to markets by setting common agendas between countries or excluding one of a multilateral agreement, and set the standard in international affairs rules. On the other hand, international and regional organizations can be used to undermine diplomacy on the other, as reveals a structured distrust between China and India.⁶ For example, the use of regional and international organizations by China to increase its power while denying access or the marginalization of India to these organizations adds a new competitive dynamic to guide relations. At the ASEAN Summit of 2005, China applied pressure on the Organization to prevent the invitation to India to join the ASEAN + 6 (East Asian Summit) and within the Asian Development Bank, China vetoed an Indian plan of development in Arunachal Pradesh, thus internationalizing a bilateral territorial dispute. The emergence of China creates a malaise in Southeast Asia, including at sea, the role of balancing the India is well perceived within ASEAN to influence the behavior of China in a more cooperative fashion. Not surprisingly, it is ASEAN who initiated the RCEP which includes the organization members and the +6.

One of the reasons for the success of India with ASEAN lies in the consensus of common denominators to develop supranational trading policies. Unlike China, which sends most of its exports to rich countries, Indian exports grow faster towards the countries of the South, particularly in ASEAN⁷. For the last ten years, the annual growth of the bilateral

⁵ HAMANAKA, Shintaro, *Trans-Pacific Partnership versus Regional Comprehensive Economic Partnership: Control of Membership and Agenda Setting*, Asian Development Bank Working paper Series on Regional Economic Integration, no. 146, December 2014, p. 1.

⁶ MALIK, Mohan, 'China and India Today: Diplomats Jostle, Militaries prepare', *World affairs*, Vol. 175, no. 2, 2012, p. 74-84.

⁷ MOHANTY, Mritiunjoy, 'Mondialisation et croissance de l'économie indienne' in Serge Granger, Karine Bates, Mathieu Boisvert et Christophe Jaffrelot (ed), *L'Inde et ses avatars, pluralités d'une puissance*, Montréal, Presses de l'Université de Montréal, 2013, p.189-231.

trade stands at 23% and free trade which began in 2010 allows India to surpass China's growth. Moreover, it is Indian services which will be more exported as an agreement of free trade on services was signed in the fall of 2014.

In a wider geopolitical context involving China, India forged regional organizations with the aim of increasing its market power. International value chains dramatically increased maritime commerce and trans-oceanic corridors have become real issues of survival. Half of the global containers pass through the Indian Ocean and two-thirds of the world's oil borrows this sea. At the initiative of Mauritius, largely indo-centric, the Indian Ocean Rim Association excludes Pakistan and China, who likes to point out that the Indian Ocean is not the ocean of the Indians. Always excluding Pakistan and China, the Bay of Bengale initiative (BIMSTEC), created under the impulse of 'Asian values' put forward in the Bangkok declaration, which reflect the principles of Panchsheel, aim to establish a free trade area in the countries bordering the Bay of Bengal. The inclusion of Myanmar is particularly appreciated by India as that country recently distanced himself from China by applying substantial political reforms to open its borders to Indian and foreign investment⁸.

Most of the commentators on India's TPP dilemma point out the recent trading numbers as a demonstration of India's economic integration with Asia (therefore directly colluding with China). Most of them believe that choosing or promoting the RCEP is a wise choice for the short term but many disagree on how India should envision the future. The next section classifies commentators in four categories. Those would believe that India should not sign the TPP and should instead promote its own conditions. There are also those who believe that the RCEP could compete with TPP and propose an Asian response to Northern standardization. Others argue that TPP standardization is coming and India should apprehend the phenomenon by anchoring its standards to TPP levels and finally, there are those who believe that India should engage in talks aimed at joining the TPP.

⁸ GRANGER, Serge, 'L'Inde et la Chine : se préparer au choc des titans', *Diplomatie*, no. 76, September-October 2015, p. 72-75.

Reaction to the TPP

When news of a TPP deal reached India, all major newspapers commented on it. The Times of India called it a ‘rude wake up call’⁹. For the first time in 30 years, India had a majority government and Prime Minister Narendra Modi could usher radical reforms aimed at modernizing Indian competitiveness in exports and manufacturing. *Making it India* was an electoral motto promising to create millions of jobs through manufacturing, a sector strongly dependant on world markets. The announcement of the TPP added foreseen obstacles to the promise land and reminded the Modi’s government that, aside from having problems passing legislation in the upper house, trade agreements accelerate or decelerates exports and manufacturing. ‘Hence, the country needs to be cautious and bring in reforms in major sectors for wooing large investments’¹⁰.

With a growing population at a rate that even China did not experience, India must urgently get its manufacturing and exporting capacities to provide jobs for hundreds of millions of people. Any decrease or marginalization of Indian exports in the world markets will affect its own social stability and it is impossible for now to envision domestic demand as the main job creator or growth. Yet, news of the TPP created a certain anxiety about India’s future exporting capacity. Union Minister of Commerce and Industry, Nirmala Sitharaman reassured that there was ‘nothing to worry about the adverse impact of TPP on India. We have taken necessary steps to boost India’s trade and investment in the wake of emerging new trade architecture’¹¹.

⁹ *Times of India* (editorial), « Negotiate smart: The Trans-Pacific Partnership, which excludes India, highlights need to get the economy in order », *Times of India*, [En ligne], 8 octobre 2015, <http://blogs.timesofindia.indiatimes.com/toi-editorials/negotiate-smart-the-trans-pacific-partnership-which-excludes-india-highlights-need-to-get-the-economy-in-order/>, (page consultée le 22 mars 2016).

¹⁰ THE PIONEER, « TPP : Changing status quo in global trade? », Eureka.cc : 1992-, no 20160326SPIO045. *The Pioneer* (Inde), 4 avril 2016.

¹¹ VAID, Manish et Tridivesh Singh Maini. « East Asia Forum : Economics, Politics and Public Policy in East Asia and the Pacific », *Is there room for India in the TPP?*, [En ligne], 2 mars 2016, <http://www.eastasiaforum.org/2016/03/02/is-there-room-for-india-in-the-tpp/>, (page consultée le 6 avril 2016).

Critics of the TPP ‘contend that (it) only serves the interests of wealthy nations and large US corporations, imposes heavy burdens on developing nations and that India would be better off having nothing to do with it. Its standards are too high in any case, and India is not in a position to adhere to them’¹². One of the most vocal opponents to the TPP is Jagdish Bhagwati who wrote in the *Hindustan* a strong nationalistic proposal to the upcoming trade agreement. He argues that India is independent of the USA and it can trace its own path for trade deals and resist ‘lying in every bed we can find (...) Thus, if we want to join a golf club, we must know how to play golf (...) Let us put our own oar into the water without acting as a small, unimportant country that has no choice but to kneel and genuflect’¹³. Bhagwati proposes India should define its own standards and try to focus on exports where compatible markets are, mainly in the South and Asia. Abhijit Das from the Centre for WTO studies, Indian Institute of Foreign Trade says that the ‘choice before India was clear—remain outside the TPP and live with a loss of a few billion dollars of exports, or join the TPP and face steep hike in prices of medicines. Given its public policy imperatives and health needs, the country has wisely chosen the first option’¹⁴.” He also stresses that joining the TPP would jeopardize Indian pharmaceuticals, a strong national industry. Pritish Kumar Sahu also points out that India is not ready to engage in multilateral agreement with high standards and that for being, negotiating a less demanding deal is more accessible and feasible. ‘It may be better for India to keep out of TPP and negotiate with the rest of the world by going along with RCEP... Hence, the cost of participating in the TPP is much higher than not participating

¹²INAMDAR, Nikhil, ‘The TPP threat. Obama may set the stage for the ambitious Trans-Pacific Partnership to be concluded this week. India can't afford to ignore its progress’, *Business Standard*, April 22, 2014.

¹³ BHAGWATI, Jagdish. « India should not toe the US line on the Trans-Pacific Partnership », *Hindustan Times* (New Delhi), 28 septembre 2015.

¹⁴ DAS, Abhijit. « TPP (ing) point for India in global trade », *The Financial Express*, [En ligne], 7 octobre 2015, <http://www.financialexpress.com/article/fe-columnist/tpping-point-for-india-in-global-trade/146890/>, (page consultée le 6 avril 2016).

in the bloc (...) Yet India not becoming a party to the agreement is a right choice at this stage¹⁵.

Some commentators who oppose Indian's entrance to the TPP would prefer to see the country engage more thoroughly in RCEP negotiations so that it can minimize losses occurred by the TPP. For that purpose, Banga argues 'that remaining out of TPP trading bloc can benefit India more than joining the bloc. The trade diversion is not substantial but joining TPPA may lead to a much higher rise in imports as compared to exports. The investment potential and opportunities become more viable by remaining outside TPPA¹⁶. Similarly to Banda, Sahu confirms that It may be better for India to keep out of TPP and negotiate with the rest of the world by going along with RCEP (...) The majority view is that this deal would adversely affect India's trade and welfare. Yet India not becoming a party to the agreement is a right choice at this stage'¹⁷. Kumar and Singh point out that India's tariff are not ready for the TPP¹⁸ but India and China must find ways to overcome their differences and come up with a trade deal that will compete with American standards. As Shiro Armstrong point out, once standards are set, others must follow and 'they'll be forced to join on terms set by largely the United States and Japan and other neighbours'¹⁹. Also for Hamanaka, India is a late comer and has no capacity to modify trading practices and standards of incumbents, Reasons to choose the RCEP are threefold : (i) an increased presence in Southeast and East Asian markets, (ii) closer relations with ASEAN as an institution, and (iii) increased connectivity with North Asia

¹⁵ SAHU, Pritish Kumar. « Trans-Pacific trade deal puts India in a spot », *Eureka.cc: 1992-*, n° 20160311NHBLHIN104256, *The Hindu Business Line*, 11 mars 2016.

¹⁶ BANGA, p. 25.

¹⁷ SAHU, Op. Cit.

¹⁸ KUMAR, Manoj et Rajesh Kumar Singh. « India says will shake up trade tariffs to compete globally », *Reuters : Business*, [En ligne], 1er avril 2015, <http://in.reuters.com/article/india-economy-exports-idINKBN0MS45U20150401>, (page consultée le 6 avril 2016).

¹⁹ HALL, Eleanor. *Entrevue avec Shiro Armstrong*. The World Today, Australie, 27 juillet 2015, TPP could do 'more harm than good' in Asia-Pacific, expert warns, (6 min 42 sec).

and Oceania²⁰. By being one of the initial promoters, India also offers China a tool to limit American influence in Asia.

The RCEP, therefore, provides a feasible forum for India and China to come together in a regional trade arrangement. ... (The) RCEP is a positive all-encompassing regional configuration that allows for the economic dynamism of both India and China to contribute to regional trade creation prospects, the negotiations must be fast, taking into consideration the differential levels of member economies, to outdo the competition posed by the TPP²¹.

What is worth noting is that the TPP pushes China and India to accelerate negotiations into a first free trade agreement with ASEAN, divided also on membership towards the TPP. Yet, ASEAN promotes a non-interference attitude which does not entail golden standards such as the TPP. 'India is unlikely to join TPP in its current form because it compels members to amend their rules and norms with regard to climate change, the environment, and human rights (*ibid*). Therefore, India would not be comfortable being "socialized" by TPP accession'²². It may also find ASEAN partners which would prefer to follow RCEP rules rather than TPP standards.

In this regional stratagem, China–India relations may witness new dynamics and power politics in East Asia or in the broader Asia-Pacific region. It may also open a new window of opportunity for India's greater integration with the East Asia region. India needs to analyse carefully the efficacy and implications of both RCEP and TPP to see how far they serve New Delhi's own regional interests. RCEP may eventually facilitate India's 'Look East' policy more effectively than TPP²³.

²⁰ HAMANAKA, p. 15.

²¹ BATRA Amita, 'India and China in the Emerging Asian Economic Architecture' in *India and China in the Emerging Dynamics of East Asia*, G.V.C. Naidu, Mumin Chen and Raviprasad Narayanan (ed.), Delhi: Springer, 2015, p. 40-41.

²² HAMANAKA, p.15.

²³ PANDA, Jagannath, 'Factoring the RCEP and the TPP: China, India and the Politics of Regional Integration', *Strategic Analysis*. 38 (1), 2014, p.1.

The fact that the process of Indian integration is so far a success lays the tracks for more assertiveness in Asia. Kristy Hsu explains that a ‘strong political will behind the RCEP initiative is driven by the desire to push forward the stagnate integration process that is hindering economic growth after the global financial crisis in 2008’²⁴. India has to put forward a greater imprint on the conditions of trade and Asia seems the best and most effective place to do so. “For India, the agreement provides an opportunity to reflect on its approach to multilateral trade talks²⁵, As Geethanjali Nataraj argues “(i)f India wants to grow to such economic and geopolitical heights, it must become more integrated²⁶.”

The third set of commentators believes that while India is not a signatory of the TPP, it should immediately close the gap between its own conditions to fit the golden standards set by the TPP. This implies that India renounces its own standards agenda setting within new FTAs and tries to elaborate at a fast pace remedies for her discrepancies. As Rachit Rajan noted, ‘if India decides to join the TPP, it would need to forego several key policy goals, and significantly expedite domestic reforms to meet the standards’²⁷ Adding to what it seems a fait accompli, Manish Vaid and Maini Tridivesh Singh argue that ‘India’s reform agenda can be guided by the trade rules outlined in the TPP and pursued by the United States, which are set to become a new global trade paradigm. This could help raise India’s share of global trade above its current level of 2.1 per cent’²⁸. According to

²⁴ HSU, Kristy, ‘The RCEP: Integrating India into the Asian Economy’, *Indian Foreign Affairs Journal* Vol. 8, No. 1, January–March 2013, p. 42.

²⁵ THE HINDU, « Harbinger of change in global trade », *The Hindu*, [En ligne], 7 février 2016, <http://www.thehindu.com/opinion/editorial/transpacific-partnership-harbinger-of-change-in-global-trade/article8206364.ece>, (page consultée le 6 avril 2016).

²⁶ NATARAJ, Geethanjali. « East Asia Forum : Economics, Politics and Public Policy in East Asia and the Pacific », *India’s TPP dilemma*, [En ligne], 31 octobre 2015, <http://www.eastasiaforum.org/2015/10/31/indias-tpp-dilemma/>, (page consultée le 6 avril 2016).

²⁷ RANJAN, Rachit. « Should India Join the TPP ? : In the wake of this week’s historic agreement, what should India do now ? », *The Diplomat*, 9 octobre 2015, [En ligne], (page consultée le 22 mars 2016).

²⁸ VAID, Manish and Tridivesh Singh Maini. « East Asia Forum : Economics, Politics and Public Policy in East Asia and the Pacific », *Is there room for India in the TPP?*, [En ligne], 2 mars 2016, <http://www.eastasiaforum.org/2016/03/02/is-there-room-for-india-in-the-tpp/>, (page consultée le 6 avril 2016).

Manoj Kumar and Rajesh Kumar Singh, India 'plans to pull its tariff regime closer in line with global norms' and has already begun to set golden standards in negotiations with developed countries but would also need to do so in developing economies²⁹. The newspaper The Pioneer explained that 'seven countries within the RCEP are TPP members, there could be a possibility that they all may push for adoption of higher standards prescribed by the TPP'³⁰. Nikhil Inamdar suggest:

Whatever may be the accurate standpoint, the fact remains that India cannot afford to ignore TPP's progress. From isolation as a manufacturing hub to the prospect of global supply chains moving away, to India being forced to adhere to higher degrees of regulation by member countries³¹.

Finally there are those who think that India should engage in the TPP. For Meltzer, 'the absence of India from the TPP will be costly. Generally speaking, the TPP will cause trade to divert to TPP countries and away from India'³². TNC Rajopalan believes that by not integrating the TPP it 'will erode existing preferences for Indian products in established traditional markets such as the US and the European Union (EU), benefiting the partners to these agreements'³³. Rachit Rajan, Banga, Manish Vaid and Maini

²⁹ KUMAR, Manoj et Rajesh Kumar Singh. « India says will shake up trade tariffs to compete globally », *Reuters : Business*, [En ligne], 1er avril 2015, <http://in.reuters.com/article/india-economy-exports-idINKBNOMS45U20150401>, (page consultée le 6 avril 2016).

³⁰ THE PIONEER, « TPP : Changing status quo in global trade? », Eureka.cc : 1992-, no 20160326SPIO045. *The Pioneer* (Inde), 4 avril 2016.

³¹ INAMDAR, Nikhil The TPP threat, Obama may set the stage for the ambitious Trans-Pacific Partnership to be concluded this week. India can't afford to ignore its progress, *Business Standard*, April 22, 2014,

³² MELTZER, Joshua P., *Standards and Regulations in the Trans-Pacific Partnership Agreement: Implications for India*, The International Institute for Sustainable Development, April 2015, p. 5.

³³ RAJAGOPALAN, TNC. « How the Trans-Pacific Partnership will affect India's foreign trade », *Business Standard*, [En ligne], 11 octobre 2015, http://www.business-standard.com/article/opinion/how-the-trans-pacific-partnership-will-affect-india-s-foreign-trade-115101200053_1.html, (page consultée le 22 mars 2016).

Tridivesh Singh all refer to two studies conducted at the Peterson Institute's: C. Fred Bergsten's *India's Rise: Toward Trade-Led Growth*³⁴ and A. Petri and Michael G. Plummer's working paper entitled *The Economic Effects of the Trans-Pacific Partnership: New Estimates*³⁵. They evaluate the exclusion of India in the TPP at a loss of 2.7 billion dollars per year which could reach as high as 50 billions per year if China and ASEAN joins the TPP. Even if China does not enter the TPP. For those studies, joining the TPP would assure a 8-10% growth every year, the target set by the Indian government. Although the three above authors underline the incapacity of India to meet the standards imposed by the TPP, they believed that a postponed inclusion is the optimal choice. Ranjan echoes Bergsten study which suggest that Indian integration would lead to massive export gains and raise India's national income by an estimated 4 percent³⁶.

IMPACT OF THE TPP ON INDIA

There is a variety of opinion on what would be the consequences if India ignored the unfolding of the TPP. Most of the commentators speculate on the few studies that try to estimate exporting trajectories. Also there are those who predict that India will have to follow standards and it may lose some power if it does not accelerate trade reforms. They specify that India is lagging in many domains, labor laws and the environment notably, and that it must address these issues to reach the standards imposed by the TPP. Also, some commentators warn that the inflow of FDI's will be strongly affected if India does not secure an investment environment suitable for foreign multinationals. Finally, some

³⁴ BERGSTEN, C. Fred, *India's Rise: Toward Trade-Led Growth* Peterson Institute for International Economics, 2015.

³⁵ PETRI, A. and Michael G. Plummer, *The Economic Effects of the Trans-Pacific Partnership: New Estimates*, Peterson Institute for International Economics, Working Paper 16 (2) January 2016.

³⁶ RANJAN, Rachit. « Should India Join the TPP ? : In the wake of this week's historic agreement, what should India do now ? », *The Diplomat*, 9 octobre 2015, [En ligne], (page consultée le 22 mars 2016).

commentators point out that the TPP will exacerbate Indian deficiencies if they are not addressed in future FTAs. They believed that the TPP challenges India faces will cripple its capacity to ink deals.

As Banga underlines, ‘empirical studies in context of India are still limited in number’. Most rely on studies mentioned above and ‘the existing literature suggests that India’s GDP, economic welfare and the trade would be reduced marginally³⁷’. It is measured that India would lose 0.1% of its market share in the next five years. However, today negotiations would strongly influence the future putting greater contraction of Indian exports in world market. In the sector of Indian exports similar to TPP members would probably decline. Vietnam and Malaysia are the most often example cited to demonstrate that India would lose its corporate advantage in the textile industry³⁸. Textile exports represent 17 % of the total while food products amount to 15% of total exports. This means that TPP regulations accepted by Vietnam, which is a member of the TPP, will probably compete directly with India concerning American market access. If TPP rules were applied today, it is estimated that India will lose 96 million of exports to the USA of which it is constituted of about a third of textile³⁹. Relying of Petri’s study, India would lose \$45 billion in exports if APEC countries joined the TPP. Overall, if India joined the TPP and the RCEP, it would increase its exports by 60%, more than any other country⁴⁰. So for now, India’s exclusion from the TPP has limited impact on exports but if the RCEP fails, a larger decline is predictable.

GOLDEN STANDARDS

³⁷ BANGA, p. 6.

³⁸ LEHMAN, Jean-Pierre and Deepali Fernandes, *India and the Mega-Regional Trade Deals*, 2014, <https://www.imd.org/research/challenges/loader.cfm?csModule=security/getfile&pageID=398581>.

³⁹ BANGA, p. 17-18.

⁴⁰ BANGA, p.6.

Because of the size (40%) of its market and the likelihood of enlargement, the TPP development of international standards ‘will incrementally become de facto global standards. The TPP will formalize coordination among TPP parties on developing standards amongst themselves and in international standard setting bodies’⁴¹. India will be required to comply if it wants to integrate the value chains. Also,

Strong coordination amongst TPP parties may increase their capacity to influence WTO outcomes and weaken India's capacity to affect WTO outcome. To prevent such a scenario, the negotiations on RCEP should be accelerated as this could serve as a potential alternative to the present TPP in terms of the trade and prospects⁴².

Amita Batra points out that some ASEAN signatories of the TPP will exert pressure on India (and other members) to implement TPP standards

For successful implementation, however, the RCEP will have to contend not just with the prior presence of the TPP in the region as an alternative formulation but also the higher standards of the TPP’s clauses. If some ASEAN members join the TPP and thereby accept the ‘platinum standard’ TPP provisions, the overlapping membership with the RCEP will inevitably lead to immense pressure for reforms from its members⁴³.

By not respecting TPP standards, Indian risks of being excluded from TPP value chains especially because of regulations regarding labor laws and the environmental conditions of production. As TNC Rajagopalan argues, TPP members ‘are likely to develop a rules

⁴¹ MELTZER, p. 42.

⁴² SAHU, Prithish Kumar. « Trans-Pacific trade deal puts India in a spot », *Eureka.cc: 1992-*, n° 20160311NHBLHIN104256, *The Hindu Business Line*, 11 mars 2016.

⁴³ BATRA, p. 40.

architecture which will place greater burden of compliance on India's manufacturing and services standards for access to the markets of the participating countries⁴⁴. So far, India does not conform to the TPP labor chapter standards. Especially in the textile industry, 'rules on outsourcing (...) are there to help TPP members such as Philippines and Vietnam to eat into India's outsourcing exports'⁴⁵. Indian has the legal infrastructure and laws to implement labor laws but will need to cut substantially delays in the clogged judicial system at a great cost. Vietnam, a TPP member, will need to improve its labor laws and the US set up a mechanism to examine Vietnam's compliance with TPP labor requirements. This could be India's way to satisfy TPP requirements and maintain its position in value chains.

Also, food standards may not only affect India's capacity to export to the USA but in other Asian trading partners as well. About 15% of India's total exports come from agriculture products and they will be subject to TPP regulations and competition in Asian markets. 'The TPP would involve huge costs to a few protected Indian industries'⁴⁶. Sanitary and phytosanitary standards (SPS) will put India's production line to the test if it wants to maintain a high degree of agriculture exports. Fisheries, milk and all processed foods will need to meet standards of which the USA set. India also lacks the legislative tools on pharmaceuticals patents, copyrights and counterfeiting laws to respect TTP regulations. For example, draconian rules for intellectual property protection would

⁴⁴ RAJAGOPALAN, TNC. « How the Trans-Pacific Partnership will affect India's foreign trade », *Business Standard*, [En ligne], 11 octobre 2015, http://www.business-standard.com/article/opinion/how-the-trans-pacific-partnership-will-affect-india-s-foreign-trade-115101200053_1.html, (page consultée le 22 mars 2016).

⁴⁵ CHAUDHURI, Pal. « TPP pushes India further into margins of global trade », *Hindustan Time*, [En ligne], 8 octobre 2015, <http://www.hindustantimes.com/analysis/tpp-pushes-india-further-into-margins-of-global-trade/story-wSnSU4MnWUj5ICdqtXvspO.html>, (page consultée le 6 avril 2016).

⁴⁶ NATARAJ, Geethanjali. « East Asia Forum : Economics, Politics and Public Policy in East Asia and the Pacific », *India's TPP dilemma*, [En ligne], 31 octobre 2015, <http://www.easiaforum.org/2015/10/31/indias-tpp-dilemma/>, (page consultée le 6 avril 2016).

favour US and European Big Pharma, while crippling Indian pharma which is good at producing low-cost drugs⁴⁷.

On the long run, the TPP hinders India's chances to gain market access in developed countries while maintaining its exporting capacity to developing countries. Furthermore, SPS can be invoked by developing countries because WTO standards tend to follow American standards which dictate the ones to be used in the TPP.

TPP FDI in India

Some commentators underline the TPP structural impact of disinvestment in India if nothing is done. Professor Hemant K Singh at the Indian Council for Research in International Economic Relations, is quoted as saying that "(m)ore than trade, India will be impacted in terms of investment. Investment will definitely be attracted to TPP member-states"⁴⁸. This is particularly dangerous because FDI coming to India have focused on gaining domestic markets rather than investing in manufacturing for exports. 'India's share in the global production network's exports is marginal, having increased from 0.1 % in 1992–1993 to 0.5 % in 2010–2011. In comparison, China's share has risen from a mere 2 to 20.1 % over the same period'. As a FDI destination, 'India is today among the five most attractive investment destinations in the world. It received US\$155.3 billion worth of FDI on a cumulative basis over the period 1991–2010⁴⁹'. Being the major employer for the

⁴⁷ *Times of India* (editorial) « Negotiate smart: The Trans-Pacific Partnership, which excludes India, highlights need to get the economy in order », *Times of India*, [En ligne], 8 octobre 2015, <http://blogs.timesofindia.indiatimes.com/toi-editorials/negotiate-smart-the-trans-pacific-partnership-which-excludes-india-highlights-need-to-get-the-economy-in-order/>, (page consultée le 22 mars 2016).

⁴⁸ CHAUDHURI, Pal. « TPP pushes India further into margins of global trade », *Hindustan Time*, [En ligne], 8 octobre 2015, <http://www.hindustantimes.com/analysis/tpp-pushes-india-further-into-margins-of-global-trade/story-wSnSU4MnWUj5ICdqtXvspO.html>, (page consultée le 6 avril 2016).

⁴⁹ BATRA, p. 31.

upcoming generation, India needs FDI for industrial growth but TPP regulations put it in jeopardy. Also, inward FDI stock from TPP countries in India was 60 billion in 2014 and ‘the top three investing countries in India are from TPP bloc, namely, Singapore, Japan and United States. These countries together invested more than one fourth (26%) of the total FDI inflow during the period April 2000 to January 2015’. It is noteworthy to remind that India does not have any Bilateral Investment Promotion and Protection Agreement (BPPA) with any of these three partners⁵⁰. To maintain this level of FDI, India needs to conclude rapidly FTA negotiations with other partners such as Europe, Australia and Canada, to offset the costs of the implementation of the TPP in terms of FDI.

FTAs and India

As noted in the introduction, India has very few FTAs with developed countries. Talks with Europe, Australia and Canada have been dragging and the announcement of the TPP further postpones the establishment of deals. Also, the fact that RCEP negotiations are underway delays India’s eagerness to close bilateral deals with TPP partners. As an example, talks with Australia and Canada have been very slow and talks with the United States of a bilateral investment treaty (BIT), which began in 2008, are still ongoing. India’s absence from the TPP will further hurt its ability to conduct free trade agreements, especially with developed countries. ‘India should complete these negotiations as a matter of priority and where possible, ensure that these FTAs include MFN clauses that give India the benefits of any more favorable treatment that these countries accord other TPP parties⁵¹’.

Most commentators encourage India to conclude the RCEP because it is the most attainable deal. If it succeeds, the RCEP will be able to compete with the TPP as a greater

⁵⁰ BANGA, p. 15.

⁵¹ MELTZER, p. 44.

FTA in terms of collective GDP. TPP countries account for about 40% of global trade while the RCEP totals a little bit less than 30% of the world's GDP. However, the RCEP's population is four times the TPPs' and its per capita GDP is five times lower. Kristy Hsu explains that under the RCEP, 'it will be unavoidable for India to further engage and open up its market to Chinese products and services. This may change the nature of India-China economic relations and have important political, economic and security implications⁵²'. In addition,

RCEP will grant flexibility to different members in deciding their levels of liberalisation commitments and their negotiating approach, and thus will make their participation easier than that in the TPP. Furthermore, the RCEP will provide Special and Differential (S&D) Treatment to less developed countries, namely the CLMV countries (Cambodia, Laos, Myanmar and Vietnam), and will not tackle "sensitive" issues such as environment protection, labour standards and reforms of State-Owned Enterprises (SOEs), making it more welcoming to most of the developing country members⁵³.

Out of all the FTAs launched by India, only one major concluded agreement involves a major developed country. Also a member of the TPP, Japan's CEPA agreement with India does not provide much help in establishing a canvass of which other FTAs could be constructed. Instead, the RCEP provides greater gains on the short and feasible term. 'Given the importance of the deal, India has offered several concessions to its member countries in the RCEP – especially since TPP has already been signed'⁵⁴. The RCEP is supposed to harmonize trade-related rules and investments. 'This harmonization of rules and regulations would help Indian companies plug into regional and global value chains and would unlock the true potential of the Indian economy. There would be a boost to inward and outward foreign direct investment, particularly export-oriented FDI'⁵⁵. This is why the TPP poses great challenges to India and its free trade capabilities because failure of the RCEP would distance TPP Asian countries from India.

⁵² HSU, p. 49.

⁵³ HSU, p. 42-43.

⁵⁴ NATARAJ, Geethanjali, *India must push forward with RCEP trade deal*, <http://bruegel.org/2016/06/india-must-push-forward-with-rcep-trade-deal/>

⁵⁵ Chatterjee, Bipul and Surendar Singh, 'Why RCEP Is Vital for India', <http://thediplomat.com/2015/03/why-rcep-is-vital-for-india/>

Conclusion

Concluding deals is not the culmination of policy. Either the RCEP or the TPP, these agreements will have major consequences on the social fabric of India. Closing the gap between Indian labor laws and TPP labor regulations, lowering tariffs for Chinese goods while trying to compete in the industrial sector and start advising companies and firms of the upcoming standards and verification mechanism suitable for multilateral agreements.

After examining the Indian reaction to the TPP and detailing the major worries of commentators, three points stand out. First, most commentators agree that India has very little choice but to push her own agenda with feasible outcomes. This is why the RCEP receives a majority of approval among commentators. Secondly, all commentators worry about the long-term effect of Indian's inaptitude to satisfy upcoming standards within or outside the TPP. Finally, India's success in securing its imprint on the RCEP, if so, will put her in a better position to confront the US. For that, China is needed.