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INDIA'S STRATEGY AT THE G20: THE PUSH TO REPLACE CHINA

AUTHORED BY - AISHANI PACHAURI & ARNAV SADHU

I

- INTRODUCTION -

The G20, or the Group of 20, is one of the most influential international forums in the world comprising of 19 countries and the European Union, which are representative of the world's major economies. The G20 nations collectively account for two-thirds of the global population, 75% of global trade and commerce, and make up 80% of the world's Gross Domestic Product (GDP)¹. India's inclusion in the G20 is reflective of its growing global economic significance and its meteoric ascent to the status of a global superpower. The G20 provides India a platform to showcase its economic achievements, advance its interests, and forge alliances with other member nations. India would hold the Presidency of the Summit from December 1, 2022, to November 30, 2023 which marks a watershed moment in India's status in world politics. The presidency would bestow upon India the power to shape the priorities and focus of the G20 agenda, direct the course of discourse between member nations on global economic and financial issues. The presidency represents that the Nation States are making an effort to move away from the neo-colonial environment and is also an opportunity for India to influence international policy decisions and promote its interests on the global stage. However, India's assumption of the presidency comes at a tumultuous time when the entire world is recovering from the onslaught of the global pandemic with rising interest rates and inflation being reported across nations signifying an imminent recession. Coupled with this, the continuing US-China Trade War and the conflict between Russia and Ukraine have also contributed to the breakdown of diplomatic ties and discontent amongst several G20 nations. Amid this diplomatic chaos, the manner in which India responds to the pressing externalities and the unprecedented opportunities it faces would determine the future prospects of India amidst the world and impact the security and prosperity of millions of Indians for generations to come. Utilizing its presidency in the G20, India should seize the opportunity to advance India's vital interests, position itself to outmaneuver its geopolitical competitors particularly China and tackle shared challenges. However, it needs to be kept in mind that the G20 alone would not serve India all the required ammo in its arsenal to overtake China in the global market, and separate efforts need to be made in order to identify and overcome the setbacks we are currently facing. India has an enormous agriculture and service industry

and its software services are marketed all over the world. The next step is to develop its manufacturing sectors. It further needs to be acknowledged that given the huge economical gap between the two countries, it is not possible for India to position itself as a perfect substitute for China. Instead the paper aims to identify ways through which India can take huge steps towards that direction.

In furtherance of this proposition, the following are the trade strategies that can be inculcated and adopted by India in positioning itself in the global market as an alternative to China.

II

- Renewal of India's GSP Status -

India's diplomatic relations with the United States of America have been crucial to India's international trade policy over the years. India has been one of the top exporters to the US, with a wide range of goods and services valuing approximately \$52.4 Billion being exported in 2021 alone and have been steadily increasing ever since making the US one of its top sources of trade revenue. One of the primary reasons that contributed to the overall growth in US-India trade was the fact that India was the largest beneficiary of the US's GSP programme since 1975. The Generalized System of Preferences (GSP) are WTO recognized programmes that are introduced by developed countries granting preferential tariffs to imports from developing countries to aid the promotion of economic development and exports. These preferences are mostly in the form of duty-free tariffs or concessional tariffs extended to certain products imported into the U.S market from developing countries. GSPs form a permanent exception to the Most Favoured Nation (MFN) clause and provides for non-reciprocal and non-conditional trade preferences to certain products from designated beneficiary developing countries (BDC).

Under the US GSP Trade Programme, India was able to export around 2000 products amounting to approximately \$6.3 Billion to the United States duty-free in 2018, which was 12.1% of its total export to the country that year.² The GSP Program covered certain exports like textiles, jewellery, machinery and mechanical parts, auto parts, plastics and chemicals, but excluded products such as automobiles, iron and steel, and agricultural goods. However, in 2019, the US revoked India's designation as a beneficiary developing country under the GSP Programme upon conducting a review of India's eligibility on the grounds of insufficient "equitable and reasonable" market access for U.S. goods especially in the agricultural and dairy market and discriminatory policies and high tariffs introduced by India on certain U.S goods. In addition, the US unilaterally declared that India, along with China and Brazil, has emerged above the rest of the developing nations and should no longer derive benefits from policies designated

² Shriya Chauhan, *Understanding the Impact of GSP Withdrawal on India's Top Exports to the US*, ORF Issue Brief No. 392, August 2020.

exclusively for developing nations. Consequent to the revocation, India implemented retaliatory tariffs on 29 US products, thereby further raising diplomatic tension between the two countries and affecting their trade. However, it was the small and medium sized businesses and MSME's in India that faced the brunt of the sudden withdrawal of the GSP Beneficiary Status. Many of these businesses that relied on the benefits under GSP faced increased tariffs on their exports to the US and found it difficult to survive price-based competition owing to the supply of similar products from other developing countries to American markets at cheaper prices thereby making their products less competitive in the U.S. market and affecting the profitability of such businesses. As a result, many of these businesses had to wind up as they were unable to adjust their business strategies or find new markets to mitigate the impact of the GSP revocation thereby also rendering millions unemployed.

The renewal of the GSP Programme must be at the heart of India's strategic trade policy as this would create a conducive business environment for industries to increase domestic production and exports in order to derive optimal benefits from the GSP. This would also provide impetus for the establishment of new businesses in the Indian market. To this avail, addressing the specific concerns raised by the U.S. government would be crucial for India to regain its GSP beneficiary status. In order to address the concerns raised over trade barriers and market access, India could eliminate or reduce existing trade tariffs on certain U.S. goods and services (especially the retaliatory tariffs) and promote greater openness in its trade policies. The existence of the high trade tariffs on US goods make them more expensive and thereby less competitive thereby affecting their access to the Indian Market. Hence, in order to provide greater access to US goods, India should implement trade policies favourable to the US that would reduce or eliminate high tariffs on the importation of their goods. In addition, to ensure better facilitation of US imports, India could streamline its customs procedure through the simplification of customs documentation, reduction in procession time and improving transparency. Thus, this paper posits that in order to woo the US, a trade policy that is favourable to the US would have to be implemented by India in order to seek a reciprocal reinstatement of its GSP Beneficiary status.

However, the favourable trade policies that this paper envisages India to enter with the US, might face challenge at the World Trade Organisation on the grounds of violation of the Most-Favoured Nation (MFN) Principle. The MFN Principle is essentially a non-discriminatory principle enshrined under Article I.1³ of the GATT that ensures that a country granting or according a favourable tariff and regulatory treatment to the product of one trading partner nation must also extend the same treatment to the like products exported by all other member nations of the WTO. The implication of this principle to our posited trade policy would mean that by eliminating or reducing tariff on a particular good or product

³ GATT, General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 [hereinafter GATT]. art. I:1.

imported from the US, India would be obligated under the GATT's MFN clause to extend the same treatment or concession to all other nations who are members of the WTO and dealing with such like products. This would gravely affect India's revenue from trade and possibly widen the country's trade deficit. Nonetheless, in order to circumvent the MFN Principle, a Free Trade Agreement (FTA) could be entered into between India and USA. FTAs are basically agreements between specific nations that eliminate or reduce tariffs, quotas, and trade barriers on goods and services traded between them. Enshrined under Article XXIV⁴ of the GATT, FTAs are envisaged as an exception to the MFN principle. Such agreements must substantially cover all trade among the participating countries and subsequently not lead to the increase in trade barriers with non-participating countries which would otherwise violate Article XXIV. Thus, India needs to strive to engage in bilateral discourse with the US over areas of disagreement and seek to explore potential trade-offs which would materialise into the formation of a Free Trade Agreement which would ultimately lead to India achieving its trade policy objective of retaining its GSP Beneficiary status.

III

- Filling Supply Chain Gaps Through Increased Domestic Production -

The Trade War between USA & China is an ongoing economic conflict which could potentially pose grave economic implications on the world's economies. The US-China trade war began in 2018, when the US accused China of engaging in unfair trade practises that extended to intellectual property theft, forced technology transfers and subsidies for state-owned enterprises in violation of the National Treatment Principle, leading to the imposition of tariffs on Chinese imports. China, on the other hand, accused the US of violating international trade rules and protectionism and responded by imposing retaliatory tariffs on US imports which subsequently led to the continued escalation of the trade conflict until this day. The trade war has undoubtedly resulted in significant economic losses for both countries resulting in the decline of economic growth, diversion of trade flows away from both US and China and the formation of supply chain gaps for certain goods and services. Nonetheless, the ongoing trade war poses an opportunity for India to potentially benefit from the trade war.

One of the direct implications of the imposition of retaliatory tariffs on goods and services is the decline in imports and exports between both countries. Chinese imports from the U.S dropped 12.5% while US imports from China declined to 11.8% in 2019⁵. This advertently led to supply chain shortages in certain goods and services which could potentially be fulfilled by India by increasing its exports to both

⁴ GATT, General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 art XXIV.

countries thereby also reducing its trade deficit. These goods include textiles, pharmaceuticals, furniture, agricultural products, chemicals, electronics, electrical machinery, semiconductors, leather products etc. While India could potentially leverage its skilled workforce and natural resources towards increased manufacturing of goods to meet the supply chain gaps, there is a paramount need for investment in manufacturing infrastructure, technology, and innovation and India's trade policy ought to reflect the same. In order to boost domestic production/exports to meet the supply chain demands, the Indian government could implement a trade policy that would invest in domestic manufacturing infrastructure such as transportation and logistics and provide financial incentives such as subsidies and grants to domestic manufacturers to encourage exports. India could also implement export promotion policies to further bolster production and exports of domestic firms through the introduction of export credit facilities, export insurance and financing schemes. This would help foster a business environment that is conducive to domestic manufacturers to expand production and exportation of their goods.

However, this prospective trade policy that favours domestic manufacturers to boost production and exportation of goods to meet supply chain gaps, could be challenged at the WTO on the grounds of violation of the rule of National Treatment. The National Treatment principle enshrined under Article III⁶ of the GATT, works complementary to the MFN Principle, in the sense that it envisages non-discriminatory treatment of foreign businesses and products when compared to domestic businesses and products. Essentially, this international trade law principle ensures that once a foreign business or product enters a country's market, it should receive the same treatment as domestic businesses and products, in terms of any concessions, protections, or regulations. By providing financial incentives in the form of subsidies and grants to domestic businesses to bolster exports, India could potentially violate the National Treatment principle as similar subsidies/grants are not provided for foreign businesses that operate in India. However, the subsidies that are envisioned to be provided to domestic manufacturers would not be in violation of the SCM Agreement as these subsidies would not entail the recipient manufacturers/exports to meet certain export targets or the usage of domestic goods over imported goods as under Article 3⁷ of the SCM. The subsidies granted could be proved to not be an actionable subsidy either having an adverse effect or serious prejudice to the interests of a country as under Article 5⁸. The subsidies granted under India's trade policy would not entail any of these stipulations on the recipient manufacturers and would instead be solely used as a means to promote manufacture and exportation of goods to meet supply chain gaps caused due to the Trade War.

⁶ GATT, General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 art III.

⁷ SCM, Agreement on Subsidies and Countervailing Measures, 1867 U.N.T.S. 14. [hereinafter SCM]. art 3.

⁸ SCM, Agreement on Subsidies and Countervailing Measures, 1867 U.N.T.S. 14, art 5.

IV

- Expansion of Article 23 of TRIPS -

Another strategy that India can use is take benefit of their G20 Presidency this year as we will get the opportunity to set the agenda for the discussion. A long-standing unresolved issue, last brought up in the Doha Rounds, was regarding the expansion of Article 23⁹ of Trade Related Aspects of Intellectual Property Right (TRIPS). Article 23 provides special or higher protection to wines and spirits¹⁰ on account of them being multilaterally acknowledged as Geographical Indicators (GIs), while other products with the GI tags come under Article 22 which merely provides for standard or minimum level of protection¹¹. Under IP Law, Geographical Indicators are used when a particular product originating from a country or a region holds characteristic traits or reputation attributable to that country or region, such as Champagne, Tequila, Cognac, etc. However, India has great capacity to support multiple GI especially in the fields of Agriculture and Handicrafts. Darjeeling tea, Kashmir Pashmina, Lucknow Chikan Craft, Kancheepuram Silk, etc. are some of the prime examples¹² of products originating in India which have a GI under Article 22 but not Article 23. These Indian products, among many others, have a huge demand in other countries, and hence susceptible to violation. India can push for the inclusion of products, other than wines and spirits, under Article 23, as the same can benefit Indian export. Since WTO is claimed to be an equitable organization, it can be argued that since TRIPS was brought in by the Global North, developing nations should also get a say in the agreement for more flexibility. Other members of G20 such as EU and Turkey supported this proposition in the Doha Rounds¹³ and will hopefully continue to do so if India brings it up in the upcoming summit.

V

- Make India more Investor Friendly -

China's dominant position in worldwide manufacturing has been slowly declining since it reached its peak in 2015¹⁴. This is because of several structural changes in the Chinese economy, such as moving away from low-skill manufacturing, reduced significance of China as a final assembly location, and a shift towards consumption and services, which are less trade-dependent. The US-China trade war and the COVID-19 pandemic have further accelerated these trends by prompting supply chain shifts. Over the

⁹ TRIPS, General Agreement on Trade-Related Aspects of Intellectual Property, 1869 U.N.T.S. 299 [hereinafter TRIPS] art 23.

¹⁰ TRIPS, General Agreement on Trade-Related Aspects of Intellectual Property, 1869 U.N.T.S. 299, art 23.

¹¹ TRIPS, General Agreement on Trade-Related Aspects of Intellectual Property, 1869 U.N.T.S. 299, art 22.

¹² Official website of Intellectual Property India, <https://ipindia.gov.in/> (last visited Apr 3, 2023).

¹³ World Trade Organization, WTO, <https://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm> (last visited Apr 3, 2023).

¹⁴ In U.S.-China trade war, new supply chains Rattle Markets, , <<https://carnegieendowment.org/2020/06/24/in-u.s.-china-trade-war-new-supply-chains-rattle-markets-pub-82145>> (last visited Apr 3, 2023).

past few years, there has been a noticeable trend of foreign manufacturers shifting their operations out of China due to rising labor costs and other production-related expenses, which has made it increasingly difficult for businesses to maintain profitability, as well as geopolitical tensions and concerns about intellectual property protection in China. Many investors are now considering alternative destinations for their investments, such as India, Vietnam, and other Southeast Asian countries, which offer favorable business environments and lower costs of production. For example, India supports a skilled workforce with low labor cost, along with an expanding consumer market. Due to India's abundant land and labor resources, as well as its strong software skills, many global manufacturers that have been established in China for a long time are seeking to expand their manufacturing operations to India. For example, Samsung as well as Chinese company Vivo has set up a manufacturing unit in Uttar Pradesh. Even Suzuki Corporation is set to finish setting up an electric car manufacturing unit in Gujarat¹⁵. A list of industries has been identified in India as potential areas for shifting global supply chains away from China. These industries encompass a wide range of sectors, such as energy, automobiles, steel, pharmaceuticals, textiles and clothing, marine products, financial services, IT services, tourism, etc.

In order to prevent interruptions in manufacturing and the supply chain, global companies are seeking to diversify their strategies, and India could benefit from this shift, which would also help to break up the concentrated supply chain in China. India initiated the 'Make in India' program, and the government has taken several measures, such as product-linked incentive (PLI), to encourage foreign investment and ease the process of doing business in the country. PLI's main objective is to boost the competitiveness of the manufacturers to create economies of scale and increase exports, and INR 1.97 Lakh Crores were announced to be the outlay for the scheme across 14 sectors¹⁶. India is gradually increasing the capacity of its local sourcing and distribution networks while offering essential incentives and regulatory relaxations to foreign investors. This approach is helping India reshape the global supply chain and emerge as a viable alternative to China. Additionally, India's large population and fast-growing middle class offer significant potential for foreign companies to tap into a vast consumer market, making it an attractive destination for foreign investment. As a result, many foreign manufacturers are now looking to establish their presence in India and leverage the country's growing economy.

In 2021, the commerce and economy ministry of India, Japan, and Australia introduced the Supply Chain Resilience Initiative (SCRI) with the objective of strengthening the durability of supply chains in the

¹⁵ Sentinel Digital Desk, India emerging as an alternative to China for relocating industries - sentinellassam The Sentinel Assam (2022), <<https://www.sentinellassam.com/topheadlines/india-emerging-as-an-alternative-to-china-for-relocating-industries-585228>> (last visited Apr 3, 2023).

¹⁶ Iea, Self-reliant india scheme - production-linked incentive (PLI) scheme – policies IEA, <https://www.iea.org/policies/12948-self-reliant-india-scheme-production-linked-incentive-pli-scheme> (last visited Apr 3, 2023).

Indo-Pacific region¹⁷. The initiative aims to establish reliable supply sources and draw in investment. Furthermore, Japan agreed to invest Yen 3.5 trillion in India becoming our biggest partner in development. There are over 1400 Japanese companies in India and more than 10 Japan industrial townships establishes across the country such as Neemrana in Rajasthan and Sri City in Andhra Pradesh¹⁸.

However, it must be kept in mind, that if India manages to become a manufacturing hub, the same might lead to questions being raised regarding India's obligations under the Paris Agreement. India pledged to "reduce Emissions Intensity of its GDP by 45 percent by 2030, from 2005 level¹⁹" as well as "achieve about 50 percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030²⁰". If cheap labor and readily available resources such as coal and land are some of India's most investor attractive factors, and if we are aiming to boost the level of manufacturing in India, the same may result in India failing to meet its commitments and acting counterproductive. There are existing global concerns regarding India not taking enough action towards abiding by Paris Agreement as we are heavily dependent on coal. Hence, when India has to transparently show their NDC in the COP, multiple fingers can be pointed towards India prioritizing trade by neglecting and further harming the climate.

Furthermore, even keeping the Paris Agreement aside, despite the Government's efforts to improve the ease of business, India faces many hurdles, primarily due to lack of growth in infrastructure and shaky policies. While the former is a major requirement an investor looks for, the latter makes them nervous about setting up in India as well raises questions of protectionism. As a result, countries like Vietnam, that are more open to trade, become a more attractive option for the manufacturers²¹. Improvements in India's infrastructure sector are crucial for the country's economic growth. Delayed railway freight movement, inefficient port turnaround times, and a highly concentrated airport sector with fast growth, congested road transportation are among the factors that contribute to capacity constraints in India²². These constraints may impede economic growth if left unaddressed. Inadequate regulatory frameworks and inefficiency in project approval processes often cause delays in completing infrastructure projects. Despite this, India has ambitious plans, with a focus on inland waterways, airports, and intermodal

¹⁷ Supra 16

¹⁸ ibid

¹⁹ UNFCCC, India's Updated First Nationally Determined Contribution Under Paris Agreement (2021-2030) August 2020

²⁰ ibid

²¹ Bloomberg, Global markets: How India can become an alternative to China in 2023 mint (2022), <https://www.livemint.com/market/stock-market-news/global-markets-how-india-can-become-an-alternative-to-china-in-2023-11672099728662.html> (last visited Apr 3, 2023).

²² India - market challenges International Trade Administration | Trade.gov, <https://www.trade.gov/country-commercial-guides/india-market-challenges> (last visited Apr 3, 2023).

logistics to enhance first and last-mile connectivity²³. The country plans to execute these initiatives through public-private partnerships, with a significant portion of its recent annual budgets allocated to infrastructure development. However, executing projects within budget and on time remains a challenge. Additionally, exporters and investors frequently face obscure regulatory and tariff policies in India. Furthermore, India imposes the highest average applied tariff among G20 nations, and its bound tariff rates are among the highest in the WTO²⁴.

To tackle such issues, the Department of Commerce needs to work towards formulating a new FTP and concentrate on improving the coherence of their domestic and international trade policy. This could be achieved by bringing in significant reforms in two essential areas²⁵ –

- i) Promoting consistency and harmony between our policy objectives and their implementation. This necessitates a well-planned engagement in international trade arrangements. India's position at the WTO and in FTAs should be based on domestic priorities that are vital for growth, employment, and poverty reduction. Hence, India must actively participate in upcoming international as well as regional trade negotiations that align with our strong economic interests or may impact India's domestic regulatory policies.
- ii) Encourage the involvement of trade and affiliated organizations in policymaking and negotiations. To achieve this, the State needs to take action to ensure that the promotion councils, trade regulatory bodies, and the standards-related institutions get to collaborate and construct a dynamic database of imports and exports. By gathering information at the product and market level, well-informed trade decisions can be made. This will undoubtedly assist trade policymakers in utilizing the advantages of global trade to enhance our competitiveness, firm-level productivity, and employment opportunities.

VI - ALTASIA -

When we consider how India can position itself as a substitute to China in the global market, the reality of the situation stands, that India is incapable to of making this huge leap as of now or even in the next few years. The above suggestions are directed towards how India can take steps towards such a goal, but none of them will directly lead to attainment of this objective as China is \$14.69 Trillion²⁶ economy and too powerful to overtake.

²³ ibid

²⁴ ibid

²⁵ Suranjan Gupta / Surendar Singh, India's trade policy should address both domestic, foreign challenges The Hindu BusinessLine (2019), <https://www.thehindubusinessline.com/opinion/indias-new-trade-policy-should-address-both-domestic-foreign-challenges/article29766694.ece> (last visited Apr 3, 2023).

²⁶ India's GDP growth outpaced China Last Quarter, World Economic Forum, <https://www.weforum.org/agenda/2023/03/indias-gdp-growth-outpaced-china-economy/> (last visited Apr 3, 2023).

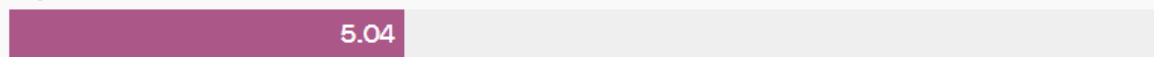
What are the largest economies in Asia?

Total GDP of Asia's biggest economies

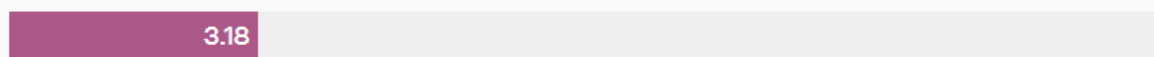
China



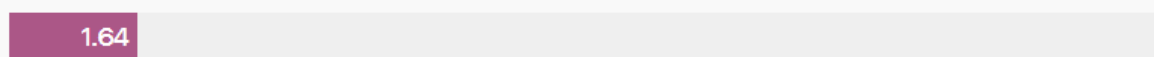
Japan



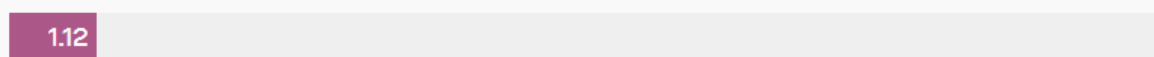
India



South Korea



Indonesia



Quartz | qz.com | Data: The World Bank

However, there is a new concept, currently referred to as ALTASIA by many journalists, which describes 14 different nation states in Asia which can collectively be an alternative to China in the sphere of International Trade. These 14 countries are India, Bangladesh, Vietnam, Laos, Thailand, Cambodia, Malaysia, Brunei, Singapore, Indonesia, Philippines, Taiwan, South Korea, and Japan. In the light of manufacturers shifting from China to other South East Asian countries, ALTASIA not only matches but exceeds China's productivity level. These countries can look into forming a custom union where they can benefit from their comparative advantage. Japan has the finance and high skill available, whereas India supports low cost labour and a huge IT sector. Malaysia already exports 10% of the global chips²⁷ and Vietnam boomed their export to US alone by \$2.6 billion in furniture and communication equipment²⁸.

ALTASIA's combined workforce stands 1.4 billion encompassing of 155 million college graduates, compared to China's 950 million including 145 million graduates²⁹. Moreover, China is facing a spike in wages, with a \$8.31 per hour in manufacturing, whereas the hourly wages in manufacturing sector in

²⁷ The Economist, The growing alternatives to 'made in China' Australian Financial Review (2023), <https://www.afr.com/world/asia/the-growing-alternatives-to-made-in-china-20230302-p5coyz> (last visited Apr 3, 2023).

²⁸ Trade War leaves both US and China worse off, UNCTAD (2019), <https://unctad.org/news/trade-war-leaves-both-us-and-china-worse> (last visited Apr 3, 2023).

²⁹ Govind Bhattacharjee, The 'altasian' alternative to China The Pioneer (2023), <https://www.dailypioneer.com/2023/columnists/the---altasian---alternative-to-china.html> (last visited Apr 3, 2023).

India, Philippines, Vietnam, Malaysia and Thailand are less than \$3³⁰. In 2022, ALTASIA recorded an aggregate of US \$63.4 billion to the USA compared to China's US \$61.4 billion³¹. However, with increase in China's old age population combined with exit of manufacturers, ALTASIA is at the benefitting end. Sony is shifting its camera production to Thailand, Foxconn, Pegatron and Wistron who handle Apple's assembling, are planning to move to India, Google is shifting production of Pixel smartphones to Vietnam and Japan has brought down their companies in China from 13,600 to 12,700 between 2020 to 2022³². Keeping the statistic in mind, it can be speculated that ALTASIA is set to overtake China in the coming years.

Moreover, for decades South Korean and Japanese companies have been outsourcing and building supply chains all over South East Asia³³. Hence, the seeds of the structure are already planted and require initiative from stronger nations such as Japan, India and South Korea to bring such a union forward. This step can lead to reshaping the current geoeconomics structure in place and even provide these developing nations a better bargaining power in the global context.

Another existing platform to further this is the Regional Comprehensive Economic Partnership (RCEP) which already included most of the ALTASIA members other than India, Taiwan and Bangladesh, and instead included Australia, China, Myanmar and New Zealand. India, despite being a founding members, stepped off as providing the required tariff incentives to China was harmful to its economy³⁴. Moreover, the extremely diverse economy of the ALTASIA countries may also pose many hurdles in their attempt to function as one single entity. India stepping off from RCEP also creates a huge barrier as it cuts off their access to one of the biggest existing market. In such a scenario, India can initiate talks with stronger nations such as Japan and make use their existing harmonious relationship to create a separate union other than RCEP with the ALTASIA nations. Given the benefits these countries are enjoying on account of China's global losses, such a union will be beneficiary to all as the stronger nations get cheaper labour and the developing ones get financial and technical assistance. With the recent talks

³⁰ Telewizja Polska S.A, "Altasia" countries are ready provide alternatives to China's supply chain: The economist TVP World, <https://tvpworld.com/68290813/altasia-countries-are-ready-provide-alternatives-to-chinas-supply-chain-the-economist> (last visited Apr 3, 2023).

³¹ The Standard, 'Altasia' making moves to replace 'made in China' The Standard, <https://www.thestandard.com.hk/section-news/section/2/250385/%27Altasia%27-making-moves-to-replace-%27Made-in-China%27> (last visited Apr 3, 2023).

³² Supra 30

³³ ibid

³⁴ New Zealand Ministry of Foreign Affairs and Trade, India and RCEP New Zealand Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/regional-comprehensive-economic-partnership-rcep/india-and-rcep/> (last visited Apr 3, 2023).

regarding switching to a common currency from US Dollar³⁵, ALTASIA can successfully reduce trade barriers and smoothen out the disparities in order to form a more uniform system of trading between them. Moreover, countries like India and Taiwan can refuse imports from China and instead solely make use of comparative advantage to help other ALTASIA members. This might again raise questions of MFN, however, under Article XXI of GATT³⁶, exempts security reasons. Furthermore Article XXIV of GATT³⁷ allows for custom unions to be an exception to GATT.

VII

- Conclusion -

To say that India can overtake China or be an alternative to it in the Global Market is, for the better part of it, a utopian concept. The famous economist Karl Polanyi warned, that if the policies are framed around utopian assumptions, the same would lead to dystopian consequences. Therefore, we need to analyse India's position against China in a realistic manner, and then proceed to formulate what strategies will aid the country to attain the goal of stepping in the direction which will reduce the gap between the two nation states. With the G20 presidency, India can use this opportunity to clear the confusion regarding its developing status, which keeps coming up as a hurdle. Moreover, India can also push for expansion of Article 23 of TRIPS to bring its GI products under the umbrella of special protection. The paper focused on the vital areas identified where development will lead to India taking a major step towards its goal, even outside the discussion surrounding G20. These include- renewal of India's GSP beneficiary status to reap duty free import of goods into USA, make India more investment friendly by restructuring FTP and policy-making process, improve infrastructure, bolstering domestic manufacturer and exports to meet the supply chain gaps created due to the trade war, and finally look into a custom union with ALTASIA to together combat China as doing the same alone is not possible. India might face retaliation from other members of WTO on account of violating anti-discriminatory principle of GATT or its obligations under the Paris Agreement. However, India can defend themselves before the WTO in ways explained above and while it might face some backlash in regards to the Paris Agreement, but the reality of the situation is such, that even the developed nations are facing a tough time to meet their obligations, and hence might not be a huge setback for India.

³⁵ Pti, Government, RBI in discussion with South Asian countries for cross-border Rupee Trade: Shaktikanta Das The Hindu (2023), <https://www.thehindu.com/business/Economy/government-rbi-in-discussion-with-south-asian-countries-for-cross-border-rupee-trade-shaktikanta-das/article66345606.ece> (last visited Apr 3, 2023).

³⁶ GATT, General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 art XXI.

³⁷ GATT, General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 194 art XXIV.