

Why India staying out of RCEP? Trade ties with members other than China mark strategic and economic gains

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Trade ties with members other than China mark strategic and economic gains for India

One of the key factors propelling the reset of bilateral ties of India and China is the increasingly unpredictable global economic situation arising out of the insular economic policies of the Trump 2.0.

While it is too early to make any predictions in the context of the complex India-China geopolitical relationship 2026, the past few months have been witness to some important developments which clearly indicate, that tensions between both countries have reduced to some extent. One of the key factors propelling the reset of bilateral ties is the increasingly unpredictable global economic situation arising out of the insular economic policies of the Trump 2.0.

There have been several visits by high level officials from China to India and vice-versa in 2025. PM Modi visited Tianjin, China in connection with the Shanghai Cooperation Summit (SCO) Summit held on August 31,2025-September 1, 2025. During the talks held between PM Modi and Chinese President Xi Jinping, on the sidelines of the SCO Summit the former said, “India is committed to taking forward its ties with China based on mutual trust, respect and sensitivity.”

October 2025 and November 2025 also witnessed the resumption of direct air flights between both countries. There has also been talk of strengthening of economic ties – which got impacted by the Galwan clashes in 2020.

Recently, A Pentagon report titled, 'Military and Security Developments Involving the People's Republic of China 2025', while commenting on China's current approach vis-à-vis India said that Beijing: "probably seeks to capitalize on decreased tension ... to stabilize bilateral relations and prevent the deepening of U.S.-India ties"

The report did state that India remains "sceptical" of China's motives. Lin Jian, a spokesman of China's Foreign Ministry said that the US was 'distorting' China's defence policy in a bid to prevent an improvement of ties between New Delhi and Beijing. He also said that China views it's relations with India from a long term perspective.

The debate regarding India re-joining RCEP

Several Indian economists and policy makers have also recommended that India explore the potential of re-joining the China dominated Regional Comprehensive Economic Partnership (RCEP) as well as the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP).

RCEP is a 15-member bloc consisting of China, Australia, New Zealand, Japan, South Korea and 10 ASEAN nations. RCEP accounts for 30% of the global GDP and 30% of the global population

India pulled out of the RCEP, due to domestic pressure from certain important economic lobbies. Two important factors for India deciding against joining the RCEP was massive trade deficits with China – there was a worry that if India joined the RCEP, Chinese goods would flood the Indian market and only worsen the trade deficit. The second was the pressure from agricultural lobbies, especially the dairy lobby – which was worried that cheap milk products from New Zealand and Australia would hit India's dairy sector.

India unlikely to reconsider joining the RCEP

While joining the RCEP still seems unlikely due to economic and geopolitical complexities, India after concluding a Free Trade Agreement(FTA) with New Zealand has FTA's with most of the RCEP members. An FTA with ASEAN and the India-South Korea Comprehensive Economic Partnership Agreement (CEPA) was signed in 2010. The India-Japan CEPA was signed in 2011, and the India-Australia Economic Cooperation and Trade Agreement (ECTA) was implemented in December 2022. Recently, India concluded an FTA with New Zealand.

Some of the key provisions of the deal are -- India's elimination of tariffs on 95% of New Zealand's goods. India has ensured that certain products -- dairy, rice, wheat, sugar – have been kept out of the tariff exemption list. New Zealand has eliminated

tariffs for 100% of Indian goods. The biggest beneficiaries of the agreement, from the Indian side would be sectors including textiles and apparel, leather and footwear, engineering goods, pharmaceuticals and agricultural products.

Both countries have also set an aim of pushing bilateral trade to \$5 billion, while New Zealand has committed to investing 15 billion. The agreement also contains important provisions for students and professionals. While students in STEM occupations will be provided 3-year post study rights, 5000 Indian professionals in certain spheres such as -- IT services, health care, education – will be eligible for 3 year work visas.

With the conclusion of the FTA with New Zealand, India has signed agreements with members of the RCEP other than China. Apart from the bilateral context, this agreement is important since India has managed FTAs with RCEP members, other than China, this is important from an economic and geopolitical context.

In conclusion, India is unlikely to have a re-think pertaining to the RCEP, but having trade agreements with members other than China can be considered an achievement – both from an economic perspective as well as in terms of deft geopolitical manoeuvring.

(Disclaimer: The views expressed above are the author's own and do not reflect those of DNA)