



## India and APEC- A Complicated Narrative

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### **Introduction**

During the recent BRICS Summit in Brazil, Chinese President Xi Jinping's has extended invitation to Indian Prime Minister Narendra Modi to attend the Asia Pacific Economic Cooperation (APEC) Summit in Beijing in November this year, showcasing the need for India's inclusion in the Asia-Pacific forum. Also, it reflected the political initiative from China to bring India, the third largest economy (in PPP terms), to the high table, even as an observer.

The invitation for the summit of the 21-nation APEC grouping, established in 1989, came during Modi and Xi meeting in which the two leaders expressed the need for working together in international platforms such as the BRICS. In the post meeting press conference, MEA spokesperson said "We think this is a significant gesture, this is an important invitation that has been extended to India, and this will be given very serious due consideration." He further added "President Xi also mentioned that China is hosting an APEC meeting in November this year. He said meeting is focused on 'partnership and connectivity'. He (Xi) invited the prime minister to attend this important APEC meeting that China is hosting."<sup>1</sup>

India would be attending two major meetings of SAARC and G-20 in November 2014, and it needs to be seen that whether PM Modi would oblige his Chinese counterpart or would wait till the full membership is granted to India. However, this invitation has reignited the debate about India's membership to the APEC.

## India in APEC- The Eligibility Question

The debate over India's membership to APEC has been gaining ground ever since the moratorium on new membership expired in 2010. Within India, the arguments supporting APEC membership are primarily based on India's growing 'strategic clout and economic power'. However, within the global discourse, there is a group of scholars such as Selig Harrison and Paul Kennedy who have advocated that given the gap which exists between India's strategic perceptions and its 'actual' role in international order, this claim for membership would need further examination. In terms of economic liberalisation, it has still to sign bilateral free trade agreements with a number of countries in Asia-Pacific including Australia, US and many other members of APEC. India has relatively high tariff regime and is yet to formalise services and investment agreement with ASEAN. According to analysts, India still needs to undertake a slew of economic reforms, trade and tariff liberalizing policies in order to gain APEC membership. India, particularly, needs to work on regional value chains, promotion of Indian investments abroad and ease its customs procedures as well as Rules of Origin (ROOs). These issues have frequently cropped up during India's negotiations for Comprehensive Economic Cooperation/Partnership Agreement (CECA/CEPA) with other countries.

APEC as an institution gave impetus to the formation and expansion of many other Asia-Pacific multilateral regional institutions under the umbrella of ASEAN and APEC. APEC currently has 21 members<sup>2</sup>. In APEC meetings, the word 'economies'<sup>3</sup> is used to describe APEC members because the APEC cooperative process is predominantly concerned with trade and economic issues, with members engaging with one another as economic entities<sup>4</sup>.

India was neither a founder member of ASEAN nor APEC. India made significant progress in aligning itself with the ASEAN centric organisations (except ASEAN+3) and has even expressed keenness to join Regional Comprehensive Economic Partnership (RCEP). Former Prime Minister Dr. Manmohan Singh also floated the idea of Asian Economic Community. Despite India's engagement with economic groupings, it is yet to gain APEC membership.

In 1997, the then Indian Finance Minister P Chidambaram has said that India deserved to be a member of APEC but needs to clear political hurdles with its trading partners<sup>5</sup>. He had quipped

“How can you have an Asia-Pacific Economic Cooperation without India? It is like “Hamlet” without the Prince of Denmark.”<sup>6</sup> Five years later, Indian Prime Minister A.B Vajpayee had argued that “India’s belonging to the Asia-Pacific Community is a geographical fact and a political reality. It does not require any formal membership of any regional organisation for its recognition and sustenance”<sup>7</sup>.

Until the last decade Australia’s vision of Asia-Pacific Community did not include India (which Australia and other founding members intentionally excluded from consideration for APEC membership). Australia has shown little interest in the Indian Ocean in terms of either threat perceptions or economic opportunity, an attitude compounded by the lack of any regional identity analogous to that in the western pacific basin<sup>8</sup>. With the change of US orientation toward Asia (‘Pivot to Asia’ strategy) and Australia’s foreign policy transformation towards Asia, India has become an important player. Australia inclusion in ASEAN+6 mechanisms, and later its membership in EAS, followed by US inclusion in EAS have fused the two regions of Pacific and East Asia together. Australia’s elevation as the IORA chair and its incremental orientation towards Indian Ocean has made India as a strategic partner in Asia-Pacific dynamics. Moreover, increasing reference to the term ‘Indo-Pacific’ by APEC members such as Indonesia, Australia, Japan and US have projected India as a necessary partner.

### **India’s Membership to APEC- Challenges and Concerns**

India’s membership to APEC was initially denied owing to its lack of economic liberalisation and non-compliance to free trade norms. Moreover, it was allegedly discussed by select Western countries that inclusion of India in APEC would make it an organisation with more Asian orientation. The other argument claimed that India is not a ‘Pacific Rim’ country which is an essential requirement for the membership of APEC.

In the initial years of formation of APEC, India’s membership to the organisation was objected by Australia, Japan<sup>9</sup> and US. However, with time, this has changed. As an extension to the APEC formation, former Australian Prime Minister Kevin Rudd floated the idea of a ‘New Pan-Asian Economic Bloc’, better known as the ‘Asia-Pacific Community’, in June 2009. There was a separate idea of Japan propelling the ‘East Asian Community’, first mooted in October 2009. In both these formations, India was included as a member.

During the APEC meetings, a number of proposals have been discussed which were primarily focussed on four key areas: regional economic integration, food security, transportation and supply chains and innovations for growth<sup>10</sup>. India has incrementally subscribed to all these core areas through declaring its subscription to RCEP, promoting food security (during the WTO Bali Summit in 2013), streamlining proposals for investment and innovation under the new government, and has been working relentlessly to create a value addition network in the region.

Since 1990s, after the launch of its economic liberalisation programme, India has enhanced its Look East policy and has signed trade agreements, CECA/CEPA with Malaysia, Singapore, South Korea, Japan, ASEAN, and FTA with Thailand. The negotiations for Comprehensive Economic Cooperation Agreement (CECA) with Australia have been underway. India is slowly emerging as a production network hub and a potential entrant in Asian value addition network. Further, India's inclusion in APEC might even accelerate its economic liberalisation process<sup>11</sup>. The new government has been taking initiatives in liberalising investment regime and have accelerated pending FDI proposals through Foreign Investment Promotion Board (FIPB) process. APEC has done significant work in areas of trade facilitation, education, technology pooling and business promotion.

During the Vladivostok summit, there were calls for India's membership as this would have enhanced presence of developing nations and would have increased effectiveness and relevance of APEC. India has been a member important organisation such as G20, the ARF and the East Asia Summit. India has shown the capability to play a significant role in deepening trade and investment in the region. India has time and again expressed keen desire for formal involvement, but its membership application was not entertained primarily on geographic reason.

India was invited as observer in APEC meeting in November 2011, and now again in 2014. Unofficial representation of India has been there in the last few meetings. Asia-Pacific Economic Cooperation (APEC) has three Official Observers: the Association of Southeast Asian Nations Secretariat, the Pacific Economic Cooperation Council and the Pacific Islands Forum Secretariat. The observers participate in APEC meetings and have full access to documents and information related to these meetings<sup>12</sup>.

## India's Options

Utilising diplomatic tools, India should activate its links with ASEAN and the three major powers in APEC; Japan, US and Australia, to open APEC membership to select few. All the three countries are strategic partners of India. India can also work with its BRICS partners (excluding South Africa) to build momentum for its inclusion. The one major challenge, also reflected during the APEC meeting in Japan, was how to select and omit the applications for membership (nearly than a dozen countries have applied for membership since the moratorium ended in 2010). Any inclusion of one member from Asia should be balanced by equal representation from the Pacific region.

Significantly, out of the 21 member economies of APEC, 12 have been negotiating Trans Pacific Partnership (TPP) Agreement which includes Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The important exclusions are China, Russia, Papua New Guinea, the Philippines and South Korea. China, Philippines and South Korea are involved in the ASEAN led Regional Economic Partnership Agreement (RCEP). RCEP aims to promote inter regional trade in goods, services, address economic and technical issues, competition policy, investment, intellectual property and create dispute settlement mechanisms. In comparison to RCEP, TPP aims securing market access gains in areas not covered under WTO. TPP has addressed 'WTO plus' issues like investment, intellectual property, competition policy, government procurement, state-owned enterprises, investor-state arbitration, labour and environment<sup>13</sup>. Therefore, any economic integration under Asia-Pacific Economic Community would eventually be upgraded to TPP norms.

In a number of articles which have been written, it was expressed that India should join the TPP negotiations but given the restraints from domestic constituency and protectionist trade regime in India, the feasibility looks rather bleak.

## Conclusion

As part of community building process and trade facilitation, the APEC Business Card Travellers (ABTC) allows business travellers pre-cleared, facilitated short-term entry to participating member economies. The ABTC removes the need to individually apply for visas or entry permits, saving valuable time, and allows multiple entries into participating economies during the three years the

card is valid. Card holders also benefit from faster immigration processing on arrival via access to fast-track entry and exit through special APEC lanes at major airports in participating economies<sup>14</sup>. APEC member economies fully participating in the scheme include Australia, Brunei Darussalam, Chile, China, Hong Kong (China), Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, and Viet Nam<sup>15</sup>. Among the member economies of APEC, India does not have an easy visa regime with China, and therefore giving the Business Card under APEC stipulations would be a problem. More importantly, Chinese Taipei (Taiwan) is one of the members of APEC and India's diplomatic and economic interaction with Taiwan would be a challenge.

APEC has been working on Free Trade Area of the Asia-Pacific (FTAAP) and the proposal is to advance implementation of reduced tariffs on the APEC List of Environmental Goods (EGs) to five percent or less by the end of 2015. Further, 2010 APEC New Strategy for Structural Reform (ANSSR) calls for promoting fiscal transparency and public accountability. Significantly, APEC declaration calls for establishment of an APEC Network of Anti-Corruption Authorities and Law Enforcement Agencies (ACT-NET). These three issues would be a challenge for India in future even if it becomes a member of APEC.

Viet Nam, Papua New Guinea, Chile, Malaysia, New Zealand and Thailand have proposed to host APEC in the year 2017, 2018, 2019, 2020, 2021 and 2022<sup>16</sup> respectively. In 2014, when China hosts the APEC summit, it needs to be seen how many nations support India's inclusion. It makes little sense that a big market of 1.2 billion people is left out of the Asia-Pacific economic initiative. Within India, preparations are going on for the ASEAN-led Regional Comprehensive Economic Partnership (RCEP), and there are apprehensions regarding opening up of Indian market to RCEP partners. More importantly, India has not yet completely ignored TPP but in terms of trade provisions, competition and tariff policy, TPP is a step ahead of RCEP. APEC acts as the mid-way between these two formations. However, it needs to be seen how APEC consolidates its economic initiatives and liberalised trade regime among members, in sync with the WTO provisions. In case, India plans to consider TPP, APEC membership would be a pre- requisite.

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*Disclaimer: Views expressed are of author and do not reflect the views of the Council.*

**Endnotes:**

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<sup>1</sup> V S Chandrashekhar, Narendra Modi, Xi Jinping pledge to resolve India-China border dispute at [http://www.livemint.com/Politics/7kuzKNe9PW3TND0AY13uYJ/Narendra-Modi-meets-Chinese-president-Xi-Jinping-ahead-of-Br.html?utm\\_source=copy](http://www.livemint.com/Politics/7kuzKNe9PW3TND0AY13uYJ/Narendra-Modi-meets-Chinese-president-Xi-Jinping-ahead-of-Br.html?utm_source=copy)(Accessed 18.7.2014)

<sup>2</sup> APEC members include Australia, Brunei, Canada, Chile, China, Hong Kong( China), Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Viet Nam. Vietnam, Russia and Peru were included as members in 1997 and thereafter the membership was frozen for ten years. In 2007 the moratorium on membership was extended for three more years.

<sup>3</sup> Economies term has facilitated the membership of Taiwan and Hong Kong. In the same pretext, Guam is keen to become a member of APEC which US has been resisting.

<sup>4</sup> Member Economies, at <http://www.apec.org/about-us/about-apec/member-economies.aspx>

<sup>5</sup> Divided House Stalls Economic Reform in India, The Nation, August 30, 1997.

<sup>6</sup> Ibid

<sup>7</sup> Atal Bihari Vajpayee, India's Perspective on ASEAN and the ASIA-Pacific region.' Speech given at ISEAS, Singapore, April 9, 2002.

<sup>8</sup> David Brewster, India as an Asia-Pacific power, Routledge ,London,2012,p.127

<sup>9</sup> David Brewster, India as an Asia-Pacific power, Routledge ,London,2012,p.69

<sup>10</sup> Pravakar Sahoo, India and APEC: time to move from observer to member, 17 September 2012 at <http://www.eastasiaforum.org/2012/09/17/india-and-apec-time-to-move-from-observer-to-member/>(Accessed 18.7.2014)

<sup>11</sup> Ibid

<sup>12</sup> APEC Observers at <http://www.apec.org/about-us/how-apec-operates/apec-observers.aspx>(Accessed 18.7.2014)

<sup>13</sup> Amitendu Palit, the RCEP Negotiations and India, ISAS Brief No. 334 – 24 June 2014.

<sup>14</sup> APEC Business Card at <http://www.apec.org/About-Us/About-APEC/Business-Resources/APEC-Business-Travel-Card.aspx>(Accessed 18.7.2014)

<sup>15</sup> Ibid

<sup>16</sup> 2013 Leaders' Declaration, at [http://apec.org/Meeting-Papers/Leaders-Declarations/2013/2013\\_aelm.aspx](http://apec.org/Meeting-Papers/Leaders-Declarations/2013/2013_aelm.aspx)(Accessed 18.7.2014)