



---

# India in APEC: Views from the Indo-Pacific

---

May 2019

Editor: Hugo Seymour

Authors: Peter Varghese AO, Amitendu Palit, Chu Minh Thao,  
Juita Mohamad, Pankaj Jha, Ritika Passi, Ryosuke Hanada,  
Shaun Star and Zikri Basir



Perth USAsia Centre





<b>4</b>	Foreword Peter Varghese AO
<b>6</b>	Introduction Hugo Seymour
<b>8</b>	Glossary
<b>10</b>	An Australian perspective Shaun Star and Dr Pankaj Jha
<b>14</b>	An Indian perspective Ritika Passi
<b>18</b>	An Indonesian perspective Zikri Basir
<b>22</b>	A Japanese perspective Ryosuke Hanada
<b>26</b>	A Malaysian perspective Dr Juita Mohamad
<b>30</b>	A view from Singapore Dr Amitendu Palit
<b>34</b>	A Vietnamese perspective Dr Chu Minh Thao
<b>38</b>	Endnotes
<b>42</b>	Acknowledgements



# An Australian perspective

**Shaun Star**, Associate Professor & Assistant Dean (International Collaborations) and Executive Director, Centre for India-Australia Studies, O.P. Jindal Global University

**Dr Pankaj Jha**, Associate Professor, Jindal School of International Affairs, O.P. Jindal Global University





### Australia's support for Indian accession

Much has changed in the Indo-Pacific region since the inception of APEC in 1989. India's liberalisation process started in the early 1990s, and it has since become not only one of the leading economic powers in the Indo-Pacific but also the world. However, India is still not a member of APEC, despite compelling arguments for its inclusion in the forum. Indeed, many significant APEC members, including China, Japan, Russia and the United States, have all supported India's interest in joining.<sup>1</sup> In addition, Australia has extended bipartisan support for India's bid to join the forum.

Some leading Australian officials have gone a step further by stating that Australia should take a leading role in working with other APEC members to ensure India's bid for membership is realised. Indeed, former Secretary of Australia's Department of Foreign Affairs and Trade and former High Commissioner to India, Peter Varghese, recently published a report commissioned by the Australian Government recommending Australia adopt this approach. The report, "An India Economic Strategy to 2035: Navigating from Potential to Delivery", states that:

**"When APEC was established India's economic integration with the APEC region was more limited than it is now. Today, India's exclusion from APEC is an anomaly. Australia has already signalled its support for Indian membership of APEC and the government should work with other APEC members to bring this to fruition. APEC membership offers an opportunity for India to engage on best practice trade facilitation and customs procedures without needing to commit to binding targets. APEC membership would also complement efforts to work with India and other likeminded countries through the G20."**<sup>2</sup>

The 'Varghese Report' expressly recommends that the Australian Government "... should take the lead in working with other countries to bring India into APEC".<sup>3</sup> It notes this would (i) be beneficial for the bilateral relationship; (ii) be consistent with Australia's Indo Pacific Strategy; (iii) bring India into the scope of APEC's trade facilitation work; and (iv) ensure that India would be a party to any FTA that APEC may eventually finalise.

The Australian Government in its response to the Varghese Report has confirmed that "Australia will continue to seek opportunities to advocate for Indian membership of the Asia-Pacific Economic Cooperation."<sup>4</sup> This recommendation has received bipartisan support, with both sides of politics

endorsing that India should be permitted to become a member. The Hon. Jason Clare MP, Australia's Shadow Minister for Trade and Investment, recently echoed this viewpoint during a speech in New Delhi, stating:

**"For Australia, India is a partner in seeking to forge regional institutions in the Indo-Pacific and so needs to be part of the APEC. India needs to represent the Indo-Pacific in APEC, which doesn't make sense without India."**<sup>5</sup>

Former Australian Prime Minister Kevin Rudd noted that India's inclusion in APEC would be beneficial on multiple levels, namely:

**"APEC membership would help the world, I believe, in two concrete ways. It would bolster India's economic development, which is of course the number one priority of the current government. And secondly, India's inclusion in APEC would facilitate greater regional trade and investment, and would lead India to play a greater role in the region at large."**<sup>6</sup>

However, Australia's support for India's inclusion hasn't always been the case. A brief review of India's significant economic reforms and growth explains why the narrative has changed in recent decades.

### India's trade and economic liberalisation

India's economic liberalisation process started in the early 1990s and has gained momentum ever since. Reforms improving the ease of doing business have placed India among the most promising economies of Asia. It has now attained the status of the second largest economy in terms of Purchasing Power Parity, and is predicted to be the second largest economy in the world by 2050. Over the last decade, India has stressed on building economic linkages with Asian economies. This has manifested through the signing of the India-ASEAN Free Trade Agreement in 2009 and CEAs with Singapore and Malaysia. Further, India has reached the final negotiations stages with ASEAN and its six dialogue partners towards the RCEP trade pact, and has been looking to enhance its service sector presence in Asian markets.

India has made significant improvements in infrastructure development, particularly via the integration of manufacturing and production centres, along with the development of greenfield airports and small and medium sized ports. Due stress has also been laid to developing freight corridors and expressways, so that a networked economic system can be developed. National policies, including Security and Growth for All in the Region (SAGAR), and the integration of ports





through Sagarmala (String for Oceans), envisage the large federal country as one economic entity.

Further, the Golden Quadrilateral Highway Network, river-linking plans to promote inland waterways, and sub-regional initiatives such as the India-Thailand-Myanmar Trilateral Highway network and the Bangladesh-Bhutan-India-Nepal transport network are further integrating South Asia's economies. These projects are facilitating the development of mature markets and are strengthening consumption, services and the availability of labour.

As per the Economic Survey of India 2017-2018, the services sector accounts for 54.40% of India's Gross Domestic Product, the industrial sector 29.73% and the agriculture and allied sectors sharing 15.87%.<sup>7</sup> In this context, with a recent average economic growth rate of 7.5 per cent per annum, India's inclusion in APEC will reap dividends.

### India's APEC ambition

India has been aspiring for APEC membership since 1994 and there have been acknowledgements of India's possible role in the organisation once it is admitted as member. In September 1994, alluding to India's interest in APEC, then Indian Prime Minister P.V. Narasimha Rao stated, "I don't want to knock on closed doors". In response to this, then Singaporean Prime Minister Goh Chok said, "... the doors may be closed but are not locked". Two years later, then Singaporean Foreign Minister S Jayakumar conceded, "... it would be hard to imagine an Asia-Pacific century without India's participation".<sup>8</sup> However, even after the moratorium on new membership ended in 2010, India is yet to find the place in the organisation.

Apprehensions cast on India's prospective membership includes concerns that Indian entry into the organisation would tilt APEC's balance favour towards Asia, with Pacific countries not adequately represented. The argument might hold some weight, but for an organisation which has most East Asian countries as members (including China, Japan and Korea), as well as six ASEAN countries, it is justified to include India in the grouping. With India preparing for its final negotiations and possible signing of the RCEP agreement (which is more limited in size than the 21-member APEC), APEC provides India with larger transcontinental expanse and the possible opening up of India's market to a larger group of countries.

India meets the five prerequisites to support an application to APEC, whereby the applicant country:

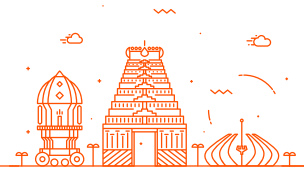
1. Is located within the Asia-Pacific region;
2. Enjoys considerable economic ties with APEC economies;
3. Has adopted a market oriented economy and free trade policy;
4. Has adopted many economic parameters as enunciated in the APEC statements; and
5. Can work on an individual plan of action to meet membership criteria, and focused plans of actions to satisfy APEC's programmes.

New Delhi has been working to eliminate all trade barriers by 2020 as part of RCEP requirements, which would fulfil APEC's membership criteria.<sup>9</sup> However, the bigger question is whether India is prepared and currently capable of meeting APEC's futuristic rules, including its business facilitation processes and digitised procedures. However, recent Indian policies are showing promising signs. APEC prerequisites are being met in terms of business procedures, structural reforms, regional connectivity and business travel measures. Further, India has embarked on new programs to remove corruption at different levels of its bureaucracies, and is endorsing a digital payment system through the Jan Dhan (People's money) banking network. Under this programme, 80% of adult Indians now have a bank account. Further, India has been at the forefront developing new programs such as Skill India and Digital India, as well as adopting a uniform Goods and Services Tax (GST) to simplify the taxation system under one regime.

### The challenges confronting India in APEC

The challenges India and APEC would have to face would principally be India's capacity to overcome the existing trade barriers between India and members. While India has understandable market access sensitivities with major economies, especially China, it needs to reduce its tariff structures and non-tariff barriers. Further, for India to harmonise with APEC's specific standards and regulations, as well as implement digital and simplified customs procedures, it would need to be given time to do so. India would also need to progress to comply with APEC standards in terms of gender parity in workforce pay, social equity across rural and regional areas, and in green townships.





## Conclusion

Within India, there have been perceptions that Australia has not made significant efforts to include India in APEC, Australia being a founding member and previously declaring Indian accession in Australia's strategic and economic interests.<sup>10</sup> However, now India has made significant progress in economic reforms and trade liberalisation, its candidature for membership ought to be considered. It is put that any issue of membership balance between Asian and Pacific countries is not a viable reason for Indian non-inclusion.

Australia has a lot to benefit from pushing India's inclusion, particularly as the encouraged tariff reductions on certain commodities would benefit Australian industry. In terms of regional integration, there is a lot to gain from having a superregional body that contains the strategic heft and economic influence of China, India, Japan, the US and Australia, and the inclusion of India would have a significant impact on consumption and production. With the US withdrawal from the TPP (and its absence from RCEP discussions), India's inclusion in APEC would create a useful instrument for Indo-Pacific-wide economic discussion and liberalisation negotiation.

