

India's significance to APEC

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On 10 November 2009

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APEC leaders' agenda at their [Singapore meeting](#) ^[1] on November 14-15 should include expanding membership to India when the ten-year moratorium expires in 2010.

A positive decision would have at least two significant implications. The APEC region is home to the world's four largest economies (China, India, Japan and the United States) and it makes no strategic sense to exclude one of the four – especially when India is already a member of the East Asia Summit and the G20. Despite China's view of its own size and connectedness as a compelling argument for the leading role in the region, it will have to get used to the fact that India, while much less integrated, is and will be of vast size as well. An implicit goal of Asia's regional organizations is to attract the giants to cooperate in the production of regional public goods that help secure global economic stability. Fostering deeper integration through trade and investment ties raises the costs of aggressive military or political behavior.

The second significant aspect of India's potential APEC membership is that it has reached out to integrate with the Asian economies despite the fact that its domestic economy is less open and faces huge legacy problems left over from its socialist past. India has joined the race towards sub-regional [trade agreements with ASEAN](#) ^[2], Singapore and others — and has even considered a bilateral free trade agreement with China. India needs the peer pressure and encouragement of APEC's variable-speed liberalization processes to undertake reforms that could allow it to be a new hub in the region's production networks in which it does not yet participate to any great extent.

India has much to gain by joining APEC but what could it contribute? There is little evidence yet that it has a world view or an Asia-Pacific view. Much of the hype on India's economy is based on hope that Indians will gain confidence to compete in world markets, and that the central government, handed a mandate to govern in the May 2009 elections, will tackle the binding constraints on India's long term growth: a population that is only 60 percent literate; persistent government deficits; restrictions on land, labor and finance and abysmal physical infrastructure. Infrastructure bottlenecks are being cleared, the private sector is helping address illiteracy and restrictions on FDI inflows are being dismantled as Indian corporations gain confidence. But farmers and others still lack confidence to reduce outdated trade barriers.

APEC is at a 'hinge' in its history. Beginning with the Singapore meeting APEC has a five-year window when it could make major strides forward on economic integration and political dialogue [as Japan takes the chair](#) ^[3] in 2010, followed by the United States in 2011 and Indonesia

in 2013. Its unique potential relative to the many ASEAN-linked regional forums is to be a channel for deeper trans-Pacific ties including US engagement in regional projects.

India will be a positive contributor to APEC if it balances APEC's goals with its own domestic preoccupations and security challenges. India's recent agreement with China on combating climate change is a step forward in bilateral cooperation. With India a member, APEC should set up a steering group consisting of the four giants and G20 members (Australia, Canada, Indonesia, South Korea, Mexico and Russia) to develop a strategic agenda for regional initiatives while ensuring their coherence and linkage with global priorities.

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