

APEC Virtual Meet 2020

November 25, 2020

APEC is recognized as one of the highest-level multilateral blocs and oldest forums in the Asia-Pacific region and exerts a significant global influence. It has grown to become a dynamic engine of economic growth. India should reassess whether the time has come for it to truly capitalize on its membership in APEC, and accordingly prioritize this goal in its foreign policy.

In news: APEC virtual meet, 2020 was hosted by Malaysia.

Placing it in syllabus: Foreign affairs

Static dimensions

1. About APEC
2. India and APEC

Current dimensions

1. In news

Content:

In news:

- The first-ever virtual **27th APEC Economic Leaders' Meeting** was chaired by Malaysian Prime Minister Muhyiddin Yassin.
- 2020 APEC Malaysia theme was – '*Optimising Human Potential towards a Resilient Future of Shared Prosperity, Pivot, Prioritise, Progress*'.
- The leaders' meeting was also the **first since 2018 after last year's host, Chile, canceled the annual summit** due to violent domestic protests.
- The leaders of the member countries issued the **Kuala Lumpur Declaration**.
- It was acknowledged that the APEC, whose members account

for 60% of global GDP, has a central role in spearheading the post-pandemic economic recovery.

- APEC's Leaders pledged to work together to support the **following priorities:**

Combatting and mitigating the impacts of COVID-19

Improving the narrative of trade and investment

Inclusive economic participation through digital economy and technology

Driving innovative and inclusive sustainability

Strengthening stakeholder engagement

- Leaders also officially launched the new **APEC Putrajaya Vision 2040 that will chart the future of the region.**
- Leaders envision an **open, dynamic, resilient and peaceful Asia-Pacific community by 2040**, for the prosperity of all of the people and future generations.

About APEC:

- The Asia-Pacific Economic Cooperation (APEC) is an intergovernmental forum for **21 member economies** in the Pacific Rim that promotes free trade throughout the Asia-Pacific region.
- APEC **started in 1989** in response to the growing interdependence of Asia-Pacific economies and the advent of regional trade blocs in other parts of the world.
- It aimed to establish new markets for agricultural products and raw materials beyond Europe.
- It is **headquartered in Singapore.**
- APEC has **three official observers:** the Association of Southeast Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council and the Pacific Islands Forum Secretariat.

History of APEC:

- The APEC was initially inspired when ASEAN's series of post-ministerial conferences, launched in the mid-1980s, had demonstrated the feasibility and value of regular conferences among ministerial-level representatives of both developed and developing economies.
- By 1996, the post ministerial conferences had expanded to embrace 12 members (the then six members of ASEAN and its six dialogue partners).
- In January 1989, the then Australian Prime minister, Bob Hawke called for more effective economic co-operation across the Pacific Rim region.
- Ten months later, 12 Asia-Pacific economies met in Canberra, Australia, to establish APEC.
- During the **meeting in 1994 in Bogor, Indonesia**, APEC leaders adopted the Bogor Goals that aim for free and open trade and investment in the Asia-Pacific by 2010 for industrialised economies and by 2020 for developing economies.
- In 1995, APEC established a **business advisory body named the APEC Business Advisory Council (ABAC)**, composed of three business executives from each member's economy.

Objectives of APEC:

The objectives of APEC are **summarized in the Seoul Declaration:**

(1) to sustain the growth and development of the region for the common good of its peoples and to contribute to the growth and development of the world economy;

(2) to enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence;

(3) to develop and strengthen the open multilateral trading system in the interest of Asia-Pacific and all other

economies;

(4) to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles without detriment to other economics.

Success of APEC:

- APEC implements a wide variety of initiatives to help integrate the region's economies and promote trade while addressing sustainability and social equity.
- Its member economies are **home to around 2.9 billion people** and represent approximately **60 percent of world GDP and 48 percent of world trade in 2018.**
- APEC's Trade Facilitation Action Plan which includes streamlining customs procedures has led to **region-wide reduction in costs at the border by 10 percent between 2004 and 2010**, which saved businesses in the Asia-Pacific a total of USD 58.7 billion.
- Over time, the APEC agenda has broadened its focus to address behind-the-border barriers such as **improving regulatory practices and the local business climate.**
- Between 2009 and 2013, member economies has improved the ease of doing business in the Asia-Pacific by 11.3 percent across all areas of starting a business, getting credit or applying for permits.
- At the border, APEC economies have centralized export-import processes online, accelerating the time it takes for goods to travel across borders.
- APEC capacity building workshops have provided training on software coding or legal issues to help APEC members implement their own Single Window systems.
- **APEC's Connectivity Blueprint** maps out initiatives from improving information technology and transportation infrastructure to making it easier for students, business people, and tourists to travel around the region.
- Over 340,000 travelers use the **APEC Business Travel Card**

which provides pre-approved frequent business travelers with visa clearance and fast-track entry through special APEC lanes at major international airports in the region.

- APEC is encouraging the development of clean technologies and greener growth across the region by lower tariffs on environmental goods.
- The APEC list of 54 products from solar panels to wind turbines accounts for around USD 600 billion in world trade.
- In 2011, member economies committed to **reduce energy intensity in the region by 45 percent by 2030.**
- APEC has helped urban planners develop low-carbon model town plans for a series of cities throughout the Asia-Pacific.

Criticisms:

- APEC has been criticised for promoting free trade agreements that would impose restrictions on national and local laws, which regulate and ensure labour rights, environmental protection and safe and affordable access to medicine.
- The effectiveness and fairness of its role has been questioned, especially from the viewpoints of European countries that cannot take part in APEC and Pacific Island nations that cannot participate but stand to be affected by its decisions.

India membership of APEC:

India is the fastest growing large economy, a rising actor in the Asia-Pacific, and an increasingly legitimate stakeholder in regional and global governance. More than two decades after first knocking on APEC's doors, India is yet to get the membership.

India's growth trajectory aligns with APEC's agenda of

enhancing regional integration through trade and investment liberalisation and facilitation across the Asia-Pacific. **India is the fourth largest global economy** and its share of world GDP has more than doubled in the last 30 years.

The benefits on offer to APEC member economies by the addition of India to the forum include increased access to India's labour force and booming consumer markets, as well as increased investment opportunities. In return, India will gain opportunities to **raise its trade and investment profile in the region, gain access to APEC's resources and expertise and proactively participate in topics of conversation at APEC forums such as automation, SMEs, and women's economic participation.**

However a significant divergence exists between India and APEC in terms of inclination, behaviour and appetite on economic and trade **issues.**

- India bears the burden of an **unfinished developmental agenda, rising inequality and the insistent weight of an agrarian population** that accounts for anywhere between one half to two-thirds of its citizenry.
- A dogmatic mindset persists in India's pursuit of foreign trade as a balance sheet of exports versus imports.
- A poorly developed manufacturing sector, **insufficient structural reforms** (particularly in land and labour markets) and gaps in investment and innovation have resulted in a lack of global competitiveness.
- There is a **gap between India's protectionist impulses and its economic diplomacy.** (E.g. 2014 blockade of the WTO's Trade Facilitation Agreement by the Indian government, which has prioritised economic relations in its foreign policy engagement).
- Several APEC members are wary of India playing spoiler to the forum's economic agenda.

Not all APEC member economies subscribe to the concept of the Indo-Pacific, but they insist on “more obvious candidates” in the Pacific proper for future membership.

Mould your thought:

1. How has been APEC successful in securing its position in today's multi-polar global economic order? What are the hindrances for India's membership to the APEC?

Approach to the answer:

- Write briefly about APEC
- Write its achievements / success
- What are the issues with India's membership
- Conclusion