

EXECUTIVE SUMMARY

Since its inception in 1989, the Asia-Pacific Economic Cooperation (APEC) forum has played a central role in integrating the economies of the Asia-Pacific region. However, after several years of healthy growth and increasing trade and commercial ties, the momentum toward greater regional economic integration is under threat because of sluggish expansion in key economies, escalating geopolitical tensions, and the emergence of two significant trade agreements in the region: the recently concluded Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), which is under negotiation.

APEC has welcomed as members economies that have differed in their size, trade policy orientations, and development stages. When it last considered new members in 1998, Russia, Peru, and Vietnam joined. Today, APEC can continue to advance regional connectivity and maintain its standing as the region's premier economic forum by bringing new economies and sources of growth into the region's economic fabric.

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APEC. Since his election in 2014, Prime Minister Narendra Modi has made regional connectivity a central element of Indian domestic and foreign policy. The Indian government's expression of renewed interest in APEC membership in 2015 was a signal of an orientation toward foreign trade and investment.

APEC and India have an opportunity to take advantage of this alignment of interests. India's accession to APEC would be a crucial step in deepening its integration with the region. Over time, accession to APEC would benefit India, APEC, as well as the wider region.

India's accession to APEC would contribute to greater economic integration of the Asia-Pacific region at a time when emerging trade regimes could create gaps between the standards and policies adopted by their members and those pursued by nonmembers. By including a key economy such as India, APEC can play a constructive role by helping bridge such gaps. APEC's mission of integrating the wider region will remain incomplete as long as a critical economy such as India is on the periphery of the region's economic architecture.

As the world's fastest-growing major economy, India represents a significant long-term source of growth for the world economy. Including India in APEC would provide its members a mechanism to deepen their economic engagement with India and more easily partner with India in its economic growth. APEC members would gain greater access to India's growing market, robust labor supply, and ample investment opportunities.

Indian membership in APEC would also bolster India's economic growth and support its development agenda. Prime Minister Modi's economic program relies on greater access to foreign markets, investment sources, and value chains to bolster manufacturing and create jobs at home. Joining APEC would help India on all these fronts. There is a great similarity between what APEC has helped its members accomplish over the past 26 years and what India is attempting to do today.

APEC mechanisms and best practices will help Indian officials and businesses become more competitive and better prepared for the changing global economy. Through its processes and guidelines, APEC will facilitate India's implementation of the economic reforms it needs to compete. APEC membership would also help India prepare for potential inclusion in emerging trade agreements such as TPP, if India considers joining these in the future.

However, not all APEC members currently welcome the prospect of Indian membership. Some view Indian policy and politics as insufficiently supportive of more open trade and greater regional integration. India's record in trade negotiations, bilaterally as well as in the World Trade Organization (WTO), has made some APEC economies concerned that including India would slow momentum for achieving the forum's objectives. India's resistance to negotiating bilateral investment treaties (BITs) is another reason some APEC member economies remain wary of India joining.

Domestic politics and constraints within India have also made it difficult for the Indian government to take the kind of steps necessary to build support for its membership. India's government faces significant domestic barriers to the policy reforms that would help address concerns about its stance on trade and market opening. Key elements in the Indian bureaucratic, business, and political spheres resist the further opening of India's market, which limits the government's options in trade and bilateral investment negotiations. India's large trade deficit has not only blocked progress, it has even led the government to review its current bilateral trade agreements. Such actions only add to APEC members' negative perceptions about India's behavior toward trade liberalization.

Several obstacles stemming from APEC's structure, politics, and processes will also make India's path toward membership difficult. Current APEC economies may be reluctant to expand a forum that is already 21 members strong. And unlike candidates such as Colombia, whose neighbors can be counted on to back their membership bids, India lacks a ready constituency among APEC members.

These obstacles to Indian membership are significant, but they could be addressed to achieve the immense potential of a more regionally integrated Indian economy. Four key steps may help India address concerns regarding its membership in APEC, particularly in the United States:

- A major breakthrough in India's domestic economic and/or trade policy, such as a goods and services tax (GST) or land and labor reforms, that sends a strong signal of greater market opening.
- An accelerated effort to improve the ease of doing business for both foreign and domestic firms.
- A significant indication of India's willingness to engage constructively in international negotiations, such as BITs.
- A vigorous diplomatic effort by the Indian government and key APEC members that supports India's bid.

Together, these steps could help India change perceptions of its recalcitrance in international negotiations and slowness in introducing domestic reform. To gain entry, India will need key members to work in support of its candidacy. Concrete steps that emphasize not only India's interest in APEC membership but also its alignment with APEC's mission would go a long way in recruiting members to provide vocal support and diplomatic resources to India's cause. The Indian government has already laid out an agenda of domestic reform and international economic engagement. It can build support for its membership in APEC by taking tangible steps toward implementing its proposed reforms and improving its trade and investment policies.

Similarly, APEC members could consider steps to facilitate India's progress toward membership and role as an active, engaged member of the group. While concerns about India may be justified, APEC membership would better position India to make the kind of changes that APEC members desire. APEC's processes would support India's efforts to boost competitiveness and the ease of doing business, resulting in a virtuous cycle whereby domestic reform and international economic engagement reinforce one another. This has been the experience of a number of APEC members, who benefitted from APEC and were enabled to move toward wider acceptance of reform and greater market opening.

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APEC and its members could work with India to clarify how it may build support for its inclusion and what would be expected of any new members once they joined the forum. The Secretariat could commission studies to better understand the costs and benefits of expanding membership. To diminish current members concerns about new members, APEC could also consider strengthening its decision-making processes. Most importantly, some APEC members will need to provide vocal diplomatic support to put the issue of India's membership on the APEC agenda.

India's path to APEC membership is not without challenges. The benefits that would result from Indian membership, however, make these challenges well worth tackling. 2016 is an ideal time to move toward securing India's accession to APEC.