

SUMMARY SHEET



*Regional Economic
Cooperation*





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1 Regional Economic Integration

Efforts at reaching agreements through **multilateral trade negotiations** and those towards **region-centric initiatives** are **two major developments in the global trading environment** witnessed in the past two decades. Both these developments are interrelated in a substantive sense. The **former** aims at **integrating national markets** through the process of **globalization**. It is intended to **improve efficiency by removing barriers** and thus promoting a **competitive environment**. This thrust has motivated countries to take **greater interest in regional groupings** that facilitate **larger market access**, which in turn, enables them to enjoy **scale economies** and thus provide a **competitive edge** in the global market.

The above developments, would have **far-reaching implications on economic ties** between countries. The **former** would result in a **larger world trade** while the **latter** would **enhance the role of trading blocs** in it. This implies that **prominent trading blocs** and their **member states** would play an increasingly **important role** in the emerging global economic order. This would pose many **challenges** to the **developing countries**, particularly those which are **outside the major blocs**, necessitating changes in their policies and perceptions.

1.1 Regional Trading Agreement

The **global trading system** has always been a **witness to some form of economic integration** between countries, across continents or within a region. The **different forms** of such economic integration are known as **regional trading arrangements (RTAs)**.

With globalization, regionalism is on the rise. This is in fact **ironical** and **inconsistent** with the spirit of multilateralism. Hence, initially, the DG of WTO was opposed to the proliferation of regional arrangements, after WTO was launched in 1995. The number of regional trading agreements (RTAs) notified to the WTO stands at about 200. An estimated **70 percent of the world trade is now covered by RTAs**. For instance, the **Americas - North and South, all of Europe**, including the transition economies of the eastern part, **most of Africa, Asia, Australia and New Zealand** are signatories to free trade areas, customs unions and partial scope agreements. The **new trends in regionalism**, however, can be accepted as a **supplement to globalization**.

1.2 RTAs & WTO

- Increased **emphasis on regionalism** is a **prominent feature of international economics** since the **mid-1990s**. Currently, there are more than 200 active Regional Trade Agreements in force and majority of these agreements are north-south RTAs or RTAs between developed and developing countries.
- RTAs represent an **important exception to the WTO's principle of non-discrimination through the most-favoured nation (MFN) rule**.
- According to the **MFN rules**, WTO members must **extend the same market access conditions** to all WTO members.

- However, as an exception to MFN, **WTO allows countries with an RTA** (i.e., members of an RTA) to **trade among themselves using preferential tariffs and easier market access conditions** than what is applicable to other WTO member countries.
- Such RTAs are, however, permitted under WTO only when they have a **clause to move towards global Free Trade Area without discrimination**, in a time bound manner.
- The **advantage to the RTA members** thus come from the **preference margins** i.e., the **gap between MFN rates and preferential tariff rates**. As a result, WTO member countries that are not a part of the RTA lose out in these markets.
- Also, trading within the regional trading blocs does not come under the purview of WTO.

2 South Asian Association for Regional Co-operation

2.1 Introduction

- The South Asian Association for Regional Cooperation (SAARC) is the regional intergovernmental organization and geopolitical union of **eight South Asian nations**.
- SAARC was founded in **Dhaka on 8 December 1985** with the aim of promoting **friendship and cooperation** among themselves and other developing countries.
- Its secretariat is based in **Kathmandu, Nepal**.
- Covering a population of more than 2 billion, SAARC is the **largest regional organization in the world**.

2.2 History

- The idea of co-operation in South Asia was discussed in at least three conferences:
 - **Asian Relations** Conference held in **New Delhi** on April **1947**
 - **Baguio** Conference held in **Philippines** on May **1950**
 - **Colombo Powers** Conference held in **Sri Lanka** in April **1954**
- First concrete proposal for **establishing a framework** for regional cooperation in South Asia was made by the late president of **Bangladesh, Zia-Ur-Rehman on May 2, 1980**.
- Finally, SAARC was established on **8 December 1985** in **Dhaka, Bangladesh**.
- Its **seven founding** members are **Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka**. **Afghanistan** later joined the group in **2007**.

2.3 Current members

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

2.4 Aims and objectives

- Welfare of the people of South Asia.
- Economic growth, social progress and cultural development.
- Understanding and appreciation of one another's problems.
- Strengthen cooperation among themselves as well as with other developing countries and regional & international organizations.
- Maintain peace in the region.

2.5 Organizational structure of SAARC

Council:

- At the top, there is council which is the **apex policy making body** represented by **heads of the government of the member countries**.
- It meets **once in two years**.

Council of Ministers:

- It is represented by **foreign ministers** of the member countries whose aim is to **assist the Council**.

- Its other function includes **formulation of policies**, deciding new areas of **cooperation** and general issues of **common interests** of SAARC members, chalk out additional mechanisms etc.

Standing Committee:

- It is comprised by **foreign secretariats** of the member governments.
- Its function includes monitoring & coordinating **the programmes**, determining **inter-sectoral priorities**, mobilizing **cooperation** within and outside the region etc.

Programming Committee:

- It consists of **senior officials** of the member governments.
- Its function includes scrutinizing the **budget of the secretariat**, financing the **annual schedule**, implement the activities assigned by the **standing committee** etc.

Technical Committee:

- It is comprised by **representatives** of the member governments.
- Its function includes formulating projects & programmes, monitoring the execution of projects, submitting reports etc.

2.6 Secretariat

- The SAARC Secretariat is located in **Nepal** and it is headed by the **Secretary-General appointed by the Council of Ministers**.
- Its function includes coordinating & monitoring SAARC activities, servicing the SAARC meetings, act as communication link between the SAARC & other international firms etc.

2.7 SAARC recent and important summits

No	Date	Country	Host	Host leader
1st	7–8 December 1985	Bangladesh	Dhaka	Ataur Rahman Khan
2nd	16–17 November 1986	India	Bengaluru	Rajiv Gandhi
18th	26–27 November 2014	Nepal	Kathmandu	Sushil Koirala
19th	9–10 November 2016	Pakistan	Islamabad	Cancelled

Note: Kindly refer EduTap's monthly current affairs magazine for updates regarding the latest summits of SAARC.

3 Association of Southeast Asian Nations

- **Association of Southeast Asian Nations (ASEAN)** is an international organization established by the governments of **Indonesia, Malaysia, Philippines, Singapore and Thailand on 8 August in 1967** to accelerate economic growth, social progress, cultural development and to promote peace & security in **Southeast Asia**.
- **Brunei joined in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999.**
- The ASEAN region has a population of **more than 600 million**, covers a total area of 4.5 million square km and a **combined GDP of \$2.57 trillion**.

3.1 History

- ASEAN was preceded by an organization formed in **31 July 1961** called the **Association of Southeast Asia (ASA)**, a group consisting of the **Philippines, Federation of Malaya, and Thailand**.

- ASEAN itself was created on **8 August 1967** when the foreign ministers of five countries: **Indonesia, Malaysia, Philippines, Singapore, and Thailand** signed the ASEAN Declaration, more commonly known as the **Bangkok Declaration**.
- ASEAN's **first summit meeting held in Bali, Indonesia in 1976** resulted in an agreement on several industrial projects and the signing of a **Treaty of Amity and Cooperation (TAC)**.
- In **2007**, the ten members adopted the **ASEAN Charter**, a **constitutional document** providing the grouping with **legal status and revamping its institutions**. The charter enshrines **core ASEAN principles and delineates requirements for membership**. It entered into force on **15 December 2008**.
- **ASEAN Plus Three**: "ASEAN Plus Three" was founded in **1997** with People's Republic of **China, Japan, and South Korea** to address mutual issues and concerns in energy security, natural gas development, oil market studies, renewable energy etc.
- **ASEAN Plus Six**: ASEAN became ASEAN Plus Six with additional countries: **Australia, New Zealand and India** also known as **Regional Comprehensive Economic Partnership (RCEP)**.

3.2 ASEAN Motto

The motto of ASEAN is **"One Vision, One Identity, One Community"**.

3.3 ASEAN Flag

- The ASEAN Flag represents a **stable, peaceful, united and dynamic ASEAN**.
- The main colors of the Flag – **blue, red, white and yellow**. The blue represents peace & stability, red depicts courage & dynamism, white shows purity and yellow symbolizes prosperity.
- The stalks of **padi in the centre** represents that all the countries in Southeast Asia **bounded together in friendship and solidarity**.
- The circle represents the **unity of ASEAN**.



3.4 ASEAN Day

8th August is observed as ASEAN Day.

3.5 ASEAN Headquarters

Its headquarters are located at **Jakarta, Indonesia**.

3.6 ASEAN Recent and Important summits

No.	Date	Country	Host
1st	23–24 February 1976	Indonesia	Bali
2nd	4–5 August 1977	Malaysia	Kuala Lumpur
35th	31 October–4 November 2019	Thailand	Bangkok
36th	26 June 2020	Vietnam	Hanoi
37th	12-15 November 2020	Vietnam	Hanoi
38th and 39th	26 th October 2021	Brunei Darussalam	Brunei Darussalam

Note: Kindly refer EduTap's monthly current affairs magazine for updates regarding the latest summits of ASEAN.

4 Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation

4.1 Introduction

- The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a **regional organization comprising seven Member States** lying in the littoral and adjacent areas of the **Bay of Bengal** constituting a contiguous regional unity.
- It constitutes **seven Member States**: five from South Asia including **Bangladesh, Bhutan, India, Nepal & Sri Lanka** and two from Southeast Asia including **Myanmar and Thailand**.
- Starting with **six sectors**—including trade, technology, energy, transport, tourism and fisheries—for sectoral cooperation in the **late 1997**, it expanded to embrace **nine more sectors**—including agriculture, public health, poverty alleviation, counter-terrorism, environment, culture, people to people contact and climate change—in **2008**.
- The BIMSTEC region is home to around **1.5 billion people** which constitute around **22% of the global population** with a combined gross domestic product (GDP) of **2.7 trillion economy**.

4.2 History

On **June 6, 1997**, a new sub-regional grouping was formed in **Bangkok** through **Bangkok Declaration** under the name **BIST-EC (Bangladesh, India, Sri Lanka and Thailand Economic Cooperation)**. Following the inclusion of **Myanmar on 22 December 1997** during a special Ministerial Meeting in Bangkok, the Group was renamed '**BIMST-EC' (Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation)**. With the admission of **Nepal and Bhutan** at the 6th Ministerial Meeting (February **2004**, Thailand), the name of the grouping was changed to '**Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation' (BIMSTEC)**.

4.3 Permanent Secretariat

After a span of 17 years of the founding of BIMSTEC as a regional organization, it's long cherished **Permanent Secretariat was established in Dhaka, Bangladesh** on 13th September 2014 to serve the BIMSTEC Member States.

4.4 BIMSTEC Summits

No.	Date	Host country	Host city
1st	31 July 2004	Thailand	Bangkok
2nd	13 November 2008	India	New Delhi
3rd	4 March 2014	Myanmar	Naypyidaw
4th	30–31 August 2018	Nepal	Kathmandu
5th	28-29 March 2022	Sri Lanka	Colombo

5 Bangladesh, China, India and Myanmar

5.1 Introduction

- The concept of economic cooperation within the BCIM region was **first developed by Professor Rehman Sobhan**.
- Bangladesh, China, India and Myanmar (BCIM) Economic Corridor is a **multi-modal transport corridor** which will cover **1.65 million square kilometres** with the aim to connect **India (Kolkata)** and **China (Kunming)** via **Bangladesh (Dhaka)** and **Myanmar (Mandalay)**.

- It is intended to advance multi-modal connectivity, promote investment & trade etc. through a combination of **road, rail, water and air linkages in the region.**

5.2 History

- In 1990s, **idea of sub-regional cooperation** within BCIM was envisaged to **promote connectivity** in the region through infrastructure development, by stimulating trade thereby **alleviating poverty and promote overall growth.**
- The idea was given a shape in the form of **BCIM forum** in **1999 in the first 'Kunming Initiative'**, the capital of Chinese Yunnan province. The aim of the forum was to **create a platform** for discussion among the major stakeholders regarding issues concerning trade and growth in the region and institutionalize the **arrangements to deepen BCIM ties.**
- The turning point came in **2013** during the meeting between Chinese **Premier Li** and Indian PM **Manmohan Singh** wherein the importance of development of a trade corridor between BCIM was discussed and final shape was given in **December 2013 in Kunming** with the launch of BCIM-Economic corridor.



6 Comprehensive and Progressive Agreement for Trans-Pacific Partnership

6.1 Introduction

- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP11 or TPP-11, is a trade agreement between **Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.**
- It **evolved from the Trans-Pacific Partnership (TPP)**, which never entered into force due to the **withdrawal of the United States.**
- At the time of its signing, the eleven countries' combined economies represented 13.4 percent of the global gross domestic product (approximately US\$13.5 trillion), making the **CPTPP the third largest free-trade area in the world** by GDP after the United States–Mexico–Canada Agreement and the European Single Market.

6.2 History

- The TPP began as an expansion of the **Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4)** which was signed by **Brunei, Chile, New Zealand and Singapore in 2005** and entered into force in **2006.**
- TPSEP is a **comprehensive agreement** affecting trade in goods, rules of origin, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, intellectual property, government procurement etc.
- It called for a **90 percent reduction** of all tariffs between member countries by **1 January 2006** and reduction of **all trade tariffs to zero by the year 2015.**
- Beginning in 2008**, additional countries joined the discussion for a broader agreement: Australia, Canada, Japan, Malaysia, Mexico, Peru, United States, and Vietnam bringing the **total number of countries participating in the negotiations to twelve.**

7 Regional Comprehensive Economic Partnership

The Regional Comprehensive Economic Partnership (RCEP) is a **proposed agreement** between the member states of the **Association of Southeast Asian Nations (ASEAN)** and its **free trade agreement (FTA) partners**. The pact aims to cover trade in goods and services, intellectual property, etc.

7.1 Introduction

The Regional Comprehensive Economic Partnership was introduced during the **19th ASEAN meet** held in **November 2011**. The **RCEP negotiations** were kick-started during the **21st ASEAN Summit in Cambodia** in **November 2012**.

Member states of ASEAN and their FTA partners are **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, China, Japan, India, South Korea, Australia and New Zealand**.

7.2 Importance

The 16 countries negotiating the RCEP together account for a **third of the world gross domestic product (GDP)** and almost **half the world's population**, with the combined GDPs of China and India alone making up more than half of that. RCEP's share of the world economy could account for half of the estimated \$0.5 quadrillion global (GDP, PPP) by 2050.

7.3 Objective

RCEP aims to create an integrated market with 16 countries, making it easier for products and services of each of these countries to be available across this region.

The negotiations are focused on the following: Trade in goods and services, investment, intellectual property, dispute settlement, e-commerce, small and medium enterprises, and economic cooperation.

7.4 China's Role

RCEP was pushed by Beijing in 2012 in order to counter another FTA that was in the works at the time: The Trans-Pacific Partnership (TPP). The US-led TPP excluded China. However, in 2016 US President Donald Trump withdrew his country from the TPP. Since then, the RCEP has become a major tool for China to counter the US efforts to prevent trade with Beijing.

7.5 Indian Perspective

On **November 4, 2019 India decided against joining the 16-nation Regional Comprehensive Economic Partnership (RCEP)** trade deal, saying it was not shying away from opening up to global competition across sectors, but it had made a strong case for an outcome which would be favourable to all countries and all sectors.

7.6 Key Features

- **Scope of negotiations:** RCEP will cover trade in goods & services, investment, economic and technical co-operation, intellectual property, competition, dispute settlement and other issues.
- **Commitment levels:** RCEP will have **broader and deeper engagement** with significant improvements over the existing FTAs while **recognizing the individual and diverse circumstances of the participating countries**.
- **Negotiations for trade in goods:** Negotiations should aim to achieve the **high level of tariff liberalization** through building upon the existing liberalization levels between participating countries.
- **Negotiations for trade in services:** RCEP will be **comprehensive, high-quality and consistent with WTO rules** and all service sectors will be subject to negotiations.
- **Negotiations for investment:** Negotiations will cover the **4 pillars of promotion, protection, facilitation and liberalization**.

- **Participating countries:** Participants will be **ASEAN members and FTA Partners (excepting India)**. After the completion of the negotiations, countries other than the above states may join.

7.7 Why India decided not to join RCEP?

In November 2019, External Affairs Minister S Jaishankar, delivering the Fourth Ramnath Goenka Memorial Lecture on November 14, had said, India's stance was based on a "clear-eyed calculation" of the gains and costs of entering a new arrangement, and that no pact was better than a "bad agreement". Following are the issues that India faced in signing the RCEP:

- **Market access to India:** RCEP also lacked clear assurance over market access issues in countries such as China and non-tariff barriers on Indian companies.
- **Trade Deficit:** In financial year 2019, India registered trade deficit with 11 out of the 16 RCEP countries.
 - India's trade deficit with these countries has almost doubled in the last five-six years – from \$54 billion in 2013-14 to \$105 billion in 2018-19.
 - India's trade deficit with RCEP countries stood at \$105 billion, out of which China alone accounted for \$52 billion.
- **Auto-trigger mechanism:** India was unable to ensure countermeasures like an auto-trigger mechanism to raise tariffs on products when their imports crossed a certain threshold.
- **MFN clause:** It also wanted RCEP to exclude most-favored-nation (MFN) obligations from the investment chapter, as it did not want to hand out, especially to countries with which it has border disputes, the benefits it was giving to strategic allies or for geopolitical reasons.
- **Opening up of sensitive sectors:** India felt the agreement would force it to extend benefits given to other countries for sensitive sectors like defense to all RCEP members.
- **Country of Origin:** Signing of RCEP deal would have meant dumping of unwanted products by routing them through other countries i.e., possible circumvention of rules of origin criterion set by India to determine the national source of products.
- **Tariff reductions:** The RCEP deal format required India to abolish tariffs on more than 70% of goods from China, Australia, and New Zealand, and nearly 90% goods from Japan, South Korea, and ASEAN. This would have made imports to India, cheaper.
- **Past Experience:** The NITI Aayog, in 2017, had published a report that pointed out that free trade agreements have not worked well for India.
 - It analyzed multiple free trade agreements that India signed in the past decade. Among those were FTA with Sri Lanka, Malaysia, Singapore, and South Korea.
 - The Niti Aayog analysis showed that imports from FTA countries increased while export to these destinations did not match up.
 - The Niti Aayog found that FTA utilization by India has been abysmally low between 5 and 25 percent.
- **Plantation products like rubber:** Vietnam and Indonesia have very cheap rubber to export.
- **Dairy Sector:** New Zealand is the second-largest exporter of milk and milk products. New Zealand's milk producers are more efficient than India's small producers. Both Australia and New Zealand are waiting for free access to India for their dairy products.
- **Services trade:** India has "long pushed for other countries to allow greater movement of labor and services" in return for opening up its own market. Any agreement on trade in goods without simultaneous agreement on services trade and investment will only harm India's interests.

8 One Belt, One Road and Maritime Silk Route

- Chinese President Xi Jinping announced one of China's most ambitious foreign policy and economic initiatives at the end of 2013. He called for the building of a **Silk Road Economic Belt** and a 21st Century **Maritime Silk Road**, collectively referred to as **One Belt One Road (OBOR)**.
- One Belt One Road (OBOR)** is one of the **largest development plans** in modern history.
- It is **basically investment and trade promotion scheme** aiming to deepen economic connections between **China and rest of the world**.
- It is a development strategy to connect China with **Central Asia, Europe, and Indo-Pacific littoral countries**.



8.1 The policy has two components

- Belt:** The "One Belt" refers to the **land-based "Silk Road Economic Belt"**. Here Beijing aims to connect the **country's underdeveloped hinterland to Europe through Central Asia**.
- Road:** The "One Road" references the **ocean-going "Maritime Silk Road"**. It is to connect the fast-growing **South East Asian region to China's southern provinces through ports and railways**.

The plan is to connect the **Pacific Ocean and the Indian Ocean**. This will connect Chinese coastline with **South-East Asia, South Asia, Gulf and East coast of Africa**. China will build maritime infrastructure. It includes **custom co-ordination, formation of SEZ, new ports, e-commerce, trade liberalization etc.**

8.2 Which are the countries involved?

- The 'Belt' and 'Road' covers primarily **Asia, Africa and Europe**, encompassing **around 147 countries**.
- On China's "One Belt, One Road" official website, it also says the initiative is **open to all countries** as well as **international and regional organisations for cooperation**.

8.3 India's position regarding One Belt, One Road

- India is **opposed** to Chinese One Belt One Road (OBOR) initiative since the China-Pakistan Economic Corridor (CPEC) passes through the Indian territory.

CPEC

- CPEC is an **extension of China's Silk Road initiative**.
- It is expected to **connect Kashgar in Xinjiang in China's far west with the Port of Gwadar in the province of Baluchistan via a network of highways, railways, and pipelines**.
- This project would allow China to transport **energy resources** such as petroleum from Middle Eastern countries to China **via a land route through Pakistan**.

9 Shanghai Cooperation Organisation

- SCO is a permanent intergovernmental international organisation.
- It's a Eurasian political, economic and military organisation aiming to maintain peace, security and stability in the region.
- It was created in **2001**.
- The SCO Charter was **signed in 2002**, and entered into **force in 2003**. It is a **statutory document** which outlines the organisation's goals and principles, as well as its structure and core activities.

- The SCO's **official languages** are **Russian and Chinese**.

9.1 Genesis

- Prior to the creation of SCO in 2001, **Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan** were members of the **Shanghai Five**.
- **Shanghai Five (1996)** emerged from a series of **border demarcation and demilitarization talks** which the four former Soviet republics held with China to ensure stability along the borders.
- Following the **accession of Uzbekistan to the organisation in 2001**, the **Shanghai Five** was renamed the **SCO**.
- **India and Pakistan** became members in **2017**.

9.2 Members

Currently, **there are 8 members viz.** Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, India, Pakistan

9.3 Observer States

Currently, **there are 4 Observer states viz.** Afghanistan, Belarus, Iran, Mongolia

9.4 Dialogue Partner

Currently, **there are 6 Dialogue Partners viz.** Azerbaijan, Armenia, Cambodia, Nepal, Turkey, Sri Lanka

9.5 Objectives

- Strengthening **mutual trust and neighbourliness** among the member states.
- Promoting **effective cooperation** in -politics, trade & economy, research & technology and culture.
- Enhancing ties in education, energy, transport, tourism, environmental protection, etc.
- Maintain and ensure **peace, security and stability** in the region.
- Establishment of a **democratic, fair and rational** new **international political & economic order**.

9.6 Structure of the SCO

- **Heads of State Council** – The supreme SCO body which decides its internal functioning and its interaction with other States & international organisations, and considers international issues.
- **Heads of Government Council** – Approves the budget, considers and decides upon issues related economic spheres of interaction within SCO.
- **Council of Ministers of Foreign Affairs** – Considers issues related to day-to-day activities.
- **Regional Anti-Terrorist Structure (RATS)** – Established to combat terrorism, separatism and extremism.
- **SCO Secretariat** – Based in Beijing to provide informational, analytical & organisational support.

9.7 Importance for India

India's membership of SCO can help in achieving regional integration, promote connectivity and stability across borders.

9.7.1 Security

- India through **RATS** can improve its **counterterrorism abilities** by working toward **intelligence sharing, law enforcement** and developing best practices and technologies.
- Through the SCO, India can also work on **anti-drug trafficking and small arms proliferation**.
- Cooperation on common challenges of **terrorism and radicalisation**.

9.7.2 Energy

- **India** being an **energy deficient country** with increasing demands for energy, SCO provides it with an opportunity to meet its energy requirements through **regional diplomacy**.

- Talks on the construction of stalled pipelines like the **TAPI (Turkmenistan-Afghanistan-Pakistan-India)** pipeline; **IPI (Iran-Pakistan-India)** pipeline can get a much-needed push through the SCO.

9.7.3 Trade

- SCO provides **direct access to Central Asia** – overcoming the main hindrance in flourishing of trade between India and Central Asia.
- SCO acts as an alternative route to Central Asia.
- **Economic Ties** - Central Asian countries provides India with a market for its IT, telecommunications, banking, finance and pharmaceutical industries.

9.7.4 Geopolitical

- **Central Asia is a part of India's Extended Neighbourhood** – SCO provides India an opportunity to pursue the “**Connect Central Asian Policy**”.
- Helps India fulfil its aspiration of playing an active role in its extended neighbourhood as well as checking the ever-growing influence of China in Eurasia.
- Platform for India to simultaneously engage with its traditional friend Russia as well as its rivals, China and Pakistan.

10 Indian Ocean Rim Association

The Indian Ocean Rim Association (IORA) is an international body comprising the **coastal countries** that **border the Indian Ocean**.

10.1 Genesis

- The Indian Ocean Rim Association (IORA) was **previously named the Indian Ocean Rim Initiative**.
- It was also called the **Indian Ocean Rim Association for Regional Cooperation** or the IOR-ARC for short.
- It is a **regional tripartite forum** that gathers **government representatives, academia and business leaders** for encouraging cooperation and greater interaction between them.
- The organisation is founded upon the values of **open regionalism** for boosting economic cooperation especially on the realms of **trade facilitation, investment**, the region's social development and promotion.
- Currently, it has **23 member states** and **10 Dialogue Partners**.
- The IORA was formed in **March 1997**.
- The idea for the IORA was formed by India and South Africa.
- The **Secretariat** of the Indian Ocean Rim Association (IORA) is hosted by the **Government of the Republic of Mauritius** which is based in **Cyber City, Ebène, Mauritius**.

10.2 Members

Member Countries of the Indian Ocean Rim Association		
Australia	Madagascar	Seychelles
Bangladesh	Malaysia	Singapore
Comoros	Maldives	South Africa
India	Mauritius	Sri Lanka
Indonesia	Somalia	Tanzania
Iran	Mozambique	Thailand
Kenya	Oman	Yemen
United Arab Emirates	French Republic	

10.3 Objectives

- To promote **sustainable growth and balanced development** of the region and member states
- To focus on those areas of **economic cooperation** which provide maximum opportunities for development, shared interest and mutual benefits
- To promote **liberalisation**, remove impediments and lower barriers towards a freer and enhanced flow of goods, services, investment, and technology within the Indian Ocean rim.

11 Asia Pacific Economic Cooperation

- The Asia-Pacific Economic Cooperation (APEC) is an **inter-governmental forum for 21 member economies** in the Pacific Rim that promotes free trade throughout the Asia-Pacific region.
- Following the **success of ASEAN's** series of post-ministerial conferences launched in the **mid-1980s**, **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.
- **Headquartered in Singapore**, 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.

11.1 Functions

- APEC works to help all residents of the Asia-Pacific participate in the **growing economy**. APEC projects provide **digital skills** training for rural communities and help indigenous women export their products abroad.
- Recognizing the impacts of climate change, APEC members also implement initiatives to increase **energy efficiency** and promote **sustainable management of forest and marine resources**.
- The forum adapts to allow members to deal with important new challenges to the region's economic well-being. This includes ensuring **disaster resilience, planning for pandemics, and addressing terrorism**.

11.2 Members

APEC's **21 member economies** are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Vietnam.

India has requested membership in APEC, and received initial support from the United States, Japan, Australia and Papua New Guinea. **Officials have decided not to allow India to join** as India does not border the Pacific Ocean, which all current members do.

India was invited to be an **observer** for the **first time** in November **2011**.

12 BRICS

- BRICS is an acronym for the grouping of the world's leading emerging economies, namely **Brazil, Russia, India, China and South Africa**.
- The BRICS Leaders' **Summit** is convened **annually**.

12.1 Structure

- BRICS **does not exist in form of organization**, but it is an **annual summit** between the supreme leaders of five nations.
- The **Chairmanship** of the forum is **rotated annually** among the members, in accordance with the acronym B-R-I-C-S.

- BRICS cooperation in the past decade has expanded to include an **annual programme of over 100 sectoral meetings**.

12.2 Salient Features

BRICS is an important grouping bringing together the major emerging economies from the world, comprising **41% of the world population**, having **24% of the world GDP** and over **16% share in the world trade**. BRICS countries have been the main engines of global economic growth over the years. Over a period of time, BRICS countries have come together to deliberate on important issues under the three pillars of political and security, economic and financial and cultural and people to people exchanges.

12.3 Genesis

The acronym "BRICS" was **initially formulated in 2001 by economist Jim O'Neill, of Goldman Sachs**, in a report on growth prospects for the **economies of Brazil, Russia, India and China** – which together represented a significant share of the world's production and population.

In **2006**, the four countries initiated a regular **informal diplomatic coordination**, with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA). This **successful interaction** led to the decision that the dialogue was to be carried out at the **level of Heads of State and Government in annual Summits**.

12.4 Timeline

The **first BRIC Summit took place in 2009 in the Russian Federation** and focused on issues such as reform of the global financial architecture.

South Africa was invited to join **BRIC in December 2010**, after which the group adopted the acronym **BRICS**. South Africa subsequently attended the Third BRICS Summit in Sanya, China, in **March 2011**.

12.5 Areas of Cooperation

12.5.1 Economic Cooperation

- There are **rapidly growing trade and investment flows** between BRICS countries as well as **economic cooperation activities** across a range of sectors.
- Agreements have been concluded in the areas of **Economic and Trade Cooperation; Innovation Cooperation, Customs Cooperation; strategic cooperation between the BRICS Business Council , Contingent Reserve Agreement and the New Development Bank**.
- These agreements contribute to realisation of the shared objectives of deepening economic cooperation and fostering integrated trade and investment markets.

12.5.2 People-to-People Exchange

- BRICS members have recognised the need for strengthening People-to-People exchanges and to foster closer cooperation in the areas of **culture, sport, education, film and youth**.
- People-to-People exchanges seek to forge new **friendships**; deepen **relations** and **mutual understanding** between BRICS peoples in the spirit of openness, inclusiveness, diversity and mutual learning.
- Such People to people exchanges include the **Young Diplomats Forum, Parliamentarian Forum, Trade Union Forum, Civil BRICS as well as the Media Forum**.

12.5.3 Political and Security Cooperation

BRICS member political and security cooperation is aimed at achieving **peace, security, development and cooperation for a more equitable and fairer world**.

BRICS provides opportunities for sharing **policy advice** and **exchanges of best practices** in terms of domestic and regional challenges as well as advancing the restructuring of the global political architecture

so that it is more balanced, resting on the pillar of multilateralism. BRICS is utilised as a driver for South Africa's foreign policy priorities including the pursuit of the African Agenda and South-South Cooperation.

12.6 New Development Bank

- NDB is headquartered in **Shanghai**.
- At the Fourth BRICS Summit in New Delhi (2012) the possibility of setting up a new Development Bank was considered to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries.
- During the **Sixth BRICS Summit in Fortaleza (2014)** the leaders signed the **Agreement** establishing the **New Development Bank (NDB)**.
- Fortaleza Declaration stressed that the NDB will **strengthen cooperation among BRICS** and will **supplement the efforts of multilateral and regional financial institutions** for global development thus contributing to sustainable and balanced growth.
- NDB's key areas of operation are **clean energy, transport infrastructure, irrigation, sustainable urban development and economic cooperation** among the member countries.
- The NDB functions on a consultative mechanism among the BRICS members with **all the member countries possessing equal rights**.

12.7 Contingent Reserve Arrangement

- Considering the **increasing instances of global financial crisis**, BRICS nations signed **BRICS Contingent Reserve Arrangement (CRA)** in 2014 as part of **Fortaleza Declaration at Sixth BRICS summit**.
- The BRICS CRA aims to provide **short-term liquidity support** to the members through **currency swaps** to **help mitigating BOP crisis situation** and further **strengthen financial stability**.
- The **initial total committed resources** of the CRA shall be **one hundred billion dollars** of the United States of America (USD 100 billion).
- It would also contribute to **strengthening the global financial safety net** and **complement existing international arrangements (IMF)**.

13 India's experience with Free Trade Agreements

13.1.1 What are Free Trade Agreements (FTAs)?

FTAs are arrangements between **two or more countries or trading blocs** that primarily agree to **reduce or eliminate customs tariff and non-tariff barriers on substantial trade** between them. FTAs, normally cover trade in **goods** (such as agricultural or industrial products) or trade in **services** (such as banking, construction, trading etc.). FTAs can also cover other areas such as **intellectual property rights (IPRs)**, **investment, government procurement and competition policy**, etc.

13.1.2 What is the difference between the terms such as PTA, CECA, RTA, CEPA, Customs Union, Common Market and Economic Union? How are these related to FTAs?

- **Preferential Trade Agreement (PTA)**: In a PTA, two or more partners agree to reduce tariffs on agreed number of tariff lines. The **list of products on which the partners agree to reduce duty is called positive list**. India MERCOSUR PTA is such an example. However, in general PTAs **do not cover substantially all trade**.
- **Free Trade Agreement (FTA)**: In FTAs, tariffs on items covering substantial bilateral trade are eliminated between the partner countries; however, each maintains individual tariff structure for non-members. India Sri Lanka FTA is an example. The key difference between an FTA and a PTA is that while in a PTA there is a **positive list of products on which duty is to be reduced**; in an FTA there is a **negative list on which duty is not reduced or eliminated**. Thus, compared to a PTA, **FTAs are generally more ambitious in coverage of tariff lines (products) on which duty is to be reduced**.
- **Comprehensive Economic Cooperation Agreement (CECA) and Comprehensive Economic Partnership Agreement (CEPA)**: These terms describe agreements which consist of an **integrated**

package on goods, services and investment along with other areas including IPR, competition etc. The India Korea CEPA is one such example and it covers a broad range of other areas like trade facilitation and customs cooperation, investment, competition, IPR etc.

- **Custom Union:** In a Customs union, **partner countries** may decide to trade **at zero duty among themselves**, however they **maintain common tariffs against rest of the world**. An example is **Southern African Customs Union (SACU)** amongst South Africa, Lesotho, Namibia, Botswana and Swaziland. European Union is also an outstanding example.
- **Common Market:** Integration provided by a Common market is one step deeper than that by a Customs Union. A **common market is a Customs Union with provisions to facilitate free movements of labour and capital, harmonize technical standards across members** etc. **European Common Market** is an example.
- **Economic Union:** Economic Union is a **Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions**. **European Union (EU)** is an example.

13.1.3 What are the factors to be considered while negotiating/signing an FTA?

While negotiating/signing an FTA, India needs to take due care of the following factors:

1. ensure that the **FTA permits only those items that are wholly manufactured in the concerned country**;
2. **discourage items that are highly subsidised**;
3. **discourage items that badly hurt the Indian industry and farmers** while drawing up 'the agreed list' for FTAs;
4. ensure that any such agreement **does not violate the WTO guidelines**;
5. undertake **detailed analysis of the positive effects of FTA** on sectors and economy as a whole prior to signing an agreement;
6. **address all trade facilitation concerns, including mutual recognition agreements on standards, customs collaboration agreements**, and expansion of transport links so as to remove all NTBs with each other;
7. **reflect services prominently in all agreements** so as to feature India's dynamic comparative advantage in services;
8. ensure **high-level political attention to induce institutional improvements**, such as commitments to tariff reduction, customs co-operation, etc.
9. negotiating bilateral FTAs with countries where **trade complementarities and margin of preference is high** may benefit India in the long run.
10. higher compliance costs nullify the benefits of margin of preference, thus **reducing compliance cost and administrative delays** is extremely critical to increase utilization rate of FTAs.
11. proper **safety and quality standards should be set** to avoid dumping of lower quality hazardous goods into the Indian market.
12. **circumvention of rules of origin should be strictly dealt with by the authorities**. In case of India-Sri Lanka FTA, Sri Lanka had started exporting copper to India by under invoicing of imported scrap to in order to show higher value addition for qualifying for preferential rates under the FTA. Thus, Rules of Origin (ROO) norms can easily be circumvented by simple accounting manipulation to flood Indian markets.