

# Some Thoughts in India — Asian Dynamism & the Region's Responsibility

By Kazumasa Kusaka

In November 2018, the Japan Economic Foundation held our annual Asia-Pacific Forum of 15 members from the region in New Delhi. This year's theme proposed by Research and Information System for Developing Countries (RIS) of India was "Protecting the Global Trading System and the Role of Multilateralism".

India has promoted not only its software industry but also IT, robotics, and "Make in India", and under the initiatives of Prime Minister Narendra Modi its World Bank ranking in "Ease of Doing Business" improved from 142nd to 77th to attract FDI from the rest of the world. India is a fitting location to talk about free trade and investment and the Fourth Industrial Revolution.

Among the United Nations' 17 SDGs, "Industry, Innovation and Infrastructure" is the most immediate challenge for India to create "Decent Work and Economic Growth". This will help build the financial and human resources to aim for other goals such as "No Poverty", "Reduced Inequalities", "Clean Water and Sanitation", "Affordable and Clean Energy" and "Climate Action".

During our stay, we observed the infamous PM2.5 air pollution of New Delhi. One of the causes is the increase in road traffic, with an annual growth rate of 16% both in passengers and cargo. I had an opportunity to visit the construction sites of the Dedicated Freight Corridor (DFC) between Delhi and Mumbai, which will connect major cities as well as introduce electric locomotives. It aims to meet the high rate of growth in freight transportation to reduce the high dependency on trucks. It also aims to create India's largest industrial belt in order to promote exports and FDI. At the same time, high-speed railway projects are progressing to tackle the increasing need for traffic, as well as environmental concerns.

This visit reminded me of the original and fundamental aim of APEC and other Asian groupings — to identify the barriers to sustainable growth. In the beginning, the major barriers were energy, infrastructure investment and human resource development. Progressively we moved to trade liberalization and facilitation. We then began our first Asia-Pacific Forum in 2003 to promote FTAs and the one in 2018 was the 17th.

In this region, the TPP, from which the United States decided to withdraw, will become effective as the TPP11 on Dec. 30, 2018. Negotiations for an agreement on the RCEP are also at a stage requiring the most effective political leadership, like being one step away from the peak of Mount Everest, the most challenging part of the climb.

In some Western nations, as the expression "everything is

globalized except our consent" represents, globalization is causing a refusal to "consent" from some of its constituents, prompting a focus on a more nation-based politics.

To deal with these new developments, there is a need for international institutions such as the Bretton Woods system to evolve. Consensus-based decision making and rule-making in such institutions do not function well. We need to restore trust and confidence in these institutions. Some argue for a "consensus minus X formula" which allows a decision to be taken without full consensus. When applied to regional FTAs, like the TPP11, those who agree would proceed to implement the deal and wait for the remaining negotiating partner(s) to join later. Consensus-based decision making had been effective on the assumption that public consumers are friends of free trade. Should one last country be isolated, the government in question could not afford to block the consensus. The reasoning behind this is that in democratic countries opposition parties and the media would criticize any attempt to do so as an act of anti-international cooperation in order to defend special interests. International "peer pressure" had thus effectively been used to promote domestically unpopular policy measures, until recently.

However, one old exception in some countries has been "free trade", which has had connotations of imperialist power interests and sometimes resulted in the negotiator blocking the consensus being designated a hero. A new exception is in cases where the public support their "own country first" even if neither business nor specific interests favor protectionist measures. How can we cope with this new reality?

Whether one likes it or not, globalization will continue to progress, and with Industry 4.0 each country will face increasing income disparities. Inclusive growth, in other words a "better globalization", will be a major goal in pursuing regional integration.

Meanwhile, for the growth strategy of this region to succeed, it is essential that we cooperate in promoting mega FTAs, one in expanding membership of the TPP11, and two in agreeing to the RCEP. Since US leadership is now "hospitalized" for a while, I think it is our region that must take on the role of the promoter of free trade, and take action for economic integration.

Kazumasa Kusaka is chairman and CEO of the Japan Economic Foundation (JEF), as well as being a professor of public policy at the University of Tokyo. He previously served as special advisor to the prime minister on global warming after having been vice minister for international affairs at the Ministry of Economy, Trade and Industry.