



IPEF and Opportunities for India

This editorial is based on “[The Indo-Pacific Economic Bloc Offers India A New Opportunity](#)” which was published in Livemint on 26/05/2022. It talks about the significance and the possible challenges related to the recently launched Indo-Pacific Economic Framework (IPEF).

For Prelims: Indo-Pacific, Quad, Indo-Pacific Economic Framework (IPEF), RCEP, CPTPP, ASEAN, FTA, Blue Dot Network, Build Back Better World (B3W) Initiative

For Mains: Groupings & Agreements Involving India and/or Affecting India's Interests, Bilateral Groupings & Agreements, QUAD, Indo-Pacific and its Significance

While China is indulged in building strong trade & investment partnerships throughout the [Indo-Pacific region](#) to further its strategic interests, the US at the recently held [Quad](#) Summit in Tokyo launched the [Indo-Pacific Economic Framework \(IPEF\)](#) to offer the region better alternatives to fulfil its developmental goals.

IPEF will boost outreach in the [Quad Plus format](#) and will provide a **new platform for regional economic cooperation** based on internationally accepted and transparent benchmarks.

For India, which is neither part of the [Regional Comprehensive Economic Partnership \(RCEP\)](#) nor the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#), the initiative offers a significant **opportunity to ramp up its trade and economic engagements** in the region.

What is the IPEF?

- Touted as a substantial step by the U.S. as part of its decade-old “**pivot to Asia**”, the framework is a declaration of a **collective desire to make the Indo-Pacific region an engine of global economic growth**.
 - It aims to strengthen economic partnership among participating countries to enhance **resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness** in the Indo-Pacific region.
- The IPEF was **joined by India, Japan and Australia**, and going beyond the Quad, also by 10 [ASEAN](#) countries, **South Korea** and **New Zealand**.
 - The IPEF was launched with a dozen initial partners who together **represent 40% of the world GDP**.
- The IPEF framework has four pillars:
 - **Supply-chain resilience**
 - **Clean energy**, decarbonisation & infrastructure
 - **Taxation & anti-corruption**
 - **Fair & resilient trade**.

Why is this IPEF Significant?

- **Countering China:** China not being a member gives the group a distinct geopolitical flavour since all its members share worries about **China's muscular nationalism and expansionist ambitions**.
- **Economic Cooperation & Integration:** It will produce many **immediate benefits on the economic front** in terms of **cooperation in investment and technology development** for clean energy.
 - It could also become the foundation for longer term **economic integration of like-minded countries**.
- **Opportunity for India:** India's joining of IPEF is a **strong statement of commitment to Indo-Pacific goals**, and to broadening regional economic cooperation, particularly after it [walked out of the 15-nation RCEP](#).

What Challenges may Emerge?

- **Common Grounds for Countries:** U.S. officials have made it clear that IPEF is not a [Free Trade Agreement](#); nor will it discuss tariff reductions or increasing market access, raising questions about its utility.
 - The four pillars also lend themselves to some confusion, drawing into **question whether there is enough common ground** among the 13 countries (that are part of very different economic arrangements) **to set standards together**, or be open to issues that vary for each country.
- **India's Traditional Positions:** Progress in some of the areas identified under the IPEF may involve many **departures from India's traditional positions**.
 - It should not be the case that India's negotiators simply accept what is **demanded** by advanced-country participants.
- **Taxation:** Tax provisions are another element of the IPEF that could pose problems. There is a tendency to take **taxation as a sovereign function** and therefore not subject it to negotiation.
- **Unheard Views of Businesses:** The **views of Indian businesses** that are potentially competitive globally are **often not heard**. The voices that are heard are of businesses that are afraid of competition and happy to lobby for protectionism to survive.
 - Indian business also needs to be mobilised in support of the new integration.
- **Complex Negotiation Process:** Trade negotiations involve multiple ministries, which then engage in **cumbersome inter-ministerial consultations**. The **negotiations are too complex to be handled** by individual ministries acting in silos inevitably burdened by precedence.
- **Credibility of IPEF:** Given the fact that the U.S.'s previous initiatives (the [Blue Dot Network](#) and the [Build Back Better World \(B3W\) Initiative](#)) have made little headway in changing the region's infrastructural needs, the **IPEF faces a credibility challenge**.

What Should be the Way Ahead?

- **Establishing Common Standards:** The immediate focus should be on establishing the common standards, which could form the basis of deeper integration in the future.
 - Such standards will cover labour rights, environmental standards, protection of intellectual property rights and rules covering the digital economy.
- **Balancing Self-Reliance and Globalisation:** The government has repeatedly clarified that ['Atmanirbharta'](#) (self-reliance) does not mean isolation and protectionism.
 - Also, India has always **expressed its desire to attract foreign investment** and become part of **global supply chains**.
 - This is the right approach and building reliable supply chains is an explicit part of the IPEF agenda.
- **Managing Taxation Issue:** India should initiate an **internal review of its tax administration**, involving experts and the Department of Revenue to come up with suitable changes.
 - This would **add to India's attractiveness as a trading partner** and as a destination for investment, especially in new supply chains.
- **Addressing Tech-related Issues:** Digital trade and e-commerce is another critical area included under the IPEF. Given **India's comparative advantage in software development** and

application, it would be highly desirable to **evolve an agreed set of rules** that could be applied across like-minded countries.

- There are many contentious issues here such as **issues of transparency, requirements of fair competition** and the ownership & [localization of personal data](#).
- A constructive role must be played in evolving a **global consensus**.

▪ **Simplifying Trade Negotiations:** Considering the complex trade negotiation process, there is a **need for an empowered trade negotiator** to consult with concerned ministries and report to the Prime Minister and key ministers with an **assessment of pros and cons**.

- The [NITI Aayog](#) **should be mobilised** to conduct broad consultations and elicit the opinions of stakeholders, including state governments.

Drishti Mains Question

For India, which is neither part of the RCEP nor the CPTPP, the launch of the Indo-Pacific Economic Framework (IPEF) offers significant opportunity to ramp up its trade and economic engagements in the Indo-Pacific region. Comment.