Indo-Pacific Economic Framework (IPEF)

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What's in today's article?

- **Why in news?**
- **What is Indo-Pacific Economic Framework (IPEF)?**
- **News Summary: India weighs better market access to join IPEF trade pillar**
- **India's Dilemma with respect to trade pillar of IPEF**
- **What is the Current status of IPEF?**

Why in news?

- As per reports, India has asked for better market access in order to be a part of the trade pillar of the Indo-Pacific Economic Framework for Prosperity (IPEF).

What is Indo-Pacific Economic Framework (IPEF)?

Background: Origin

- US President Biden first spoke about the IPEF at the October 2021 East Asia Summit.
- At this summit, he said that the United States will explore with partners the development of an Indo-Pacific economic framework.
- This framework will define our shared objectives around:
  - trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonization and clean energy, infrastructure, worker standards, and other areas of shared interest.
- The IPEF will not include market access commitments such as lowering tariff barriers, as the agreement is more of an administrative arrangement.

About IPEF

- Launched in Tokyo, in May 2023, IPEF aims to strengthen economic engagement among the member countries to advance growth, peace and prosperity in the region.
- According to an insight paper on IPEF put out by the US Congressional Research Service, the **IPEF is not a traditional trade agreement**.
- Rather, it would include different modules **(four pillars)** covering various aspects.

Four Pillars of IPEF

- Pillar I – fair and resilient trade,
- Pillar II – supply chain resilience,
- Pillar III – infrastructure and decarbonization, and
- Pillar IV – tax and anticorruption.
  - Countries would have to **sign up to all of the components within a module (pillar)**, but do not have to participate in all modules.

Members of Indo-Pacific Economic Framework:

- The IPEF has **14 partner countries** including Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam and the US.

Significance of Indo-Pacific Economic Framework:

- The 14-nation IPEF bloc is seen as crucial as it accounts for about 40 per cent of the world's GDP and 28 per cent of the world's trade in goods and services.
- It is seen as an economic and trade strategy backed by the US to counter China's economic influence in the region.

India and IPEF:

- In September 2022, India joined three pillars of the IPEF. These are:
    - the supply chain, decarbonisation and infrastructure, and anti-tax and corruption pillars of the IPEF.
- However, it had decided to remain out of the trade pillar.

News Summary: India weighs better market access to join IPEF trade pillar

- India is learnt to have asked for better market access in order to be a part of the trade pillar of the IPEF.
- As of now, market access has not been agreed upon for India, which is being seen as a crucial factor to join the trade pillar (Pillar-I).
- **India has an observer status on the trade pillar negotiations**.

India's Dilemma with respect to trade pillar of IPEF

- The Union Commerce Ministry is currently discussing whether New Delhi should:
    - make a commitment to join, even without knowing the specific benefits, or
    - join now because 13 countries are already negotiating the details.
- If India joins later, it may be at a disadvantage because it would have missed out on the negotiations.
    - Since the beginning, India felt that it is not getting much out of trade pillar of IPEF. Also, the environmental and labour laws conditions have been stringent.
    - Some of the other countries are also finding these conditions as stringent and they are also negotiating it.
- India had also been reluctant earlier to join Pillar-I in view of concerns to protect its domestic agricultural, labour and digital sectors without being completely sure about the impact of joining the IPEF.

What is the Current status of IPEF?

- The fourth negotiating round of IPEF for all pillars is currently underway from July 9-15 hosted by Korea in Busan.

    - The first negotiating round was held in Australia in December 2022, followed by a special negotiating round on Pillars II-IV in India in February 2023.
    - The second negotiating round was held in Indonesia in March 2023, followed by the third negotiating round in Singapore in May 2023.
- Text-based negotiations under the supply chain pillar (Pillar-II) were substantially concluded in the **second ministerial meeting** in May 2023 in the US.
    - On May 27, the IPEF partners met in Detroit, Michigan for a ministerial meeting.

Q1) What is the supply chain?

A supply chain refers to the network of organizations, resources, activities, and processes involved in the creation and distribution of goods or services from the point of origin to the point of consumption. It encompasses all the steps required to bring a product or service to the end customer, including sourcing raw materials, manufacturing, transportation, storage, and delivery.

Q2) What is decarbonization?

Decarbonization refers to the process of reducing or eliminating carbon dioxide (CO2) emissions and other greenhouse gas (GHG) emissions from various sectors of the economy. The primary objective of decarbonization is to mitigate climate change by reducing the concentration of GHGs in the atmosphere, which are responsible for trapping heat and contributing to global warming.

Source: India weighs better market access to join IPEF trade pillar | Indian Express