



## 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 **demand**ed 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.

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