Indo-Pacific Economic Framework for Prosperity (IPEF)

Why in news?

There are apprehensions that the U.S.-driven Indo-Pacific Economic Framework for Prosperity (IPEF) would result in a complete stranglehold over the economic systems of the participating countries.

What is IPEF?

> *The 14 IPEF partners represent 40 % of global GDP and 28 % of global goods and services trade.*

- **Launch** - IPEF is launched by by USA in 2022 to reassert U.S. economic engagement and to provide a U.S.-led alternative to China's economic statecraft in the region.
- **Member countries** – 14 – USA, Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam excluding China.
- **Aim** - To contribute to cooperation, stability, prosperity, development, and peace within the region.
- **No tariffs** - IPEF proposal completely removes the tariff element of typical trade deals.
- **Four pillars**
    1. Trade
    2. Supply chains
    3. Clean energy, decarbonization, and infrastructure
    4. Tax and anti-corruption
- The IPEF is flexible as IPEF partners are not required to join all four pillars.

What is the India's position in IPEF?

- India has *joined 3 pillars expect the trade pillar*.
- Since India is in the process of firming up its own digital framework and laws, regarding *privacy and data*, India will wait for the final outlines to emerge.
- India expects that certain responsibilities of the developed world should also be an integral part of any such agreement.
- India has also few concerns about environment, labor, digital trade and public procurement.

In 2019, India walked out from the Regional Comprehensive Economic Partnership (RCEP) involving China, Japan, South Korea, Australia, New Zealand and the 10-state Association of Southeast Asian Nations (ASEAN) grouping.

How is IPEF different from RCEP?

IPEF	RCEP
The bloc is led by USA	The bloc is led by China
The bloc represents 40% of world's GDP	The block represents 30% of the world's GDP
India is a member of the bloc	India didn't join the bloc but still has a window to join the bloc
The block focuses on digital economy, supply chains, clean energy infrastructure, and anti-corruption measures	The block focuses on negotiation on tariffs or market access
The bloc has no tariffs	The bloc has tariffs

What are the concerns in joining the IPEF?

- There is great pressure on India to join the trade pillar, but the other pillars also contribute to developing hard new economic architectures and structures that are not tariff-based.
- In the long run, it could have a stronger effect on economic and trade flows than tariffs.
- In an increasingly digitalising world, fixed supply chains and giving up policy spaces in key areas would lead to an irreversible economic dependency.
- The IPEF can already be seen to have deep implications in
    - Agriculture, in terms of genetically modified seeds and food,
    - Surrendering policy space for regulating Big Tech,
    - Compromising a comparative advantage in manufacturing because of unfair labour and environment standards.
- It will also seriously affect India's ability to create a vibrant domestic ecosystem in emerging areas such as a digital economy and green products.

Quick facts

Regional Comprehensive Economic Partnership (RCEP)
• RCEP is a comprehensive free trade agreement being negotiated between the 10 ASEAN Member States and ASEAN's free trade agreement (FTA) partners. • The ASEAN's FTA partners include Australia, China, India, Japan, Korea and New Zealand. • The 15 member countries account for about 30% of the world's population and 30% of global GDP, making it the ***largest trade bloc in history.*** • RCEP is the first free trade agreement among the largest economies in Asia, including China, Indonesia, Japan, and South Korea.

References

1. The Hindu | Issues Of IPEF
2. Department Of Commerce | About RCEP
3. Office Of US Trade Representative | About IPEF
4. PIB | India's Concerns About IPEF