

## 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 except 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)
<ul style="list-style-type: none"> <li>• RCEP is a comprehensive free trade agreement being negotiated between the 10 ASEAN Member States and ASEAN's free trade agreement (FTA) partners.</li> <li>• The ASEAN's FTA partners include Australia, China, India, Japan, Korea and New Zealand.</li> <li>• The 15 member countries account for about 30% of the world's population and 30% of global GDP, making it the <b>largest trade bloc in history</b>.</li> <li>• RCEP is the first free trade agreement among the largest economies in Asia, including China, Indonesia, Japan, and South Korea.</li> </ul>

## 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](#)

