Indo-Pacific Economic Framework (IPEF)

Why in news?

The Indo-Pacific Economic Framework, launched by United States President Joe Biden is being joined by 12 other countries including India.

What it IPEF?

- The Indo-Pacific Economic Framework for Prosperity (IPEF) aims to reassert U.S. economic engagement and to provide a U.S.-led alternative to China's economic statecraft in the region.
- The 12 countries other than the U.S. are India, Australia, Brunei, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam (Taiwan is not part of it).
- They together account for 40% of the world's GDP.
- US officials have emphasised that IPEF is not a free trade agreement but one that will offer flexibility.
- The negotiations will be along four main pillars.
    - Trade
    - Supply chain resiliency
    - Clean energy and decarbonisation
    - Tax and anti-corruption

What about India and the IPEF?

- India is committed to a free, open, and inclusive Indo-Pacific region and believes that deepening economic engagement among partners is crucial for continued growth, peace, and prosperity.
- India is keen to collaborate with partner countries under the IPEF and work towards advancing regional economic connectivity, integration and boosting trade and investment within the region.
- India (Lothal, the world's oldest commercial port) has been a major centre in the trade flows of the Indo-Pacific region for centuries.
- India's main concern is on the issue of data localization for which a Bill that envisages a framework for localising Indian data and the establishment of a Data Protection Authority has been introduced.

What aspects to the IPEF need further scrutiny?

- U.S. officials have made it clear that it is neither a free trade agreement nor will it discuss tariff reductions or increasing market access, raising questions about its utility.
- Much will depend on how inclusive the process is and there must be more clarity on its framework.

- The four pillars also raise question on whether there is enough common ground among the countries to set standards together, or be open to issues that vary for each country.
- The U.S.'s statement that the IPEF is essentially focused on "American workers" also raises questions on protectionist global trends.
- Already three ASEAN countries, Cambodia, Laos and Myanmar, have decided to stay out of the framework's launch.
- Given the fact that the U.S.'s previous initiatives (the Blue Dot Network and the Build Back Better Initiative) have made little headway in changing the region's infrastructural needs, the IPEF faces a credibility challenge.

References

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