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TOPIC

**INDIA AND INDO-PACIFIC ECONOMIC
FRAMEWORK (IPEF) FOR PROSPERITY**

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INDIA AND INDO-PACIFIC ECONOMIC FRAMEWORK (IPEF) FOR PROSPERITY

Context

- Recently, India along with other IPEF nations welcomed the upcoming entry into force of the Clean Economy Agreement, Fair Economy Agreement, and the Overarching Agreement on IPEF, and emphasised the significant opportunities to further deepen economic cooperation and deliver concrete benefits through ongoing collaboration.

About the Indo-Pacific Economic Framework for Prosperity (IPEF)

- IPEF was launched in 2022 at Tokyo, Japan, comprising **14 countries** – *Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam and USA*, which collectively account for **40% of global GDP and 28% of global trade**.
- It seeks to strengthen economic engagement and cooperation among partner countries with the goal of advancing growth, economic stability and prosperity in the region.

Key Pillars of IPEF

- **Trade (Pillar I):** It focuses on enhancing trade relations and reducing barriers to trade among member countries. It aims to create a more inclusive and fair trading environment.
- **Supply Chains (Pillar II):** Ensuring resilient and secure supply chains is crucial, especially in the wake of disruptions caused by global events. It seeks to strengthen supply chain networks and reduce dependencies on single sources.
- **Clean Economy (Pillar III):** It emphasises sustainable development, promoting clean energy, and addressing climate change. It aligns with India's domestic goals of transitioning to a greener economy.
- **Fair Economy (Pillar IV):** It aims to foster fair economic practices, including anti-corruption measures and promoting labour rights.

Strategic Importance of IPEF

- **Counterbalance to China's Influence:** IPEF is seen as a strategic move to counter China's growing influence in the Indo-Pacific region. By strengthening economic ties and promoting fair trade practices, the framework aims to create a balanced and inclusive economic environment.
- **Strengthening Economic Ties:** IPEF promotes collaboration among key Indo-Pacific economies, strengthening economic integration in one of the world's fastest-growing regions.
- **Alternative to Traditional Trade Blocs:** IPEF serves as a non-traditional economic framework, providing an alternative to regional trade agreements such as **RCEP (Regional Comprehensive Economic Partnership)**.
- **Addressing Critical Economic Challenges:** Includes agreements like the Clean Economy Agreement and Fair Economy Agreement, addressing issues of sustainable growth, fair trade practices, and transparent economic governance.
- **Facilitating Technological and Infrastructure Cooperation:** By focusing on sectors like digital trade and clean energy, IPEF facilitates technology transfer and infrastructure development, promoting sustainable growth in the Indo-Pacific.

India's Strategic Role In IPEF

- **Economic Integration:** India's merchandise exports to the U.S. have seen a significant increase, rising by over 50% from \$54.3 billion in 2018 to \$83.8 billion in 2023.
 - ♦ It highlights the potential for further economic integration and cooperation under the IPEF framework.
- **Balancing Regional Influence:** India's participation in IPEF strengthens the framework's ability to counterbalance China's regional economic influence. India's role reassures smaller economies by providing an alternative regional partner committed to economic stability and security.
- **Strengthening Supply Chain Resilience:** India's manufacturing capabilities, particularly through the Production Linked Incentive (PLI) schemes and initiatives like **Make in India, PLI contribute** to building resilient supply chains within IPEF.

- **Leadership in Clean Energy and Sustainable Practices:** As a global leader in renewable energy, especially solar power through initiatives like the **International Solar Alliance (ISA)**, India contributes to IPEF's Clean Economy pillar.
- **Promoting Digital and Technological Collaboration:** India's booming digital economy and expertise in IT and digital services add value to IPEF's digital and technological cooperation initiatives.
 - ◆ With its focus on **Digital India**, India can lead in areas such as digital infrastructure, cybersecurity, and data governance, benefiting regional economies and fostering secure, inclusive digital growth.
- **Building Strategic Alliances with Indo-Pacific Partners:** IPEF strengthens India's ties with ASEAN, the U.S., Japan, Australia, and other regional partners, enhancing strategic partnerships and bolstering its influence in the Indo-Pacific.
- India's participation in IPEF complements its Act East Policy and aligns with Quad and other multilateral engagements, increasing its regional footprint.

Key Challenges in Implementation

- **Diverse Economic Interests:** The IPEF includes countries with varying economic priorities and development levels, making it difficult to align on common goals and standards.
- **Lack of Market Access Commitments:** Unlike traditional trade agreements, the IPEF does not include commitments on market access, such as tariff reductions. This limits its appeal and effectiveness in deepening economic linkages.
- **Political and Legislative Hurdles:** In the U.S., there are concerns about Congress's role in the IPEF, given its constitutional authority to regulate foreign commerce. The administration's approach has raised questions about the durability and enforceability of the agreements.
- **Implementation and Enforcement:** The framework's reliance on cooperation rather than binding dispute resolution mechanisms can make enforcement challenging. This is particularly true for the Clean Economy and Fair Economy agreements, which focus on cooperation and voluntary compliance.
- **Data Localisation and Privacy Issues:** Contentious issues such as data localization, transparency, and fair competition requirements pose significant challenges. Achieving a global consensus on these matters is crucial but difficult.
- **Geopolitical Tensions:** The IPEF is seen as a counterbalance to China's influence in the region. This geopolitical dimension can complicate negotiations and implementation, as countries may face pressure from competing interests.

Conclusion and Road Ahead

- The Indo-Pacific Economic Framework for Prosperity offers a unique opportunity for India to enhance its economic and strategic linkages in the region, as it continues to evolve, India's proactive participation will be crucial in shaping the framework's impact on the global economy.
- By leveraging the IPEF's pillars, India can contribute to building a resilient, sustainable, and fair economic environment in the Indo-Pacific, ultimately fostering prosperity for all member countries.
- Nevertheless, India's commitment to the framework signals a bold step towards resilience and sustainable development in the Indo-Pacific region.

Source: TH

Mains Practice Question

[Q] How can India effectively leverage the Indo-Pacific Economic Framework (IPEF) to bolster its economic growth, enhance its strategic position in the region, and address its domestic developmental challenges?

