

The article is related to
General Studies-Paper-II
(International Relations)

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12 countries including India have agreed to join the Indo-Pacific Economic Framework launched by the US. Why has Washington felt the need for such a framework, and what is in it for those who are part of it?

The Indo-Pacific Economic Framework, launched by United States President Joe Biden on Monday and being joined by 12 other countries including India, is Washington's answer to the Trans Pacific Partnership (TTP) and its successor agreement, the Comprehensive and Progressive Agreement for TTP (CPTPP), as well as the Regional Comprehensive Economic Partnership (RCEP).

The US had pulled out from the TTP due to enormous domestic backlash against the low/no tariff agreement in it — one of Donald Trump's first decisions after becoming President. The US did not join the China-led 15-country RCEP. Last year, Beijing applied to join the 11-member CPTTP. So have Taiwan and the United Kingdom.

Why the framework

The Biden Administration's realisation that its near-onlooker status to the trade arrangements in the region, with China's stamp all over it, did not match its Indo-Pacific strategic objectives spurred work on a new framework for doing trade. The aim was to reclaim economic leadership in East Asia and the ASEAN region without giving away concessions that would anger domestic lobbies.

"We believe that expanding US economic leadership in the Indo-Pacific through vehicles like IPEF is good for America — American workers and businesses as well as for the people in the region," US National Security Adviser Jake Sullivan said at a press briefing.

He listed the challenges IPEF would address as "setting the rules of the road for the digital economy, ensuring secure and resilient supply chains, helping make the kinds of major investments necessary in clean energy infrastructure and the clean energy transition, to raising standards for transparency, fair taxation, and anti-corruption". "The fact is that past models did not address these challenges — or did not address them fully and take them head on... So we believe that we need a new model that we can move on quickly to, in fact, take these challenges head on, and that's what IPEF will do," he said.

US Commerce Secretary Gina Raimondo has said the IMEF "marks an important turning point in restoring US economic leadership in the region and presenting Indo-Pacific countries an alternative to China's approach to these critical issues".

India has announced it will join the bloc despite its concerns over certain aspects of the IPEF. The other 11 countries are Australia, Brunei, Indonesia, Japan, the Republic of Korea (South Korea), Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam, which together account for 40% of the world's GDP. Taiwan is not part of it.

The 12 countries are yet to begin negotiations, which is the next step in the process. The US hopes it will draw in more members. US officials have emphasised that IMEF is not a free trade agreement, and not even any other kind of “same old, same old” trade agreement, but one that will offer flexibility. The negotiations will be along four main “pillars”. According to an “insight” paper by the US Congressional Research Service in February, countries would have to sign up to all components within a pillar, but do not have to participate in all pillars.

The four pillars are

- trade that will include digital economy and emerging technology, labour commitments, the environment, trade facilitation, transparency and good regulatory practices, and corporate accountability, standards on cross-border data flows and data localisations;
- supply chain resiliency to develop “a first-of-its-kind supply chain agreement” that would anticipate and prevent disruptions;
- clean energy and decarbonisation that will include agreements on “high-ambition commitments” such as renewable energy targets, carbon removal purchasing commitments, energy efficiency standards, and new measures to combat methane emissions;
- and tax and anti-corruption, with commitments to enact and enforce “effective tax, anti-money laundering, anti-bribery schemes in line with [American] values”.

Negotiations on the trade pillar will be led by the US Trade Representative Katherine Tai, and on the other three pillars by the Commerce Department.

India & the IPEF

India's main concern is on the issue of data localisation, on which it has locked horns with the US over the last two or three years. In 2019, the government has introduced a Bill in Lok Sabha that envisages a framework for localising Indian data and the establishment of a Data Protection Authority. Just last month, the US said in its National Trade Estimate Report on Foreign Trade Barriers that India's proposed data localisation requirements, under which firms need to store data within India, “will serve as significant barriers to digital trade” between the two countries, and will act as “market access barriers, especially for smaller firms”.

However, if India continues to have reservations, it kept them to itself on this occasion and struck no discordant notes at the Tokyo launch on the IPEF on Monday. Prime Minister Narendra Modi, who participated in the launch, said “The Indo-Pacific Economic Framework is a declaration of our collective will to make the region an engine of global economic growth. I thank President Biden very much for this important initiative.”

He noted that Lothal, the world's oldest commercial port, was in Gujarat, his home state. “History is witness to the fact that India has been a major centre in the trade flows of the Indo-Pacific region for centuries... Therefore, it is essential that we find common and creative solutions for the economic challenges of the region.”

The Ministry of External Affairs statement on IPEF said 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”.

It also made the point that the discussion will now begin on “ strengthening economic cooperation and achieving shared goals”.

Expected Question (Prelims Exams)

Q. Consider the following statements in the context of Indo-Pacific Economic Framework-

1. Apart from India, 11 countries have joined this framework so far.
2. The 12 countries included in this framework today represent 40% of the world GDP.

Which of the above statements is/are correct?

- (a) Only 1
- (b) Only 2
- (c) 1 and 2 both
- (d) Neither 1 nor 2

Expected Question (Mains Exams)

Q. "The Indo-Pacific Economic Framework is widely seen as a collective effort to reduce China's rapidly growing influence in the Indo-Pacific region." Discuss.

(250 Words)

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Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC main examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.