

# India frets over US proposal seeking tariff notices at IPEF

Fears reduction in policy elbow room; wants industry's views

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India fears that a proposal by the United States under the “supply chains” pillar of the Indo-Pacific Economic Framework (IPEF) could violate multilateral rules and reduce policy elbowroom. The government has sought industry’s views on the US proposal, which seeks advance notices on tariff changes and export restrictions from the 14 partner countries of the IPEF, before firming up its position.

The IPEF has four pillars: trade, supply chains, clean economy, and fair economy. India has yet to take a call on whether to join the trade pillar, though it has joined the other three. The third round of negotiations started in Singapore on Monday and will con-

tinue till May 15.

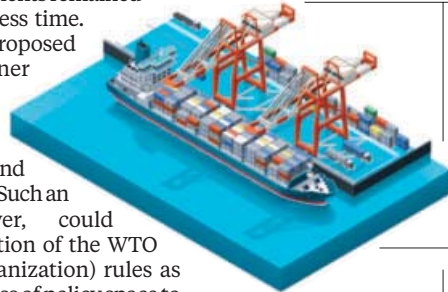
The IPEF members represent 40 per cent of the global gross domestic product and 28 per cent of the world’s trade.

Emails sent to the Indian and US commerce departments remained unanswered till press time.

“It has been proposed that all IPEF partner countries will have to provide advance notices on tariff changes and export restrictions. Such an exercise, however, could amount to a violation of the WTO (World Trade Organization) rules as well as a possible loss of policy space to the government. Notifications are usually done only after measures are taken and not before. Therefore, industry inputs have been sought to safeguard the country’s interests,” a person in the know told *Business Standard*.

## THE FRAMEWORK

■ US-led Indo-Pacific Economic Framework for Prosperity (IPEF), launched in May 2022, aims to counter China's increasing clout in the region



■ The 14 IPEF partners represent 40% of global GDP and 28% of global goods and services trade

■ India is part of three IPEF pillars: supply chains, clean economy and fair economy; yet to take call on trade pillar

■ The weeklong third negotiating round started on Monday in Singapore

Turn to Page 6 ▶

## IPEF...

The United States Trade Representative is leading the discussions on the trade pillar, while the US Secretary of Commerce spearheads the discussions on the other three.

“Since India is not a part of the trade pillar, it is not in discussions on the commitments related to tariff changes and export restrictions. However, issues such as tariff changes and export curbs are cropping up indirectly in the supply chain pillar as risks,” the person said.

Prime Minister Narendra Modi formalised India’s entry into the IPEF in May last year on the side lines of a Quad leaders’ summit in Tokyo. Quad, established two years ago, has India, Australia, Japan and the US as members.

The IPEF is designed to strengthen economic cooperation among Indo-Pacific nations and is perceived to be a strategic counter to China’s growing clout in the region. Apart from India and the US, it has 12 other members: Australia, Brunei, Fiji, Indonesia, Japan, South Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand, and Vietnam.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University, said this was expected, as there was no big market other than India among the IPEF countries.

“The Indian market is well-protected in global standards and it had to come under the scanner. The supply chain can’t be resilient for IPEF countries if India has high tariffs. The government has to take a clear stand. Policy space for a country like India is important and it can’t just walk back on it,” Dhar added.

The government has also asked industry inputs to identify the critical sectors and products, and for fixing the related criteria. “The proposal is to include the sectors critical to national security, food security and public health. This may include raw materials and elements that are difficult to source,” the person cited above, who did not want to be named, said.

The government has also sought industry’s views on a

proposal to set up an IPEF Supply Chain Council to report on the implementation of supply chain provisions and risks. Industry feedback has also been sought on the proposed IPEF Supply Chain Action Plan Teams to address the factors causing delays, shortages impairing cross-border movement of materials, coercive actions causing difficulties, and logistical bottlenecks. The US has also proposed an IPEF Supply Chain Crisis Response Network to address the disruptions caused by natural and other disasters.

The other supply chain issues under discussion include investment promotion, developing vendor-neutral IT frameworks, enhancing interoperability, reducing cyber-security risks, and promotion of low-cost and scalable cross-border e-payment mechanisms, among others.

## FSDC...

The five secretaries in the finance ministry and Chief Economic Advisor V Anantha Nageswaran attended the meeting.

“The council discussed a number of issues starting with financial stability, noting that there were daunting challenges coming from the global economy ... It discussed early-warning indicators for the economy,” Economic Affairs Secretary Ajay Seth told media persons after the meeting.

“The RBI already has some indicators but there needs to be a wide set of those that capture domestic financial markets as well as global markets, and also the real economy. The idea is to identify stresses early enough before they become prominent,” Seth said.

The meeting comes amid a number of regional bank failures in the US, with their impact spilling over to Europe.

“The global financial situation is daunting but at the same time the Indian economy and the Indian financial sector are well protected and well regulated,” Seth said, and added that the FSDC discussed whether there could be a knock-on effect for India from the banking crisis and through what channels those could come.

“I can mention that there is no spillover that can come to Indian banks from the Western

