

# IPEF nations consider three-year exit clause

## To enable easy exit of members from a pact

**SHREYA NANDI**

New Delhi, 10 July

The 14-nation Indo-Pacific Economic Framework (IPEF), led by the United States (US), may include a ‘three-year exit clause’, giving its members the flexibility to move out of any of the pillars of the agreement if the need arises, people aware of the matter said.

The IPEF, launched by the US in May 2022, 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 the US and India, the other members are: Australia, Brunei, Fiji, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

“There have been discussions regarding the inclusion of an exit clause. If a country feels that the economic initiative [IPEF] is not working in its favour, an exit can take place within three years of signing the pact,”

### IN THE WORKS

▶ **US-led Indo-Pacific Economic Framework aims to counter China's increasing clout in the region**

▶ **The 14 IPEF members represent 40% of global GDP and 28% of global goods and services trade**

▶ **As of now, India is part of three IPEF pillars: supply chains, clean economy, and fair economy; decision on trade pillar yet to be taken**

▶ **Terms and conditions of the exit clause yet to be decided**

one of the persons cited above told *Business Standard*.

The development assumes significance considering that India, as of now, has joined only three of the four IPEF pillars — supply chain resilience, clean economy, and fair economy (tax and anti-corruption).

Turn to Page 6 ▶

▶ FROM PAGE 1

## IPEF nations...

India pulled out of the IPEF's trade pillar-related negotiations last year, citing that it was unclear what benefits the member countries would derive from it. Currently, India has an 'observer' status and a final decision on joining the trade pillar is yet to be taken.

Sources said the commerce department would soon take a call on the matter, which would also involve seeking approval from the Prime Minister's Office regarding India's stand.

Experts believe that the inclusion of exit clauses in such economic initiatives has been seen in the past as well, although the terms and conditions of the exit are crucial. "We have already seen entry and exit clauses in regional trade deals such as RCEP (Regional Comprehensive Economic Partnership). In fact, the United Kingdom also walked out of the European Union. However, these exits generally take place with respect to certain terms and conditions," said Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations.