

Will Biden push Modi on IPEF?

The US wants India to engage with all four components of IPEF, but New Delhi wants to protect its interests first

bl. explainer

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What is the Indo-Pacific Economic Framework (IPEF) and what does it seek to achieve?

The IPEF is a 14-member alliance launched by US President Joe Biden in Tokyo in May 2022, ahead of a Quad Summit. The US-led group initially comprised countries of the Indo-Pacific region including India, Australia, Brunei, Fiji, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. The IPEF seeks to come up with a common set of rules and standards centred around four pillars: connectivity and digital trade; resilient supply chains; clean energy; and corruption-free fair trade. Negotiations are on between members on all the four proposed pillars.

What is the intent behind the IPEF initiative?

The IPEF is commonly seen as the Biden regime's attempt to challenge China's rising influence over South and South-East Asian countries. Through the IPEF, the US wants to expand its economic leadership in the region and promote its economic and foreign policy interests. By forming alliances with



US IMPERATIVES. India has to balance its interests before making commitments

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member countries towards building supply chains and regional connectivity, the US wants to strengthen its status as an Indo-Pacific economic power.

How is the IPEF different from traditional free trade agreements (FTA)?

The biggest difference between the IPEF and traditional FTAs is the absence of market access concessions between members in the form of reduced import tariffs on goods. IPEF will try to shape rules on the four focus areas of digital economy, trusted supply chains, clean energy, and fair economy (enforcement of effective tax, anti-money laundering, and anti-bribery regimes).

The second difference is that the IPEF

negotiations are taking place under different modules represented by the four specified pillars. Unlike in FTAs, where everything is negotiated under a single umbrella, the IPEF negotiations are on in silos, independent of each other. While countries have to agree to all the components within a module, they need not participate in every module.

Why did India opt out of the IPEF's trade pillar?

India is not in a position to join the trade pillar as its components, such as framing of high-standard rules on digital economy, including cross-border data flows and data localisation, and labour and environment issues, are highly

sensitive for it. New Delhi is in the process of consolidating its domestic policies on digital economy and focused on data protection. As far as stronger labour and environment legislation goes, India has always maintained that there are separate forums for these issues, such as the ILO and the UN.

Will Biden try to convince Modi to join the trade pillar of IPEF and expedite consent for the other three pillars?

Biden did manage to convince Modi last year to join the IPEF despite the fact that there were no major discussions in the country to weigh the costs and benefits of such a move. There is a fair chance that Biden would use the Indian PM's State visit to convince him on India's participation in the trade pillar as well.

What is India's position on the other three pillars?

In the talks under the IPEF pillars related to supply chains, clean energy, and fair economy, India is participating with an open mind. However, while it is willing to help build trusted supply chains and promote clean energy and check corruption, it intends to oppose any mandatory commitments on labour and environment standards.

India also has to weigh what it is getting out of the IPEF.