

IPEF TRADE PILLAR

India doubts trade benefits amid SE Asian scepticism

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Even as the fate of the US-driven Indo-Pacific Economic Framework for Prosperity's (IPEF's) trade pillar hangs in the balance, Indian officials are now certain that the benefits of participating in the trade negotiations are insignificant, especially because Southeast Asian countries were not convinced of the trade-off.

The IPEF ministerial meeting in San Francisco last week saw a substantial conclusion of negotiations on the clean and fair economy pillars, as well as the signing of a pact on supply-chain resilience.

The discussions on the trade pillar could not be concluded as planned.

Additionally, no new negotiating round has been officially scheduled by the US.

“Over the past six or seven rounds, India has realised that overall, the agreement is progressing in a manner where there aren't too many red flags.

There will be certain degrees of differences, but we have also realised that the evidence of too many benefits is not clear or tangible, though there is an indirect benefit of the integration of the supply chain and harmonisation of standards,” a government official said.

Under IPEF, India, for the time being, is the only among the 14 nations to opt out of the trade pillar and has an ‘observer’ status. This has given India the flexibility to join the pillar after seeing the final text once the negotiations are over. India did not join the trade pillar because the government

didn't know what commitments New Delhi may have to make, and there was no clarity on the details.

“On Pillars II, III, and IV (supply-chain resilience, clean economy, and fair economy), there was positive intent from all member countries because supply-chain resilience and green energy transition are common endeavours,” the official cited above told *Business Standard*.

“On the trade pillar, there are questions. Benefits are not clear, and that is probably why the trade pillar has not been closed. The 12 other member nations (apart from the US) are finding it difficult to give commitments without any clear tangible benefit. That has been the reason for the delay,” the

official said. While the trade pillar doesn't entail market access opportunities through lower tariffs, the idea was to develop new and creative approaches to trade and technology policies that fuel economic

activities that generate investments, benefit workers, consumers, among others.

However, some Southeast Asian nations have shown discomfort in making binding commitments with respect to labour standards and environmental norms proposed by the US.

According to a Delhi-based think tank Global Trade Research Initiative, India should avoid pressure to join the trade pillar, and its decision to stay out of the trade pillar aligns with the country's broader strategy of retaining regulatory autonomy.

