

## Indo-Pacific Economic Framework for Prosperity

### Why in News?

Recently India signed the US-led 14-member Indo-Pacific Economic Framework for Prosperity (IPEF) bloc's agreements on a clean and fair economy.

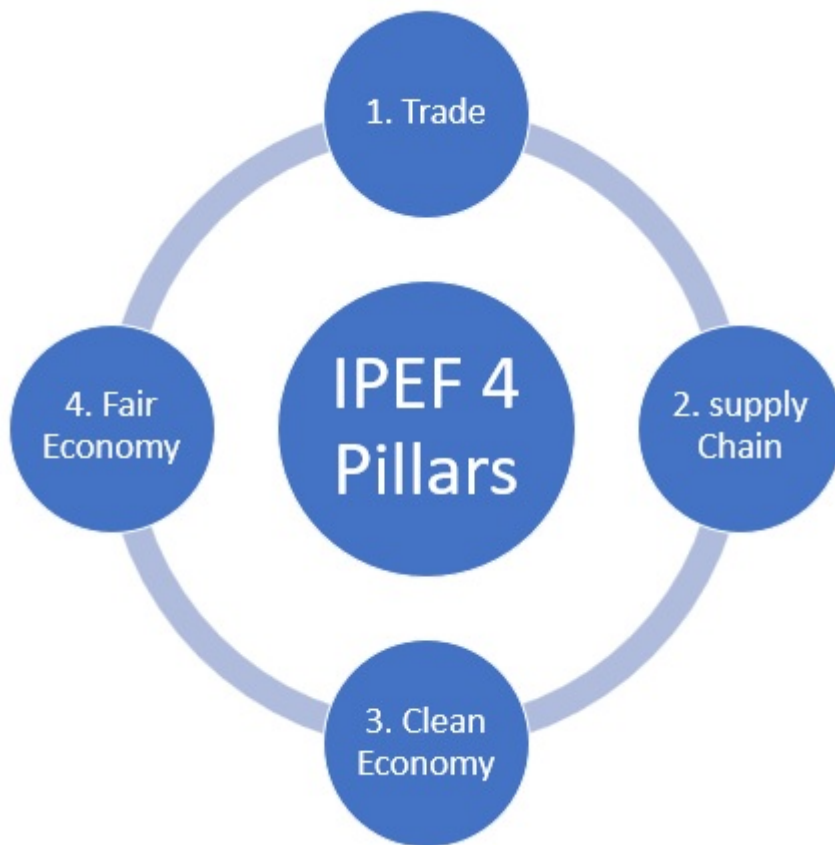
### What is IPEF?

- **IPEF** - Indo-Pacific Economic Framework for Prosperity was launched jointly by the USA and other partner countries of the Indo-Pacific region on May 23, 2022 at Tokyo.
- **Goal** - It seeks to strengthen economic engagement and cooperation among partner countries for advancing growth, economic stability and prosperity in the region.
- **14 Member Countries** - USA, Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam.

*IPEF with its 14 partner countries represents 40% of global GDP and 28% of global goods and services trade.*

## Economic Framework (IPEF) partners





- India had **joined Pillars II , III & IV** of IPEF while it has an **observer status in Pillar-I.**
- **Ministerial-level council and a commission** - Agreement on the Indo-Pacific Economic Framework for Prosperity established a ministerial-level council and a commission.

IPEF Agreements	Date of Entry into Force
Supply Chain Agreement	February 24, 2024
Clean Economy Agreement	October 11, 2024
Fair Economy Agreement	October 12, 2024
Overarching Agreement on IPEF	October 11, 2024

- **Overarching Agreement** - It is an administrative agreement establishing an oversight Ministerial-level mechanism over the various individual IPEF agreements.
  - Objective - To facilitate the effective implementation of subject agreements (Pillars II-IV).
- **Funds under IPEF** - IPEF also provides platforms for technical assistance, concessional funding, and viability gap funding.
  - **IPEF Catalytic Capital Fund** - To pool resources and expand the pipeline of bankable climate projects.
    - With an initial grant of \$33 million from Australia, Japan, Korea, and the United States, it aims to catalyse private investments totalling \$3.3 billion.
  - **PGI Investment Accelerator** - To increase private investment in the Indo-Pacific.
    - It has received initial funding of \$300 million from the United States International Development Finance Corporation

- **Significance of the IPEF** - Inclusive growth, Environmental sustainability, Fair economic competitiveness.
- **Reshape Economic Relations** - The pillars of supply chains, a clean economy, and a fair economy will reshape economic relations in the region.

*India's merchandise exports to the U.S. have risen by over 50% (54.4%) from \$54.3 billion in 2018 to \$83.8 billion, as reported in 2023.*

- **Counter BRI** - At a time when China's Belt and Road Initiative (BRI) is leading to debt traps, the IPEF seeks transparency and open dialogue.

Initiatives under IPEF	
<b>IPEF Upskilling Initiative</b>	Providing digital skills training to primarily women and girls in IPEF emerging and middle-income partner countries.
<b>Critical Mineral Dialogue</b>	Strengthening the critical mineral supply chain and ensuring sustainable mining practices in the region.
<b>Tech Council</b>	Coordination and cooperation on key technologies like Cyber Security, Undersea Cables and Artificial Intelligence.
<b>Cooperative Work Program</b>	Facilitate collaborative and cooperative efforts among the interested participating IPEF countries to advance the objectives of the Clean Economy Agreement.

## What is the Pillar II - Supply Chain?

- **Aim of Supply Chain Pillar**
  - Deepening cooperation to build more competitive and resilient supply chains.
  - Better prepare for, prevent, and respond to supply chain disruptions when they happen.
  - Ensure that regional supply chains raise up workers and respect labour rights.
- **Supply Chain Agreement's three bodies**
  - Supply Chain Council
  - Crisis Response Network
  - Labor Rights Advisory Board(LRAB)

*India was elected as Vice Chair of the Supply Chain Council with US as Chair.*

- **Benefits** - This pillar helps in supply chain diversification among the member countries.
- **Boost Domestic Manufacturing** - It supports India's self-reliance initiatives (Aatmanirbhar Bharat) and Production Linked Incentive (PLI) schemes by mobilizing investments in production, logistics services, and infrastructure.
- **Shift of Production Centers** - The agreement is expected to attract production centers in key goods and critical sectors to India, boosting domestic manufacturing.
- **Global Supply Chain Integration** - The agreement facilitates deeper integration of Indian MSMEs (Micro, Small, and Medium Enterprises) into global supply and value

chains.

- **Economic Resilience** - It helps mitigate risks of economic disruptions from supply chain shocks and adverse events, creating a more resilient economic environment.
- **India's Tech Advancement** - Initiative on Critical and Emerging Technologies (iCET)-related sectors such as cyber security and artificial intelligence, will ensure that India remains at the forefront of technological advances.
- **Workforce Development** - It includes provisions for upskilling and reskilling the workforce, ensuring that Indian workers are well-prepared for the demands of modern supply chains.

### What is the Pillar III - Clean Economy ?

- **Aim** - To advance cooperation on research, development, commercialization, availability, accessibility, and deployment of clean energy and climate friendly technologies.
- **Objectives of Agreement on Clean Economy** - Accelerate efforts of IPEF partners towards energy security and transition, climate resilience and adaptation, GHG emissions mitigation.
- **Benefits** - U.S.-India clean energy partnership is vital in helping India achieving net zero carbon emissions by the year 2070.
- **Technical Cooperation** - Collaborate to facilitate development, access, and deployment of clean energy and climate-friendly technologies
- **Capacity Building** - Promote technical cooperation, workforce development, capacity building, and research collaborations.
- **Energy Security** - Find/develop innovative ways of reducing dependence on fossil fuel energy.
- **Financial Opportunities** - Facilitate investments through climate financing and green bonds towards climate-related projects in the region.
- **Domestic Industrial Development** - Investments in renewable energy projects and technology transfers will allow India's industries to integrate more deeply into global value chains.

### What is the Pillar IV - Fair Economy ?

- **Aim** - To create a more transparent and predictable trade and investment environment across the Indo-Pacific.
  - Strengthening anti-corruption efforts
  - Enhancing the.
- **Benefits** - Expand trade, investment ties and ensure the benefits of trade are broadly shared throughout their economies.
- **Mitigate Trade Hurdles** - Reducing trade complexities & barriers, opaque regulatory requirements and tax policies that encourage corrupt behaviour in certain emerging markets.
- **International Financial Cooperation** - It enhances information sharing among partners, facilitating asset recovery and strengthening cross-border investigations and prosecutions.
- **National Security and Economic Integrity** - It helps in addressing issues such as

cross-border money laundering and terror financing.

- **Generate Investor Confidence** - Implementation of the agreement creates a reliable trade environment and attracts investments.
- **Strengthening Anti-Corruption Measures** - The agreement focuses on preventing and combating corruption, including bribery and money laundering.
- **Efficient Tax Administration** - The agreement supports initiatives to improve tax transparency and enhance cooperation in tax administration among member countries.

### What lies ahead?

- IPEF represents more than a series of trade and investment agreements and is a strategic effort to cement partnerships in the region.
- Revival of Generalized System of Preferences (GSP) of US will boost trade with US.

*Generalized System of Preferences (GSP) facilitated duty-free access to more mature markets and it was withdrawn in 2019.*

- Building consensus along the lines of QUAD to address geopolitical turbulence, and global economic uncertainty.
- Enhancing information sharing among partners, facilitating asset recovery and strengthening cross-border investigations and prosecutions.
- Utilize member' strengths like technological advancements, investment capacity, market potential, requisite resources including skilled workforce.
- Develop domestic standards quickly to avoid being at a disadvantage in international negotiations on standards.

### References

1. [The Hindu | Strengthening the India link in the IPEF](#)
2. [PIB | IPEF Ministerial Meeting](#)
3. [PIB | IPEF Agreements](#)