



THE
INDO-PACIFIC
ECONOMIC
FRAMEWORK
FOR
PROSPERITY

POLICY REPORT



THE ECONOMICS SOCIETY
SHRI RAM COLLEGE OF COMMERCE



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EXECUTIVE SUMMARY

“ *A strong, secure, and sovereign Indian Ocean is critical to India’s security landscape.* ”

India has economically and strategically benefited from the Indian Ocean in multiple ways. In the status quo, the Indian Ocean acts as a sensitive region where militarisation from the West to counter China has only led to increased clashes to achieve deterrence. India, though gradually, affects the multipolar world order by augmenting the Indian Ocean in two ways. Firstly, India has normalised its role as a net security provider and contributor to collective peace in the region. Secondly, India has also generated trust, a currency that stimulates development and interdependence with its neighbours. Thus, by bringing interoperability to the region by inclusivity, India can effectively counter the Chinese influence in the maritime theatre. This sense of inter-reliability can be seen in the approach undertaken by the “Neighbourhood First” Policy.

The Indian Ocean has always been and continues to remain an important theatre for global trade. The Indian Ocean has provided immense benefits, both economic and security, and has helped in preserving the sovereignty of India. Economically, the Indian Ocean Region (or IOR) accounts for over one-third of the world’s population. More than half of the global seaborne trade and commerce is witnessed through this region. The Indian Ocean also helps boost multiple sectors, from fishing to agriculture. Strategically, India is at the pivotal point of the IOR, which opens up numerous opportunities and threats. India’s growing ambition, as under Security And Growth For All in the Region (SAGAR), to be a reliable leader coupled with the desire to enhance security in the region has led to more significant obligations and expectations by the West towards India.

IPEF is an important part of US President Joe Biden’s strategy to counter growing Chinese clout in the Asian economic sphere. Regarding sovereignty, India will be navigating in the toughest waters: an assertive China and an unpredictable Pakistan bring added threats. Therefore, the response has been one of inclusivity, synergy and collaboration among nations.

Introduction



We chose IPEF because this framework will be of supreme importance in the global economic sphere in the coming years. Recently, the Indian Ocean has received international media coverage due to the intensity of the region's developments. Also, the Indian Ocean theatre has become a showdown of power dominance, so the region's sensitivity, along with the threat faced, is a growing concern for policy-makers. IPEF will be used as a tool not only to reinforce the Indo-Pacific partnerships but also to strengthen the geo-economies across the Indo-Pacific expanse.

Fellow countries of IPEF constitute 40% of the world economy, putting this partnership at the forefront of global trade and climate conservation. Furthermore, the scope of IPEF is huge, constituting four pillars: trade, supply chains, clean economy and the fair economy, focusing primarily on trade, supply chains, clean energy, decarbonisation, infrastructure, and tax and anti-corruption.

India's decision to join IPEF stands justified because trade volume in the Indo-Pacific region has increased tremendously. Furthermore, past commitments like Comprehensive Economic Partnership Agreements with Japan, South Korea and Singapore. Along with this, the countless negotiations on the Free Trade Agreements (FTAs) with the ASEAN countries. All of this under the 'Act East' policy reiterates the shared interests and values amongst the countries of the Indo-Pacific region. Another reason for analysing IPEF is its importance in existing geo-political relations in the global economic space.

One area that needs to be explored critically is the possibility that IPEF is not another scheme benefiting developed nations like the US. This is important because, time and again, we have witnessed developed countries getting into international partnerships and then forcing their developed standards down the throat of developing countries like India, which is not sustainable for a country like India where significant policies are still in the developing phase, like digital trade. This framework will play an important role in limiting China's influence on trade. So, it becomes essential to look from India's perspective of how it views IPEF and what it is that India is looking to get out of this partnership.

Regarding the domestic landscape, India has evolved and broken the image of being a prisoner of the past. Today, India's ambitions are being met with increased military engagements (capacity-building, joint exercises, weaponry procurement) and economic ties (collaboration with neighbouring countries, incentivising businesses to invest in the Indian Ocean, trade agreements, and forums). Domestically, India needs to push forward in the race for clean energy. Security and Growth should be seen as a nexus instead of mutually exclusive elements, as security brings sustained growth. To India, IPEF is of enormous relevance as it brings a plethora of opportunities on which India can capitalise. IPEF also lays the groundwork for increased collaboration among the parties. As the IPEF recognises threats in the Pacific and Indian Ocean theatres, the relevance and leadership role India will play can be reasonably expected to rise.

Data protection, regulation, and monopolisation globally are on the rise. Open data sharing and data collaboration remain significant opportunities for countries to boost their trade. In its digital landscape, India has adopted a policy of technological self-reliance as well as sovereignty. As the current power shift has been witnessed in Asia, India needs to transition from a mere customer to a leader in digital markets.

Cross-border digital flows are essential to India as it has contributed significantly to the Indian economy. According to one study, digital trade could account for 10% of India's GDP by 2030. Also, big conglomerates continue to boost the economy. This is also why India has been emphasised as a preferred location in the metric of "Ease of Doing Business", thereby promoting "Startup-Culture". However, in the status quo, India faces a gloomy issue: open data.

India has the second-highest number of restrictions, after China, on digital services like cloud computing or financing. Such an approach signals to the international community that India subscribes to its namesake political philosophy while operating within protectionism. Expecting cross-border data flows should be met with caution. Since this paper acknowledges that India has been an essential player in the G20, it also underscores that India still has considerable work to do. India currently emphasises domestic issues and situations and therefore asserts its domestic policies in international forums.

Osaka Track emerged from the idea that nations should adopt a common framework whereby efforts are aligned towards bolstering cross-border data transfer and championing the cause of open data.

India tactfully played up its theatrics—it boycotted instead of denying to sign the Osaka Track. Japan, a member of IPEF, pushed for more complex policies in October 2019 to implement the Osaka Track. It challenged the mandate of the WTO, focused on pluralistic negotiations, and undermined data localisation. To India, it severely seemed like a denial of "space" to discuss or take action on policy-related areas.

To continue with the theatrics, the WTO director supported this move, though it overtly undermined a "consensus-based" approach. India must have the space and requisite sovereignty to evolve its data policy. The current data localisation and privacy, and security harm India with international threats.

A consensus-based approach should be the way forward, and IPEF should later evolve into a document whereby the ideals of multilateralism can be overtly supported.

To actualise a robust economy, the digital economy should be strengthened. At the G20 Presidency, the current Prime Minister of India has also emphasised the importance of "reducing the digital divide."

In India, economic development also comes from an important stakeholder: MSMEs. The MSME sector has emerged as a strong driver of entrepreneurship and has led to progress in multiple areas. It has led to significant industrial development in the country. Then, where cashless payments have been recognised as the highest priority, it becomes essential to understand that India will face lesser challenges regarding global digital trade agreements, mainly focused on SMEs.



This claim is supported by two reasons. Firstly, India is reshaping herself as an economically resilient partner and realising SMEs' role in digital agreements. Secondly, India has the necessary infrastructure and structure to actualise this: grievance cells, an award system, and special measures.

So, it has been established that Indian SMEs are competent to operate in digital economic agreements. However, further characterisation of how these economic agreements look becomes important.

India's climate policy is to ensure "equal scales." The emphasis has remained on public finance flows, green finance, and the collaboration of public and private enterprises on green energy. Currently, there is no universally accepted definition for climate finance.

Achieving a consensus on a universal definition is the first step towards sustained climate finance. Many climate change projects can leverage their resources if benchmarks are set for putting climate finance in place. In the status quo, the word "climate finance" is used without giving a clear picture. A strong emphasis on the general definition lies in transitioning to cleaner energy alternatives and uplifting developing nations. However, for individual nations, an important demarcation is needed. Climate finance should also include funds allocated by national governments for energy-related and/or climate-strengthening activities.

Including allocations from the national government brings two fundamental benefits. Firstly, it assumes an added layer of accountability and transparency with which the international community can uphold the government.

For example, if India includes its allocation, it will be more cautious to ensure adequate steps have been taken as it would need to defend its position. Secondly, it helps corporations and other stakeholders collaborate efficiently with governments. With fund allocation, a government can prioritise its interests in particular areas or energy alternatives for climate finance. This will lead to increased attention paid by wider stakeholders as the already existing information has been rebranded under the tag “climate finance.” In the counter-factual narrative, when the tag of climate finance was not associated, think tanks, NGOs, and corporations had less incentive to involve or engage with the government; since the activity was not targeted towards climate finance, the publicity or targeted media attention any such synergy would generate was less.

Today, the US is threatened by China's growing territorial assertions. The alliances China has successfully built over the South China Sea cause a power balance in the international hegemony. As China continues to seek “geo-political” advantages, it is leveraging itself to assert its sovereignty. In such a showdown of power struggles, the US-led alliances will continue to oppose the Chinese actions until there can be mutual strategic advantages, or in reality, neutral gain.



The Free and Open Indo-Pacific, according to the US National Security, champions noble causes such as territorial integrity, freedom of navigation, and the rule of law. These principles are also vested in the UN Charter, but its practice seems to be less noble and more controversial. Implementing such a policy by the West almost gives China the wrong impression. In the short term, China has locked horns with multiple nations, mostly QUAD partners, which has had spillover effects on Western alliances.

While pursuing a free and open Indo-Pacific is coherent with India's long-term interests, it seems that India's short-term interests echo otherwise. China continues to be a major trade partner for India. On the one hand, economic vitality and growth appear to clash with political symbolism and a nation's core identity as aspires to be a true leader.

In fact, China has a history of putting pressure on India to stymie any attempts at a free and open Indo-Pacific. From investing in Pakistan to reducing infrastructure investments, China follows "wolf-warrior" diplomacy. This time, however, India has evolved. She has understood the importance of capacity building, infrastructure improvement, and economic resilience. She understands that smaller nations are the "invisible players," but they will be most significantly affected. Therefore, her policies [such as "Act East"] have been fundamentally tailored to meet the needs of small nations.

In the current context, Pacific Island Countries are seen as symbols of social and cultural diversity, as well as hubs for global tourism, trade, and investment. It can be argued that a free and open Indo-Pacific champions human resources and economic development.

However, this narrative gains strength from a realised perspective for two reasons. Firstly, many Pacific island countries are generally indifferent to China's growing assertions. Instead, they see China as an emerging opportunity for investment. Therefore, by focusing on key areas for growth, they will emerge as strong players.

As these nations do not have the privilege of exercising their sovereignty through security measures, they often remain neutral on the geopolitical stage.

Secondly, Pacific island nations have different priorities and do not see conventional security issues as perceived challenges. Instead, climate change and short-term measures like economic output matter more to them.

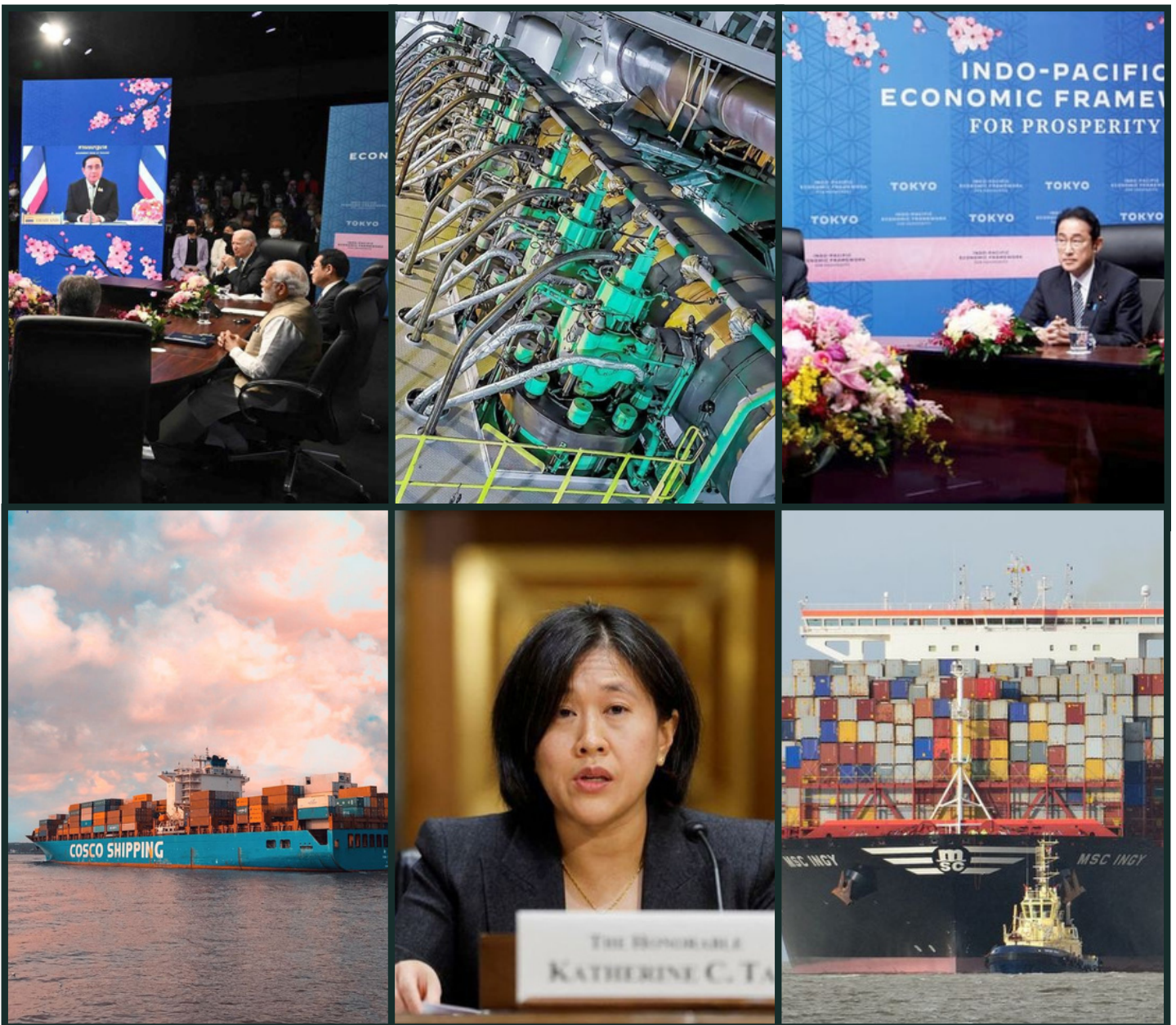
Lastly, the smaller nations will comply with the principles of a "free and open" trade strategy, as complying with the UN gives them unique benefits. Though it can be conceded that the UN needs reforms and has grown inefficient, it is still an important institution for these nations. There are two reasons for these nations. Firstly, the UN offers a level-playing field and still gives some sort of leeway to voice out their concerns. Secondly, the UN acts as a bridge between international advisories and investors and aids in smaller nations' economic and overall development.

Across various summits, foreign ministers have consistently shed light on the non-traditional issues that tend to be undermined by immediate security lapses. Red-tapism and bureaucracy continue to offset gradual developments aimed at putting smaller nations at the focal point.

FOIP could successfully work in an important region by focusing on capacity building. Nations focusing on conventional security can have two incentives to focus on capacity building.

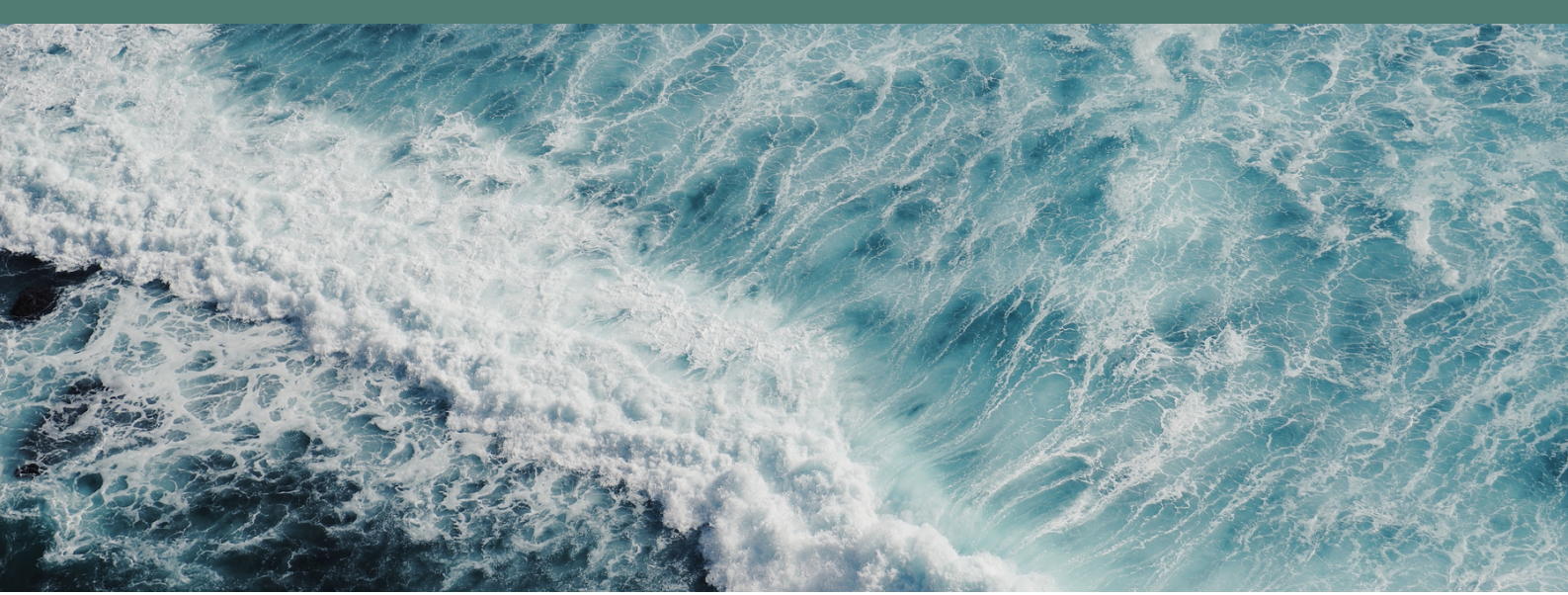
Firstly, by improving technology, efficiency in terms of operations is achieved. This will help in executing more security-related provisions. For example, building up drones or newer air weaponry in the Maldives will help improve bilateral relationships with India and incentivise India to prioritise Maldives.

Secondly, the focus should be on illicit financing. The most significant area for mutual growth is finding common ground. Nations that lose invisible money lose potential chances to care about non-conventional spaces. Focusing on security as a core aspect, such as destabilizing financial terrorism, can have the effect of increasing transparency of previous suspicious activities in the economy.



A Literature Review





FREE AND OPEN INDO PACIFIC

The Indo-Pacific region was recently recognised as one of the most strategic locations in the world by various governments, like Australia and the USA. However, before analyzing the “Free and Open Indo-Pacific”, it is essential to understand what these words truly mean. Understanding the code words in the phrase helps understand the embedded strategy around it.

Japan and the US collectively coined the term “Free and Open Indo Pacific” [FOIP], to make the region “free from coercion” and promote freedom in navigation. Japan has continuously emphasised that it does not, in any capacity whatsoever, wish to contest the strategic advancements of China. A thorough review of the defence strategies of both nations gives an important insight: a gradual shift from notions like “strategy” to phrases like “vision” is observed. While some argue that this is due to a lack of agreement on clear strategies, this paper also advocates for highlighting the long-term bilateral relationship between the United States and Japan, which may contain embedded symbolic elements.

To contextualise this, the US used the word “free and open” during the Cold War to showcase communists as evil, and champions of democratic values. However, other contexts also exist, but the paper will take the most crucial pieces of the issue and provide recommendations therein.

Contextualisation becomes a traditional approach to how FOIP should be seen. The US has overtly voiced its concerns about China and has almost invited it to close engagement. While still a close ally of the United States, Japan is rebranding itself: it urges China not to clash and promotes cooperation. There appears to be some inconsistency. While the US talked of strategic investments and cooperation with China, such mentions looked tokenistic.

“*The US wishes for China to remain robust, so long as it helps to meet its strategic interests, but wishes for China to grow no further.*”

Therefore, the FOIP can be seen as a mechanism that aims to cap China’s influence while also providing some encouragement for the status quo to continue.

CLIMATE CHANGE

One of humanity's most significant worldwide environmental issues is climate change, which affects freshwater availability, health, natural ecosystems, and food production. According to the most recent scientific assessment, the earth's climate system has changed demonstrably from pre-industrial times on a global and regional scale. A clean economy combats climate change and is a low-carbon, resource-efficient, and socially inclusive economy.

Two of the four pillars of IPEF focus on transitioning to a clean economy, combating climate change, and decarbonising supply chains. It becomes pertinent to understand the existing developments that have taken place in the country to reduce the effect of carbon emissions.

India has historically opposed the imposition of emissions reduction obligations on developing nations because the stock of GHGs in the atmosphere is primarily the result of the activities of the developed countries as they industrialised.

Since this stock causes global warming, the burden of reducing emissions should mainly fall on it. India has made a relatively small contribution to the stock of GHGs; our current per capita energy consumption is only one-third of the world average.

Climate justice demands that we not be forced to lower emissions at this time because doing so would interfere with our developmental goals.

We have had a long list of national and international partnerships to mitigate climate change to bring forward the idea of a sustainable, clean economy. This literature review will cover some of the existing government's initiatives to curb these issues, along with some partnerships at national and international levels.



NET ZERO

One of India's most significant breakthroughs in reducing greenhouse gas emissions was committing to net zero emissions by 2070. Though ambitious, it has garnered the world's attention with this decision. Multiple giant Multinational Corporations (MNCs) in India have already pooled considerable sums of money to help India facilitate this transition smoothly, with big names like Adani and Ambani taking the lead.

The idea of net zero greenhouse gas emissions was first brought to attention by the Paris Agreement, a landmark deal that was agreed upon at the United Nations Climate Change Conference (COP21) to reduce the impact of greenhouse gas emissions. According to the Paris Agreement, net zero requires states to 'achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gasses in the second half of this century.'

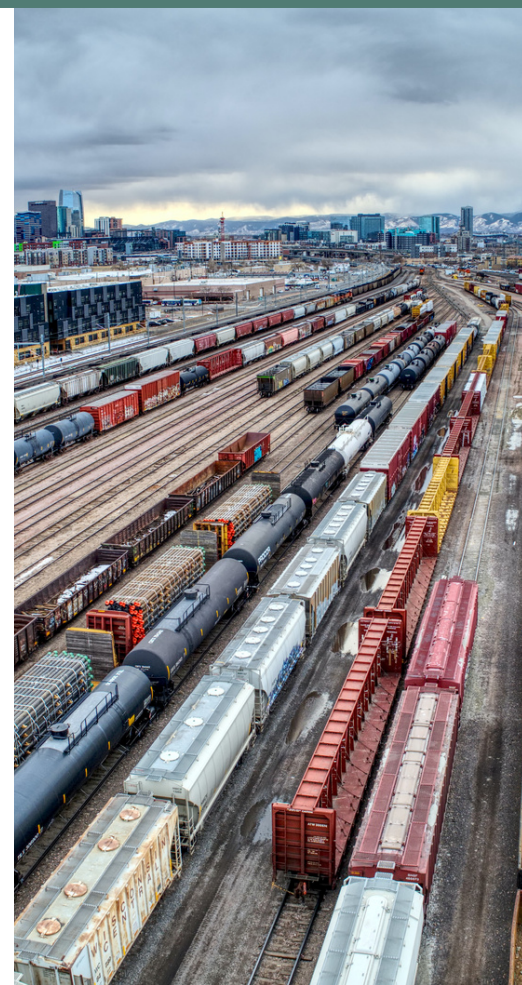
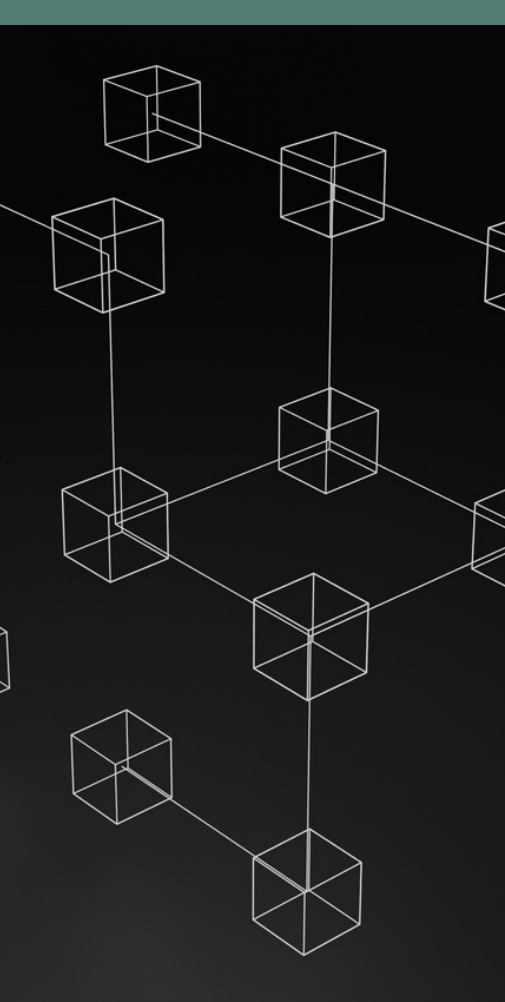
The international climate conference, COP26, which took place in Glasgow in November 2021, was a significant accomplishment.

To maintain 1.5°C, nearly 200 nations joined forces to create the Glasgow Climate Pact. India has pledged to achieve net-zero carbon emissions by 2070 and plans to cover half of its energy needs with renewable sources by 2030.

In this regard, 7-8 sector-specific groups have been formed to develop a targeted low-emission growth trajectory, with adaptation and mitigation measures in areas such as energy supply, transportation, agriculture, industry, waste, and buildings, in addition to carbon capture technology, R&D, and finance, according to the Economic Times.

The Union Cabinet recently approved the new NDCs, under which India pledges to reduce the emission intensity of its GDP by 45% by 2030 (compared to the level in 2005) and to attain around 50% of cumulative installed capacity for non-fossil fuel-based energy sources. According to a government release, India's modified NDC will be implemented between 2021 and 2030. The announcement also stated that this exercise was a step towards India's "long-term aim of reaching net zero by 2070."





REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

The Regional Comprehensive Economic Partnership (RCEP) led by ASEAN entered into force on January 1, 2022. On May 23, 2022, the United States officially launched the "Indo-Pacific Economic Framework." (IPEF). The two agreements, which include the major Asian economies, have emerged as the region's two most crucial opportunities for economic cooperation.

What is RCEP?

The Regional Comprehensive Economic Partnership (RCEP) is a proposed agreement between member countries of the Association of Southeast Asian Nations (ASEAN) and their free trade agreement (FTA) partners. The deal covers trade in goods and services,

intellectual property, and other areas. RCEP intends to create an integrated market with 15 nations, making it easier for each nation's goods and services to be available across this region. The negotiations are centred on trade in goods and services, investment, intellectual property, dispute settlement, e-commerce, small and medium enterprises, and economic cooperation.

How is IPEF different from RCEP?

The IPEF comprises 13 economies across Asia-Pacific: Australia, Brunei, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, Vietnam, and the United States. Fiji joined the group shortly after it was formed.

In terms of interest, RCEP specifically mentioned that "priority will be given to the needs of the least developed countries", allowing some countries to have reservations about tariff concessions for some commodities. While IPEF emphasised the priority of the United States. The Statement from the White House pointed out that "the United States is an economic power in the Indo-Pacific region. Expanding the economic leadership of the United States in the region will ensure that American workers, small businesses and farmers have the ability to compete in the Indo-Pacific region."

RCEP's Economic Significance

According to the estimates, RCEP will connect about 30% of the world's people and output and, in the right political context, will generate significant profits. By 2030, if the implementation is on track, we estimate that it will increase members' incomes by 0.6%, adding \$245 billion annually to regional income and 2.8 million jobs to regional employment.

According to estimates, the RCEP and TPP will offset worldwide losses from the US-China trade war, but not for China and the US. The new agreements will boost North and Southeast Asia's economies by combining their strengths in technology, manufacturing, agriculture, and natural resources. Even though the deal is not as stringent as the CPTPP, the consequences of RCEP are considerable. It incentivises supply networks around the area while simultaneously catering to political concerns. Its intellectual property laws add little to what many members already have in place, and it speaks nothing about workers, the environment, or state-owned firms. However, ASEAN-centered trade deals tend to improve over time.

The initial IPEF Member States are highly congruent with the RCEP. Biden's administration did not join RCEP but instead wooed regional countries to create a new Indo-Pacific economic structure. To constrain China's development, the United States coerced provincial governments to choose between China and the United States on the grounds of economic and trade cooperation.

Difference in Approaches

The differences between the two agreements are reflected in their core aspects. Under the RCEP, trade liberalisation will be achieved with gradual tariff reductions allowing for significant exemptions in sensitive and strategic sectors. RCEP tariff concessions are projected to eliminate tariffs on over 90 per cent of goods traded.

IPEF has no plans to negotiate tariffs and relax market access.

Regarding economic structure, Member States of RCEP are mostly export-oriented with unbalanced production and consumption. In IPEF, production and consumption can complement each other, which is a strong rationale for ASEAN countries to consider joining IPEF. In the formulation of rules, RCEP doesn't implement high standards on the part of intellectual property, making the participating members more accepting of the agreement. The focus of IPEF lies in establishing unified standards. It requires the Indo-Pacific states to achieve unity in the digital economy, decarbonisation, clean energy, environmental protection and labour rights protection.

According to the US, they would work within the IPEF framework to develop common rules based on four pillars. Thus, the IPEF does not intend to operate in the conventional way of free trade agreements (FTAs), exchanging concession offers on tariffs and other trade barriers.

Several IPEF members are also members of the Regional Comprehensive Economic Partnership (RCEP), which has 15 members and has been in operation since early this year. It comprises all ASEAN economies (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and five of ASEAN's FTA partners (China, Australia, New Zealand, Japan and the ROK). This implies that all IPEF members, except the US, India and Fiji, are part of the RCEP. Several other IPEF members, Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam, are also members of another significant regional FTA: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Even though China is the largest member economy in the RCEP, the bloc's structure is similar to that of other ASEAN FTAs. The RCEP is viewed as a China-dominated group, and the IPEF provides an option for many of its members outside China's influence.

With the rise of the Asian economy in recent years, an endogenous need for forming Asian regional integrated economic structures has evolved. After it went into force in January 2022, RCEP became the world's largest free trade zone. On the one hand, China's entry into RCEP can boost China's economic openness and influence. RCEP, on the other hand, is critical for maintaining the multilateral trade system, deepening regional economic integration, and stabilising the global economy.

Southeast Asia will benefit significantly from RCEP (\$19 billion annually by 2030) but less so than Northeast Asia because it already has free trade agreements with RCEP partners. But RCEP could improve access to Chinese Belt and Road Initiative (BRI) funds, increasing gains from market access by strengthening transport, energy, and communications links. The favourable rules of origin under RCEP will also attract foreign investment.

RCEP's Geopolitical Significance

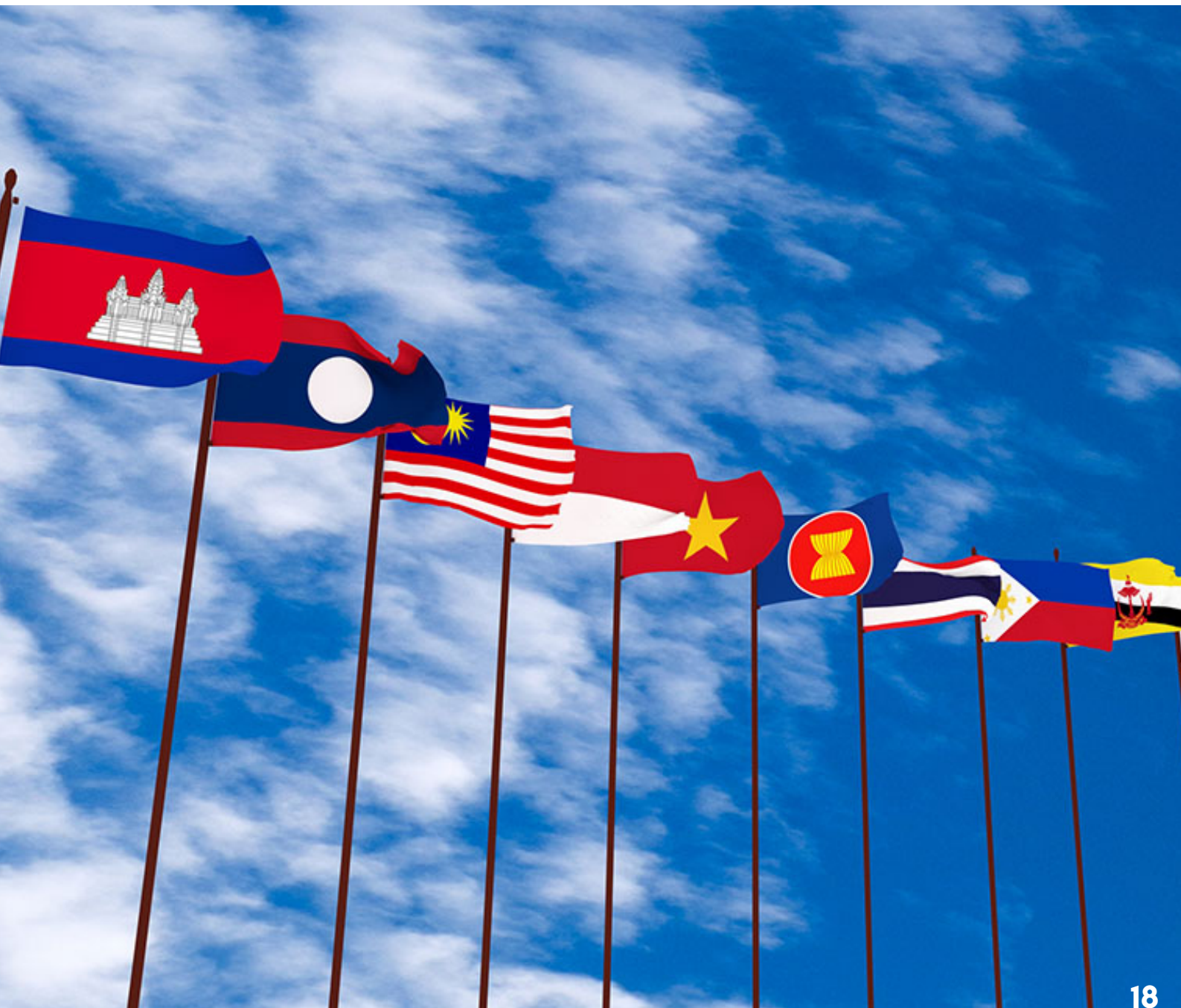
The RCEP, frequently referred to incorrectly as "China-led," is a triumph of ASEAN's middle-power diplomacy. The significance of a major East Asian trade deal has long been recognised, but neither China nor Japan, the region's two largest economies, were politically acceptable as project architects. The impasse was resolved in 2012 by an ASEAN-brokered deal that included India, Australia, and New Zealand as members and put ASEAN in charge of the negotiations. Without such "ASEAN centrality," the RCEP may never have been implemented. RCEP enables the long-desired trilateral free trade agreement between Japan, China, and South Korea. This is significant because Japan and China have a tumultuous history, whereas Japan and Korea are natural US allies.

Implications

The official entry into force of RCEP means forming a free trade agreement in the Asia-Pacific region, which will play a significant role in promoting economic integration in the Asia-Pacific region. However, after Biden took office, the U.S. government officially launched the IPEF to restrain China's influence in the Asia-Pacific region.

Although the IPEF is an economic cooperation initiative, it has the potential to become a geopolitical tool in the context of China-US competition. China's leadership role in RCEP has gained much importance as the region's largest and fastest developing economy. The RCEP will help China strengthen its connections with its neighbours, rewarding eight years of patient discussions in the "ASEAN way," which participants typically describe, with varying degrees of affection, as unusually slow, consensual, and flexible. The RCEP will also accelerate economic integration in Northeast Asia.

A spokesman for Japan's Ministry of Foreign Affairs stated last year that negotiations on the long-stalled trilateral China-South Korea-Japan free trade deal will resume "as soon as they can conclude the negotiations on RCEP." As if on cue, President Xi Jinping promised in a high-profile address in early November to "speed up discussions on a China-EU investment treaty and a China-Japan-ROK [South Korea] free trade deal".



INDIA-JAPAN CLEAN ENERGY PARTNERSHIP

India and Japan have joined hands yet again to aid each other in the transition towards net zero. Both countries have to fulfil their commitments of net zero, with Japan aiming to do it by 2050 and India by 2070. Cooperation under this partnership will build on the work already being covered by the two sides under the foundation of the 'Japan-India Energy Dialogue' established in 2007 and will substantially expand the areas of collaboration for mutual benefit.

Cooperation under this partnership will cover areas including, but not limited to:

- Electric Vehicles (EV),
- storage systems, including batteries,
- electric vehicle charging infrastructure (EVCI);
- Energy Conservation in Buildings and Industries,
- Energy Efficient Appliances;
- Development of Solar Energy, including Solar PV cells;
- Wind Energy;
- Clean, including Green Hydrogen;
- Clean, including Green Ammonia;
- Greater and purer use of LNG;
- Carbon Capture, Utilization & Storage (CCUS)/Carbon Recycling;
- Emerging fuels, including Biofuels, CBG Strategic Petroleum Reserves etc.
- Clean coal technology.

Both nations are utilising emerging low-carbon industries and reducing carbon emissions by utilizing new technologies and

business structures. The potential for improving bilateral collaboration in clean and sustainable development is enormous. A secure, efficient, robust, and sustainable energy system is successfully being implemented in India and Japan. The guiding concepts for both nations' energy policies are energy security, efficiency, environmental sustainability, clean energy transition, and safety.

The partnership will promote investments, employment growth, and innovation, resulting in clean growth. It will also demonstrate to the world that India and Japan are at the forefront of delivering ambitious climate and sustainable development goals.

The Reinforcers:

UK

India and UK have shared a robust historical partnership in mitigating climate change spanning from climate resilience to knowledge sharing and innovation in fields like electric mobility and power sector reform. This partnership stands out because both these countries are at different stages of development, aiding them in the process. Prime Ministers of member countries also launched the 'Green Grids Initiative – One Sun One World One Grid' and 'Infrastructure for Resilient Island States' initiatives. India also committed to the Glasgow Breakthroughs and the Zero Electric Vehicles Declaration under the emerging economies category.

In advance of COP26, the UK promised to invest \$1 billion through British Investment International in green projects in India over the following five years and to guarantee a \$1 billion World Bank loan to India. International Trade Secretary Anne-Marie Trevelyan introduced the Clean Growth initiative to entice more UK exporters to participate in a market anticipated to be worth £1.8 trillion by 2030.

US-India Strategic Clean Energy Partnership

The SCEP was established by the US - India

Climate and Clean Energy Agenda 2030 Partnership announced by both countries at the Leaders' Summit on Climate held in 2021. It was formed to facilitate stronger bilateral cooperation on actions to meet the goals of the Paris agreement in the current decade. The partnership's two primary focuses are spread over five areas: Power and Energy Efficiency, Responsible Oil and Gas, Renewable Energy, Sustainable Growth and Emerging Fuels. Furthermore, it will support India in achieving its goal of installing 450GW renewable energy capacity by 2030.



QUADRILATERAL SECURITY DIALOGUE (QUAD)

The Quadrilateral Security Dialogue is an informal strategic security forum of four countries. Commonly known as the Quad, its member countries are India, the United States, Australia, and Japan. It was established in 2007, deceased in 2008, and then re-established in 2017.

The primary aim of the Quad is to work towards making the Indo-Pacific region that is more open, free, and secure. The member countries have dialogues toward increasing prosperity and inclusivity in the area. The strategic grouping works towards creating solutions for global issues, including connectivity, maritime security, infrastructure, emerging technologies, and education. It also works to reduce the effects of climate change and the recent COVID-19 pandemic and spearheads various disaster management activities.

The roots of the Quad relations can also go back to 1992 when the Malabar Exercise was established between India and the US. It was a bilateral war-gaming naval exercise taking place in the Indian Ocean and the Pacific Ocean, alternating every year. Later it became a quadrilateral exercise with the addition of Japan and Australia.

This partnership first began after the tsunami of 2004. India started relief measures and rescue operations for those affected by the tragic event, in India and its neighbouring countries. Soon, Australia, Japan, and the US assisted India in its efforts. The coming together of these four countries and coordinating these relief measures led to the

idea of the Quad being pitched three years later. Prime Minister Shinzo Abe of Japan suggested forming this strategic dialogue in 2007 when the four countries convened on the sidelines of ASEAN.

The Quad's objectives include creating an Indo-Pacific region supported by the values of democracy, the rule of law, and freedom of navigation.

The four countries aim to come together to increase economic growth. They also fight climate change's effects and promote a cleaner economy. Along with this, they also offer alternative debt financing for the countries in this region.

Increasing security in the Indo-Pacific region and safeguarding the sea routes are one of the group's main objectives. By establishing a global order that is rules-based, democratic, and liberal, they protect the region from foreign invaders. The Quad works towards reducing China's power in the Indo-Pacific region by reducing Chinese trade. They hope to abate the predatory policies promoted by the Red Dragon. The group believes that the strategic sea routes in this region should be free from any kind of influence, whether military or political. They aim to decrease and counter Chinese domination in the area. The country has been rising with respect to its economic and military power in the Indo-Pacific region.

During the COVID-19 outbreak, the Quad worked extensively towards improving healthcare as well as increasing the efficient distribution of vaccines. By combining the four countries' scientific resources, finances, and manufacturing capacities, they were able to create a significant impact during the pandemic.

The act of incorporation of IPEF in QUAD, and the stern response China has given, by calling it "Economic NATO " to thwart the effects of IPEF, seemed in vain. Moreover, it calls QUAD an "Asian NATO". Moreover, the theatrical exercises performed by QUAD to increase their

assertiveness in the Indo-Pacific have implications for trade relations. With more QUAD activities. Many scholars argue that QUAD should increase its engagement with different nations and that IPEF can coordinate with multiple actors for economic dimensions. Being part of the Quad has manifold benefits for India. It allows the country to perform strategic explorations in the Indo-Pacific region via an extension of its naval front. Moreover, due to the alliance with the other three countries that are part of this informal dialogue, they can provide aid to India if it faces any hostility from China at its borders. They can give military as well as economic assistance if ever required.



TRANS-PACIFIC PARTNERSHIP (TPP)

First conceived in 2003, the Trans-Pacific Partnership (TPP) was a proposed free-trade agreement. Its members included twelve Pacific-Rim countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. Drafted in 2015 and signed on 4th February 2016, it was never ratified.

The TPP aimed to open up new industries, create more jobs, and lower tariffs and trade barriers among the member economies. Its objectives include developing robust supply chains, reducing unemployment, making trade more inclusive, and increasing efficiency. Promoting economic growth and productivity was one of its key goals.

Since the TPP included twelve countries, many of which joined the partnership during the talks, this would greatly expand the economic footprint of the trade agreement. However, this would also complicate negotiations among the countries, creating the need for more amendments before the deal's finalisation.

In 2017, the US withdrew from the partnership under the Trump administration. It instead decided to pursue bilateral negotiations. The partnership was opposed by several Democrats as well as Republicans. Donald Trump and Hillary Clinton, the major-party presidential nominees after Obama's end of office, had been against the trade deal.

According to a 2016 study, the TPP would have raised US annual real income by \$131 billion in less than fifteen years. It would have expanded annual exports by 9.1%, more than a \$357 billion increase. The world GDP would have increased by \$492 billion had the US not pulled out and had the partnership successfully seen through.

After the US pulled out of the agreement, the other countries involved began reconsidering the way forward. Despite having negotiated the deal for seven years, they started discussing alternative options. The major possibilities discussed were continuing the TPP without the US or formulating a revised agreement. Some countries refused to be involved in the TPP any further following the departure of the US from



the deal. This was probably because the States were the largest and the most powerful out of all the economies that were currently part of the partnership. They would no longer have access to the US market if this deal went through without the participation of the States. Thus, a revised agreement was settled amongst the countries of the TPP, excluding the US.

Finally, these eleven remaining countries signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on 8th March 2018 in Santiago, Chile. This adapted agreement came into force on 30th December 2018. Other countries are welcome to join the CPTPP, as long as they can uphold all its clauses. The CPTPP comprises most of the provisions that were part of the TPP, save for a few suspended ones.

Out of the twelve countries that were forming the TPP, seven are now part of the IPEF. Some countries, like Mexico and Canada, did not join the current framework because they already have a free trade area with the US. Taking part in the CPTPP would not provide them with any significant additional benefits.

Though it was meant to replace the TPP for the US, the IPEF as an economic agreement is loosely structured. It aimed to increase connectivity among the economies in the Indo-Pacific region, strengthen relations, increase cooperation, and fill the gap left after Trump withdrew from the TPP four years ago.

Unlike the TPP and the CPTPP, the IPEF, as established by President Biden, is not a traditional free trade agreement. The proposed TPP included clauses that would lower tariffs and other trade barriers and provide increased access to US markets. However, the IPEF does not aim to offer such benefits to its signatories.

It does not liberalise trade in services or protect intellectual property. In fact, it does not take any measures to enhance access to the markets of the member countries. Several labours and environmental groups from the States that had objected to the TPP are also apprehensive about the IPEF.

Some critics of the IPEF believe that shifting supply chains from China to other countries that are allies of the US could be achieved more effectively through a partnership more similar to the TPP than to the IPEF. They say that market access in the US is important for many countries, especially the poorer ones, and the IPEF does not provide this to them. They believe that the TPP would have been a better option in this regard. However, the TPP was never ratified, being opposed by the major parties.

Following the withdrawal of former US President Donald Trump from the Trans-Pacific Partnership (TPP), the US's Indo-Pacific strategy lacked geo-economic heft, making it less appealing to many ASEAN countries such as Indonesia, Singapore, and Malaysia. The fact that the US is working on an Indo-Pacific economic framework has been making the rounds since the Biden administration took office. The United States has repeatedly stated that the IPEF is not a Free Trade Agreement (FTA) like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). It has not participated in, nor has it planned to join in, future tariff-reduction or market-access negotiations. For the time being, the IPEF looks to be the US's way of convincing countries that its Indo-Pacific policy is very much a geo-economic component and is not just security and geo-strategy heavy.

THE CHINA VARIABLE

Though not officially stated, it is evident that one of the unspoken objectives of the IPEF is to counter the dominance of China in the Indo-Pacific region. The influence of China has been increasing among the countries in South and Southeast Asia in recent times. It is a matter of concern for several countries, especially the United States. According to the State of Southeast Asia 2022 Survey Report, China has been the most influential economic power since 2019. Approximately 75% of respondents reported favouring this, while less than 9% believed that the US deserved this title. China accounts for more than 20% of Southeast Asian trade, a number that is much more significant than what we can claim. The US hopes to increase its credibility in the Indo-Pacific region and thereby reduce that of China.

However, many critics are still determining whether this framework will achieve this goal. Since IPEF is not a traditional free trade agreement but rather a negotiation framework, its effectiveness in successfully countering China's dominance is a matter of contention according to some. One main proposition that this framework lacked was the reduction of tariffs for countries.

The IPEF allows its member countries to agree to only certain propositions under it, without enforcing all the clauses on them. This gives them a lot of leeway and prevents them from having to choose between China and the US. This is beneficial, as various countries wish to maintain a neutral position and have peaceful trade and economic relations with both powers.

Another point of contention is that China already has the RCEP, which includes several countries that are now part of the IPEF. There is doubt about how effectively the IPEF will reduce China's influence. Many countries are involved in both partnerships, the IPEF and the RCEP, and have friendly, cordial relations with members of both associations.

Moreover, the credibility of the US amongst the countries in this region is not very strong. The country has consistently shown deviation from its goals when it comes to its objectives in the Indo-Pacific. One instance of the US displaying such digression was when it withdrew from the Trans-Pacific Partnership five years ago. Following the withdrawal of former US President Donald Trump from the Trans-Pacific Partnership (TPP), the US's Indo-Pacific strategy lacked geo-economic heft, making it less appealing to many ASEAN countries such as Indonesia, Singapore, and Malaysia. The fact that the US is working on an Indo-Pacific economic framework has been making the rounds since the Biden administration took office. The United States has repeatedly stated that the IPEF is not a Free Trade Agreement (FTA) like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTP). It has not participated in, nor has it planned to join in, future tariff-reduction or market-access negotiations. For the time being, the IPEF looks to be the US's way of convincing countries that its Indo-Pacific policy is very much a geo-economic component and is not just security and geo-strategy heavy.

The framework will help the US in practising increased trade in the area and building trust amongst the nations in the Indo-Pacific

China responded strongly to the establishment of the framework. The country believes it will lead to regional divides and called it an 'economic NATO.' The Chinese Ministry of Commerce stated that IPEF should focus on increasing prosperity, development, and economic cooperation instead of hindering and threatening the currently existing structure in the region and creating rifts in it. Projects should be inclusive and not discriminatory. It also added that the country is ready and willing to cooperate with relevant nations for the purpose of increasing economic integration and development in the Indo-Pacific, as long as these activities do not create divisions or exclude certain parties. It stands for initiatives that will help preserve peace in the region.

Policy experts from China have reported that, according to their analysis, the IPEF will not be able to supersede the power of China in the Indo-Pacific. Various countries' experts have come to this conclusion after performing analyses of the IPEF and Chinese initiatives like the RCEP and the BRI. Because of the powerful influence of these cooperative mechanisms, it points towards China having a more substantial presence in the region. It is better integrated with other countries, which has only been increasing recently. It is reportedly the largest trading partner for most Southeast Asian countries. Its significant presence in the domestic market gives the government an upper hand in this domain.

Moreover, it is the largest economy in terms of purchasing power parity. Wang Yi, the Chinese Foreign Minister, asserted that any country that tries to alienate China will end up being the one that is estranged. Several people from the Chinese strategic community support this view.

Some have opined that the IPEF is simply a 'political tool' against the country and does not provide any significant economic benefit to the countries in the Indo-Pacific region. Therefore, they are of the firm belief that the framework is not going to be successful.

Despite their confidence that the IPEF will fail in reducing China's economic influence, the country took specific policy measures to protect itself against this framework, mainly in the domains of trade and cooperation.

Chinese Foreign Minister Yi was quick to tour various island countries in the Indo-Pacific region and offer them cooperation in terms of economy, infrastructure, and security. This attempt to create a 'comprehensive strategic partnership' also included his pledge to provide them with more significant support. Some of his benefits to the island nations were humanitarian relief, food security, and measures towards the alleviation of climate change. Wang Yi also promised better projects under the BRI and higher investments. He also re-emphasised the country's dedication towards the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA).

These efforts by China suggest that perhaps this firm conviction of theirs is not as strong as has been portrayed by them.





ANTI-CORRUPTION AND ITS LINKAGE WITH CHINA

Corruption is one of the biggest problems that seeps into India. According to {report}, significant economic and governance damage is seen. As per the United Nations, the impact of corruption is about XYZ.

The BRI is an initiative launched by the Chinese Government. It is a symbolic, yet strategic move by the Xi Jinping administration to re-assert its dominance in Asia by providing economic resilience and support to countries-or, it seemed. While much is known about how China weaponised loans to debt-trap nations, less is known about the structural inefficiencies of China.

One of the biggest things IPEF aims to target, which is vulnerable to the Chinese modus operandi, is corruption. Many partnering nations have come under the radar even in the most extensive programs like BRI. The case of the Malaysia Development Berhad scandal proves the best. In a bid to receive financial assistance and strategic advantages, Malaysia did not mind retaining its territorial integrity. As per a report by the Foreign Policy, Malaysia provided “extraordinary access” to China. Caution is needed when dealing with corruption, as the impact of such acts, along with the stakeholders affected, is magnified by the occurrence of such actions. Evidence extracted from the Wall Street Journal conforms to such findings.

While such acts could be rare, and China could be novel in its approach, it still faces an impending problem. Most of its target stakeholders are nations with no reputation for loan repayment, and some part of it is linked to corruption.

The reason for such a detailed review of Asian nations is because of India's growing importance towards its neighbours, according to the “Act East Policy”. “ASEAN Centrality” has been heavily challenged in terms of polarization from the Russia, Ukraine and the Beijing-Washington tussle. Bajpae (2022) explains that New Delhi's relations with Southeast Asia became further institutionalised when India became a full dialogue partner in 1996 with participation in the ASEAN ministerial meeting and Post-Ministerial Conference. As per the “State of Southeast Asia”, India is shown as a nation which still has not been able to exercise influence over the Southeast in terms of metrics in both hard power and soft power.

TRADE PILLAR

What is the trade pillar all about?

The Trade pillar of IPEF primarily deals with all things related to international trade. The aim is to create high-standard, inclusive, free, fair, and open trade obligations that strengthen the multilateral trading system's rules-based framework. To promote resilient, sustainable, and inclusive economic growth and development that benefits workers, consumers, indigenous peoples, local communities, women, and micro, small, and medium-sized businesses, the member countries will work to develop new and innovative trade and technology policy approaches. These approaches will be used to further a wide range of goals.

Furthermore, to further shared interests, intending to deliver tangible benefits for the people and advance resilient, broad-based economic connectivity and integration in the Indo-Pacific region, the goal is to pursue provisions and initiatives related to:

- labour,
- environment,
- digital economy,
- agriculture,
- competition policy,
- transparency and good regulatory practices,
- trade facilitation,
- inclusivity, and
- technical assistance and economic cooperation.

IPEF was formed to foster an environment that will increase possibilities for workers, businesses, and consumers in our markets, increase investment and trade between our economies, raise standards, and lower trade barriers.

Opting Out: A wise decision?

Out of the four pillars of the IPEF, India has decided to join three pillars of the United States-led Indo-Pacific Economic Framework (IPEF)--supply chains, tax and anti-corruption and clean energy. For the time being, India chose not to opt for the trade pillar, stating a few reasons we will cover in detail. Mainly, India needed more time to be ready to meet the sky-high expectations of developed countries and commit to agreements that were not in its best interests. This is just one of the many examples of India getting coerced into unwanted partnerships.

For example, India has historically opposed the imposition of emissions reduction obligations on developing nations because the stock of GHGs in the atmosphere is primarily the result of the activities of the developed countries as they are industrialized. Since this stock causes global warming, the burden of reducing emissions should mainly fall on them. India has made relatively little contribution to the stock of GHGs; our current per capita energy consumption is only one-third of the world average.

Climate justice demands that we not be forced to lower emissions at this time because doing so would interfere with our developmental goals.

So, it is not surprising that India withdrew from the Indo-Pacific Economic Framework trade pillar (IPEF). Most issues that the IPEF seeks to promote are in the interests of American industry while being entirely out of sync with Indian trade policies.



JUSTIFICATIONS FOR EXERCISING OPT OUT MECHANISM

- **Digital Trade is still in the Developing Phase**

The ‘connected economy’ pillar, also known as the trade pillar, hugely relies on the digital economy space, emphasising the harmonisation of digital trade and standards. It mainly revolves around the digital economy, AI, and e-commerce sphere.

This makes matured digital space in a country a prerequisite to joining this pillar. But, India’s laws and regulations in this regard are still in the developing phase, mainly regarding its protectionist policies like data privacy and data regulation. For example, the data protection bill was withdrawn, citing several reasons, and no development has been made concerning the new and updated proposed frameworks. Despite the bill's shortcomings, it is not in our best interest to leave a void in the privacy policy space as we consider our subsequent commitments in the global arena.

India needs to develop new frameworks or become a part of some existing frameworks to facilitate its digital trade space on the international stage. This is of utmost importance and needs to be done on a priority basis if India wants to partake in the trade pillar and reap maximum benefits effectively. One of the effective models that India can work on developing is something along the lines of the Digital Economy Partnership Agreement (DEPA). Under this, New Zealand, Chile, and Singapore have crafted a new approach to trade policymaking focused on rules to govern cross-border data flows, facilitate data-driven economic growth, and increase online trust. This is where we as a country need to improve, and frameworks like these can help us guide us towards the right direction in the digital trade space.

- **Standardization: A Fair Approach**

Making standardisation a must without taking into consideration the needs and capabilities of everyone will not benefit everyone, and only a select few will be reaping the most of it.

The inherent problem is that most of the countries in IPEF are developed countries, and that is why the frameworks that have been developed are something developing countries can only adapt to gradually. The standards the United States have set regarding technology, labour, and the environment are unacceptable in India.

For example, we saw the rapid transition to low carbon emissions in the Industrial sector, which India was incapable of. It ultimately led to overburdening MSMEs of the country because they were forced to transition into the new normal but were not provided equivalent support to aid the process.

- **Distasteful for Western Partners?**

India has always safeguarded the country's interests regarding diplomatic relationships. Because of this, we have witnessed threats from our western allies repeatedly, coercing us to give up on their agreements.

One of the most recent examples is India's neutral stance on the Russia-Ukraine issue, which was mainly due to the complex geopolitical relations we have at hand. India was just considering that all parties have legitimate security interests; therefore, these should be fully taken into account before choosing just any one side. Still, we saw India taking the heat from its allies with remarks like "Fence-sitting is a bigger diplomatic gamble now than in the past, given that Russia's invasion of Ukraine is one of the worst aggressions in decades and India's relations with the West have never been stronger."

“ *The US wishes for China to remain robust, so long as it helps to meet its strategic interests, but wishes for China to grow no further.* ”

- **Following our Traditions: A Midway**

For strategic reasons, joining the IPEF makes sense for India as it is an attempt made by the US to keep China's growing influence in the Asia Pacific region in check, which also suits New Delhi.

Therefore, Commerce & Industry Minister Piyush Goyal's declaration that he would not participate in the trade pillar for the time being at the IPEF Ministerial Summit in Los Angeles earlier this month is the most appropriate. By agreeing to talk on the other three pillars, India not only showed its desire to stay a part of the group and challenge China, but it also sent a message that its economic interests would not be neglected.

CLIMATE RESILIENCE AND IPEF

IPEF's Aim in this Regard

IPEF aims to tackle the severe problem of climate change by meaningfully contributing to environmental protection and responses to our common sustainability challenges, including climate change, through effective enforcement of our respective environmental laws and strengthening environmental protection, preservation of the marine environment, conservation of biodiversity, eradication of wildlife trafficking, illegal logging, and

associated trade, mitigation of climate change through strengthening renewable energy, energy efficiency, and zero- and low-carbon sourcing, as well as trade and investment facilitation in relevant clean technologies; supporting an environmentally sustainable digital economy; green investment and finance; circular economy strategies; responsible corporate behaviour, fulfilling our commitments under global environmental agreements, and improved ecological collaboration.



Funding the Dream: A Constraint?

The ability of governments to raise sufficient amounts of money has been a recurring issue in the fight against climate change again and again. Before we delve deeper into the budget constraints present in pursuing the dream of IPEF, let's look at the historical commitments of developed countries.

Developed countries agreed to provide funds to developing countries in 1992–1993 as part of the UNFCCC to help them cover the expenses of upholding their environmental obligations. Developed countries committed to sending \$100 billion yearly to developing countries by 2020 as part of the COP15 climate change conference in Copenhagen in 2009.

However, developed nations haven't succeeded in achieving this objective to date. Developed countries sent \$79.6 billion to developing countries in 2019, up from \$78.3 billion in 2018, but this is still less than the planned amount. The United States has fallen woefully short in terms of financing.

This has been an inherent persistent problem for the longest time for developing countries who want to partake in these international collaborations. First, the developed countries put forward their uniform, standardised expectations, which they expect every participating country is expected to follow. But they are nowhere to be seen when it comes to extending support in terms of funding, technical know-how, etc. Furthermore, standards are always uniform for every country, whether developed or developing. This makes the adoption difficult for countries like India because most of these aspects are still in the maturity phase and thus need time to adjust to western standards.

Moving on with our preliminary discussion of the lack of funding support for IPEF, let's dissect the funding scene for IPEF. The USAID, managing international development initiatives, has a \$27.7 billion budget for fully or partially managed funds in 2022. However, budget estimates for the IPEF will rely on much smaller pools of money, primarily through other agencies, as it is unlikely that USAID will play a significant role in the IPEF.

Other than USAID, agencies like DFC, EXIM Bank, and USTDA also have their commitments and are highly unlikely to bet solely on IPEF countries. Other areas of funding look grim at this point. So, the total amount of financing available for IPEF initiatives remains to be determined, mainly if funding comes from multiple U.S. agencies and governments.

Allocating Funds: Doing the Right

After the funding has been secured, the next question that comes into the picture is regarding the utilisation of these funds; that would include analysing the different sectors under the IPEF architecture and then choosing the needy one.

The most appropriate choice here would be to select those developing countries that need funds to maintain standard infrastructure levels, which will reduce pollution levels. For example, countries that need to decarbonise sectors would be implicated by the European Union's carbon border adjustment mechanism (CBAM).

India and South Korea are some of the biggest steel exporters to the European Union, and their total steel exports totalled nearly \$5 billion. Vietnam is the third-largest cement exporter to the European Union, and Malaysia is the eighth-largest, with total cement exports valued at roughly \$27 million. Targeting these CBAM sectors in these countries is an effective way to address decarbonisation while promoting economic growth.

This would involve scanning the environment of all the member countries to find some promising avenues for investment in the long run.

IPEF partners should work to promulgate standards through projects. These standards include green procurement transparency and efforts to harmonise methodologies for measuring life-cycle emissions.

“

The administration should maximise the use of trade tools to incentivise the growth of a climate-friendly industry.

All in all, the Biden administration has a once-in-a-lifetime chance to create a robust regional framework that is not duplicative but is a complementary framework that will reinforce existing commitments while increasing ambition and follow-through on decarbonisation efforts. The variety of IPEF partners highlights the exceptional potential that the Biden administration has provided to establish new alliances, set new norms, and advance a positive agenda in a region of crucial strategic significance to the world economy.



CLIMATE FINANCE

Clean economy being the third pillar of the economic framework, the member countries of IPEF strive to achieve several climate goals. Some of their objectives concerning this pillar are to reduce as well as eliminate emissions of greenhouse gasses, improve energy security, develop green technologies, and promote sustainable livelihoods.

The countries aim to promote goods and services that produce low or even zero emissions by tackling the problem from the demand side. They are facilitating provisions that will help in developing markets for such products. Moreover, they aim to help provide clean finance and induce investment in order to promote these sustainable goods and services. This will involve current assets being converted into futures that are low- or zero-emission.

Climate finance is finance which is provided for the purpose of implementing activities that aim to reduce climate change and help countries adapt to its adverse effects. Different countries are differently equipped to deal with climate change. Moreover, some countries are at greater risk than others to the detrimental effects of the changing climate. Underdeveloped and developing countries lack the resources, technological prowess, and funding to invest in climate projects and create sustainable industries. Financial flows to these countries from the better-equipped ones are essential to help them adapt to the changes brought forth by the climate crisis and become more climate resilient. Climate finance can be provided by not only governments but also private entities.

Global crises of recent years, such as the Covid-19 pandemic and the Russia-Ukraine war, have highlighted the need for developing and maintaining resilient economies and moving away from dependency on carbon-based energy. Countries must actively shift to more sustainable and renewable sources of energy.

Developed countries have been called upon to commit to their obligation to help emerging economies become more climate resilient to achieve the common goal of the mitigation of climate change.

However, there is some ambiguity about the exact definition of climate finance. Some definitions of climate finance involve flows from developed nations to developing ones. Hence, the funds allocated by a country for its decarbonisation and energy transition activities would not be included in it.



More generally, climate finance is a loose term used to define any investment targeted towards reducing climate change and conserving the environment.

Climate finance can come from both private and public sources, and it can be bilateral or multilateral. Bilateral funding can occur directly from a developed country to a developing one, or it can be channelled through any certified institution that will collect the amount and commit it to the objective stated by the country. On the other hand is multilateral funding, which constitutes a larger part of climate finance. The Green Climate Fund (GCF), the Adaptation Fund, the Climate Investment Funds (CIF) of the World Bank and the Global Environment Facility (GEF) are some of the major multilateral institutions providing climate finance to various countries across the world.

In 2021, climate tech companies working towards reducing greenhouse gas emissions received more than 7 billion dollars in equity funding, which was a 275% increase from the previous year. Total investment in climate tech is approximated to be almost 20 billion dollars.

Currently, a majority of the climate finance is for renewables, and they constitute 64.6% of the total equity funding in climate tech. This is followed by electric vehicles, which amount to 23.3% of the total. Following this is the agricultural supply chain, accounting for 8.8% of all climate tech equity.

India's Role in Global Climate Resilience

India's goals with respect to climate change and the environment were modified in 2021 at the 26th United Nations Climate Change Conference, also known as COP26. At this summit held in Glasgow, Prime Minister Narendra Modi increased India's targets and announced that India would aim to create a greater impact in this domain.

For India to meet its climate targets for the year 2030, it will require a total of 1.01 trillion dollars in climate finance. This equates to an average investment of 112 billion dollars per year. This would be aimed towards increasing the efficiency of energy generation, channelling renewable energy, decarbonisation, and the development of electric vehicles. Other objectives would include improving supply chains for agriculture, making agricultural production more efficient, mitigating the emission of methane in such activities, and waste management and disaster management. Notably, solar and wind energy will see massive increases in investment.



Big companies like Reliance and Adani have committed to providing large amounts of investment towards developing renewable energy in India.

One issue that comes up concerning climate finance is cases of subtle overreporting. There are various large-scale projects which have certain features that are pro-environment and climate-oriented; however, the primary objective of these projects is not focused towards the mitigation of climate change. In many instances, the project may even end up contributing to climate change and global warming. Investments in such initiatives should not be included in climate finance, or the statistics representing the total amount of climate finance in any given period will be misleading. Only financing for initiatives for which fighting climate change is the main goal should be considered climate finance.

This overreporting by countries is often hard to quantify but can be substantially reduced by increasing transparency in these projects and establishing a concrete and globally accepted definition of climate finance.

Green and climate bonds will play a major role in helping India achieve its objective. Green bonds are a fixed-income, asset-linked instrument that finance projects related to climate and the environment. These are generally backed by the balance sheet of the issuer, and hence share the credit rating of the other debt obligations of the issuing entity.

Climate bonds raise money for projects aimed towards decarbonisation and reducing the harmful consequences of climate change. While climate bonds have a more specific objective, green bonds are more extensive. Green bonds support any activities that help conserve the environment. Despite the slight difference, climate bonds and green bonds are often used interchangeably.

A bond is considered a green bond only once it has been verified by an official body, for example, the Climate Bond Standard Board.

The official body must ratify that the money raised by the bond will be used for financing projects that contribute to the conservation of the environment. Since green bonds often carry incentives such as tax exemption and tax credits, this makes them more lucrative and appealing compared to other bonds that are taxable.

The potential issuing of 'sovereign green bonds' was suggested by the Finance Minister of India, Nirmala Sitharaman, in February 2022. Backed by the government, these securities offer to the general public an investment opportunity while also contributing to the development of infrastructure, which would help India achieve its climate goals. These bonds would finance climate-oriented infrastructure initiatives undertaken by the Indian public sector.

The first few green bonds in India were issued in 2015 by financial institutions as well as private entities, including banks like Yes Bank Ltd and Exim Bank of India and the company CLP Wind Farms. More and more corporations, especially those in the renewable energy industry, have started issuing green bonds since then.

*Reducing climate change will be a long process,
requiring major investments, strong
commitment, and several years.*

Currently, a majority of the green bonds in India are issued by non-financial corporate entities. These constituted approximately 32% of all green bonds issued in the year 2021. Financial institutions like banks have been slower in the green bonds business in recent years, but they have the potential to grow in the near future.

While most green bonds in India have been aimed towards the mitigation of climate change, bonds aimed towards the adaptation to climate change are also starting to be issued now, and their number is sure to rise.

While that is underway, countries will also need to work alongside on adapting to the changing climate.

Regardless of whether it is financial institutions or private entities that are providing climate finance, there should be

greater transparency in the process concerning the allocation of the funds, what they are being used for, and regular follow-ups on the progress made by the projects over the years. This will also lead to greater accountability. All parties involved should be held accountable for the results – the entities providing the funds and the country receiving them. It should be ensured that the funds are being used for the purpose they were taken for and that these projects are seeing growth and not stagnating.

The clean economy pillar will help channel efforts to meet the climate and energy targets set by the various member countries. Increasing climate finance and making it more efficient and regulated will play an essential role in directing the countries towards fulfilling this pillar of the Indo-Pacific framework.





GLOBAL SUPPLY CHAIN AND ITS SIGNIFICANCE

Global supply chain is the cross-border arrangement of activities essential to produce goods or services and transport them to their users via inputs and various stages of development, production, and delivery. Global supply chain management refers to ensuring the secure and timely delivery of everything from raw materials to finished consumer goods as they travel from manufacturers to their end consumers. Over the last three decades, the progressive liberalisation of cross-border transactions, advances in production technology and information services, and improvements in transportation logistics and services have provided firms with greater incentives to fragment and geographically delocalised production processes. Global supply or production chains (GSCs), in which cost-reduction efforts result in commodities being produced with intermediate inputs from multiple countries, are now common in many industries and are spreading to an increasing number of developing countries.

Economically, the formation of GSCs is linked to comparative advantage. By shifting production processes (i.e. R&D, concept, design, manufacture, packaging, marketing, distribution, and retailing) in different countries, transnational corporations (TNCs) can maintain their competitiveness by increasing productivity and decreasing costs.

Joining GSCs offer significant and potential opportunities for developing countries and their business enterprises. Indeed, integration into GSCs has been a crucial component of their export-led development policies. GSCs enable producers in the supply chain to gain modern managerial know-how and hands-on experience with quality standards and technology, allowing them to become more competitive. Such producers also quickly learn about demand patterns and consumer preferences in high-income markets.

Participation in GSCs could also offer economy-wide externalities for developing nations, including job creation, technological and skill advancement, capacity expansion, and export diversification into higher-value-added products.

In turn, those externalities would increase their attractiveness for more foreign direct investment. These potential benefits explain why many developing countries' policymakers are eager to find ways to integrate their private sectors into GSCs.

What is a Resilient Economy?

It is becoming increasingly apparent that the State's economic prosperity is linked to its ability to prevent, withstand, and quickly recover from major disruptions (i.e., 'shocks') to its economic base. In the context of Economic Resiliency, the U.S. Economic Development Administration's (EDA) Comprehensive Economic Development Strategy (CEDS) Content Guidelines stated that resiliency has three primary attributes:

- The ability to quickly recover from a shock;
- The ability to withstand a shock; and
- The ability to avoid the shock altogether.

Shocks may include:

- National or global economic downturns that affect demand for local goods and spending;

- Downturns in specific industries that are important to local economic activity; and
- External factors include natural or man-made disasters, military base closures or the loss of a significant employer, climate change, and so on.

A Resilient Economy is one which provides its citizens with sustainably-managed resources and reliable infrastructure even at the time of crisis. The state's resilience is judged by its ability to combat natural and man-made threats. Establishing economic resilience in a local or regional economy requires the ability to anticipate risk, evaluate how that risk can impact key economic asset activities, and build a responsive capacity. The economic resilience of a country can be strengthened by implementing policies for mitigating both the risks and consequences of severe crises.



Supply Chain Resiliency

The COVID-19 pandemic has exposed the vulnerability of global supply chains and the consequences for public health and national security. Policy responses have centred on restricting exports while supporting domestic production. On the other hand, building supply chain resilience will demand a more rigorous risk assessment and a strategic set of policy initiatives.

A cyberattack shut down the operations of a major gas pipeline along the United States East Coast in May 2021. A month before, a combination of weather and fluid dynamic forces stranded a massive super cargo ship sideways in the Suez Canal, clogging a critical global trade route. A rare deep freeze and power outage in Texas in February damaged some petrochemical plants, resulting in shortages of essential plastics and resins for several industries. Meanwhile, due to a lack of semiconductors, companies worldwide have had to cut production.

These incidents represent not just a string of bad luck but rather the latest reminders of the vulnerability of global supply chains, an issue that the COVID-19 pandemic has catapulted to the top of every state's policy agendas.



A group of leading academics defined supply chain resilience as:

"the ability of a supply chain to both resist disruptions and recover operational capability after disruptions occur."

Resistance is the ability of the supply chain to minimise the impact of disruption – such as a natural disaster – by either avoiding it entirely or minimising the time between the beginning and end of the effect of disruption on the supply chain. Resistance indicates how well a country's supply chain is prepared to predict and mitigate the impact of any disruption. Recovery is the economy's ability to return to full operations once a disruption has occurred. The stabilisation phase of supply chain resilience is characterised by the ability to return to a steady state of performance. Firms will frequently take time after recovery to learn from their experience to aid in future planning and supply chain risk management strategy. Global supply chains are complex beasts. They are multi-tiered, multi-dimensional ecosystems made up of inextricably linked parts that facilitate lean, just-in-time manufacturing and delivery models. This complexity creates supply chain vulnerabilities as threats, such as natural disasters, accidents, trade wars, and cyberattacks, are becoming more common and severe. Any supply chain resilience model will necessarily combine both resistance and recovery aspects.

What does IPEF entail for Supply Chain Resiliency?

Due to increased US-China strategic competition, the outbreak of the novel coronavirus, and Russia's invasion of Ukraine, the world experienced shortages and price spikes in critical goods such as semiconductors, medical supplies, energy, and food, undermining the credibility of the existing global supply chains, which were built with economic efficiency as a priority. Furthermore, increased attempts to exert diplomatic pressure on other countries through economic coercion have compelled governments to recognise the dangers of over-reliance on a single country, particularly an unfriendly country, for critical goods.

Amidst this backdrop, ministers from 14 countries in the Indo-Pacific region assembled on September 9, 2022, in Los Angeles to declare the launch of negotiations for the Indo-Pacific Economic Framework for Prosperity (IPEF). The IPEF consists of four pillars. The supply chain pillar, which aims to build resilient supply chains among Indo-Pacific regions, is of particular interest to the members, and all 14 countries have pledged to participate in negotiations on this pillar. In this direction, as part of the Summit on Global Supply Chain Resilience on October 31, 2021, US president Joe Biden with 16 other world leaders, discussed action to make supply chains more resilient in the face of any future health crises as well as climate change and even planned attacks. Supply chain issues have emerged as the global economy emanates from a pandemic-induced recession, threatening to slow recovery. They have already contributed substantially to inflation.

The United States, the European Union,

Australia, Canada, the Democratic Republic of the Congo, Germany, Indonesia, India, Italy, Japan, Mexico, Netherlands, the Republic of Korea, Singapore, Spain, and the United Kingdom joined together to discuss short-term supply chain disruptions and paths to long-term resilience.

They recognised that secure, sustainable, and resilient global supply chains are foundational to economic prosperity, national security, and collective interests.

Countries expressed intention to work together to strengthen the resilience of their supply chains—the global ecosystem of raw materials, intermediate goods, manufacturing, logistics, research and development that ensures the businesses and consumers get the products they need. Secure, sustainable, and resilient supply chains require that nations work in partnership, not only as governments but with industry, unions and workers, and civil society. Fundamentally, more resilient global supply chains are critical to the sustainable economic development of all economies.

Major initiatives in IPEF for supply chain resilience include establishing criteria for critical sectors and goods, Increasing resiliency and investment in critical sectors, establishing a crisis response and information-sharing mechanism, strengthening supply chain logistics, enhancing the role of workers, and improvement in supply chain transparency.

The IPEF's most notable feature is establishing an intergovernmental crisis response mechanism. This tries to lessen the impact of external shocks that could disrupt supply chains by facilitating timely information sharing among members and the smooth movement of critical goods among them. In the long run, the IPEF aims to boost industrial competitiveness in critical sectors, promote and support investments in infrastructure and logistics, and increase technical cooperation and capacity building to diversify suppliers to overcome the region's supply chain vulnerabilities.

Countries joining IPEF also discussed strengthening four key pillars of global supply chain resilience:

Transparency: Improving transparency and information exchange among nations will assist all countries in mitigating and responding to global supply chain shocks.

Diversity, Openness, and Predictability:

Countries intend to work together to ensure having multiple reliable sources of raw materials, intermediate goods, and finished goods underpinned by resilient supply channels.

Security: Countries discussed how security needs to be recognised as a high priority for all supply chain players, in particular to technology supply chains, at critical infrastructure nodes. Addressing security problems can help prevent damage or disruptions to critical systems or infrastructure and prevent disturbances that contribute to unnecessary costs, inefficient delivery schedules etc.

Sustainability: Under IPEF, governments, industry, and society will work together to promote and accelerate global sustainability goals, including the implementation of the Paris Agreement on Climate Change and international labour and worker conventions where applicable.



U.S. and its allies' strategy for Resilient Economy and reducing dependence on China

President Biden, like many other world leaders, has prioritised supply-chain resilience on the US foreign policy agenda. Pandemic-related disruptions, vulnerability to China-sourced inputs, China's use of economic coercion against its allies and partners, and, most recently, Russia's invasion of Ukraine have all pushed supply-chain risk forward in the United States. As a result, in June 2021, the administration released the findings of a 100-day review of America's supply chains, which called for the US to improve its efforts to work with allies and partners to secure supply chains, including by expanding multilateral engagement. The IPEF's pillar, "resilient the economy", addresses this priority.

Unlike trade agreements, IPEF does not look to provide greater market access. IPEF is expected to tackle the issue of supply chain disruption as witnessed during Covid due to over-dependence on one country - China.

IPEF has put forward pillars and initiatives to achieve the collective goal of resilient supply chains that can anticipate, withstand, or quickly recover from shocks and strengthen the competitiveness of the Indo-Pacific region's economies. In all cases, IPEF intends to work to reduce market distortions, safeguard confidential business information, promote regulatory compliance, uphold market principles, and act in accordance with the relevant WTO obligations.

As per the statement of the US President, combating inflation is a top economic priority of Indo Pacific Framework, and this framework will help in lowering costs by making the supply chains more resilient in the long run. President Biden further stated that the framework would establish an early warning system, improve traceability in key sectors, map critical mineral supply chains and coordinate diversification efforts.

In Indian Context

Following the border tensions with China, partners such as Japan have sensed that India is ready to engage in discourse about alternative supply chains. However, China remains a large source of critical imports for India, from mobile phone components to pharmaceutical ingredients. An internal push to suddenly cut ties with China would be impractical. Over time, if India increases its self-reliance or works collaboratively with exporting nations other than China, it could be able to strengthen the economy's supply

networks. IPEF still has relevance for India because it will help boost India's manufacturing competitiveness and increase its share in world trade. But in this pursuit, there is a need to create an infrastructure that raises the competitiveness of India's exports.

While India appears an attractive option for potential investors both as a market and a manufacturing base, it needs to accelerate progress in ease of business and skill building

The Indo-Pacific Economic Framework for Prosperity facilitates economic cooperation at the regional level according to internationally accepted standards. Including more than 60% of the world's population and 40% of the world's GDP, IPEF will encourage regional cooperation, development, and prosperity. This framework advocates for synergy and peace in the region. Strengthening economic partnerships among the participating countries is "projected to be the largest contributor to global growth" in the coming few decades, according to the White House Fact Sheet on IPEF.

It sets a rules-based order in which factors like economic growth, competitiveness, resilience, fairness, sustainability, and inclusivity will be developed and improved. Moreover, it will improve the economic advantage of the Quad.

The framework will allow increased interaction among member nations and open up various avenues of trade. It could also

underpin the economic integration of countries sharing similar goals. Long-term supply chain resilience will significantly reduce costs for the various member countries and create supply assurance.

The COVID-19 pandemic, instability due to the Russia-Ukraine crisis, and climate change have caused insecurity in various nations' production and supply chains. Participating countries can work together to develop an inelastic supply chain that is resilient to shocks. IPEF strives to develop a stronger, adaptive era and to create a level playing field for all participating countries engaging in exchange, built upon collaboration and cooperation.

Southeast Asian countries can benefit from the advanced technological processes available to the US. Many ASEAN countries that are part of the IPEF have a lower per capita income than other countries in this non-traditional trade agreement framework. The IPEF opens up opportunities for economic growth and development in these countries.

By participating in this framework, India is strongly committed to cooperation with the other member countries and Indo-Pacific goals. IPEF provides an opportunity for India to expand its trading activities in the Indo-Pacific region, which was previously limited by India's non-membership to RCEP and CPTPP.

IPEF provides India with negotiating power when it comes to collaborating with other nations. It creates healthy competitiveness in the country. IPEF will strengthen India's security, ensure its economic and technological growth, and provide a platform for partnership with other nations. As part of IPEF, India can delve deeper into the digital economy and explore the massive economic potential that could come with it.

IPEF also includes being prepared for crises, economic or otherwise, such as the Covid-19 pandemic that took the world by storm. This preparation will bolster the economy and help develop crisis management skills in India. The country will be better equipped to deal with such crises in the future.



FUTURE OF IPEF AND THE WAY FORWARD

The SCRI aims to create a virtuous cycle of enhancing supply chain resilience with a view to eventually attaining strong, sustainable, balanced and inclusive growth in the region.

Supply chains are critical components of the global trading system. The COVID-19 pandemic and the resulting global economic disruption have highlighted major vulnerabilities in our existing supply chains and the importance of promoting supply chain resilience. Incorporating strong trade facilitation provisions into the IPEF will aid in the movement of goods across borders and promote resilience among IPEF countries.

Smooth cross-border movement of goods and services required to build resilient supply chains among IPEF countries requires increased transparency and widely accepted good regulatory practices. Finally, a foundational aspect of resilient supply chains is global market competition, which allows for access to a broader range of goods and services at competitive prices. This is why the IPEF will include competition policy commitments.

The Supply Chain Resilience Initiative

The Covid-19 pandemic had an unprecedented impact on lives lost, livelihoods and economies affected, and the pandemic revealed supply chain vulnerabilities globally and reliance on china. In a move to counter China's supply chain dominance in the Indo-Pacific region, trade ministers of India, Japan and Australia formally launched on 26 April 2021 the Supply Chain Resilience Initiative (SCRI).

The SCRI aims to create a virtuous cycle of enhancing supply chain resilience with a view to eventually attaining strong, sustainable, balanced and inclusive growth in the region. Initially, SCRI will focus on sharing best practices on supply chain resilience and holding investment promotion events and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.





DEALING WITH FRANCE FOR TRADE AND THE RELEVANCE OF IPEF

France and India share a special relationship in matters of trade. Acknowledging the national interests of a nation in terms of trade is a precursor to fair trade and equitable trading practices. Historically, France is one of the few countries which has attested its support towards India: it was one of the first nations which enter in a “strategic partnership” in 1998. Since then, the two nations have shared a deep interest in security, defence, strategy and synergy.

Since the IPEF is a strategic tool and not a “Free Trade Agreement” (FTA), it becomes important to preserve the strategic autonomy of member nations. France and India have a shared vision of international relations which can help India’s interest in being a leader in the Asia-Pacific. France has shown “demonstrated interest” in the Indian Ocean by being the “first country” to be a member of the India Ocean Rim Association (IORA), whose mainland is not on the Indian Ocean.

This amplifies the interest France shares with India. Additionally, France has increased its funding capacity for promoting activities in the Indian Ocean. “SAGAR”, or Security and Growth for All in the Region, is an example of one initiative which aims to put a “check” on China’s influence and maintain the territorial sovereignty of India while promoting the blue economy. Moreover, it indicates that India is growing vocal and is operationalising itself to undertake leadership roles and responsibilities to increase its capacity.

The significance of such a deep relationship and its relevance is simple: other European countries can follow the path of France and help strengthen India in the Indian Ocean. By taking the EU presidency in the first half of 2022, France can pivot itself to bring more partners, whereby economic trade and partnership can be discussed. Such multilateral trade possibilities bring long-term investment and sustained growth to all stakeholders. Even talks about “Free Trade Agreements” could be discussed. The vested interest of the EU can be shown by one example: the maritime security area, with the EU’s ambition to raise its security profile in the North-West of the Indian Ocean.

DEALING WITH CHINA

Not all Chinese experts believe that the IPEF will only have a minimal adverse impact on China's leading position. In fact, some are not very optimistic and are concerned about the effect of the IPEF on China's future in this region. They believe that regional trade will fall for China and that there will be a shift in the chain of production. China is also worried that the exclusive institutional balancing brought forth by the IPEF can reduce the country's dominance. The export controls, import screening, and shifting of supply chains will be unfavourable for China.

The Chinese experts recommend that China to strengthen its regional partnerships, such as RCEP. It should speed up negotiations with other countries. It should also take advantage of its geographical location. Its proximity to the Indo-Pacific nations can help China strengthen trade with them and have greater cooperation.

However, it must be kept in mind that the main pillars of the framework are a connected economy, resilient economy, clean economy, and fair economy. While countering China may be an unspoken and implied goal of the IPEF, the primary objectives declared by the countries should not be forgotten.

Relaxed measures, wherein based on openness and priority of a nation, direct assistance along with extended coordination is given, appear to be a strong area for cooperation.

There almost seems to be an inverse relationship between high levels of corruption and BRI investments. An informal and cost-effective procedure, the effects of BRI are a lot. The impact of such investments can be evaluated through multiple matrices. The aim for this is simple: with added systemic risks in BRI, added incentive to look for alternatives increases. IPEF, in that sense, will be seen as a promising alternative. An important topic to discuss is analysing the effects of corruption to acknowledge the measures taken by the BRI. It is known that corruption is morally and politically wrong, and China engages in it. It can also be inferred that the counterfactual is a world where tackling corruption as a priority is not well known. The IPEF stands strong in terms of its principles of being "free and open", but an analytical approach to improve its functioning remains.

Some systemic drawbacks of the BRI can be moulded into BRI. Accountability and transparency is a critical flaw of the BRI which led to inefficiency in Malaysia. Second, indicators for measuring a country's growth are important. Infrastructure, despite having red-tapism and flaws, does seem to provide governance. According to George Washington University, Chinese influence and aid helped Kazakhstan build regional stability. Therefore, if the means are flawed, the ends can be justified as it brings overall progress and development. Then, it becomes difficult to allege BRI as a Ponzi scheme simply, and the IPEF should be strengthened to provide relative benefits to a greater extent.





CONCLUSION

How the World is Reacting

After several years on the sidelines, regional partners unanimously welcomed the IPEF announcement as a sign of renewed US economic engagement in the Indo-Pacific region. Representatives from all countries have expressed their support for the framework's overall content and their government's interest in most or all of the initial topics outlined. Many countries, particularly members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), saw the IPEF as the second-best option to the US joining the CPT or another comprehensive, high-standard regional trade agreement. While many countries supported the IPEF as a stand-alone initiative, others hoped it would be the first step toward the US rejoining such an agreement.

This report aimed to lay out specific objectives and policy actions in each of the six areas identified in the White House statement, as well as to offer perspectives on the negotiating process and target participants in the IPEF. This has been proved by showing arguments ranging from climate change to data regulation. In each argument, real-world analysis, impact, stakeholders' reaction and significance, among other things, are provided.

India

The main stakeholder identified in India, and we have provided extensive research on how India is affected. As previously stated in this report, India did not join IPEF's trade pillar. Still, IPEF provides an important platform for India after it declined to join mega trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The US-led Indo-Pacific Economic Framework (IPEF) is seen as a way to counter China in the region, providing an opportunity for India to replace Asian supply chains and play a key role in the clean energy initiative, benefiting both India and other Indo-Pacific nations.



Global Impact

Since the fourteen countries forming this economic framework constitute a majority of the world's population and more than 40% of the world's GDP, economic growth for these nations will contribute greatly to overall growth in the world economy. Igniting healthy competition, building stronger supply chains, improving security, and promoting sustainability and inclusivity are some of the significant impacts that can come out of this non-traditional agreement.

However, the IPEF could also contribute to the region's fragmentation with its new rules and propositions. The framework may play a role in tilting the scales of power in the Indo-Pacific in favour of the US and away from China. The effect of IPEF on the Indo-Pacific region and the rest of the nations depends on how the occupied countries act out this agreement and with what intentions. The framework has the potential to lead to great prosperity and development.

Future Aspect

IPEF has a promising future, but it will need to strike a balance between US commitment and inclusivity, i.e. persuade a diverse range of regional partners that the initiative will provide tangible benefits to them. To achieve that balance, the Biden administration will be required to listen to the perspectives of Indo-Pacific allies and partners and to offer tangible benefits to regional partners, especially less-developed ones.



General Concluding Remark

Thus, IPEF, in our opinion, has future-oriented prospects. Still, it will need to be well-engineered and managed to advance US economic and strategic interests, become a credible alternative to other regional initiatives, and be perceived as a long-term US commitment to the region by allies and partners.

Recommendations



RECOMMENDATION

Recommendation 1: Dealing with China

China has been and will continue to be a partner that will lock horns with India due to conflicting interests. The growing aspirations of both nations will bring short-term fluctuations for cooperation in multiple arenas. An emphasis should be built on thoroughly understanding China's operating system to deal successfully with China. In the status quo, India and China are suspicious of how the other partner will operate. Without a common ground to collaborate, accusations and assertions will continue. Currently, the benefit of China is proactivity: China recognised the importance of the Indian Ocean much before India did. Such an advancement provided China with strategic advantages, especially with its neighbours.

The recommendation strongly echoes for development of multi-lateral and alternative economic channels to mitigate the Chinese influence. The metric used for this recommendation rests on "time-sensitivity and numeracy". The level of impact which India can bring by re-looking at its neighbours is huge. This is already being manifested in the "Neighbourhood First" Policy, wherein a strong commitment of \$1.79 billion led to a paradigm shift for India.

Finally, the real merit of the BRI lies in the infrastructure support to neighbouring nations. India understood the importance of infrastructure after the pandemic and has paved the way for greater business and economic linkages through its infrastructure. By focusing on infrastructure, India can offset China.



RECOMMENDATION

Recommendation 2: Data Localisation Framework

Open-data transfer and cross-border data sharing in isolation are idealistic ways of interoperability with partner nations. However, in realistic terms, political risks, social contexts and business exploitations play a role in how the government and citizens perceive data. The data protection bill in India should be re-introduced. This will help India towards data localisation. India is currently on this path and has supported the WTO norms on data protection. Also, since India's foreign policy, after boycotting Osaka Track, has not favoured free data transfer, it has to develop robust alternative mechanisms.

The role of data localisation in India is huge. Data localisation does not reciprocate to data access. Global data processing should be allowed, but some restrictions tailor-made to national requirements should be in place. In some sectors, the presence of data localisation can already be felt. The financial and telecom sector have mandated storing data in India, with many restrictions on the transfer of data overseas (telecom). The benefits of this recommendation can be weighed on the metric of impact and likelihood.

With respect to regulation agencies, data localisation will be of immense benefit. Currently, such agencies have constraints in getting timely access to data. Due to this, both legal and economic consequences can arise. It is widely said that “justice delayed is justice denied”, and without data localisation, only delays could be expected.

Moreover, data localisation is also likely to occur due to the perceived economic benefits. Data localisation would lead to a competitive edge for Indian firms and make it likely for the government to implement it. Also, the campaign “Vocal for Local” will gain traction due to increased demand for local goods and services due to this move.

RECOMMENDATION

Recommendation 3: Going Green

The United Nations Framework Convention on Climate Change's definition of climate finance includes any funds that are provided to "support" activities that address climate change by mitigating and adapting to it. These funds come from public, private, and alternative sources and can be local, national, or transnational. However, some projects for certain non-climate purposes are also reported under climate projects. Funds acquired as climate finance are often used in such projects, whose main goal is not fighting climate change, simply because a minor aspect of the project promotes sustainability. This leads to overreporting of climate finance. For example, over 2019-20, India received a biennial average of 309 thousand crore rupees. This was a 150% increase from the biennial average of the previous two years. However, it cannot be said with certainty as to how much of this financing went to projects with climate change as their primary aim.

Therefore, it is essential to define the term 'climate finance clearly'. This should be done in the general global context as well as its interpretation under the IPEF. It should be stated that all activities can be funded using climate finance, and these should be restricted from those having other primary goals.

Developmental, infrastructural, or other programs whose main objective is not climate change mitigation should be declared to be part of only that respective category of project. When recording projects, there should not be double entry by the countries who wish to put their developmental initiatives in the environment category to appear more environmentally responsible.

The initiative should be looked at as a whole and not just as that fraction that is environmentally friendly. Green projects must be separated from those whose primary goal is not climate-oriented. This will help paint a more realistic picture of the current status of climate finance in India as well as other countries and will assist in paving the road ahead.

RECOMMENDATION

Recommendation 4: China: Trade Wise

Currently, China maintains its dominant position in the Indo-Pacific region. However, the US is trying to replace China as the predominant power, and the IPEF is one tool that could help them achieve this. It is improbable that any other country will be able to rise enough to take over the powerful presence of China and the US. These global superpowers are too influential and are unlikely to be countered shortly. Thus the power struggle remains between Beijing and Washington.

The IPEF does not require the member nations to adhere to all provisions of the framework and allows them to choose only those propositions in their interest. Countries should use this flexibility to their advantage. Further, several of the countries of the Indo-Pacific would like to be on good economic terms with both the US and China. Countries that wish to benefit from trade with both of these nations and do not wish to support any one of them may remain neutral in this respect.

China's existing trade policies can be termed hegemonic and mercantilist and have been subject to criticism. However, the US will not be able to win over countries and gain credibility in the region unless it provides tangible benefits to the Indo-Pacific nations. Only when it reduces tariffs and non-tariff barriers and provides greater market access will the US be able to increase its influence in the Indo-Pacific.

However, the effective tariff rate of the member countries on imports from the US is already 47% higher than the tariff set by the US on their exports. Countries of the Indo-Pacific want greater access to US markets but will have to do the same for the States by providing access to their markets.

RECOMMENDATION

Recommendation 5: Climate Finance

Climate finance typically involves the more vulnerable countries being financed by less vulnerable ones due to their economic advantage. Instead of relying on other more developed countries to be “saved” or bailed out when faced with climate-related issues, the less developed countries should take it upon themselves to work towards dealing with climate change and its adverse effects. Green finance acquired from entities within the country can be used more and more for climate projects. Governments should allocate a part of the budget, especially for climate purposes, and ensure that it is used for just that.

This will help countries stay free from international obligations and become more independent and self-reliant. India, in particular, should also mobilise domestic climate finance and thus gain higher autonomy toward achieving its climate goals.

In 2019-20, the private sector accounted for almost 57% of all climate finance in the country. It should be encouraged to finance an even greater number of climate initiatives by providing incentives. It is essential to increase the pace by which climate finance is mobilised. Overall, the amount of climate finance in India must be increased by at least 3.5 times, and by 590% globally, by 2030 if the climate goals are to be met. India should increase green finance investments in the sectors of sustainable food and resilient cities as well, to approximately 27.7% and 18.8%, respectively, apart from renewable energy and electric vehicles.

RECOMMENDATION

Recommendation 6: Improving the IPEF response mechanism

The IPEF's most notable feature is the establishment of an intergovernmental crisis response mechanism. This tries to lessen the impact of external shocks that could disrupt supply chains by facilitating timely information sharing among members and the smooth movement of critical goods among them. However, this response mechanism proposed in IPEF is not a panacea. In some cases, the negative effects of supply chain disruptions cannot be mitigated. The IPEF coordination mechanism may not function adequately if all IPEF members, including producing and stockpiling members, face a shortage of critical goods, such as a lack of personal protective equipment (PPE) during a pandemic. This is because it would be difficult to create political incentives for members to produce or stockpile critical goods in order to provide them to other members in an emergency when they themselves are experiencing shortages. Consider another scenario in which a non-member country offers to pay more for the goods than any other country. As a result, it would be politically impossible for every IPEF member to adopt such a system, as it would significantly limit economic freedom. Furthermore, in order to maintain the principle of prioritising exports to IPEF members in the event of global shortages, non-member exports would have to be restricted in some way. However, because the IPEF will not be a regional trade agreement under GATT Article 24, any attempt to create rules that discriminately restrict exports to non-members may face WTO challenges in terms of consistency.

The significance of reducing economic dependence on specific countries and strengthening supply chains for critical goods has undoubtedly grown. The IPEF's crisis response mechanism could play a significant role in achieving these objectives. However, as discussed in the preceding section, we should not expect the process to be a "cure-all" solution that works in every situation. If properly designed, the IPEF's proposed response mechanism in the ministerial statement can significantly strengthen the region's supply chain resilience.

RECOMMENDATION

Recommendation 7: Focus on Trade Liberalisation

There were no commitments made regarding trade liberalisation in the supply chain or trade pillars. There has been no discussion to grant greater market access to member countries. Tariff reductions that increase intra-regional trade may help members reduce their economic dependence on China and diversify their suppliers. However, as stated, the ministerial statement did not include a commitment to begin trade negotiations, owing to political considerations in the United States. Still, it is important to note that there is more than one way to increase market access for trading partners.

Policies that make an economy open to trade and investment with the rest of the world are needed for sustained economic growth. Even if the framework doesn't include tariff reduction, it is recommended that some IPEF rules should create new access to foreign markets for Indo-Pacific exporters through more emphasis on eliminating technical or unscientific barriers to trade. The supply chain pillar could also emphasise more on the importance of encouraging and facilitating regional investment. If this results in increased investment in emerging members such as some ASEAN countries and India, the long-run economic benefits of tariff reductions may outweigh those of tariff reductions.

Apart from this, IPEF should include provisions on Service trade liberalisation. In the past two decades, trade in services has grown faster than the merchandise trade. For instance, there is a strong argument to be made for the liberalisation of services in ASEAN countries. ASEAN members generated 37% to 74% of GDP from services in 2016, far exceeding what was produced by agriculture and industry. ASEAN services exports increased by 12.5% per year from \$113.6 billion in 2005 to \$291.9 billion in 2013. During the same time period, service imports increased 9.9% year on year, from \$140.7 billion to \$298.6 billion. Liberalisation of service trade creates a multifaceted opportunity for growth in terms of trade and employment. It has the potential to boost output by \$29.6 billion, exports by \$14 billion, and imports by \$368 billion. The gains are not limited to trade-related estimates but also include potential welfare gains.

RECOMMENDATION

Recommendation 8: Improving Trade Facilitation and ease of trade for SMEs

According to a recent survey of emerging Indo-Pacific economies, trade facilitation is one of the most important matters of interest in the IPEF framework. To effectively incentivise developing economies' participation in IPEF, the US should prioritise the framework's trade facilitation chapters under the fair and resilient trade pillar. If the United States can facilitate a successful agreement regarding the framework's trade facilitation provisions, it will contribute to the development of a broader economic partnership in the region. Gains from effective trade facilitation arrangements, such as the World Trade Organization's (WTO) 2017 Trade Facilitation Agreement (TFA), are equivalent to significant tariff line reductions. The implementation of the WTO's TFA, for example, is expected to reduce members' trade costs by an average of 14.3%.

When constructing a resilient and transparent supply chain, care should be taken to avoid imposing unnecessary regulatory costs on micro-, small-, and medium-sized businesses (MSMEs). If the costs for building resilient supply chains rise excessively for the private sector, MSMEs will be forced to leave the supply chains, and the region's supply chains will lose their dynamism. Improving and simplifying border import and export procedures is critical for promoting job creation and growth, particularly for small and medium-sized businesses (SMEs). SMEs account for 60–70 per cent of employment in the Indo-Pacific region but only 35 per cent or less of direct exports, indicating that there is plenty of room for growth. Economists estimate that the Trade Facilitation Agreement (TFA), which entered into force among World Trade Organization (WTO) members in 2017, could result in cost reductions of more than 14 per cent and annual growth of up to \$1 trillion in international trade. Appropriate commitments to support SMEs could include: encouraging greater SME participation in Indo-Pacific markets through capacity building and technical assistance to fulfil TFA commitments, as well as increasing access to broadband connectivity, encouraging the exchange of information and best practices on SME digitisation and access to capital, trade finance, trade missions, and training programmes.

RECOMMENDATION

Recommendation 9: Structural Reforms

Some nations are better equipped and have a stronger footing when dealing with the changing climate than others. Such countries have more resources and funds to allocate for this purpose, as well as greater technological advancement. They can reduce the increasing damage caused by global warming, as well as adapt to the changing environment. These are mainly the rich and developed nations, such as the US and Singapore.

The countries in the Indo-Pacific that are more vulnerable to the detrimental effects of climate change should take advantage of the IPEF as they will now be able to acquire green finance more easily. There should be provisions under the framework for these countries to receive climate finance.

Moreover, those financing them should keep checks on how the funds are being used. Countries need to take greater accountability for the initiatives undertaken using this type of finance. Increasing transparency in the process of acquiring funds as well as in the development of the project is necessary to ensure that the countries meet their set targets and there are no hindrances.



RECOMMENDATION

Recommendation 10: Better allocation of resources and funds (in terms of lending technical know-how)

We have witnessed the burden that developing countries face when entering international partnerships. These may vary from relatively low development in technology to the policies still being in the maturing phase. This makes it difficult for developing countries to derive the same benefits from these partnerships as developed countries. Furthermore, it creates an uneven advantage for the developed countries to reap the most benefits by ignoring the needs of the developing countries and terming it as a “mutual benefit” for everyone in the ministerial statements.

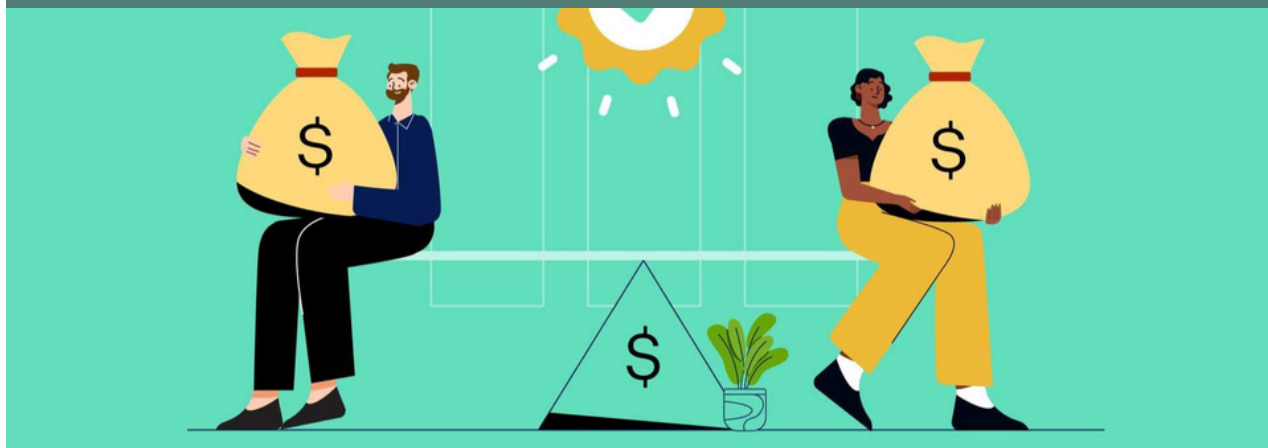
One of the best examples is India's recent transition to low carbon emissions in a way that aligns with the motto of green energy. This was done mainly to match the west's standards and fulfil the net zero's obligations. But to meet these sky-high standards, the government forgot the challenges that the domestic MSMEs would face due to this step. What was supposed to be a gradual process turned into a nightmare for the Indian MSMEs. The challenges included the demand for green finance in MSMEs, which is relatively niche and aggravated by a critical lack of awareness of existing financial mechanisms leading to hesitation among the stakeholders about transitioning. Then there was limited hand-holding in terms of active technical assistance to adopt new technologies.

Additionally, finance for R&D, demonstration, and standards must adequately supplement the available financial provisions. There is an acute data scarcity, particularly concerning emissions data with no mandate or cap in place for emissions in MSMEs. The unorganised nature, scepticism about green alternatives, and low awareness and capacity in MSMEs made it challenging to implement regulatory and reporting frameworks and compliance-based targets. This led to the shutting down of operations of many MSMEs. All of this could have been averted if the west had extended its funding support or technical know-how to ensure a smooth transition.

RECOMMENDATION

This indicates the need to devise strategies to facilitate the smooth participation of developing countries like India in these partnerships and commitments. One of the best ways to make this happen would be to extend the necessary funding support to these countries whilst also providing the technical know-how to ensure the effective utilisation of funds. Though this practice was adopted in the past, the implementation could have been much better. For example, Developed countries agreed to provide funds to developing countries in 1992–1993 as part of the UNFCCC to help them cover the expenses of upholding their environmental obligations. They committed to sending \$100 billion yearly to developing countries by 2020 as part of the COP15 climate change conference in Copenhagen in 2009. However, developed nations haven't succeeded in achieving this objective to date. Developed countries sent \$79.6 billion to developing countries in 2019, up from \$78.3 billion in 2018, but this is still less than the planned amount. The United States has fallen woefully short in terms of financing.

Talking specifically about IPEF, we saw India opting out of the trade pillar because it saw an uneven playing field, which would not have been in the best interests of a country like India. Reasons included various trade-centric policies being still in the developing phase, and then there is also the uniform standardisation approach. All of this would have added to the burden of India to change had it not opted out of this pillar because there was no help being extended by the fellow partner countries.



RECOMMENDATION

Recommendation 11: Inclusivity and Standardisation

Countries like India have been losing out due to the standardisation of measures implemented in these international partnerships. Standardisation here refers to the standard measures that are to be compulsorily complied with as part of these partnerships, with no consideration given to the country's development/

This standardisation strategy, though effective in some aspects, created an undue advantage for developed countries due to their cutting-edge technology and matured policies and procedures. It is because developed countries can better leverage their existing level of technology. Consequences include a burden on the domestic industries to compete and adapt to western regulations. Along with this comes the uneven ground of the judiciary, where the west has more progressive policies and procedures concerning trade, environment etc.

Thus, there is an immediate need to provide relaxation to the countries with these standardisations according to their development status. In IPEF, we also saw India getting out of the trade pillar for this reason. Providing relaxation will help create an even playing ground for everyone, helping them “mutually benefit” from these partnerships.



RECOMMENDATION

Recommendation 12: Aligning Decarbonisation Objectives

To prevent climate change, the U.S. government actively supports numerous worldwide efforts. ASEAN partners made several commitments to combat climate change at the ASEAN U.S. Special Summit in May 2022. It was decided to continue advancing each nation's nationally determined contribution (NDC) as outlined in the Paris Agreement, safeguard regional biodiversity, and stop vital ecosystem degradation. It was also agreed to encourage investment in low-carbon and climate-resilient infrastructure. The participants also acknowledged the need to accelerate the development of clean and renewable energy. They pointed to public-private collaboration through blended finance as a tool to increase the amount of capital available, particularly concerning the ASEAN Plan of Action for Energy Cooperation. The Blue Dot Network, Build Back Better World, and First Movers Coalition are a few such programmes.

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Now that we understand that expanding existing financing within the IPEF will be challenging, if not impossible, it becomes crucial to use existing green finance methods to stretch the available funding. This will help create multiple synergies benefiting the existing partnerships and the IPEF.

Testimonial



TESTIMONIALS

The Indo-Pacific region is significant in the maritime geopolitics of the 21st century. Several countries are trying to increase their influence in the region owing to its geopolitical and geo-economical importance. Recently, I had the pleasure of reading The Policy Report titled “Indo Pacific Economic Framework for Prosperity (IPEF)” released by The Economic Society of Shri Ram College of Commerce. I was really impressed by the quality of the research that provided an in-depth analysis of an important topic.

The report's structure and presentation were excellent, making it simple to read and comprehend. It gave a thorough review of the IPEF, analysing the present opportunities, challenges as well as possible remedies for India. Being a leader in South Asia and an important stakeholder in the Indo-Pacific region, India has benefitted immensely from the region. It becomes crucial to understand India's stand on the IPEF and its strategic interests in the critical area of conflict. I found the policy report to be a valuable resource for anyone interested in the Indo-Pacific region and I would highly recommend it to anyone looking to gain a deeper understanding of it. The report covers a wide range of topics from China's interest in the region to environmental concerns such as climate finance and climate resilience. The authors are to be commended for their excellent work, and I look forward to reading more from them in the future.

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