



KAMARAJ IAS ACADEMY
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Indo-Pacific Economic Framework

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Why is in news? Negotiations for the Supply Chains (Pillar-II) Agreements substantially concluded during 2nd IPEF Ministerial Meeting

Negotiations for the **Supply Chains (Pillar-II) Agreement** were substantially concluded during the second in-person Indo-Pacific Economic Framework (IPEF) Ministerial Meeting held in Detroit on 27 May 2023, **hosted by the US**.

India and other partner countries will continue to engage to ensure effective implementation of the Agreement so as to achieve the overall objectives of the Agreement which is to make IPEF supply chains more resilient, robust, and well-integrated, and contribute towards economic development and progress of the region as a whole.

Once implemented, the Supply Chain Agreement is expected to bring in a number of benefits to India and the other IPEF partner countries.

Some of the key benefits expected are:

Potential shift of production centres in key goods/critical sectors to India;

Bolstering of domestic manufacturing capacities;

Giving a boost to Aatmanirbhar Bharat and Production Linked Initiatives schemes;

Mobilization of investments especially in production of key goods, logistics services and infrastructure;

Deeper integration of India in the Global Supply and Value Chains particularly of Indian MSMEs;

Enhanced exports from India; upward mobility in the value chains;

Mitigation of risks of economic disruptions to India from supply chain shocks/adverse events;

Creation of a seamless regional trade ecosystem facilitating flow of Indian products;

Enhanced trade facilitation including through digital exchange of trade documentation, quicker port clearances; joint Research and Development; and

Workforce development.

Indo-Pacific Economic Framework:

It is a **US-led initiative** that aims to **strengthen economic partnership** among participating countries to enhance resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness in the Indo-Pacific region.

Through this initiative, the IPEF partners aim to contribute to cooperation, stability, prosperity, development, and peace within the region.

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This framework will offer tangible benefits that fuel economic activity and investment, promote sustainable and inclusive economic growth, and benefit workers and consumers across the region

The IPEF was **launched in 2021** with a dozen initial partners who together represent 40% of the world GDP.

The IPEF is **not a Free Trade Agreement (FTA)** but **allows members to negotiate** the parts they want to. The negotiations will be along **four main “pillars”**.

4 Pillars: Supply-chain resilience; Clean energy, decarbonisation & infrastructure; Taxation & anti-corruption; Fair & resilient trade.

India has **yet to take a call** on **whether to join the trade pillar**, though it has joined the other three.

Currently, **India and 13 countries** located in the Pacific Ocean are its members - Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States, and Vietnam.

Significance for India:

India's economic engagement with the Indo-Pacific countries has been through bilateral trade agreements, rather than joining a trade block because of the concerns about tariffs and cheap imports that would threaten the competitiveness of local producers.

However, the IPEF offers India a large opportunity to become a technology leader in the region, especially in two areas- semiconductor supply chains, and clean energy.

India can be the destination for new investment such as in the semiconductor sector.

The Quad framework can be applied in the supply chain network that US technology, Japanese capital, Australia's logistics, and Indian production could fill the vacuum created by the countering domination of China.

