

● EXACTING STANDARDS ON CLIMATE CHANGE, DATA FLOW LIKELY

US' trade initiative promises gains for India, but challenges remain

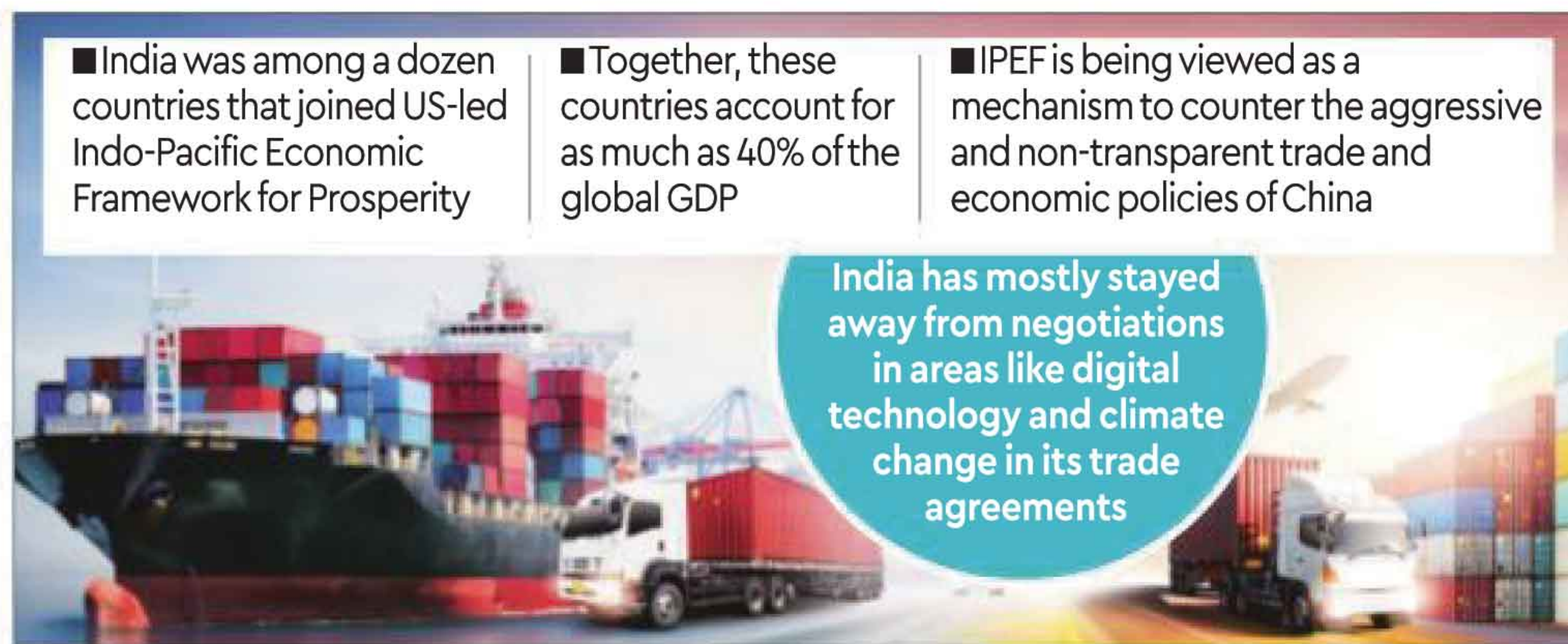
May evolve into a broader pact with a large region-specific trade bloc after exit from RCEP

BANIKINKAR PATTANAYAK
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THE US-LED INDO-PACIFIC Economic Framework for Prosperity (IPEF) has potential to evolve into a broader trade agreement that will enable India to reap advantage of being in a large region-specific trade bloc after its exit from the China-dominated RCEP, trade economists told *FE*. However, the group's focus on pillars such as data flow and climate change, driven by the US, will likely impose exacting standards on India to comply with, some of them cautioned.

India was among a dozen countries that joined the IPEF, which was launched by US President Joseph Biden in Tokyo on Monday. It's being viewed as a mechanism to counter the aggressive and non-transparent trade and economic policies of China.

Biden had in October 2021



pointed out the US would explore with partners the "development of an Indo-Pacific economic framework that will define our shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonisation and clean energy, infrastructure, worker standards, and other areas of shared interest". India has mostly stayed away from negotiations in areas like digital technology and climate change in its trade agreements.

Nagesh Kumar, director of the Institute for Studies in Industrial Development, said while the IPEF isn't strictly a trade agreement yet, it has the potential of turning into one.

"It's good for India to be in this group of countries, especially because it hasn't been a part of the RCEP or any other major grouping."

Kumar said the IPEF offers a lot of critical mass required to make an impact in global trade, thanks to the participation of the world's largest (the US), third-largest (Japan) and the fifth-largest economy (India). "New Delhi should not only aim to be an active player in the group but seek to drive the agenda eventually create a kind of robust regional trade bloc," he added. It will enable India to better integrate with the global supply chain. "Already, global multi-national corporations are looking to adopt a China+1

supply-chain strategy and India could be that (plus 1) country," he added.

Biswajit Dhar, professor at the Centre for Economic Studies and Planning of JNU, said finding common ground on some of the key regulatory issues that the IPEF focusses on could be a problematic area for India. "There is no talk about tariff reduction, etc. But the IPEF is talking about only data, environment, labour etc. Is India in a comfortable position to address these issues now? It's going to be a challenge."

Dhar said India hasn't been able to make up its mind on its data policy. "Are we going to support data portability or are we going to oppose that? If we

are part of IPEF, we have to allow data portability. On climate issue, while some others are asking for commitment on net zero by 2050, we have committed to do so by 2070. So, coming to a common understanding on these regulatory issues poses a whole lot of challenges," Dhar said.

Arpita Mukherjee, professor at ICRIER, said the IPEF looks like a "good framework with a lot of value". It creates the scope for greater collaboration in technology, supply chains and climate, which will help India further improve its standards in certain areas to suit modern realities. Moreover, if eventually India wants a free trade agreement with its largest export destination (the US), it makes sense to start with the IPEF, Mukherjee said. As for issues like data flow, the Indian IT industry, a substantial chunk of whose revenue comes from the US, would itself want free flow of data, she argued. Moreover, the recently-signed India-UAE FTA has a chapter on digital trade, she said, indicating that the country shouldn't be scared of taking a certain level of commitment in these aspects, as these would ultimately prove to be beneficial.