

The Indo-Pacific Economic Framework for Prosperity: Opportunities for Indian Companies

Pursuant to a [press release dated June 6, 2024](#), India's Ministry of Commerce and Industry recently announced the participation of an Indian delegation at a ministerial meeting of the Indo-Pacific Economic Framework for Prosperity (the "IPEF") held in Singapore (such meeting, the "**Singapore Ministerial**").

THE IPEF

[Launched](#) by the United States at Tokyo in May 2022 along with other countries, the IPEF is a regional framework to build cooperation and economic integration. It comprises four pillars, as below:

- [trade](#), including digital trade ([Pillar I](#));
- [supply chain](#) resilience, including infrastructure investment ([Pillar II](#));
- [clean economy](#), including renewable energy ("RE"), decarbonization and green infrastructure ([Pillar III](#)); and
- [fair economy](#), including tax and anti-corruption ([Pillar IV](#)).

PILLARS II-IV: AGREEMENTS

Certain IPEF agreements were reached at the Singapore Ministerial, including in respect of a [clean](#), and [fair](#), economy, respectively (Pillars III and IV), as well as on the [overarching agreement](#) related to the IPEF itself.

Meanwhile, the IPEF agreement on [supply chains](#) (the "**Supply Chain Agreement**"), which had been [signed](#) in November last year (including by [India](#)), is now [in force](#). Effective [February](#) 2024, once a minimum of five IPEF countries (including [India](#), Japan, Singapore and the US) had deposited their respective instruments of ratification, acceptance or

approval, as applicable, the provisions of the Supply Chain Agreement (Pillar II) became operational.

PILLAR I: TRADE

The IPEF in general, including the ongoing negotiations under its trade pillar, is not a free trade agreement (“FTA”). For instance, the trade pillar of the IPEF does not include market access for goods or services through schedules which are traditionally found in FTAs. Other than such trade pillar (for which India maintains only an observer status on account of its existing concerns and a lack of clarity on benefits), India has joined all other pillars of the IPEF. In any case, India has the option to join the trade pillar later.

The IPEF complements, and builds on, existing regional legal architecture (including FTAs) to support the global rules-based trading system.

THE IPEF COUNTRIES

Other than the US, the IPEF comprises 13 partner countries (together with the US, the “**IPEF Partner Countries**”), representing 40% of global GDP and 28% of international trade in goods and services. As on date, the IPEF Partner Countries comprise the following:

1. Australia
2. Brunei Darussalam
3. Fiji
4. India
5. Indonesia
6. Japan
7. Republic of Korea
8. Malaysia
9. New Zealand
10. Philippines
11. Singapore
12. Thailand

13. US

14. Vietnam.

BACKGROUND

The IPEF had stemmed from a proposed commitment of the US to strengthen its ties with allies and partners in the Indo-Pacific region, including for the purpose of addressing emerging and existing economic challenges in the region.

THE INDO-PACIFIC REGION

The Indo-Pacific region is a crucial geopolitical zone spanning from the eastern coast of Africa to the western coast of the Americas. It includes major economies such as China, India, Japan, Australia, and member states of the Association of Southeast Asian Nations (ASEAN). Historically, the region has been characterized by rapid economic growth, trade connectivity and diverse cultures. In addition, it represents over half of the world's population.

OBJECTIVES

The IPEF seeks to prepare economies for the future, and in that regard, aims to advance resilience, sustainability, inclusiveness, economic growth, fairness and competitiveness. Accordingly, it is expected to provide tangible benefits for the IPEF Partner Countries in terms of promoting economic activity and investment, facilitating sustainable and inclusive economic growth, and benefiting workers and consumers across the region.

Despite not being an FTA, the trade pillar of the IPEF presents commercial opportunities for each of the IPEF Partner Countries through the negotiation of rules on trade facilitation, non-tariff barriers, digital trade and regulatory cooperation, among other things. Moreover, the IPEF agenda addresses issues related to supply chains, regulatory concerns, non-tariff barriers, digital trade, climate action and due diligence – all of which are matters of considerable importance, including for investors.

THE INVESTOR FORUM

Along with the Singapore Ministerial, India also participated in the inaugural IPEF Clean Economy Investor Forum (the “**Investor Forum**”) held in Singapore, where sustainable infrastructure projects aggregating over USD 23 billion were identified for the purpose of channelizing priority investments in the Indo-Pacific region, including from US companies. Such Investor Forum is proposed to be held annually with the aim of increasing investment in sustainable infrastructure and climate technology.

Further, the IPEF Catalytic Capital Fund (the “**Fund**”), established in collaboration with the Private Infrastructure Development Group, was launched at the Investor Forum. The Fund was established for the purpose of providing technical assistance, capacity-building and project support through the deployment of concessional financing, including in order to expand the pipeline of bankable climate infrastructure projects in eligible countries. The ultimate aim of the Fund is to mobilize up to USD 3.3 billion in private investment.

The Fund’s founding supporters – Australia, Japan, Korea and the US – have made significant progress in their respective domestic processes to provide initial funding.

POTENTIAL BENEFITS FOR INDIA

The IPEF presents a unique opportunity for Indian companies to enhance their competitiveness, expand markets, and contribute to sustainable economic growth.

Pillar I: Trade opportunities

Negotiations in the trade pillar cover a number of areas and chapters, including those on agriculture, digital trade, domestic regulation of services, good regulatory practice, trade facilitation, technical assistance and economic cooperation.

Market access

Since the IPEF aims to reduce trade barriers and harmonize regulations – thereby facilitating easier access to markets, Indian exporters may be able to leverage such framework in the future for the purpose of diversifying their customer base and exploring new markets within the Indo-Pacific region.

Digital trade

The IPEF framework encourages digital commerce and cross-border data flows. Indian technology companies, e-commerce platforms and service providers can tap into such enhanced digital ecosystem, reaching consumers beyond national borders.

Investment flows

The IPEF promotes responsible foreign direct investment (“**FDI**”). Indian companies seeking capital infusion or strategic partnerships may want to attract FDI from other IPEF Partner Countries. Conversely, Indian companies can explore investment opportunities in other IPEF Partner Countries.

Pillar II: Supply chain resilience

The Supply Chain Agreement is a novel arrangement that aims to rebuild production levels, shipping capacity and a skilled workforce, especially in the wake of the COVID-19 pandemic. Since post-pandemic recovery has been slow across several sectors, getting

a large number of countries to provide a commitment with respect to sharing information, identifying bottlenecks and stress points, and arriving at practical solutions, is likely to offer significant benefits in the future. After all, supply chain disruptions impact several upstream and downstream stakeholders, such as importers, exporters, producers, consumers and businesses, as well as the general public – including in terms of frequent spikes in inflation and lower consumption levels.

Diversification

In light of the above, the IPEF emphasizes supply chain diversification. The Supply Chain Agreement can help address concentrations in critical supply chains, including by accelerating the diversification of essential imports and promoting India's unique export capabilities. Indian manufacturers and exporters can reduce their dependence on specific suppliers or regions, thereby mitigating some of the risks associated with supply chain disruption.

Coordination

Further, the Supply Chain Agreement seeks to provide greater certainty for exporters and importers. For example, in the event of a supply chain disruption, the Supply Chain Agreement's [crisis response network](#) can facilitate expedited communication with, and among, regional partners.

In addition, IPEF [workshops and initiatives](#) seek to advance the objectives of the Supply Chain Agreement through cooperation on specific areas, including cybersecurity, best practices in cargo risk assessment, data-driven approaches for supply chain vulnerability assessments, labor and workforce development, and tabletop exercises simulating supply chain disruptions.

Infrastructure development

Investments in infrastructure, such as ports, logistics networks and digital connectivity, are crucial for efficient supply chains. In that regard, Indian infrastructure companies can participate in IPEF-backed projects, enhancing connectivity across the region.

Pillar III: Clean economy initiatives

The [agreement on clean economy](#) under Pillar III of the IPEF (the “**Clean Economy Agreement**”) comprises a set of cooperative commitments, covering a range of issues which are critical for India's proposed transition to a clean economy – including with respect to energy security, climate resilience and adaptation, mitigation of greenhouse gas (“**GHG**”) emissions, as well as the promotion of sustainable livelihoods.

Under the Clean Economy Agreement, potential collaborative efforts among the IPEF Partner Countries may include areas such as (i) electrification; (ii) investments in, and the

continued development of, RE; (iii) use of advanced technology (including low-GHG technologies in aviation, maritime, rail and road transport); (iv) reduction of methane emissions; as well as (v) sustainable solutions in land and water, such as sustainable agriculture along with the management of forests and other natural ecosystems.

Acknowledging the need to secure financing for climate-related infrastructure, technologies and projects, the Clean Economy Agreement aims to increase the flow of investments into the Indo-Pacific region, including by facilitating the mobilization of, and access to, climate financing.

In addition, the Clean Economy Agreement aims to facilitate concessional financing, joint collaborative projects, workforce development, technical assistance and capacity-building – including for micro, small and medium enterprises (MSMEs). This, in turn, can further integrate Indian companies in global value chains, including those in the Indo-Pacific region. Such activities are proposed to be undertaken through joint collaborative actions, such as cooperative work programs (“**CWPs**”) and the Fund.

Cooperative work programs

Pursuant to the announcement of CWPs on (i) hydrogen supply chains in [May 2023](#) to promote the deployment of renewable and low-carbon hydrogen along with its derivatives; and (ii) carbon markets, clean electricity, sustainable aviation fuel and a just energy transition in [March 2024](#), participating IPEF Partner Countries have developed detailed roadmaps for cooperation.

Accordingly, the IPEF Partner Countries are expected to work on multiple CWPs together in the future, linking the private sector to government-led initiatives. Other potential areas for CWPs include emissions accounting (to facilitate green trade through carbon credits and the offsets market) and sustainable finance frameworks (to promote greater private sector participation in decarbonization initiatives).

A new CWP led by India on [e-waste urban mining](#) was announced at the Singapore Ministerial. This CWP seeks to facilitate a sustainable e-waste management system for the IPEF Partner Countries, including through the exchange of information on current and emerging technologies/techniques, as well as by developing solutions for the efficient recovery and recycling of materials ([e.g.](#), critical metals and minerals). Such CWPs aim to promote a circular economy by increasing resource efficiency and reducing pollution.

Renewable energy

India's focused commitment to RE aligns with the IPEF's clean economy pillar. Companies operating in the Indian RE sector can collaborate with international partners to expedite energy transitions and realize net-zero ambitions (including India's).

The Clean Economy Agreement is designed to provide a new platform, which, among other things, may be able to support India's aim of becoming a major global power in RE and green hydrogen.

Climate resilience

Indian companies which specialize in climate adaptation technologies, disaster management and water conservation can find opportunities from within the full range of IPEF initiatives.

For instance, at the Investor Forum, where climate technology start-ups sought to raise up to USD 2 billion in new investment, several Indian entities (selected by the IPEF) were able to pitch innovative ideas, technologies, solutions and projects to global investors, including with the aim of contributing towards climate change mitigation and/or adaptation.

Collaborative efforts can enhance climate resilience across the Indo-Pacific region. In response to global warming, the Clean Economy Agreement is expected to catalyze climate action through initiatives that bring together technology, finance and regulatory reform. This, in turn, is critical for emissions reduction plans, including for India.

Pillar IV: Fair economy practices

The [agreement on a fair economy](#) under Pillar IV of the IPEF (the “**Fair Economy Agreement**”) seeks to promote strong economic governance rules as a foundation to attract investors to the Indo-Pacific region. In this regard, it targets three main areas, comprising commitments from the IPEF Partner Countries with respect to: (i) preventing and combating corruption, along with related financial crimes; (ii) improving tax transparency and the exchange of information, along with domestic resource mobilization; and (iii) increasing cooperation, information sharing, technical assistance and capacity-building in such areas.

Accordingly, the Fair Economy Agreement intends to create a more transparent and predictable business environment for the purpose of enhancing trade and investment in the Indo-Pacific region. In this regard, it aims to strengthen anti-corruption frameworks, establish confidential systems, improve tax administration through information exchanges between competent authorities, facilitate the sharing of expertise and best practices, promote the development and application of technological innovations, and foster need-based collaborations with the private sector.

Labor standards

Since the IPEF emphasizes fair labor practices, Indian companies may find it easier to adopt international labor standards in the future, including by ensuring worker rights, safety and fair wages.

Anti-corruption measures

Indian businesses could align with the IPEF's principles in terms of transparency and anti-corruption efforts, thereby promoting ethical practices and accountability in their value chains.

CONCLUSION

Broadly, the IPEF provides Indian companies with a roadmap for growth, collaboration and sustainability. By actively engaging with the IPEF, Indian businesses can position themselves as key players in the dynamic Indo-Pacific landscape.

Specifically, the IPEF presents an opportunity for India to strengthen economic cooperation with the US by providing an inclusive platform to engage more deeply with the economic architecture of the Indo-Pacific. Such engagement is likely to prove valuable for both Indian and American companies.

Now that the Indian parliamentary elections are over, India may consider signing the Clean Economy Agreement and the Fair Economy Agreement, respectively – like the other 13 IPEF Partner Countries did at the recently concluded Singapore Ministerial.

Ultimately, the approach adopted by private companies in the Indo-Pacific region may determine the future trajectory of the IPEF, based on the ability and willingness of relevant stakeholders to leverage the framework's architecture and intent. Indian businesses focused on sustainability and clean energy, or on technological innovation, manufacturing, cross-border data and/or digital trade, may wish to track the IPEF's impact closely – especially since its effects may not be immediately apparent in terms of trade or investment flows alone. By dint of being voluntary and in the absence of market access provisions, the IPEF may be able to, in fact, achieve certain goals better than FTAs – such as those in respect of alliance-building and establishing rules of cooperation between investors and markets – including in light of common global challenges and geostrategic competition.

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