

# **INDIA'S TRADE PERFORMANCE WITH THE IPEF MEMBERS- BEFORE AND AFTER THE COVID OUTBREAK**

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## **ABSTRACT**

The recently announced Indo-Pacific Economic Framework (IPEF) has great potential for India to further improve its trade relations with other participating countries. At present, India has strong trade relations with these countries. Out of four pillars announced under IPEF, trade is one of its key pillars. Although at present, it does not include market access facilities, because of the reservation in the USA authorities, there is still an expectation for trade among the members to grow.

This paper empirically examines the trends in merchandise imports and exports of India with the other IPEF member countries- before and after the COVID outbreak. The period undertaken for the analysis of India's imports and exports with other IPEF countries is from 2015 to 2021. The trade and investment data used for the analysis has been collected from the Ministry of Commerce and Industry (Department of Promotion of Industry and Internal Trade), India. The data analyzed shows that both imports and exports started declining in the year 2019-20 and hit a rock bottom in the year 2020-21 due to the rise of COVID-19 cases worldwide, which led to lockdowns and restrictions on mobility. Trade Intensity Index is used to examine the trade value between India and other IPEF countries as a group vis a vis their share in the world trade. The data analysis shows that trade intensity has increased, but India enjoys a negative trade balance with the IPEF group of countries. India's investment relations with the other IPEF countries have also been studied. The data suggest that in the fiscal year 2021-2022, the FDI equity inflows in India by the IPEF member countries is about 49% of the total FDI equity flow in India. Singapore and USA have been two of the top investors in India.

## **1. INTRODUCTION**

There is an increasing trend in today's world of forming mega economic and trade groups. The Indo-Pacific economic framework is an economic initiative launched by U.S. President Joe Biden

on May 23, 2022, ahead of the Quad summit in Tokyo. Quad, consisting of four countries (US, Japan, India, and Australia), was initially established in 2007 by Japanese PM Shinzo Abe and revived in 2017 after some negotiations as India and Australia were not very enthusiastic about its role earlier. Quad in its recent meeting expanded its scope and concluded to focus on making the Indo-Pacific region free and open and enhance its resilience and inclusiveness. The purpose of IPEF was to add an economic dimension to the relationship of like-minded countries sharing common interests in the Indo-Pacific region. Currently, fourteen countries are a part of the IPEF, with the late entry of Fiji, the first South Pacific Island to join the framework. The IPEF is based on four pillars: Trade; supply chains; clean energy, decarbonization and infrastructure; tax, and anti-corruption [Saha, 2022]. It is said to be focused on countering China's expanded economic sphere through its 'Belt Road Initiative' in Asia. The US has not yet promised any negotiations regarding the reduction of tariffs and increase in market access, it is still early to conclude, as things are evolving and the IPEF is a flexible economic agreement. There is a possibility of it evolving and growing with extended economic cooperation [Murphy and Wang, 2022]. Countries in this region have expectations to gain wider access to the U.S. market and direct trade benefits, but they are still willing to explore the possibilities of gains they will get from such an arrangement where market access is not discussed [Kaul, 2022]. These member countries are yet to decide their extent of involvement in the four different pillars. According to the USTR, the trade pillar will be "high ambitions" and include binding commitments. The trade agenda will prioritize fair and inclusive trade including the seven subtopics of labor, environment, and climate, digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation. [CSIS, 2022].

India already has Comprehensive Economic Cooperation Agreements (CECA) with Singapore, Malaysia, Korea, Japan, and ASEAN. A framework agreement for the creation of Free trade area with Thailand has also been signed by India. India and Australia signed a temporary Economic Cooperation and Trade Agreement (ECTA) on 2nd April 2022. Both the countries reasserted their commitment to conclude a Comprehensive Economic Cooperation Agreement (CECA) by the end of 2022. It is estimated to double trade between the two nations and generate one million jobs. "India- Australia ECTA is India's first agreement where a mixed scheduling approach is adopted for scheduling sector-specific commitments in services, with the possibility of a complete

transition to a negative list approach.” [The Economic Times, 2022]. Though the US has taken a decision not to do any other new free trade agreement (FTA), “India and the US are in dialogue to look at ways, beyond a free trade agreement, to promote economic ties by providing better market access and enhanced engagement on investments” [Ministry of commerce and industry, 2022]. These bilateral and sub-regional efforts strengthen the economic relations within the Indo-Pacific region.

The Ministry of External Affairs has announced that “India is keen to collaborate with countries under the IPEF and work towards advancing regional economic connectivity, integration, and boosting trade and investment within the region” [Ministry of External Affairs India, 2022]. It is consistent with India’s belief in its civilizational values of ‘Vasudhaiva Kutumbakam’ (the world as one family) which allow it to look after the welfare and prosperity of all the people of the world [Kaul, 2022]. India is being praised for its resilient economy and is now looked upon by other countries in the region for its leadership. India is now giving importance to the digital trade like most of the world and is aiming at technologies like semiconductors, AI, 5G, drones, and space technology.

India has been advised by experts to collaborate in these areas with the IPEF countries to gain mutual benefits. Considering India’s huge population as an asset, it can be a supplier of Human resources to these countries. Although India is already playing a vital role in the supply of Covid vaccines, it can cooperate further within this region in the pharmaceutical and healthcare sector. According to researchers, India’s participation in Quad and IPEF has strengthened its economic integration to attract investment for manufacturing and high technology products.

This paper analyzes the trade performance of India with other countries under the Indo-Pacific Economic Framework before and after the COVID outbreak. The paper also attempts to measure the Trade Intensity Index to know whether the trade value between India and the other IPEF countries is greater or smaller than expected based on their importance in world trade.

The rest of the paper is organized as follows. Section two includes the literature review. Section three discusses India’s position amongst the other IPEF countries. Section four presents the trends in merchandise exports between India and the other IPEF countries before and after the COVID outbreak. Section five examines the trends in merchandise imports between India and the other IPEF countries before and after the COVID outbreak. Section six evaluates India’s investment

inflows relations with the other IPEF countries. Section seven explores the prospects for India as a part of the IPEF. The final section offers a few concluding remarks.

## **2. LITERATURE REVIEW**

COVID-19 has disrupted the global supply chains [Baldwin and Tomiura, 2020; Voth,2020]. Globally, companies that relied on China for inputs started experiencing production contractions, regardless of their size. As a result of limited and even restricted transportation among countries, global economic activity was further slowed down. Usual consumption patterns have been distorted and market anomalies have emerged. Studies suggest that the Global stock indices have also plummeted in response to the changes [McKibbin and Fernando,2020].

As of now, most economies have begun to return to normalcy. While India has suffered setbacks as well, it now looks forward to improvement. While COVID-19 has created difficulties and adversity, it has also created opportunities. By pausing most economic activity around the world, the pandemic has offered countries the chance to hit a virtual reset, using digital technology, on problem sectors and find new ways to tackle systemic issues. Indian exports are now poised for a new era of potential growth. A study by Pranjal Dubey (2020) says that India's export ecosystem will play a key role in realizing the dream of becoming a \$10 trillion economy by the end of the next decade with the right forward-looking measures and support from all relevant stakeholders.

The IPEF formed after the COVID outbreak is said to be a step towards strengthening economic partnership amongst the member countries while countering China's gains in the economic sphere in Asia [Kaul, 2022]. So far, India has agreed to three pillars relating to supply chains: tax, anti-corruption, and clean energy, but the fourth pillar on data and privacy is yet to be completely agreed upon [Indian Express, 2022].

India has had strong trade relations with its partner countries in the IPEF. Research by Taneja, Joshi, Bimal, and Kumar Singh (2020) shows that in the pre-Covid-19 era, although the India-Japan CEPA utilization rate has been moderate, the agreement had a notable positive impact on trade between India and Japan. However, the trade balance has continued to remain in Japan's favor and India's trade deficit with Japan after CEPA has widened. A study by Ahmed (2011) indicates a positive effect of India- South Korea CEPA on consumer surplus, trade and investment

flows, and a negative effect on tariff revenues. Studies show that the trade intensities between the two countries reveal that Korea is doing much better and there is scope for India to improve its export intensity with Korea [Sahoo, Rai, and Kumar, 2009]. India's merchandise trade with ASEAN has also increased over the years [Sen, Asher, and Rajan, 2004]. India-Singapore CECA greatly affects India's political economy situation as well as Indian and Singapore trade relations [Faza and Anisa, (2017)]. India, having good relations with Singapore has paved the way for good relations with other Southeast Asian countries as well. The recent India-Australia CECA negotiations and an interim deal signed in April 2022 are said to not only provide both countries with various economic opportunities but also it will boost trade [Mitchell and Mishra, 2022]. Studies show that India and the US enjoy good bilateral trade relations and trade dependence on each other. Kumar (2018) recognizes that the export supply of India and the US partially matches the import demand of the US and India respectively. It is seen that India may have better trade potential with the US by diversifying its trade structures with the US. Although the US has clearly stated that IPEF is not a trade agreement and has not promised market access, it is still believed that there is a possibility of it breaking the current expectations [Murphy and Wang, 2022].

### **3. INDIA'S MACROECONOMIC POSITION AMONGST THE IPEF MEMBER COUNTRIES**

This section briefly reviews India's position amongst the other IPEF countries by analyzing the macroeconomic indicators of India and the 13 other IPEF member countries viz. Australia, Brunei Darussalam, Fiji, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States, and Vietnam.

One, the total population of the 14 IPEF countries consists of about 32% of the entire world population. The most populous country under the IPEF is India with a 1.4 billion population which covers about 55% of the total IPEF countries' population. The United States stands in second place with a 334.8 million population (see table 1, table 8 in annexure). Table 1 shows that the total GDP per capita of the IPEF member countries at US \$ 394085.5 is nearly 32 times that of the entire world average (US \$ 12262.93).

**TABLE-1: Macroeconomic indicators of India and other IPEF countries**

<b>COUNTRIES</b>	<b>POPULATION (MILLIONS)</b>	<b>GDP per capita 2021 (current US\$)</b>	<b>GNI (PPP) 2020 (US \$ BILLION)</b>	<b>GNI (Current US \$ BILLION) 2020</b>
India	1,406.63	2277.434	8,883.83	2,631.76
USA	334.8	69287.54	21,286.64	21,286.64
Indonesia	279.13	4291.813	3,213.90	1,030.41
Japan	125.58	39285.16	5,508.39	5,222.89
Philippines	112.5	3548.828	989.56	389.17
Vietnam	98.95	3694.019	1,013.14	327.63
Thailand	70.07	7233.389	1,241.05	488.21
South Korea	51.32	34757.72	2,362.37	1,650.49
Malaysia	33.18	11371.1	885.47	330.21
Australia	26.06	59934.13	1,341.88	1,300.69
Singapore	5.9	72794	490.89	299.07
New Zealand	4.8	48801.69	223.41	208.09
Fiji	0.909	5085.972	10.234	4.3
Brunei	0.445	31722.66	29.56	12.37
IPEF Total	2,550.47	394085.5	47,480.31	35,181.90
World Total	8,019.18	12262.93	133,190.05	84,994.66

Source: World Population Prospects 2022, The World Bank national accounts data, World Development Indicators

Two, the Gross National Income (GNI) in current US dollars of the IPEF countries stood at US \$ 35,182 billion in 2020 which is about 41% of the World GNI at current US dollars. However, measured in purchasing power parity (PPP) terms, the GNI of the IPEF countries of US \$ 47,480 billion in 2020 was about 36% of the world GNI in PPP terms. Table 1 presents that The United States has the highest GNI amongst the other IPEF countries in both current US dollar terms (US \$ 21287 Billion) and purchasing power parity terms (US \$ 21708 Billion). India holds second place in GNI (PPP terms) with US \$ 8883 Billion and third place in GNI (current US dollar terms) with US \$ 2631 Billion, Japan being in the second with US \$ 5222 Billion). India's GNI (PPP terms) covers about 19% of that of the total IPEF GNI (PPP) and its GNI (Current US \$ terms) covers about 7% of the Total IPEF GNI (Current US \$ terms) (refer to table 9 in annexure).

Table 2 shows that the countries under the IPEF exhibited a total annual growth of 3.213% in 2021, an increase from the 2020 growth rate of -3.947%. India showed the highest growth rate of 8.947% in 2021 amongst the other IPEF countries. Singapore's growth rate stood at 7.613% and the Philippines at 5.703%. The Global growth rate increased from -3.271% in 2020 to 5.802% in 2021. This global rate is expected to slump to 2.9% in 2022 because of the Russian invasion of Ukraine which has magnified the slowdown in the global economy. The Russia-Ukraine war will disrupt activity, trade, and investment in the coming term, pent-up demand will fade, and fiscal and monetary policy accommodation will get withdrawn. As a result of the damages from the pandemic and the war, the per capita income in developing countries this year will be nearly 5 percent below its pre-pandemic trend. It is encouraged to increase production and avoid trade restrictions. Fiscal, monetary, climate, and debt policy changes are also needed to counter capital misallocation and inequality [World Bank President David Malpass, 2022].

This analysis of the macroeconomic indicators shows the importance of the region under the Indo-Pacific Economic Framework in the world. IPEF has been proposed to strengthen the economic partnership among the participating countries and make the Indo-pacific region the economic growth engine for the world.

India has a prominent role to play in this framework. Its position among the other IPEF countries is very critical. With China and Russia's growing aggression and Covid-19 pandemic problems, the world is looking toward India and its leadership.

**TABLE-2: Annual GDP growth rate (in percentage) in 2019, 2020 and 2021 of the IPEF member countries**

<b>Country Name</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Australia	2.11	-0.004	1.48
Brunei Darussalam	3.87	1.13	-1.61
Fiji	-0.45	-15.15	-4.08
Indonesia	5.02	-2.07	3.69

India	3.74	-6.60	8.95
Japan	-0.24	-4.51	1.62
Korea, Rep.	2.24	-0.85	4.02
Malaysia	4.44	-5.65	3.13
New Zealand	2.19	-1.25	4.65
Philippines	6.12	-9.52	5.70
Singapore	1.10	-4.14	7.61
Thailand	2.15	-6.20	1.57
United States	2.29	-3.40	5.67
Vietnam	7.15	2.94	2.59
World	2.61	-3.27	5.80
IPEF	2.98	-3.95	3.21

Source: The World Bank national accounts data

The Trade pillar under the IPEF focuses on three major issues- Digital Trade, labor, and the environment. The digital trade chapter includes a prohibition on customs duties on digital products, restrictions on data localization (or forcing companies to store user data within a country), and a ban on rules that restrict cross-border data transfers. This pillar also aims to connect economies through resilient trade, build high standards, inclusive, free and fair-trade commitments and develop new and creative approaches to trade.

#### **4. TRENDS IN INDIA’S MERCHANDISE EXPORTS TO IPEF COUNTRIES, BEFORE AND AFTER THE COVID OUTBREAK**

The COVID-19 outbreak triggered in December 2019 in the city of Wuhan was declared a global pandemic in March 2020 by the WHO. The pandemic has had an immensely damaging impact on health and growth. It has disrupted people’s lives, the global economy, and world trade. The year 2020 exhibited the largest reductions in trade and output volumes since World War II. The decline in both global industrial production and goods trade in the first half of 2020 was similar to that of the Global Financial Crisis 2008 (GFC) [OECD, 2022]. This section examines India’s Merchandise Exports to the IPEF member countries before and after the COVID outbreak.



India's total exports to the other IPEF countries showed a steady rise during the pre-covid-19 era from US dollars 76.02 billion in the fiscal year 2015-2016 to US dollars 101.97 billion in the fiscal year 2019-2020 (see table 3).

This value saw a sharp drop in the year 2019-2020 when the exports fell to US dollars 96.10 billion. The exports further came down to US Dollars 95.84 billion in the year 2020-2021 (see table 3). This was due to the increased trade barriers after the hit of the COVID-19 virus in several IPEF countries. A nationwide lockdown was imposed in India for 21 days from 25<sup>th</sup> March 2020 to 14<sup>th</sup> April 2020 (Phase 1) to contain the Coronavirus disease in the country. Later, there was a subsequent extension of lockdown for the entire country for another 19 days till 3<sup>rd</sup> May 2020 (Phase 2). These lockdowns undoubtedly had far-reaching implications on India's trade and growth, resulting in a massive decrease in mobility [Elias, 2020]. Global markets saw large-scale supply-chain disruption, and manufacturing was fallen to the lowest levels in decades.

On 31<sup>st</sup> March 2020, the Directorate General of Foreign Trade (DGFT) prohibited the export of all varieties of personal protection equipment including Clothing and Masks such as respiratory masks, personal protective clothing including coveralls, and N-95 masks, with immediate effect. The export of Active Pharmaceutical Ingredients (API) and formulations made from API, including paracetamol, tinidazole, chloramphenicol, and 23 other drugs were restricted on 3<sup>rd</sup> March 2020. This export ban was further amplified to prohibit the export of all ventilators including any artificial respiratory apparatus or oxygen therapy apparatus or any other breathing appliance, textile raw material for masks, Sanitizers- one of the most high-demand products during the COVID-19 crisis, diagnostic kits and Hydroxychloroquine (HCQ). These barriers were lifted later.

Table 3 shows that in the year 2021-2022, Exports to the IPEF member countries jumped to an all-time high of US dollars 140.42 billion which was an increase of 47% from the previous year's export performance. This upsurge was led by the robust growth in petroleum products, engineering, gems and jewelry, chemicals, and pharmaceuticals [Ministry of Commerce and Industry, 2022].

**TABLE-3: EXPORT PERFORMANCE OF INDIA (IN US DOLLAR BILLIONS) WITH THE OTHER IPEF COUNTRIES BEFORE AND AFTER THE COVID OUTBREAK**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
INDIA'S TOTAL	262.29	275.85	303.53	330.08	313.36	291.81	421.89
INDIA'S TOTAL WITH IPEF COUNTRIES	76.02	83.34	94.58	101.97	96.10	95.84	140.42
SHARE OF INDIA'S TOTAL IPEF TRADE IN ITS WORLD TOTAL (in percentage)	29	30	31	31	31	33	33

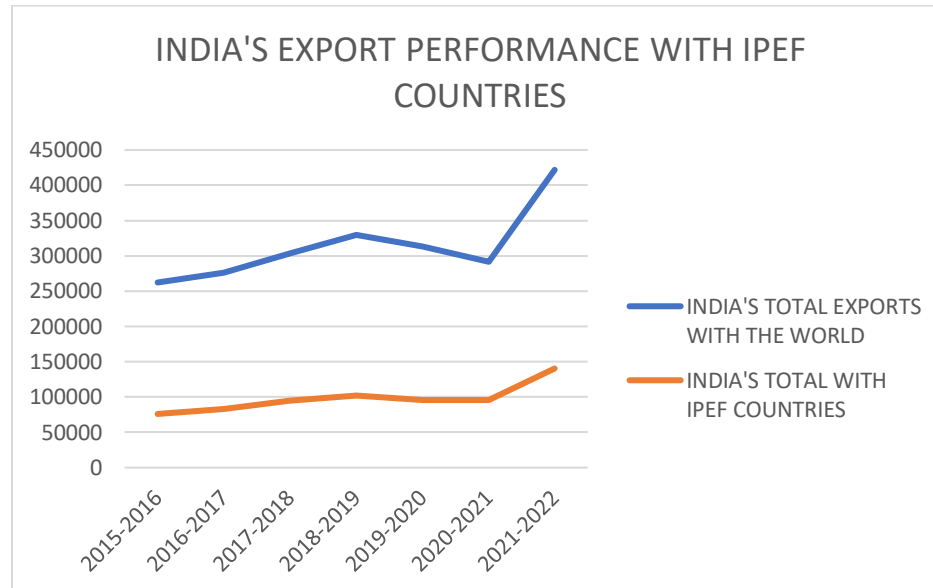
Source: Ministry of Commerce and Industry

Values in US DOLLAR BILLIONS

India's agricultural exports have stayed sturdy amid the supply chain disruptions brought about by the pandemic. Between April 2021 and September 2021, exports of 37 agricultural and processed products promoted by the Agricultural and Processed Food Products Export Development Authority (APEDA) saw a huge leap compared to the same period in 2020. [Ministry Of Commerce and Industry]

India, the third largest pharmaceutical market by volume in the world with a large raw material base and skilled workforce, showed great resilience during the covid period and has exported pharma products in large volume. The USA, Singapore, and Indonesia are the top 3 biggest destinations amongst the IPEF member countries for India's pharmaceutical exports.

**GRAPH-1**



The share of India's export to the IPEF member countries in its export to the world has seen a slow but steady growth since 2015. It stood at 29% in the year 2015-2016 and 30% in 2016-2017 (see table 3). This growth in the share was constant at 31% for 3 years i.e. 2017-18, 2018-19, 2019-20 which again rose to 33% in 2020-2021 (see table 3 and table 4). As of the fiscal year 2021-2022, the share of India's export to the IPEF member countries in its export to the world was again at 33% (see table 4).

To get further insight into the trade relation between India and IPEF countries, trade intensity measure is used. The trade intensity index is used to determine whether the value of trade between two countries/ regions is greater or smaller than would be expected based on their importance in world trade [Bhattacharya and Mukhopadhyay, 2015]. It is the ratio of the share of the destination of interest in the exports of the region under study to the share of the destination of interest in the exports of the world as a whole.

The formula to find the export intensity index of India with IPEF countries is as follows:-

$$\frac{\text{India's exports to the IPEF countries} \div \text{India's total exports}}{\text{World exports to the IPEF countries} \div \text{World total exports}}$$

When the trade intensity index is multiplied by 100, the index value ranges from 0 to 100. Zero indicates that there is no trade, and if it is more (or less) than 100, it suggests that India is trading

more (or less) with the IPEF countries than might be expected from India's share in total world trade. The trade intensity of a country is calculated in terms of export and import intensity indices [Sahoo 2009; Rai 2009; Kumar 2009].

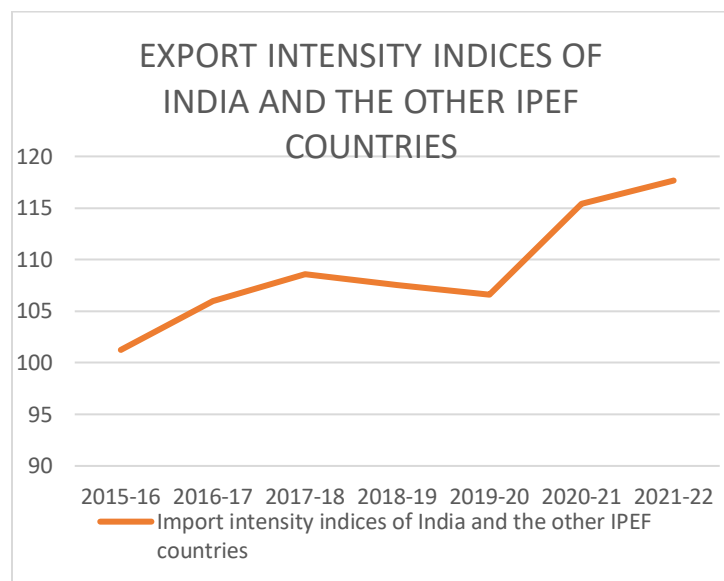
Table 4 and GRAPH-2 below highlights changing trends in the export intensities of India and IPEF countries during 2015-2016 to 2021-2022. India's export intensity with the other IPEF member countries has improved from 101.2 in the year 2015-2016 to 117.6 in the year 2021-2022. It has always been greater than unity indicating that Indian exports to the other IPEF member countries have been much greater than its export to the world on average.

**TABLE-4: TRADE INTENSITY INDICES FOR EXPORT OF INDIA AND THE IPEF MEMBER COUNTRIES**

YEARS	TRADE INTENSITY INDEX OF INDIA'S EXPORT TO IPEF MEMBER COUNTRIES (TXII)	TXII*100
2015-16	1.01	101.24
2016-17	1.06	105.99
2017-18	1.08	108.59
2018-19	1.07	107.53
2019-20	1.06	106.62
2020-21	1.15	115.41
2021-22	1.18	117.66

Source: Computed from the Trade statistics for international business development data

**GRAPH-2**



Amongst the IPEF member countries, The USA has the highest number of exports from India with the value of US Dollar 76.11 billion in 2021-22, followed by Singapore, Indonesia, Australia, South Korea, Malaysia, Vietnam, Japan, Thailand, Philippines, New Zealand, Fiji and lastly Brunei Darussalam [ Refer to Table 11 in Annexure].

## **5. TRENDS IN INDIA'S MERCHANDISE IMPORTS FROM THE IPEF COUNTRIES, BEFORE AND AFTER THE COVID OUTBREAK**

Similar trends as the exports are seen in India's merchandise imports.

India's total imports to the other IPEF countries showed a steady rise during the pre-covid-19 era from US dollars 92.82 billion in the fiscal year 2015-2016 to US dollars 137.60 billion in the fiscal year 2018-2019 (see table 5).

**TABLE-5: IMPORT PERFORMANCE OF INDIA (IN US DOLLAR BILLIONS) WITH THE OTHER IPEF COUNTRIES BEFORE AND AFTER THE COVID OUTBREAK**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
INDIA'S TOTAL	381.01	384.36	465.59	514.08	474.71	394.44	612.68
INDIA'S TOTAL WITH IPEF COUNTRIES	92.82	95.61	114.85	137.60	128.99	108.07	159.28
SHARE OF INDIA'S TOTAL IPEF TRADE IN ITS WORLD TOTAL (in percentage)	24	25	25	27	27	27	26

Source: Ministry of Commerce and Industry

Values in US DOLLAR BILLIONS

This value saw a sharp drop in the year 2019-2020 when the imports fell to US dollars 128.99 billion. The imports further came down to US Dollars 108.07 billion in the year 2020-2021 (see table 5). Again, this was due to the increased trade barriers, decrease in world demand and disruption in mobility by the lockdowns after the hit of the COVID-19 virus.

Table 5 shows that in the year 2021-2022, Imports from the IPEF member countries plunged to an ever-high of US dollars 159.28 billion. This was an increase of 32% from the previous year's import performance.

In April of 2021, the Centre exempted basic customs duty on the import of Covid vaccines for three months. Following the conclusion of the three months, the Covid-19 vaccine import attracted a 10 percent duty.

The central government again exempted customs duty on Covid-19 vaccines for three months from October 1, 2021, to December 31, 2021. This was done to boost the domestic availability of vaccines and make them cheaper.

This exemption from import duty was to help keep the cost of overseas vaccines low which were being eyed to supplement domestically made shots of Covishield and Covaxin.

Amongst the IPEF member countries, India imports vaccines from The United States- Moderna and Johnson & Johnson.

Singapore being an important trading and logistics hub support helped India in sourcing the much-needed supplies of COVID-19-related medical equipment, including oxygen tanks and cylinders in May of 2021.

The share of India's imports from the IPEF member countries in its imports to the world has seen some changing patterns since 2015. It stood at 24% in the year 2015-2016 and 25% in 2016-2017 and 2017-2018. This growth in the share was constant at 27% for 3 years i.e., 2018-19, 2019-20, 2020-21 which declined to 26% in 2021-2022 (see table 5).

we now examine the trade intensity indices of imports of India and the IPEF member countries.

The formula for calculating the import intensity index of India with the IPEF countries is as follows:

$$\frac{\text{India's imports from the IPEF countries} \div \text{India's total imports}}{\text{World imports from the IPEF countries} \div \text{World total imports}}$$

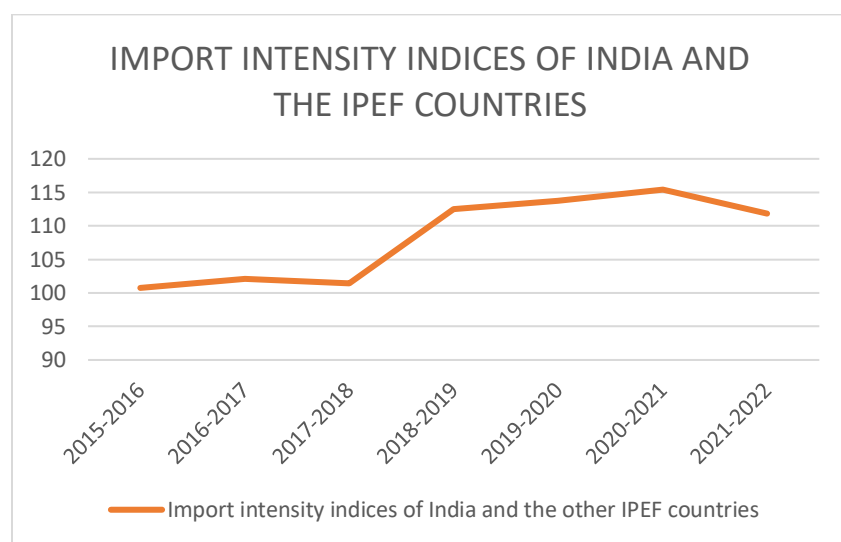
**TABLE-6: TRADE INTENSITY INDICES FOR IMPORTS OF INDIA AND THE IPEF MEMBER COUNTRIES**

YEARS	TRADE INTENSITY INDEX OF INDIA'S IMPORTS FROM IPEF MEMBER COUNTRIES (TMII)	TMII*100
2015-2016	1.01	100.75
2016-2017	1.02	102.07
2017-2018	1.01	101.43
2018-2019	1.12	112.46
2019-2020	1.14	113.71
2020-2021	1.15	115.41
2021-2022	1.12	111.80

Source: Computed from the Trade statistics for international business development data

GRAPH-3 below highlights changing trends in the import intensities of India and IPEF countries during 2015-2016 to 2021-2022. India's import intensity with the other IPEF member countries has increased from 100.7 in the year 2015-2016 to 111.8 in the year 2021-2022. It has always been greater than unity indicating that Indian imports from the other IPEF member countries have been much greater than its imports from the world on average.

**GRAPH-3**

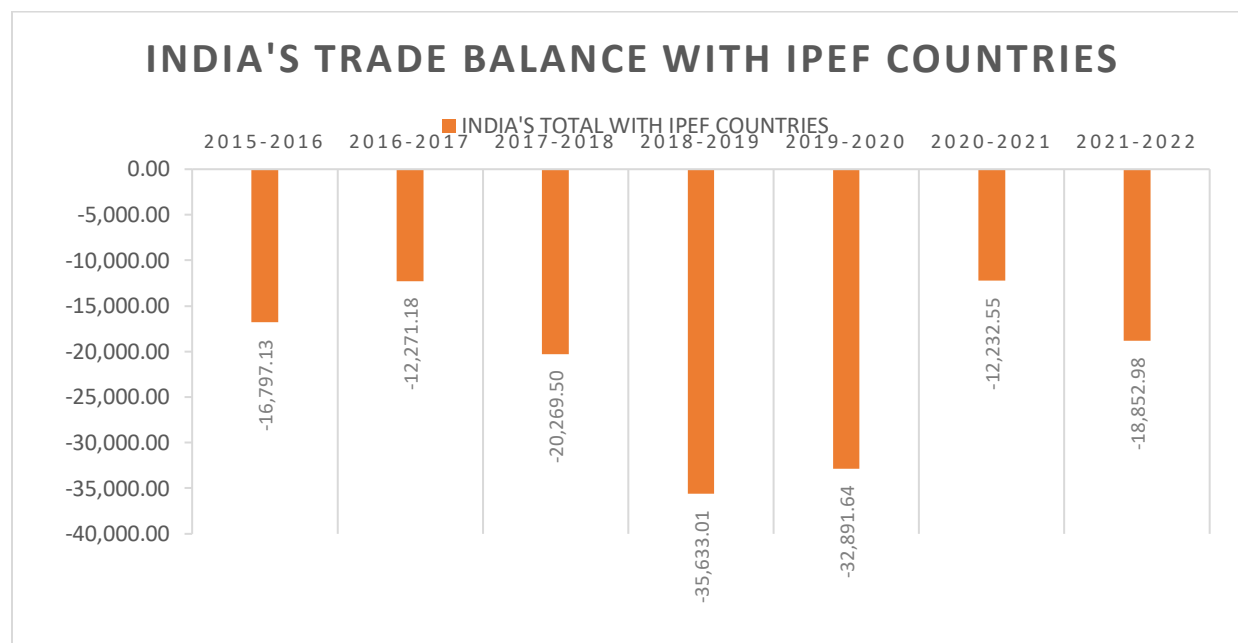


Amongst the IPEF member countries, India has the highest number of Imports from the US with a value of US Dollar 43.31 billion in 2021-22, followed by Singapore with US Dollar 18.96 billion, then Indonesia, South Korea, Australia, Japan, Malaysia, Thailand, Vietnam, Philippines, Brunei Darussalam, New Zealand, and lastly Fiji [see Table-11 in Annexure].

India's trade balance with other IPEF countries showed an increase from US Dollar -16.80 billion in the year 2015-2016 to US Dollar -35.63 billion in the year 2018-2019. It fell to US Dollar -32.89 billion in the next year and further dipped sharply to US Dollar -12.23 billion in the year 2020-2021 (Refer to GRAPH 4). This decline in the trade deficit was due to the COVID-19 restrictions around the globe.



**GRAPH-4**



## **6. INDIA'S INVESTMENT RELATIONS WITH THE OTHER IPEF MEMBER COUNTRIES**

FDI equity inflows by the IPEF member countries contributed to about 49% of the total FDI equity inflows in India in the fiscal year 2021-2022 and stood at US dollars 28,938.25 million. This shows a decline of 15% from the previous year's US dollars 33868.7 million FDI equity inflows from the IPEF nations. Among the IPEF countries, Singapore and USA have been the top two investors in India with Singapore as number 1 and the USA number 2 in the fiscal year of 2021-2022 (see Table 7 and Graph 5). The FDI inflows to India have generally shown a rising trend. It has become easier to do business in India thanks to its favorable business landscape and supportive government policies. A strong vaccination rate, stimulus packages, and foreign investment programs have boosted investor confidence. The nation is also committed to a serious sustainability agenda, in line with global money managers' green and transition investments [Relli, 2022].

**TABLE-7: INDIA'S APPROVED FDI INFLOWS FROM THE OTHER IPEF MEMBER COUNTRIES**

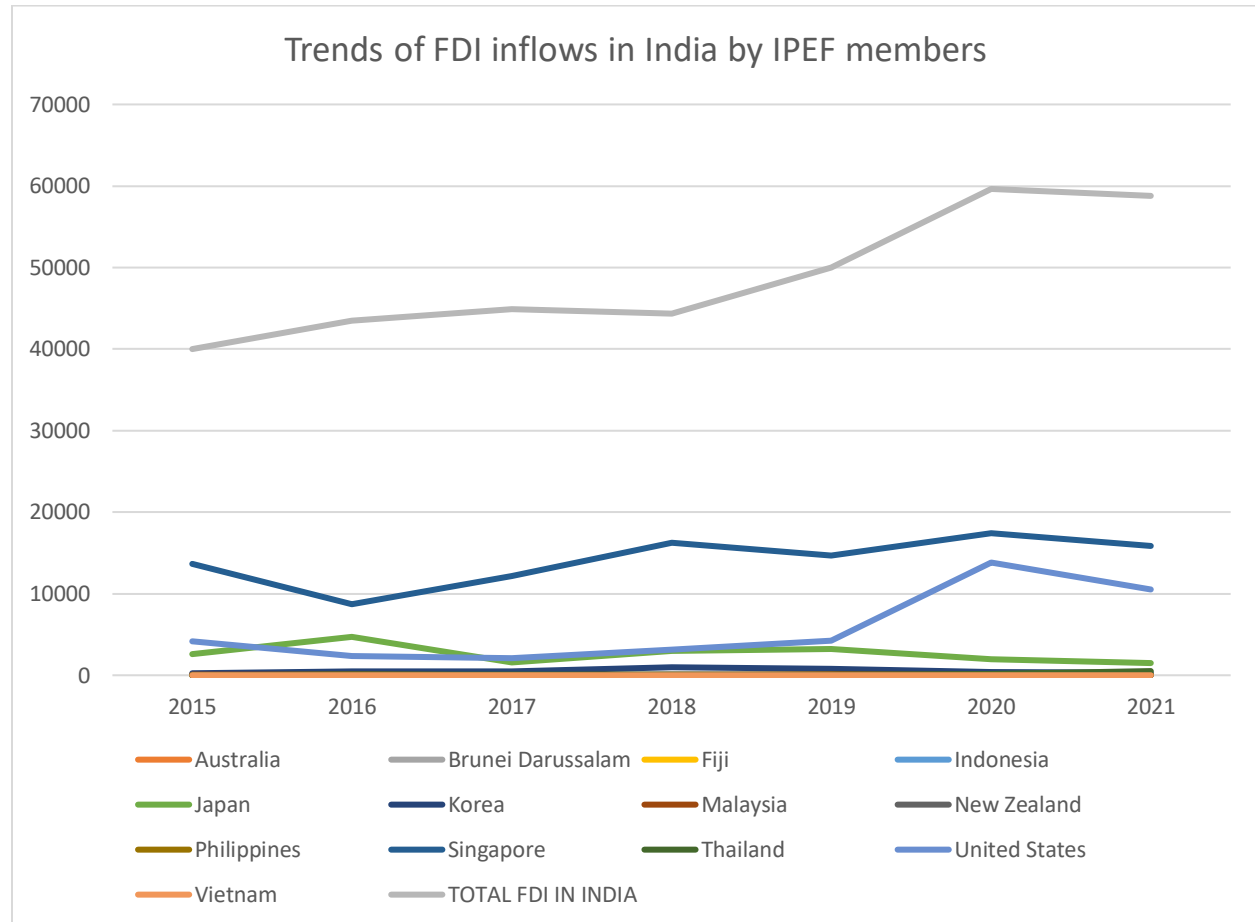
<b>Country</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Australia	163.25	49.47	39.04	28.29	28.52	29.88	49.9411
Brunei Darussalam	0.09	0.09	0.22	0.03	0.02	0	14.694
Fiji	0.04	0	0	0	0	0	0
Indonesia	1.66	1.94	2.51	0.06	8.84	0.61	1.8811
Japan	2,613.68	4,709.46	1,610.36	2,965.18	3,225.71	1,949.85	1,493.58
Korea	245.84	465.54	445.11	982.45	787.26	404.82	299.7806
Malaysia	73.3	46.15	13.01	65.43	106.57	83.8	35.3912
New Zealand	10.42	3.83	2.04	0.9	3.63	3.04	4.8303
Philippines	7.48	94.97	10.65	5.94	74.04	19.82	99.2596
Singapore	13,691.87	8,710.81	12,180.29	16,227.71	14,671.24	17,419.47	15,877.55
Thailand	42.22	42.99	92.74	80.39	41.92	134.49	512.0149
United States	4,192.29	2,379.31	2,094.79	3,138.54	4,223.41	13,822.79	10,549.31
Vietnam	0.14	4.15	0.32	0.16	0.08	0.13	0.0241
<b>TOTAL FDI IN INDIA</b>	<b>40,000.98</b>	<b>43,478.27</b>	<b>44,856.75</b>	<b>44,366.03</b>	<b>49,977.05</b>	<b>59,635.54</b>	<b>58,773.27</b>
<b>INDIA'S TOTAL FDI INFLOW FROM IPEF MEMBERS</b>	<b>21042.28</b>	<b>16508.71</b>	<b>16491.08</b>	<b>23495.08</b>	<b>23171.24</b>	<b>33868.7</b>	<b>28938.25</b>
<b>SHARE OF IPEF COUNTRIES IN INDIA'S TOTAL FDI (in percentage)</b>	<b>53</b>	<b>38</b>	<b>37</b>	<b>53</b>	<b>46</b>	<b>57</b>	<b>49</b>

Source: Department for Promotion of Industry and Internal Trade

(Units in US\$ million)

FDI is expected to play a significant role in India's economic development in the future. It is not only a non-debt financial resource but also a channel for the transfer of technology from top investors. As a result, the country's global competitive advantage will increase.

**GRAPH-5**



Singapore and India signed the Double Taxation Avoidance Agreement (DTAA) in 1994, which exempted investments from Singapore into India from capital gains taxes, facilitating Singapore's role as a source of FDI in India. In December 2016, India and Singapore signed a revised double tax avoidance agreement that took effect in April 2017. Together with a new regulation that denies foreign companies local tax benefits when setting up overseas entities purely to avoid Indian taxes, Singapore became more attractive to companies investing in India.

In reality, the majority of investments originating from Singapore are from foreign companies who have a business presence in Singapore to take advantage of the good and conducive business environment, as well as the fact that it is a financial hub [Whye, 2019].

In addition to being a hub for IT and telecommunications, Singapore has also become a hub for Indian start-ups and companies. More than 8,000 Indian companies have headquarters and corporate offices in Singapore, including Tata Communications, TCS, and Quest Global.

Due to Singapore's enabling investment environment, advanced infrastructure, and location in Southeast Asia, Indian companies form the single largest foreign business community.

Several factors contribute to Singapore's appeal among Indian investors, including its relatively integrated markets, ease of doing business, and lack of information technology expertise [Bhardwaj, 2021].

The increasing FDI from the U.S. to India shows the further strengthening of economic ties between the two countries. US technology companies buying stakes in Indian companies is the reason why FDI equity inflows from the US are showing an increase.

American FDI in the IT sector has not only provided a technological boost but also contributed to employment generation and improved HR (human resource) skills in India. American FDI in the IT sector has not only provided a technological boost but also contributed to employment generation and improved HR (human resource) skills in India.

An increase in FDI can result in the expansion of vertical exports as well as the diversification of horizontal exports. Several US consulting firms have sourcing entities (export units) in India, including Deloitte and E&Y. There are several segments in which GE India operates, such as energy, healthcare, aviation, and transportation. Through joint ventures with Indian companies, it manages its healthcare manufacturing and renewable energy segments. Pharmaceutical companies are manufacturing over-the-counter (OTC) products in India for export to other markets.

In the IT industry, American investment has been crucial. The investment of capital and technology by American MNEs has provided a tremendous technological boost.

## **7. INDIA AND THE INDO-PACIFIC ECONOMIC FRAMEWORK- FUTURE PROSPECTUS**

Building on partnerships with ASEAN and Japan, increased connectivity through infrastructure building through Myanmar and Bangladesh will make an impact on the Indo-Pacific Economic Framework. Subrahmanyam Jaishankar, India's External Affairs Minister, has said that 'the country is building infrastructure to forge closer links with Southeast Asia through Myanmar and Bangladesh'. This shows that getting policies and economics right can help countries in the Indo-Pacific region overcome geographical constraints and connectivity issue.

Despite the IPEF's shortcomings which are the lack of the market access component and concrete details, inclusion in this new framework comes with its share of opportunities [Mattoo, 2022]. As new trade configurations like Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have begun rewriting the economic rules of the game in Asia, and India opting out of RCEP due to domestic compulsion, India was looking for new opportunity. The inception of the IPEF allows India a large, platform to shape standards for the future, articulate its disagreements, and build coalitions with a diverse range of regional economies to secure its economic interests.

IPEF will boost outreach in the Quad Plus format and will provide a new platform for regional economic cooperation based on internationally accepted and transparent benchmarks. In new areas such as the digital economy, clean energy, and decarbonization, IPEF plans to make "first-of-their-kind commitments". Additionally, it wants to commit to labor and environmental standards, which are highly unpopular in the region.

Many countries in the region would not be willing to make strong commitments in these areas. This is because their policies and stated positions are vastly different from those of the US.

Data flows across borders, data localization, and data privacy are governed by distinct policy frameworks in India and Vietnam. They will not be willing to abandon their existing frameworks and adopt US standards on digital trade. India doesn't accept highly ambitious decarbonization targets that conflict with its Paris Agreement goals. In addition, India has consistently opposed the inclusion of labor and environmental standards in trade agreements [The wire, 2022]. IPEF does not provide for tariff cuts, something that could have helped Indian

industry deepen their access into the markets of the member countries, makes the deal more unsatisfactory for the country. As of now, it has opted out of the trade pillar.

The global supply chains have driven the growth of trade. The Supply Chain pillar of the IPEF which commits to improving transparency, diversity, security, and sustainability in supply chains to make them more resilient and well-integrated can be of great advantage to India to strengthen its trade. Its objectives are coordination of crisis response measures, expanding cooperation to better prepare for and mitigate disruptions, improving logistics efficiency and support, and ensuring access to key raw materials, semiconductors, critical minerals, and clean energy technologies.

## **8. CONCLUSION**

India has had strong economic relations with the members of the IPEF given the history of various trade agreements with those countries individually. The imports and exports of India with other IPEF countries showed a rising trend before the COVID-19 outbreak but started declining in the year 2019-20 and hit a rock bottom in the year 2020-21 due to the rise of COVID-19 cases across the world which led to lockdowns and restrictions on mobility.

The export and import intensities of India and IPEF countries during 2015-2016 to 2021-2022 saw changing trends. India's trade intensity with the other IPEF member countries improved from the year 2015-2016 to the year 2021-2022. It has always been greater than unity indicating that Indian exports/imports with the other IPEF member countries have been much greater than its export/imports with the world on average.

FDI equity inflows by the IPEF member countries contributed to about 49% of the total FDI equity inflows in India in the fiscal year 2021-2022 which was a slip of 15% from the previous year's FDI equity inflows from the IPEF nations. Among the IPEF countries, Singapore and USA have been the top two investors in India.

India joining the IPEF offers it various opportunities to further build stronger ties with other member countries. The trade pillar in the IPEF does not, as of now, deal with market access. However, it may evolve in that direction in the future. We should work to push IPEF towards a trade agreement.

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## ANNEXURE

**TABLE-8: POPULATION OF THE IPEF COUNTRIES**

<b>COUNTRIES</b>	<b>POPULATION (MILLIONS)</b>	<b>SHARE IN THE WORLD POPULATION (In Percentage)</b>	<b>SHARE IN THE TOTAL IPEF COUNTRIES’ POPULATION (In Percentage)</b>
<b>INDIA</b>	1,406.63	17.54	55.15
<b>USA</b>	334.8	4.17	13.13
<b>INDONESIA</b>	279.13	3.48	10.94
<b>JAPAN</b>	125.58	1.57	4.92
<b>PHILIPPINES</b>	112.5	1.40	4.41
<b>VIETNAM</b>	98.95	1.23	3.88
<b>THAILAND</b>	70.07	0.87	2.75
<b>SOUTH KOREA</b>	51.32	0.64	2.01
<b>MALAYSIA</b>	33.18	0.41	1.30
<b>AUSTRALIA</b>	26.06	0.32	1.02
<b>SINGAPORE</b>	5.9	0.07	0.23
<b>NEW ZEALAND</b>	4.8	0.06	0.19
<b>FIJI</b>	0.909	0.01	0.04
<b>BRUNEI</b>	0.445	0.01	0.02
<b>IPEF TOTAL</b>	2,550.47	31.80	100
<b>WORLD TOTAL</b>	8,019.18	100	-

Source: World Population Prospects 2022

**TABLE-9: GNI (PPP) 2020 OF THE IPEF COUNTRIES**

<b>Country Name</b>	<b>GNI (PPP) 2020 (US \$ BILLION)</b>	<b>Share in the world GNI (PPP) 2020 (in percentage)</b>	<b>Share in the TOTAL IPEF GNI (PPP) 2020 (in percentage)</b>
Australia	1,341.88	1.01	2.83
Brunei Darussalam	29.56	0.02	0.06
Fiji	10.234	0.01	0.02
India	8,883.83	6.67	18.71
Indonesia	3,213.90	2.41	6.77
Japan	5,508.39	4.14	11.60
Korea, Rep.	2,362.37	1.77	4.98
Malaysia	885.47	0.66	1.86
New Zealand	223.41	0.17	0.47
Philippines	989.56	0.74	2.08
Singapore	490.89	0.37	1.03
Thailand	1,241.05	0.93	2.61
United States	21,286.64	15.98	44.83
Vietnam	1,013.14	0.76	2.13
<b>IPEF TOTAL</b>	<b>47,480.31</b>	<b>35.65</b>	<b>100.00</b>
<b>WORLD</b>	<b>133,190.05</b>	<b>100.00</b>	<b>-</b>

Source: Source: World Development Indicators

**TABLE-10: TRADE PERFORMANCE OF INDIA (IN US DOLLAR BILLIONS) WITH THE IPEF COUNTRIES BEFORE THE COVID OUTBREAK**

	2015-2016		2016-2017		2017-2018		2018-2019	
<b>IPEF COUNTRIES</b>	<b>IMPORTS</b>	<b>EXPORTS</b>	<b>IMPORTS</b>	<b>EXPORTS</b>	<b>IMPORTS</b>	<b>EXPORTS</b>	<b>IMPORTS</b>	<b>EXPORTS</b>
USA	2.78	4.34	22.31	42.212.27	26.611.03	47.878.48	35.549.48	52.41
AUSTRALIA	8.90	3.26	11.15	2.957.79	13.993.75	4.012.32	13.131.21	3.52
BRUNEI DARUSSALAM	0.55	0.028	0.63	042.88	.434.83	.063.19	.591.1	0.06
FIJI	0.00037	0.04	0.0006	0.052	0.00049	054.24	0.00071	0.06
INDONESIA	13.13	2.90	13.43	3.48	16.44	3.96	15.85	5.28
JAPAN	9.85	4.66	9.75	3.84	10.97	4.73	12.77	4.86
SOUTH KOREA	13.05	3.52	12.58	4.24	16.36	4.46	16.76	4.705
MALAYSIA	9.08	3.71	8.93	5.22	9.01	5.70	10.82	6.44
NEW ZEALAND	0.55	0.31	0.50	0.31	0.64	0.35	0.63	0.38
PHILIPPINES	0.54	1.35	0.49	1.48	0.76	1.69	0.58	1.74
SINGAPORE	7.31	7.72	7.09	9.56	0.47	10.20	16.28	11.57
THAILAND	5.51	2.99	5.42	3.13	7.13	3.65	7.44	4.44
VIETNAM	2.56	5.26	3.32	6.80	5.02	7.81	7.19	6.51
<b>INDIA'S TOTAL</b>	<b>381.01</b>	<b>262.29</b>	<b>384.36</b>	<b>275.85</b>	<b>465.58</b>	<b>303.52</b>	<b>514.07</b>	<b>330.08</b>
<b>INDIA'S TOTAL WITH IPEF COUNTRIES</b>	<b>92.82</b>	<b>76.02</b>	<b>95.61</b>	<b>83.34</b>	<b>114.85</b>	<b>94.58</b>	<b>137.60</b>	<b>101.97</b>

Source: Ministry of Commerce and Industry

Values in US DOLLAR BILLIONS

**TABLE-11: TRADE PERFORMANCE OF INDIA (IN US DOLLAR BILLIONS) WITH THE IPEF COUNTRIES AFTER THE COVID OUTBREAK**

	2019-2020		2020-2021		2021-2022	
<b>IPEF COUNTRIES</b>	<b>IMPORTS</b>	<b>EXPORTS</b>	<b>IMPORTS</b>	<b>EXPORTS</b>	<b>IMPORTS</b>	<b>EXPORTS</b>
USA	35.82	53.09	28.89	51.62	43.31	76.11
AUSTRALIA	9.78	2.85	8.25	4.04	16.76	8.28
BRUNEI DARUSSALAM	0.59	0.06	0.33	0.06	0.39	0.04
FIJI	0.00057	0.05	0.001	0.05	0.00049	0.06
INDONESIA	15.06	4.13	12.47	5.03	17.70	8.47
JAPAN	12.43	4.52	10.92	4.43	14.40	6.18
SOUTH KOREA	15.66	4.84	12.77	4.68	17.46	8.08
MALAYSIA	9.78	6.36	8.37	6.06	12.42	7.00
NEW ZEALAND	0.52	0.38	0.38	0.49	0.37	.49
PHILIPPINES	0.52	1.52	0.57	1.46	0.73	2.10
SINGAPORE	14.75	8.92	13.30	8.68	18.96	11.15
THAILAND	6.79	4.30	5.68	4.24	9.33	5.75
VIETNAM	7.28	5.06	6.12	5.00	7.44	6.71
<b>INDIA'S TOTAL</b>	<b>474.71</b>	<b>313.36</b>	<b>394.43</b>	<b>291.81</b>	<b>612.61</b>	<b>421.89</b>
<b>INDIA'S TOTAL WITH IPEF COUNTRIES</b>	<b>128.99</b>	<b>96.10</b>	<b>108.06</b>	<b>95.84</b>	<b>159.28</b>	<b>140.42</b>

Source: Ministry of Commerce and Industry

Values in US DOLLAR BILLIONS