

To Shri Piyush Goyal,
Hon'ble Minister of Commerce and Industry
Government of India

Dated: May 26, 2023

***CSO Letter to the Commerce Minister
on the Indo-Pacific Economic Framework (IPEF) and
India joining the trade pillar***

Dear Minister Goyal,

We are writing to you from a wide network of civil society organisations and social movements in India to express our deep concern at the Indian government's decision to join the United States of America (US) led agreement; the Indo-Pacific Economic Framework (IPEF) for Prosperity. This has happened without due consideration and parliamentary scrutiny in terms of IPEF's implications for India's economic and development policy space.

Moreover, we are alarmed to read from recent media reports that India may overturn its earlier prudent decision¹ to stay out of the IPEF's problematic trade pillar and join negotiations on this as well. Joining the trade pillar can impact India's policy space to develop critical economic sectors and support certain constituencies.

The US has strategically pitched the IPEF as 'not the usual' trade agreement as it does not include market access commitments such as import duty cuts. This strategy has misled the Indian government into believing that the IPEF will only involve cooperation and no commitment to open up imports. On the contrary, the IPEF is actually more intrusive than Free Trade Agreements (FTAs) as it targets national policies and regulations across member countries and will therefore make deep inroads into India's regulatory policy space. Therefore the IPEF is likely to push US interests not through direct market access channels, but through changing regulations and standards, which will then indirectly lead to market access in the second stage.

Further, there seems to be a belief among Indian trade officials that the IPEF will not be enforceable and is a "soft" agreement which can be negotiated and finalised quickly as it does not pose any legally binding commitments. From our analysis, the IPEF will include 'high-standard commitments that will be enforceable' and India will have to comply with any commitments it makes.

¹ [1] <https://timesofindia.indiatimes.com/business/india-business/govt-weighs-options-on-trade-under-indo-pacific-framework/articleshow/99946268.cms?from=mdr>

The IPEF's four pillars (Trade, Supply Chains, Clean economy and Fair economy) will include provisions, and therefore create a wide ranging impact, on multiple sectors including agriculture, fisheries, manufacturing and services, as well as on constituencies such as farmers, fishers, workers and women. In particular, the IPEF will also impact policies related to the digital economy, environment and sustainability, taxation and finance among other issues.

Under the trade pillar, agriculture is a key area. While India will not have to make direct tariff cuts, the IPEF will still extract commitments for facilitating agricultural trade through 'science-based decision making' and the adoption of 'sound, transparent regulatory practices'. Despite sounding innocuous, these provisions will allow the US to ensure a more favourable regulatory regime in IPEF countries for enhancing its exports of genetically modified (GM) seeds and GM food. Not only will this preempt India's policy options to restrict import and sale of GM products. Any surge in imports of products, such as GM corn and GM soybean, that are major exports of the US, will significantly hurt the livelihoods of Indian farmers. In addition, the so-called "sustainable practices" under IPEF may bring in gradual enforcement of disciplines on subsidies to the agriculture sector. Several provisions will impact regulations related to seeds, pesticides, export restrictions, and investments in productive resources.

In addition, the IPEF trade pillar specifically includes provisions related to labour, gender, and environment. The Indian Government has hitherto opposed the inclusion of these issues in trade agreements. While we stand fully committed to high policy and regulatory standards on these issues, trade agreements have always been used by developed countries to set standards and impose conditionalities in a manner that will adversely impact India's ability to produce food, protect livelihoods, and develop key products and services. These standards are used as a disguised form of market access for developed country products and services. This will, in reality, hurt the interests of our small farmers, fishers, producers and workers across developing countries, not protect them.

In particular, the environmental provisions under IPEF are expected to be expansive. It will include commitments on domestic policies related to environmental conservation; climate change; production of environment friendly products and services including renewable energy; and India's food systems. In addition, any provisions on environment will unnecessarily replicate the work already being done under the mandate of the United Nations Framework Convention on Climate Change (UNFCCC). We also note that the IPEF does not talk of waiving intellectual property rights (IPR) in favour of ensuring transfer of environment friendly technology or even for ensuring access to medicine, for that matter.

The digital elements of the IPEF are facing opposition even in the US as means to ensure that Big Tech remains unregulated. Big Tech is one of the biggest supporters of IPEF for the same

reason. Countries like India, which for very good reasons have stayed out of digital trade related negotiations at the WTO and elsewhere, face the prospect of complete digital colonization if it sacrifices its policy space in this key area. India needs its own rapid digital industrialisation, and is well posed for it. Signing the digital parts of the IPEF would in the circumstances be suicidal.

Moreover, it is important to understand that there are already trade related commitments emanating from the other three pillars. For example, the supply chain pillar may include constraints on export taxes or export restrictions to protect critical raw material & minerals and domestic food security. The supply chain pillar also talks of “promoting more circular economies” which is a way to promote re-manufactured goods thus posing a threat for several industries. Thirdly, the environment pillar suggests rules on ‘sustainable land, water and ocean solutions’ which may bring additional disciplines on fisheries subsidies on the lines of US FTAs or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This will be in addition to the current WTO Fisheries Subsidies Agreement (FSA) that India is expected to ratify soon which already imposes harsh disciplines on subsidies for small fishers in India.

Finally, despite the so-called stakeholder consultations, the IPEF remains a non-transparent and undemocratic trade agreement that is almost unilaterally designed and promoted by the most powerful economy in the world. The IPEF is nothing but a backdoor channel for the US to set global standards and regulations and secure the market interests of US based Multinational Corporations (MNCs). It is neither in India’s economic interest nor consistent with India’s efforts to achieve the Sustainable Development Goals (SDGs) and protect its development policy space in the interests of its economy and its people.

We urge India to not join the trade pillar citing geo-political considerations and without analysing the full implications of the agreement. India will pay a huge cost by sacrificing its economic and social interests and therefore, the signatories to this letter call upon the Indian Government to begin a process of exiting from the IPEF as it had done prudently in the past with the Regional Comprehensive Economic Partnership (RCEP) in 2019.

Signatories:

1. Alliance for Sustainable & Holistic Agriculture (ASHA - Kisan Swaraj)
2. All India Drug Action Network (AIDAN)
3. All India Kisan Sabha (AIKS)
4. All India Peoples Science Network
5. Amazon India workers association
6. Association of Healthcare Workers and Technicians
7. Bharatiya Kisan Union (BKU)
8. Campaign for Access to Medicines, Diagnostics and Devices, India

9. Campaign For Affordable Trastuzumab
10. Delhi Science Forum
11. Focus on the Global South-India
12. Forum for Trade Justice
13. Gig Workers Association
14. Hawkers Joint Action Committee
15. India FDI Watch
16. Indian Coordination Committee of Farmers Movements (ICCFM)
17. Indian Social Action Forum - INSAF
18. Initiative for Health & Equity in Society
19. IT for Change India
20. Janpahal
21. Jan Swasthya Abhiyan
22. Karnataka Rajya Raitha Sangha (KRRS)
23. Kerala Coconut Farmers Association
24. Madhyam
25. National Centre for Advocacy Studies (NCAS) India
26. National Fishworkers Forum (NFF)
27. National Working Group on Patent Laws and WTO
28. Rashtriya Kisan Mahasangh
29. South Indian Coordination Committee of Farmers Movements (SICCFM)
30. Tamil Nadu Organic Farmers Federation - Erode
31. Thamizhaga Vivasayigal Sangam (TVS)
32. TWN Trust India

CC:

- Mr. Sunil Barthwal, Commerce Secretary, Ministry of Commerce and Industry, Government of India
- Mr. Rajesh Agarwal, Chief Negotiator for IPEF, Additional Secretary, Ministry of Commerce and Industry, Government of India