Guest Column

IPEF: Willing Unwillingness of the US?

By Mark Anthony A. Barral



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Without concrete commitments, IPEF remains a risky challenge for Southeast Asia.

The Indo-Pacific Economic Framework for Prosperity (IPEF), as a framework, is considered a tool that signifies the US' renewed commitment to engage in trade rule-making in the Southeast Asia and Asia-Pacific regions. It has an unconventional trade deal format that sets standards on four main pillars—connected economy (or trade), resilient economy (or supply chains), clean economy, and fair economy. It is seen as a new generation trade agreement, one that does not focus on market access, but instead attempts to provide a blueprint for a new and modular method of engagement. This is expected to provide opportunities for inclusivity, resilient supply chains, sustainability, and better governance.

IPEF provides an opportunity for countries, especially developing ones, to participate in negotiations with countries that are advanced in terms of innovation and technology. The aim of these negotiations and strategies is to support key domestic industries and sectors, such as information and communications technology (ICT) and manufacturing.

IPEF promises enticing benefits that has attracted many countries, especially those in Southeast Asia. However, it remains incomplete and presents certain challenges.

First, IPEF's lack of market access, which is usually the main feature of trade deals, raises concerns over its ability in trade rule-making. Regardless, other countries are still hopeful that IPEF can be channeled to bring benefits to other areas, such as strengthening supply chains, as well as establishing rules and standards for the digital economy. However, the recent withdrawal of US support for provisions in WTO e-commerce negotiations, which promote cross-border data flows, has led to further setbacks and raised questions about America's capability to assert itself in the region and facilitate cross-border investments and regional governance.

Second, the high standards set by the US in

the framework are perceived as costly and discriminatory towards developing countries, and could have significant impact on domestic production processes. For countries that have yet to establish their own national standards on labour, environment, and regulatory practices, having to adhere to the frameworks' standards would have major political and legislative implications. Although the high standards in IPEF can be seen as a positive driver that encourages countries to take more ambitious measures to protect their labour sector, environment, and people, without clear mechanisms for countries to meet these standards, and unless there is a clear link to investment and financial flow as a compromise, IPEF partners may find them less appealing.

The high standards, together with the lack of market access, make it apparent that the US only wants to impose some restrictions, and has encouraged the negative perception of the framework as a protectionist and opportunistic US strategy that only favours its own industries.

Third, while the modular approach in IPEF provides partners with the flexibility to choose the pillars they are willing to support, this could result in a weak agreement. In addition, IPEF is designed to be both binding and non-binding, a strange approach that raises questions about the enforceability of its agreements. The absence of a strong consensus, as well as the members' non-committal stance towards addressing a variety of issues may undermine the sense of multilateralism.

Finally, the recent withdrawal of US support for the e-commerce provisions adds to the disappointment caused by US' withdrawal from the Trans-Pacific Partnership (TPP). While the US still has to make amends, the framework, without market access and digital trade provisions, does not even seem to grasp the full support of its members, who remain cautious about the direction of IPEF and the commitment and sincerity of the US to pursue the framework to its fullest.

The uncertainties in IPEF could also open the door for China to expand its influence in the region. With its active participation and efforts to enhance its position through relatively more generous initiatives and offers, China's trade deals seem more appealing and have captured more interest.

Whether IPEF matters to Southeast Asia depends on the perceived benefits it can offer, its commitment and sincerity, and the alignment of the framework's broad themes with each country's domestic development priorities and issues. Therefore, it is necessary to identify critical areas and sectors that must be targeted, and to craft appropriate action agendas that will move members closer to achieving the expected benefits.

IPEF members have an obligation to ensure that their domestic interests are balanced with regional goals—national interests and goals must be considered while contributing to the regional economy, and it is essential that IPEF-related actions are coherent with their existing economic, social, or political

structures.

IPEF, just like any other economic and trade negotiations or agreements, affects a number of stakeholders, sectors, and industries. It is important to ensure that mechanisms, such as more engaging consultations, retraining, and social safety nets, are in place to account for the interests of the affected groups.

Moreover, the vision of IPEF is in line with the existing frameworks and visions of Southeast Asia, as outlined in the 2020 ASEAN Comprehensive Recovery Framework, the ASEAN Outlook for the Indo-Pacific, and the ASEAN Economic Community Blueprint 2025. IPEF, therefore, can support the realisation of these goals. However, it needs to be more concrete and clear in terms of its mechanisms. Otherwise, Southeast Asia might just as well focus on harnessing its existing regional trade and economic cooperation frameworks.

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