Guest Column

Much Ado About Nothing? IPEF and ASEAN Economies

By Su-Hyun Lee


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IPEF will generate a set of positive externalities on ASEAN economic integration amid the rising rivalry between the United States and China.

Leaders of the Indo-Pacific Economic Framework for Prosperity (IPEF) finally released their first joint statement at the Asia-Pacific Economic Cooperation (APEC) summit in San Francisco, CA, on 16 November 2023. Since its launch by the Biden administration in May 2022, the fourteen IPEF member countries that represent 40 percent of the global GDP and 28 percent of goods and services in trade had eight rounds of negotiations and numerous ministerial meetings to create "**stronger, fairer, more resilient**" economies in the United States (US) and all other partners in the region. With emphasis on technology innovation and the digital economy, the framework aims to offer high-standard commitment that will enhance cooperation in the areas of trade, supply chains, clean energy, and anti-corruption.

Despite US President Joe Biden's confidence in the "**substantial progress**" of IPEF at the APEC summit, many researchers and policy practitioners have **raised questions** regarding the framework's implementation and impact on IPEF partners, **especially those in Southeast Asia**. Such criticisms come from the common perception that IPEF is the Biden administration's long-awaited trade deal for Asia, which would fill the void created by the US's withdrawal from the Trans-Pacific Partnership (TPP) six years ago. As famously shown in his **op-ed** in *The Washington Post*, former US president Barack Obama strongly suggested that the TPP was the US's geo-political and economic strategy to **contain the growing influence of China** and "write the rules" for trade in the 21st century as a global leader.

The link between the US and the TPP was broken completely and unexpectedly when his successor **Donald Trump pulled the US out of the TPP** right after entering the White House, claiming that the TPP was "**a deal for China to take advantage of the US economy**." Meanwhile, the TPP was developed into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) among eleven countries

in the Asia-Pacific region, which **China is keen to join** but **the US still has no willingness to return to**.

In this vein, IPEF has been frequently **compared to the TPP** and considered **the refreshment of the US pivot to Asia** that reflects its strategic motivations to compete with China by enhancing security and relations with the Indo-Pacific region where 60 percent of the global population resides. Unlike the TPP, however, IPEF does not address key issue areas in existing free trade agreements nor any other preferential trade agreements, such as tariff reductions and improved market access, in which Southeast Asian countries might have strong interests.

Does the lack of traditional trade components in IPEF mean that the framework offers nothing to its Southeast Asian partners? Current progress over the four key pillars in IPEF suggests otherwise. **The joint statement** announced at the APEC summit shows that the fourteen IPEF partners signed the agreement on Pillar II (Supply Chain) and reached the substantial conclusion of the negotiations for Pillar III (Clean Economy) and Pillar IV (Fair Economy) with an expectation to facilitate negotiations over Pillar I (Fair and Resilient Trade). These four pillars indicate that IPEF focuses on driving innovation and transformation in the critical sectors, including clean energy, digital, and technology, on the one hand, and on enhancing IPEF countries against threats from new challenges, such as supply chain disruptions, corruption, tax havens, etc. All these agendas cannot be addressed effectively by existing trade agreements, and at the same time have a nice fit with the Association of Southeast Asian Nations (ASEAN)'s ideals for regional economic integration and cooperation.

The most substantial and tangible benefits for IPEF partners in Southeast Asia might be found in **the IPEF Supply Chain Agreement**, which might be considered the world's first multilateral and institutional effort to resolve supply chain disruptions caused by unexpected events collectively and effectively. Upon the request of an IPEF country adversely affected by supply chain crises caused by the global pandemic, natural disasters, wars, etc., the IPEF Supply Chain Crisis Response Network will operate within approximately fifteen days to provide the affected country with substantial information about alternative suppliers, shipping and aviation routes and connections between consumers and suppliers from other IPEF partners.

The agreement also seeks to refrain its partners from relying on protectionist measures that can cause supply chain disruptions and bottlenecks to any participating countries, while encouraging cooperation among **IPEF partners that have different strengths and profiles**. For instance, the synergy between resource-rich countries, like Australia and Indonesia, and countries with technological expertise, like the US, Japan, Korea, and Singapore might serve as a sound basis for the recovery and stability of supply chains. If such arrangements work successfully and consistently, seven out of ten

ASEAN economies belonging to IPEF will secure institutional safety nets to overcome supply chain disruptions and envision supply chain diversification for sustainable growth and development. It is worth noting that the adverse economic shocks that ASEAN economies experienced from **supply chain disruptions during the COVID-19 pandemic** were often amplified by ASEAN economies' reliance on the Chinese economy.

IPEF's pillars III and IV also reveal interesting and considerable similarities to the goals and ideals that **the ASEAN Economic Community (AEC) Blueprint 2025** envisioned for "A Competitive, Innovative, and Dynamic ASEAN" eight years ago. **The IPEF Clean Economy Agreement** aims to institutionalise cooperation over transitions to clean economies with energy security and transition, greenhouse gas emission mitigation, climate-friendly technologies, and the enhancement of clean energy supply chains supported by decarbonisation projects and sustainable finance. **The IPEF Fair Economy Agreement** signifies the IPEF partners' commitment to fairness, transparency, the rule of law, and accountability with anti-corruption and improvement in tax transparency and administration that are critical for trade and investment liberalisation and facilitation in Southeast Asia. The fact that most of these measures were suggested for the AEC's sustainable economic development and good governance, albeit with differences in methods and approaches, suggests that IPEF can generate a set of positive externalities for ASEAN economic cooperation.

Of course, there are contextual factors that might affect IPEF implementation and its future direction, such as **diverging preferences** between the US and other IPEF partners and **the impact of US domestic politics**, especially **the upcoming presidential election in 2024**. There is a chance that these factors might drive IPEF as a club good for US allies that rely heavily on soft laws. Still, IPEF will help ASEAN economies navigate diverse economic strategies for growth and development with **risk-contingency and return-maximisation** amidst great power competition.

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