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Does IPEF Really Matter to Southeast Asia?

By Denis Hew

The Indo-Pacific Economic Framework (IPEF) was launched by US President Biden in Tokyo, Japan on 23 May 2022. The framework is seen as a means for the United States (US) to economically re-engage with the Asia-Pacific region, including Southeast Asia after Washington pulled out of the Trans-Pacific Partnership (TPP) free trade agreement in 2017.

Besides the US, IPEF brings together thirteen countries which are Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and Viet Nam.

Potentially, IPEF has significant economic clout comprising 40 percent of global GDP and 28 percent of

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Centre on Asia and Globalisation
+65 6516 7113
cag@nus.edu.sg
469A Bukit Timah Road, Tower Block 10,
Singapore 259770
https://lkyspp.nus.edu.sg/cag

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global goods and services trade. But IPEF is not a free trade agreement (FTA), i.e., there is no market access through the reduction or elimination of trade tariffs and other trade barriers.

While IPEF is not a free trade agreement, its advantages lie in its modular approach and flexibility. Countries participating in IPEF can pick and choose which individual pillar or pillars that they wish to commit to. In theory, this approach would allow for quicker results on commitments that have been made in each pillar.

IPEF consist of four main pillars: i) trade, including digital economy/trade and trade facilitation; ii) supply chains, including crisis response mechanisms to address supply chain disruptions; iii) clean economy (clean energy, decarbonisation and infrastructure); and iv) fair economy (taxation and anti-corruption).

With the exception of the trade pillar, the other three pillars have reached or are close to reaching an agreement among its members. The supply chains pillar was concluded earlier on 27 May 2023 and negotiations for pillars on clean energy and taxation and anti-corruption have been substantially concluded by November 2023.

Many would consider the trade as the most important pillar in IPEF. However, negotiations to conclude the trade pillar, particularly over digital trade issues, broke down in November. Given that there is a close nexus between supply chains and trade, a stand-alone supply chains pillar seems somewhat incomplete without the trade pillar and certainly a less powerful policy tool to revitalise global value chains and productions networks in this region.

Nevertheless, institutional mechanisms like an annual ministerial-level IPEF council will be set-up as well as joint committees to monitor the implementation of agreements for the remaining three pillars.

Given IPEF's limitations (no market access) and setbacks on the trade pillar negotiations, are there really any tangible benefits for countries joining this framework? Most importantly, does IPEF really matter to Southeast Asia, particularly at a time when the region is still struggling to recover from the global pandemic?

To address these questions, four analysts from the region were invited to present their arguments at the **9th Counterpoint Southeast Asia public webinar** on 30 November 2023.

Lee Su-Hyun argues that IPEF proposes economic initiatives that are critically important to Southeast Asia and ASEAN economic integration which are not covered by existing trade agreements. She highlights that all four pillars of IPEF will drive innovation and transformation in critical sectors such as clean energy and digital technology while buffering members against future challenges arising from supply chain disruptions, corruption and tax evasion. In particular, IPEF's supply chain agreement is possibly the world's first multilateral endeavour to establish institutional mechanisms to help members respond quickly and effectively to supply chain crises caused by unexpected events such as pandemics and natural disasters.

Sanchita Basu Das agrees that IPEF could potentially bring about economic transformation and growth for Southeast Asia. In fact, lower income ASEAN member states would be major beneficiaries of technical cooperation under this framework. She adds that Southeast Asia could benefit from India's membership in IPEF. India's dynamic growing economy and close geographical proximity to Southeast Asia will facilitate greater production linkages and deeper economic integration in global and regional value chains.

Mark Anthony Barral finds that lack of market access and the breakdown in negotiations on the trade pillar raise concerns about IPEF's ability in trade rule-making. The US could be perceived as protectionist and opportunistic in its IPEF strategy. Essentially, the US does not offer access to its domestic market but still wants to impose its standards on IPEF members. Moreover, IPEF's strange mix of binding and non-binding commitments raise doubts on the enforceability of its agreements.

Mae Chow contends that the US is trying to re-write the rules on economic engagement in the region which could undermine the effectiveness of regional economic frameworks like the ASEAN Economic Community. She further argues that using IPEF as a means to contain China's economic influence in the region aggravates geopolitical tensions. US-China zero-sum competition could jeopardise peace and stability in the region as well as challenge ASEAN's strategic autonomy and neutrality.

Within the ASEAN context, IPEF is not considered inclusive as it excludes Cambodia, Lao PDR and Myanmar. Some would argue that it may be better for ASEAN to focus on its own ASEAN Outlook on the Indo-Pacific (AOIP) strategy which does not undermine ASEAN centrality and covers economic cooperation. Under the cloud of US-China intense rivalry, IPEF could put ASEAN member states in a difficult position of "choosing a side" when they would very much prefer to do business with both superpowers.

In this current global slowdown and uncertain economic outlook, the region badly needs an initiative that can jump-start their economies. Can IPEF help to boost much needed trade and foreign investment in Southeast Asia? Would a less inclusive framework like IPEF create more economic inequality in the region instead of narrowing the development gap?

FTAs like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) appear more attractive than IPEF as their trade rules builds-in regional value content that would encourage the creation or expansion of global value chains.

Will IPEF eventually evolve into a new form of regional economic cooperation? Or will this US-led initiative fizzle out over time? The outcome would depend on the successful conclusion of negotiations in the trade pillar and the effective implementation of all four pillars. Meanwhile, Southeast Asia does have better options out there.

Denis Hew, PhD, is a Senior Research Fellow at the Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore. He tweets at @denishew.

Guest Column

Much Ado About Nothing? IPEF and ASEAN Economies

By Su-Hyun Lee

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


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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.

Su-Hyun Lee, PhD, is an Assistant Professor at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University, Singapore.

Guest Column

IPEF is Southeast Asia's economic link to US and India

By Sanchita Basu Das

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IPEF provides an alternative enabler to institutionalise supply chains between Southeast Asia, US and India.

The Indo-Pacific Economic Framework (IPEF), one of the recent economic cooperation frameworks for the Indo-Pacific region, has brought together fourteen countries to work collectively across four pillars: (1) trade (digital economy); (2) supply chain resilience; (3) clean economy (clean energy, decarbonisation, and infrastructure); and (4) fair economy (tax and anti-corruption). Seven out of ten ASEAN countries are part of the IPEF discussion. How does IPEF benefit these countries and the wider ASEAN region?

The Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the two latest mega-regionals, do not involve the US. IPEF symbolises America's economic engagement in Southeast Asia. It should be noted that the US is ASEAN's second-largest trading partner after China and is the leading source of foreign direct investment (FDI) for the region.

IPEF also includes India, a growing economy in close geographic proximity to Southeast Asia. The country's average growth rate of 5.5 percent over the past decade is one of the fastest in the world and has shown much resilience, despite the global uncertainties and economic crises. Though for now, India has opted to stay out of the trade pillar, being in the same grouping through IPEF will benefit smaller countries like those in Southeast Asia. One should not forget that the Southeast Asian countries had decided to get together for the ASEAN Economic Community (AEC) as they not only wanted to raise their own competitiveness in face of a rising China and India but also to benefit from the economic rise of these countries.

IPEF countries together account for 41 percent of global GDP and 28 percent of global trade, which is higher than both RCEP and CPTPP. Being part of these complementary arrangements, the countries in Southeast Asia will benefit from economic transformation and growth. The countries will be beneficiaries of technical cooperation, given that many of them (e.g., Viet Nam) have low per capita income. IPEF is expected to increase access to technology and green financing for Southeast Asian countries. Given that a country like Indonesia ranks around in the middle – 66 out of 134 - for digital inclusion according to the Network Readiness Index 2023), IPEF can help the country to gain access to technical assistance from other advanced members to improve digital usage among its people, firms and governments.

Looking more categorically at IPEF's agenda on supply chains, it is one of the first (at multilateral level with idea of institution building) and considered as a promising international cooperation initiative to address supply chain challenges faced in recent times. IPEF intends to make supply chains robust and well-integrated through **crisis response measures**. The pillar of supply chain also connects with other core areas of IPEF, including trade digitalisation, connectivity and decarbonisation.

Disruptions due to the COVID-19 pandemic and the Russia-Ukraine conflict brought to the fore the vulnerabilities associated with supply chain disruption. These incidences showed how sudden shortages of essential medical goods or automotive products could create bottlenecks with implications for people and the greater economy. The challenge doesn't end with past crises. As countries embark on their decarbonisation drive and move towards renewable sources of energy or green transportation in the future, access to critical raw material becomes crucial. Sourcing of these goods from a single country is not a wise decision. Thus, resolving supply chain issues requires multi-stakeholder cooperation, not only between the government and private sectors, but also among like-minded countries. IPEF's supply chain pillar paves the way for a new framework, rules and approaches to cooperation to minimise supply chain disruptions and build resilience.

Southeast Asian countries in particular, will benefit from being part of IPEF's supply chain pillar. These are the countries that have strong economic linkages with China through trade and regional value chains. China is their top trading partner and is an increasingly important supplier of intermediate goods, particularly to Viet Nam. These economies experienced severe supply shocks during COVID-19 as China closed businesses or restricted export of goods to other countries. To minimise the occurrence of similar shocks in the future, the countries are expected to re-evaluate their supply chains and source markets for critical products. For these countries, IPEF provides a platform for international cooperation and sharing ideas.

Moving forward, the same countries are increasingly paying attention to the development of the green economy sector, placing priority on clean energy sources and electric vehicles (EVs), which in turn creates demand for critical minerals. However, the global production and mining of **critical minerals** that goes into manufacturing of semiconductors, batteries and green technologies, are currently highly concentrated in China (60 percent of graphite), Congo (70 percent of cobalt), and Australia (60 percent of lithium). China also occupies the dominant position in refining 60-70 percent of global lithium and cobalt; while China and Russia together account for almost 40 percent of nickel. IPEF helps Southeast Asian countries to explore ways of engaging with other participating members to diversify the source markets for these critical raw materials. The countries can either increase their own manufacturing capacity of these intermediate goods with new industrial policies, strategic programs to attract investment or they can adhere to international cooperation with other advanced IPEF member countries like the US or India, who may be also raising their own manufacturing capacity, to diversify their source market and improve the resilience of the critical supply chains.

Looking at India, it is yet to come to par with many emerging economies in their participation in GVCs. It is estimated that during 2000–2018, while the share of advanced economies in GVC exports went down from 78 to 72 percent, the share of emerging economies in GVC exports increased from 14.6 to 21 percent, largely driven by China. But this may change as GVCs are currently in transition, driven by the US-China trade conflict, the COVID-19 pandemic, as well as the growing discussion over diversification. Ensuring resilient supply chains, which are underpinned by the GVCs, have become a policy priority for economic and strategic reasons. This has opened opportunities for new countries, like India, to participate in the changing nature of value chains and capture new markets. Indeed, it is easier said than done.

As to achieve this, India needs to invest in developing the country's soft infrastructure, including incentivising lead firms to invest in the country, create an enabling environment for introducing innovative technology, ease business facilitation, in addition to improving the country's hard physical infrastructure. India has indeed started on rolling out new production-oriented investment schemes like Aatmanirbhar Bharat (Self-reliant India) and Production Lined Incentive (PLI) schemes so as to mobilise long term investments. It has also sped up investments in mega infrastructure projects, like economic corridors and ports. Geographically, India has huge advantages as a production and supply hub due to its access to vital trade routes, connecting East and Southeast Asia with Europe, Africa, and the Middle East. It has its own significant consumer demand, a young working population, and proximity to major manufacturing hubs in Asia.

Countries in Southeast Asia can look at sectors like pharmaceuticals, textiles/apparels, food processing, automotives, including EVs, where they can work with India and diversify their supply chains going forward.

To conclude, participating in IPEF will bring Southeast Asia broad and focused benefits. IPEF will give the Southeast Asian countries new policy tools to economically engage with the US and India. It will help the countries to address some of the current supply chain challenges and will also help them to access new investments and technologies to promote the green economy. Of course, much will depend on the details of IPEF's action plans, how active the US chooses to remain in its IPEF agenda, and whether the participating members stay invested on the cause of participating in IPEF.

Sanchita Basu Das is an economist at the Regional Cooperation and Integration Division of the Economic Research and Regional Cooperation Department of the Asian Development Bank. She tweets at @basu_sanchita.

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.

Mark Anthony A. Barral is a Research Associate at the Philippine Institute for Development Studies.

Guest Column

IPEF: A Double-Edged Sword?

By Mae Chow

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Beyond economic benefits, IPEF poses broader geopolitical and security implications for Southeast Asia's future.

The arrival of the Indo-Pacific Economic Framework for Prosperity (IPEF) has been welcomed by the majority of Southeast Asian nations, with seven out of ten Association of Southeast Asian Nations (ASEAN) Member States (AMS)—Brunei, Singapore, Malaysia, Indonesia, Thailand, the Philippines and Vietnam—joining the new framework. Anticipating the renewed engagement with the US in the Indo-Pacific, there was **much optimism** that the US-led IPEF would promote regional cooperation and support its members in their transition towards achieving sustainable economic growth.

While IPEF seems to offer significant benefits to Southeast Asia (SEA) in boosting economic potential, its capacity to provide a viable alternative to effectively reduce the region's economic dependency on China may be constrained by IPEF's demands, US domestic politics, and the exclusion of China. Nevertheless, the broader political and strategic significance of IPEF will likely intensify great power rivalry in SEA and challenge ASEAN as a regional institution.

Yet, the **glaring failure** to materialise the trade pillar, which is a key aspect of IPEF for the ASEAN economies, has marred optimism for IPEF. In the US, there has been continued domestic resentment about how **"deep trade liberalisation"** has allowed China to prosper at the expense of the US. This sensitivity has continued to shape public opinion in the US, diminishing support for multilateral economic cooperation and free trade policies.

Considering the potential political backlash, especially with elections next year, President Joe Biden has conscientiously limited the scope of the trade pillar in IPEF, excluding politically sensitive issues such as market access and tariff reductions. Yet, despite not offering the traditional benefits of a trade agreement in exchange for requiring the IPEF members to adhere to high labour and environmental standards, **the trade pillar still faced pushback at home**.

Evidently, the US has maintained a **reluctance** to open up its economy and champion free trade. The tense domestic political climate on trade issues has constrained the US's ability to lead trade negotiations, making meaningful economic engagement in the region unlikely, let alone rivalling that of China.

It is also challenging to compete with China's deep economic engagement with ASEAN. China has consistently been ASEAN's top trading partner since 2009. According to **The State of Southeast Asia: 2023 Survey Report** by the ISEAS-Yusof Ishak Institute, China has been recognised by the majority of respondents (59.9 percent) as the most influential economic power in SEA, far surpassing that of the US (10.5 percent). Furthermore, the **majority of external trade** for the East Asia and the Pacific economies are intra-regional (55 percent) and only 12 percent involves North America. As such, a larger proportion of regional economic activity is conducted with China rather than the US. Consequently, a regional economic partnership without China is unlikely to have a substantial economic impact in SEA.

Furthermore, RCEP is a **trade agreement** with China that provides lucrative market benefits and a dispute mechanism to safeguard the economic interests of its members. Without these engagement incentives and features in IPEF to further economic cooperation, IPEF is likely to remain inadequate in rivalling China's economic dominance in SEA.

The rise of IPEF also signifies the increased involvement of the US in pushing back against the Chinese on the economic front. Consequently, this will have broader geopolitical implications on great power competition and China's responses to the pressures exerted by IPEF.

Currently, IPEF poses little threat to China's extensive economic presence. However, the potential long-term implications of an **"exclusive institutional balancing"** which seeks to exclude China from the region, could raise concerns in China.

IPEF signifies a more overt attempt by the US and its allies to contain China's economy and reduce its strategic presence in the region. In response, China will likely develop more robust trade links in SEA and **"add more teeth"** to its economic engagement. While this can also be beneficial for regional development, the increased geo-economic competition would likely worsen the relationship between the great powers and heighten regional insecurity. China's state-owned media outlet, **Global Times**, has already published several articles criticising IPEF, showing heightened concerns about the US.

The exclusion of three AMS—Cambodia, Myanmar and Lao PDR—perceived to be **"already Chinese client states"**—from IPEF could **strain ASEAN's unity** by accentuating differences among its members on issues such as trade policies, and their relationships with the major powers. This exclusive club can also create rival blocs, widening developmental and economic gaps in SEA and complicating policy coordination, including the establishment of an ASEAN Economic Community.

Instead of joining the current ASEAN-led economic initiatives, such as the RCEP and the ASEAN Regional Forum, the US has opted to use IPEF to establish new rules for economic engagement in the region. The determination to **"rewrite the rules"** will inevitably introduce changes to the existing regional order, prompting questions about the effectiveness of ongoing regional economic cooperation efforts led by ASEAN. The emphasis on club membership will unintentionally exclude the non-IPEF members from decision-making on the expectations and rules for future regional economic development. The dominance of US geopolitical interests in projecting leadership may inadvertently side-line the narrative surrounding the ASEAN Outlook on the Indo-Pacific and ASEAN as a **"dominant regional platform."**

The perceived antagonism of IPEF may also intensify US-China zero-sum competition in SEA. As AMS become more entangled with the great powers, there is a heightened risk of being drawn into a great power conflict and threaten regional stability. This undermines ASEAN's principle of neutrality and inclusiveness and jeopardises the strategic autonomy of member states vis-à-vis the great powers.

Although the economic prospects of IPEF are likely to be limited, there are clear political and strategic implications for SEA. Healthy great power competition can foster economic opportunities and enhance the strategic autonomy of the AMS. However, this competition should not jeopardise regional peace and stability. ASEAN IPEF members must carefully balance building economic resilience through US engagement while maintaining economic ties with China and ASEAN's relevance. Therefore, effectively promoting greater peace, inclusivity, stability, and prosperity in the Indo-Pacific.

Mae Chow is a Research Assistant at the Centre on Asia and Globalisation (CAG) at the Lee Kuan Yew School of Public Policy, National University of Singapore.

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