Unpacking IPEF and its Uncertain Impact on Trade

Overview: On May 23, 2022, President Biden signed the Indo-Pacific Economic Framework for Prosperity (IPEF). Establishing heightened communication and trade between the United States and the Indo-Pacific region, IPEF unites 14 countries: Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States, and Vietnam.[1] The agreement's four pillars (Trade; Supply Chains; Clean Energy, Decarbonization, and Infrastructure; and Tax and Anti-Corruption[2]) have worked to bring tangible benefits to the US and Indo-Pacific through environmental agreements and improved supply chain resilience. However, as the Trade pillar has experienced setbacks, and IPEF fails to establish the same benefits as true free trade agreements (FTAs), the framework has faced significant criticism.

Benefits: Supporters of IPEF see President Biden as having made great strides in building US influence in the Indo-Pacific and countering growing Chinese authority. After President Trump withdrew the US from the Trans-Pacific Partnership (TPP) FTA in 2017, the 2022 IPEF deal has acted as a tool to reestablish the US as a willing trade partner in the Indo-Pacific. With IPEF members making up 40% of the global GDP,[3] US engagement in the region could make US supply chains more competitive and decrease costs for Americans.[4]

Drawbacks: On the other hand, IPEF's critics view the agreement as a weak attempt to recreate the TPP. Since IPEF cannot reduce trade barriers as significantly as an FTA could, it lacks the same potent economic impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a currently existing FTA formed by the remaining members of the TPP. Additionally, the US recently stepped back from its involvement in digital trade negotiations within IPEF[5] and announced hesitancy regarding the development of the Trade pillar.[6] These setbacks in the agreement will compromise its tangible relevance on a global scale.

IPEF at the APEC summit: IPEF has tried to fill the hole the US left when leaving the TPP, but the framework is simply not as competitive. November 2023 saw the 30th anniversary of the Asia-Pacific Economic Cooperation (APEC) summit,[7] which carried many expectations for the future of IPEF. However, IPEF's Trade pillar failed to reach a closing negotiation before the summit began, casting doubt upon the true scope of the agreement. Without a concrete trade agreement, some member states feel slighted by the barriers to the US markets combined with IPEF's simultaneous expectations that members improve their environmental standards and labor protections.[8] With China hoping to join the CPTPP despite barriers, IPEF could eventually face even greater competition as Asian countries focus on more tangible, economic partnerships with the region's superpower.[9]

Future of IPEF: IPEF shows promise regarding the promotion of a more eco-friendly world with higher labor standards, but the instability of domestic US politics could prove fatal to both the framework and to US engagement in the Asia Pacific region in general. If the US wishes to regain true influence in this region, IPEF must be revitalized to compete with the much more output-focused agreements of the CPTPP and China's Regional Comprehensive Economic Partnership (RCEP).

Footnotes

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