

February 2023

PANG Briefing Paper:



Indo-Pacific Economic Framework

What is the IPEF?

The Indo-Pacific Economic Framework for Prosperity is described as “a modern regional arrangement to build cooperation and economic integration in the Indo-Pacific”¹. A statement released at the launch of negotiations describes IPEF as “intended to advance resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness for our economies. Through this initiative, we aim to contribute to cooperation, stability, prosperity, development, and peace within the region”.

It is a US led initiative that aims to link major and emerging economies in the Indo-Pacific geopolitical area into the US economy in an attempt to undermine China’s economic influence. China is clearly the intended target of the agreement, with the US Trade Representative office prominently quoting US Senator Wyden stating as such on their IPEF website².

Who is involved?

The IPEF currently involves 14 Parties: Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore, Thailand, the United States and Vietnam. It is claimed that IPEF Parties account for almost 40% of global GDP.

Why is the US pushing the IPEF?

The IPEF is central to the US’s strategy to counter China’s expanding influence in the Asia Pacific area. As Professor Emeritus Jane Kelsey writes “China is never mentioned, but the subtext is hardly subtle. A recent statement from Australia’s Defence Department explicitly laid out the security objectives of the specific items on the IPEF agenda, from rules on data and targeting telcos such as Huawei, “resilient supply chains” intended to marginalise China, and bans on export controls such as those applied to semi-conductors.”

This geo-strategic approach underlines the IPEF and is part of a broader attempt to consolidate influence by the US as it explores other similar agreements across the Americas, with Taiwan and re-engaging the Pacific Islands.

There is also significant corporate interest among US tech firms in writing the rules of digital trade through agreements like IPEF in the hope of then exporting those to other trade deals and the World Trade Organization.

How does the Indo-Pacific relate to Pacific Island Countries?

The geopolitical framing of the “Indo-Pacific” has been rejected by some in the Pacific Islands, with many seeing it as a unified security bloc. The terminology of the Indo-Pacific reduces the complex relationships and realities of Pacific SIDS to a security bloc something that isn’t widely accepted – Samoa’s Prime Minister dismissed such framing saying “that’s someone else’s narrative”³. Vanuatu’s Opposition Leader, Ralph Regenvanu also stated that “the term has no meaning or relevance to us”.

What does the IPEF include?

The IPEF will include 4 different pillars however Parties are able to opt out of them (as India has done already for Pillar 1). The pillars are:

- Pillar 1: Trade – This pillar will aim to limit the ability of governments to regulate across a broad range of sectors including state owned enterprises, agriculture, fisheries, the digital economy, competition police, customs operations and more. It will also include chapters on upholding labour standards and the environment, including liberalising ‘green’ investments, goods, services and financial mechanisms;
- Pillar 2: Supply Chains – This pillar aims to create “resilient” supply chains that are less reliant on China. This includes identifying “critical sectors and goods” to prioritise securing their supply chains, strengthening logistics along the supply lines and establishing an information-sharing mechanism. This will target securing access to raw materials, semi-conductors necessary for most hi-tech goods, and enshrining digital trade rules.
- Pillar 3: Clean Economy – This pillar includes a range of climate change responses that are market-led approaches to moving away from fossil fuels. The promotion only of demand-led action raises concerns about how adequate that is to the current climate change state and not supporting government led action to reduce emissions from critical industries like coal and agriculture.
- Pillar 4: Fair Economy – This pillar aims to target tax and corruption with the former adopting tax arrangements from other forums that heavily favour trans-national corporations. This pillar also includes stakeholder engagement but there are no firm commitments on this.

¹ <https://www.dfat.gov.au/trade/organisations/wto-g20-oecd-apec/indo-pacific-economic-framework>

² The USTR IPEF website can be found here: <https://ustr.gov/ipef> but the quote from Sen. Wyden links to this speech <https://www.finance.senate.gov/chairmans-news/memorandum-wyden-statement-on-launch-of-indo-pacific-economic-framework-3>

³ <https://www.stuff.co.nz/national/politics/129793557/pacific-island-states-bristle-at-indopacific-label>

Will the IPEF be approved in the US?

The Biden Administration has described the IPEF as an “executive agreement” which they believe means it doesn’t need any laws to be changed nor get approval from the US Congress, a position that is not shared by all in Congress. This approach however will also mean that the Biden administration will most likely borrow heavily from other existing free trade agreements that the US has agreed to. While this may make it easier to gain domestic approval in the US it does little for the other parties in IPEF.

Other parties to the IPEF must remember this dynamic when they are establishing their negotiating positions and expectations. The reluctance of the US to accept an outcome that will need to get Congress’ approval will limit what it can offer.

How is it being negotiated?

The launch of negotiations in Los Angeles in late 2022 has sparked subsequent rounds with the first one taking place in Brisbane, Australia in December 2022. These negotiations are often broken up via each pillar running concurrently, something that is difficult for Small Island Developing States like Fiji to have the capacity for engagement across all the issues. Going forward they will rotate hosting of the negotiations among participants with them most likely meeting on a monthly or near-monthly basis.

The US is currently driving the agenda and is chairing all the negotiating committees (except the one on inclusion) as well as so far being the party that has tabled all the proposed text for consideration – often borrowing from other trade agreements the US is a party to.

Are we able to see what is being discussed?

No. Prior to being parties to the negotiations, each country had to sign a non-disclosure agreement that bound them to not releasing any negotiating document until five years had passed after the outcome enters into force. This level of secrecy goes beyond what other trade negotiations, like the controversial Trans-Pacific Partnership, had required.

While there have been some consultations organised in the wings of negotiations, there is no access to the documents being discussed. This secrecy robs civil society from being able to best engage with the negotiations and provide inputs on binding treaties that will impact the communities they represent.

What does this mean for Pacific Island Countries?

Pacific Island Country Leaders met with President Biden last year agreeing on a declaration for the future relationship between the countries. One of the commitments was to expand “our cooperation to enhance the development of the sustainable blue economy, including small- and medium-sized enterprises, labor, forestry, fisheries, agriculture, trade, tourism, and addressing supply chains issues and food security.”

While there is little detail about what this looks like, with many similar areas to IPEF there will most likely be similarities between what is concluded in the IPEF and what is enacted through this relationship. The US will want to have economic and regulatory coherence across the region with or without the IPEF. This means that while most Pacific Island Countries won’t be bound by commitments under IPEF they will be pushed to adopt them through aid projects outside the IPEF framework being driven from the US (plus Australia and New Zealand).

When is it meant to be finalised?

With the US as chair of the Asia Pacific Economic Cooperation this year they will be looking to provide something tangible when Leaders meet in November in San Francisco. While it is unlikely that there will be a complete outcome on IPEF there will be pressure to deliver an ‘early harvest’ of agreement on some of the pillars.

Pacific Network on Globalisation

9 Marion St, Suva

Fiji Islands

www.tradepac.org

