

# An Analysis of the Indo-Pacific Economic Framework (IPEF): Essence, Impacts and Prospects

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## Abstract

The Indo-Pacific Economic Framework (IPEF) proposed by the Biden administration has gone through three major stages — conception, preparation and engagement, and initial negotiation — and focuses on four key pillars: Connected Economy, Resilient Economy, Clean Economy, and Fair Economy. In fact, this initiative supplements and reinforces the Trump administration's Indo-Pacific Strategy, while carrying forward and advancing the “America First” policy. It is a new attempt of the US to build an economic club exclusive of China in the Indo-Pacific and to lead in building a new structure for regional cooperation, as well as a diplomatic signal deliberately released by the Biden administration to its Eurasian allies during the Russia–Ukraine conflict. As the prospects of the IPEF are still of much uncertainty, it might exert few substantial impacts on China in the short term. However, we should still be alert to its long-term adverse influence on China–US relations, China's surrounding international environment and foreign relations, the development of regional economic cooperation and world economy, as well as the stability of international order. Given the domestic situation in the US and the attitude of the other members, the progress of IPEF negotiations in the four pillars may vary significantly in the coming period.

## Keywords

Indo-Pacific Economic Framework (IPEF); Biden administration; Indo-Pacific Strategy; China; regional economic cooperation.

In May 2022, the Biden administration officially launched the Indo-Pacific Economic Framework for Prosperity (IPEF), announcing that fourteen countries — the United States, India, Japan, South Korea, Australia, New Zealand, Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Fiji — are to join the IPEF as initial members. However, despite the fact that the IPEF has attracted wide attention in the international community, extant research has not yet systematically explored the historical process, content, essence, impacts, and prospects of this initiative, and the understanding of the IPEF seems to be polarized in academia. Therefore, this paper aims to analyze the IPEF through a historical perspective and a comparative approach, so as to provide some insights into the latest China-containing initiative of the US.

### 1. The Proposal of the Indo-Pacific Economic Framework

Generally, the launch of the IPEF has gone through the following three phases:

#### 1.1. *Conception (November 2020–October 2021)*

After taking office, the Biden administration largely maintained Trump's Indo-Pacific Strategy and further strengthened it by accelerating its strategic focus eastward, while elevating China's strategic positioning as the United State's "most consequential strategic competitor and an increasingly pressing challenge" (U.S. Department of Defense, 2022, pp. 1–2). Meanwhile, it continued to promote the initiative of building an "open and free Indo-Pacific," and has sped up its strategic encirclement of China. In March 2021, Biden, together with the heads of India, Australia, and Japan, issued a joint statement, emphasizing that the four countries are committed to a "shared vision for an Indo-Pacific region that is free, open, resilient and inclusive." (Biden *et al.*, 2021) In October 2021, in a speech at the annual US–ASEAN Summit, Biden emphasized that the US–ASEAN partnership is critical to maintaining a "free and open Indo-Pacific" and that the US strongly supports the ASEAN Indo-Pacific Outlook and a "rules-based Indo-Pacific order." (The White House, 2021b).

However, since President Trump withdrew the US signature from the Trans-Pacific Partnership (TPP) in 2017, the US has been in lack of an economic and trade strategy sufficient to counter China's increasing economic influence in the

Indo-Pacific. (Williams *et al.*, 2022) The profound impacts of the COVID-19 pandemic and the world economic downturn, in particular, made the Biden administration more aware of the importance of further strengthening the integrated planning across all domains in its Indo-Pacific Strategy and involving Indo-Pacific allies and partners in hedging China's influence in such areas as trade, technology, rule-making, and supply chain reshaping. (Wei, 2022, pp. 29–46) In order to strengthen the economic weakness of the Indo-Pacific Strategy, the Biden administration, right after taking office, started planning on enriching the economic part of the Indo-Pacific Strategy, in the hope of building it into a grand strategy that integrates political, economic, military, social, and technological aspects. (Wang, 2022, pp. 72–73) Against this backdrop, the idea of the IPEF started to take form.

### **1.2. Preparation and engagement (October 2021–May 2022)**

In October 2021, during the East Asia Summit, President Biden reaffirmed the US long-term commitment to building an open, interconnected, prosperous, resilient, and secure Indo-Pacific region. He also officially introduced the IPEF for the first time, stating that the US and its partners will use the IPEF to define their shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resilience, decarbonization and clean energy, infrastructure, worker standards and other areas of shared interest. (The White House, 2021a) In the next six months, the Biden administration had been making preparations domestically regarding IPEF's positioning, scope, potential participants, and congressional role, while advertising this initiative to its Indo-Pacific allies and partners other than China.

In November 2021, the U.S. Secretary of Commerce Gina M. Raimondo and Trade Representative Katherine Tai visited Asia and held exploratory talks with potential participants including Japan, Malaysia, Singapore, South Korea, Australia, and New Zealand, stating that the US would strengthen relations with its regional allies under the IPEF “a new regional economic framework.” (Williams *et al.*, 2022, p. 1; Zheng, 2021) In February 2022, the Biden administration released its first U.S. Indo-Pacific Strategy report, which further clarified the main objectives of the U.S. Indo-Pacific Strategy and the 10 lines of effort it will undertake in the future, announcing that the IPEF would be launched in early 2022 to improve cybersecurity and digital infrastructure (The White House, 2022b). On May 12–13, during the US–ASEAN Special Summit, although the IPEF was not a formal agenda item and was not mentioned in the Joint Vision Statement released after the Summit (ASEAN, 2022), the Biden administration approached Vietnam, Malaysia, Singapore, Thailand, Indonesia, and the Philippines and other ASEAN members on multiple occasions about their IPEF membership (Kine, 2022).

### 1.3. Initial negotiations (May 2022–present)

On May 23, 2022, Biden attended the QUAD Leaders' Tokyo Summit in Japan and officially launched the IPEF, where he emphasized that expanding US economic leadership in the region is good for American workers and businesses as well as for the people of the region, and mentioned that the United States, India, Japan, South Korea, Australia, New Zealand, Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam would participate in the negotiation of the “four key pillars” of the framework (The White House, 2022a). On the same day, U.S. Secretary of Commerce Gina M. Raimondo and Trade Representative Katherine Tai hosted the first ministerial meeting of IPEF member states (U.S. Department of Commerce, 2022). On May 26, Washington announced that Fiji would join the IPEF negotiations as the 14th founding member. (The White House, 2022c) Taiwan expressed strong interest in joining the IPEF to the Biden administration. However, due to pressure from China and Southeast Asian countries' insistence on the one-China principle, the US, after weighing the pros and cons, chose to prioritize ASEAN countries' membership and not admit Taiwan to the IPEF for the time being (Reuters, 2022; Yeh *et al.*, 2022). Yet, this does not rule out the possibility of Taiwan joining the IPEF in the future.

From May to September 2022, the member states held several rounds of consultations on the formal launch of IPEF negotiations. The Biden administration further specified the areas and contents covered by the four pillars, while other member states successively decided on which pillars to join. In mid-June, trade ministers of IPEF member states held their first meeting to consult on the negotiation objectives in trade. On July 13–14 2022, the first IPEF meeting of senior officials and experts for each of the four pillars was held in Singapore, where the members had preliminary discussions on specific negotiations within each pillar of the framework (Office of the United States Trade Representative, 2022). On September 8–9 2022, the first IPEF offline ministerial meeting was held in Los Angeles, which marked the formal beginning of substantive negotiations of all four pillars. After the meeting, the members jointly issued a ministerial statement in which India announced its decision to temporarily opt out of the trade talks and participate in the consultations in the other three pillars only, while all the other 13 members decided to join the negotiations of all four pillars (Medina, 2022; Martin, 2022). In the coming period, the IPEF will focus more on initiatives in each pillar, rule-making, and the advancement of the negotiation process, and consult widely with other stakeholders, trading partners, and the US Congress (Japan Times, 2022). The Biden administration plans to hold another ministerial meeting at the beginning of 2023, complete the IPEF negotiations within 12–18 months, and finalize the trade and supply chain negotiations at the APEC Leaders' Meeting in November 2023 (Arasasingham *et al.*, 2022).

2. Content and Essence of the Indo-Pacific Economic Framework

2.1. Content of the Indo-Pacific economic framework

According to the fact sheet on the IPEF released by the White House in May 2022, the IPEF mainly focuses on four key pillars: Connected Economy, Resilient Economy, Clean Economy, and Fair Economy (The White House, 2022a). Each pillar is led by an individual agency and has a number of subtopics and main negotiation objectives (as shown in Table 1) (Arasasingham *et al.*, 2022). The members can choose to join any number of the four pillars according to their needs and interest. They do not necessarily have to participate in all pillars but are expected to commit to all aspects of each pillar they join.

2.2. Essence of the Indo-Pacific economic framework

First, the IPEF can be understood as a new type of economic agreement that falls in between the Belt and Road Initiative and traditional Asia-Pacific Free Trade Agreements (FTAs) such as the Regional Comprehensive Economic Partnership (RCEP), the TPP, and The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Su, 2022).

On the one hand, compared with RCEP, CPTPP, and other FTAs in the Asia-Pacific region, the IPEF is not an actual FTA package. Instead, it emphasizes the

Table 1. Major Content of the Indo-Pacific Economic Framework.<sup>a</sup>

Pillar	Leading Agency	Subtopics	Negotiation Objectives
Connected Economy	Office of the United States Trade Representative	Labor, environment and climate, digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation	<ul style="list-style-type: none"><li>● Engage comprehensively with US partners on a wide range of issues.</li><li>● Pursue high-standard rules of the road in the digital economy, including standards on cross-border data flows and data localization.</li><li>● Address concerns in the digital economy, in order to ensure small and medium-sized enterprises can benefit from the region's rapidly growing e-commerce sector.</li><li>● Address issues such as online privacy and discriminatory and unethical use of Artificial Intelligence.</li><li>● Seek strong labor and environment standards and corporate accountability provisions that promote a race to the top for workers through trade.</li></ul>

Table 1. (Continued)

Pillar	Leading Agency	Subtopics	Negotiation Objectives
Resilient Economy	U.S. Department of Commerce	Supply chain resilience	<ul style="list-style-type: none"><li>● Seek first-of-their-kind supply chain commitments that better anticipate and prevent disruptions in supply chains to create a more resilient economy and guard against price spikes that increase costs for American families.</li><li>● Establish an early warning system, mapping critical mineral supply chains, improving traceability in key sectors, and coordinating on diversification efforts.</li></ul>
Clean Economy	U.S. Department of Commerce	Infrastructure, clean energy, decarbonization	<ul style="list-style-type: none"><li>● Seek first-of-their-kind commitments on clean energy, decarbonization, and infrastructure that promote good-paying jobs.</li><li>● Pursue concrete, high-ambition targets that will accelerate efforts to tackle the climate crisis, including in the areas of renewable energy, carbon removal, energy efficiency standards, and new measures to combat methane emissions.</li></ul>
Fair Economy	U.S. Department of Commerce	Tax, anti-corruption	<ul style="list-style-type: none"><li>● Seek commitments to enact and enforce effective tax, anti-money laundering, and anti-bribery regimes.</li><li>● Exchange of tax information, criminalization of bribery in accordance with UN standards, and effective implementation of beneficial ownership recommendations to strengthen efforts to crack down on corruption.</li></ul>

Notes: <sup>a</sup>Made by the author based on Arasasingham *et al.* (2022). Unpacking the Indo-Pacific Economic Framework Launch. Center for Strategic and International Studies (CSIS). May 23, 2022; The White House (2022a). FACT SHEET: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity.

so-called “shared democratic principles and universal values,” on which basis the members negotiate on rules for the digital economy, industrial chains, clean energy, taxation, and anti-corruption, and it does not involve negotiations on market access for trade in goods, trade in services and foreign investment. Furthermore, the IPEF has less binding force in that it will be implemented through executive order instead of congress ratification within the member states (Freeman, 2022). On the other hand, compared with the Belt and Road Initiative, the IPEF is a US-led

intergovernmental multilateral economic agreement, so it is still binding on the policy actions of its members. Moreover, the IPEF negotiations focus on only four areas, which are much smaller in range compared with the Belt and Road Initiative, and its framework design is more focused and refined than the latter (Wang, 2022).

Second, the IPEF is essentially the latest US attempt to recreate an economic circle exclusive of China in China's neighborhood and to lead the construction of a new structure for regional cooperation.

As an important part of the Biden administration's Indo-Pacific Strategy, the IPEF, despite being an economic initiative, has clear strategic and political intentions. Although it claims to be about cooperation, it in fact aims to rally the US Indo-Pacific allies to contain and isolate China. On the one hand, the IPEF membership is highly overlapped with that of RCEP, but deliberately excluded China, an active participant in regional economic cooperation with increasing influence. More intriguingly, in order to attract more of China's neighbors, especially India and some ASEAN countries, the Biden administration designed a system that allows the members to join any number of the four pillars, and has lowered the entry barriers and modified the terms multiple times (Hu, 2022). This shows that the IPEF is not oriented by market or development but has strong overtones of strategic gaming and competition with China. On the other hand, while China announced that it would consider joining the CPTPP, to which Japan repeatedly invited the US to return, the Biden administration eventually chose to give up joining this initiative with China, but instead launched the US-led IPEF. The IPEF cooperation includes almost exclusively the strategic industries that are key to US-China strategic competition, with some exclusive institutional arrangements clearly targeted at China's Belt and Road Initiative. This fully reflects the underlying intention of the US to incite other countries to decouple from China economically and to build a US-centered economic circle to isolate China.

Third, the IPEF is essentially a diplomatic signal deliberately released by the Biden administration at a special time to demonstrate to its Eurasian allies and partners the U.S. determination and ability to launch a comprehensive containment of China.

After the Russia-Ukraine conflict broke out, the United States and its Eurasian allies have been increasing their efforts to contain Russia and support Ukraine and have further strengthened forefront military deployment in Europe. Some of the US allies in the Asia-Pacific region are concerned that the Biden administration will thus be distracted from containing China or be caught in two wars in Eurasia and would thus weaken its focus on China (Shapiro, 2022; Veneziale, 2022). Since May 2022, the US has returned to its main line of strategy by conducting intensive diplomatic activities in China's neighborhood. On the one hand, it deliberately



links the Russia–Ukraine conflict with the Taiwan Strait, mongering the “China threat” relentlessly. On the other hand, it took the opportunity of Biden’s Asia-Pacific trip to launch the IPEF in a high profile, selling the so-called “free, open, resilient and inclusive” Indo-Pacific vision to its regional allies. By doing so, the US, to a large extent, is releasing a diplomatic signal to dispel the doubts of its Asia-Pacific allies and to rally the Eurasian partners against China. The signal is threefold: (1) China and Russia are the most important threats confronting the US and its Eurasian allies; (2) the Indo-Pacific region is still the key area for the US geopolitics, and it remains the top priority of the US global strategy to concentrate its diplomatic, military and economic forces to contain China, which will not be distracted by the Russia–Ukraine conflict; (3) the US can channel more attention and strategic resources to the Indo-Pacific region without undermining its security commitments to its European allies, and it is capable of winning the long-term strategic competition against China by expanding and consolidating the Indo-Pacific Strategy as well as achieving the Indo-Pacific vision shared by the US and its allies.

Fourth, the IPEF is essentially an upgraded “America First” policy that primarily serves the national interests of the US rather than economic development of the region (Song, 2021).

In recent years, from the Obama administration’s high-profile announcement of “pivoting to the Asia-Pacific” and joining the TPP, to the Trump administration’s withdrawal from the TPP, and then to the Biden administration’s launch of the IPEF, the US has been highly pragmatic about regional economic cooperation — to exploit it when it fits and abandon it when it does not. Since the introduction of the IPEF, the Biden administration has been emphasizing the so-called vision of a “free and open Indo-Pacific” and “shared values,” stressing that the IPEF aims to strengthen supply chain security and resilience through building new rules for digital trade, to enhance cooperation with Indo-Pacific allies in emerging technologies, and to safeguard US economic interests. It also emphasized that the IPEF will facilitate the expansion of US economic leadership and competitiveness of US workers and entrepreneurs in the region (The White House, 2022b, pp. 11–12). However, it has been ignoring the members’ appeals for opening US market access and lowering tariff and entry barriers (Lawder, 2022). This shows that the IPEF is only an interest-oriented policy choice made by the Biden administration, as well as a tool for the US to enhance its economic competitiveness and regional influence (Aoki, 2022). The real intention of the IPEF is for the US to take the lead in building a regional political and economic structure that is more favorable to the US and to gain economic and political interests from the region of great economic vitality and scale. The initiative is barely concerned about the economic and social



development needs and the members' domestic industrial structure, let alone making an actual contribution to regional peace and development.

### 3. Impacts of the Indo-Pacific Economic Framework

Considering that the negotiations are still at the initial stage and that the prospects are of high uncertainties, the IPEF is less likely to exert substantive impact in the short term. However, as the negotiations advance, it may have a “frog boiling” effect and a series of far-reaching impacts on China's surrounding international environment, China's foreign relations, East Asia/Asia-Pacific regional economic cooperation, as well as the world economic development and international order.<sup>1</sup>

First, IPEF may accelerate the implementation of the US Indo-Pacific Strategy and further elevate the US–China competition.

From the Trump administration to the Biden administration, the US Indo-Pacific Strategy advanced from conception to implementation. However, the strategy has had little effect in practice, due to the absence of a high-level regional institution, a solid basis of regional economic cooperation, and the support from the domestic community and Indo-Pacific allies and partners (Zhao and Li, 2022, pp. 24–46). In addition, influenced by the political and economic difficulties within the US, the COVID-19 pandemic, the Russian–Ukraine conflict and other factors, the Trump administration and the Biden administration have actually invested very limited strategic resources in the Indo-Pacific region.

In this context, as the economic pillar of the Indo-Pacific Strategy, the IPEF will facilitate the US in expanding and consolidating the Strategy, intensifying the economic competition between the US and China and increasing its pressure on the latter. Primarily, the IPEF may provide a platform for the US to lead the setting of new standards and rules in a series of important areas such as regional industrial chains, high-tech, digital economy, energy, and taxation, which will provide a higher level of institutional basis for the US to reshape the regional economic structure and strengthen regional dominance. Additionally, the US will utilize the IPEF to strengthen economic and trade cooperation and policy coordination with other regional members, weaken or block their economic and trade ties with China, and enhance the participation and competitiveness of US businesses and workers in

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<sup>1</sup>In this paper, the major members of East Asia refer to China, Japan, South Korea, and the 10 ASEAN countries; the Asia-Pacific regional economic cooperation also includes Australia, New Zealand, and the United States. Although the US is not geographically an East Asian state, it has special and close political and economic ties and entangled interests with the countries in the region for historical reasons. Therefore, this paper defines the US as an extraterritorial state. For discussion about the scope of regional economic cooperation in East Asia/Asia Pacific, see T. J. Pempel (ed.) (2005), *Remapping East Asia: The Construction of a Region* (Cornell University Press); Liu, G. et al. (2017). *Study on the Process of Regional Economic Integration in East Asia* (Tianjin: Nankai University Press), pp. 2–3.

the region, which will shape the regional economic cooperation and the domestic environment to be more favorable for the US to restructure regional supply chains, compete for regional market shares, and weaken China's economic influence. Lastly, the IPEF could facilitate US diplomacy of industries, technologies, and trade in China's neighborhood, which will bring the US closer to its Indo-Pacific allies and consolidate the diplomatic foundation for the US to participate in regional affairs and step up the containment of China. Once the IPEF is successfully implemented and reinforced by the US Indo-Pacific security alliance, the US will be more capable of concentrating on China and launching strikes with better precision.

Second, the IPEF will cause difficulty for China's neighborhood diplomacy and adversely affect the Belt and Road Initiative.

With the raging COVID-19 pandemic and the uncertainties of the Russia-Ukraine conflict, while the US promote IPEF to the regional members and call for a coordinated stance against China, it also aims to denigrate China and to sow discord between China and its neighboring countries. In the first half of 2022, the US has been using the Russia-Ukraine conflict to hype the Taiwan question and monger the "China threat" on various international occasions including the U.S.-ASEAN Summit, the Second Global COVID-19 Summit, and the QUAD Leader's Meeting. This has worsened the neighboring countries' anxiety about security vulnerability and their suspicion and wariness of China, preparing the regional members for joining the IPEF. Meanwhile, amid the increasing downward pressure on the world economy, the increasingly delicate and complex regional situation, and the varying levels of economic development of regional countries, the focused, segmented, and flexible design of the framework has enabled the US to achieve certain short-term results in rallying its Indo-Pacific partners, which ensured a smooth start for the IPEF.

In the short term, the IPEF cannot yet completely cut off China's economic and trade ties with other regional members. However, as the negotiations advance, the US is bound to use its advantages in markets, technology transfer, and investment to step up the denigration of China. It will also increase diplomatic efforts to enhance supply chain cooperation among the IPEF members in the digital economy, semiconductor chips, key raw materials, mineral resources, and so on, and to strengthen cooperation in export control and rule-making in key and emerging technology areas. In this case, the IPEF members are likely to redefine their China-related interests and become warier of China, which will, to varying degrees, threaten China's relations with ASEAN countries, Japan, Korea, India, Australia and other regional members. Moreover, it may affect China's cooperation with neighboring countries and BRI partner countries in areas such as digital trade, energy infrastructure, technology cooperation, and supply chains, or even hinder

China from joining CPTPP and Digital Economy Partnership Agreement (DEPA) negotiations (Wei, 2022, pp. 29–46).

Third, the IPEF may further aggravate the division within ASEAN and threaten ASEAN's centrality in regional economic cooperation.

After the Asian financial crisis in 1997, through the joint efforts and practical cooperation of the 10 ASEAN countries and China, Japan, and South Korea, a multi-level and multi-framework structure for regional cooperation centered on ASEAN was gradually formed in East Asia (Palmer, 1991; Zhang, 2015, pp. 1–58; Liu *et al.*, 2017, pp. 1–44). In recent years, fear of losing its centrality, ASEAN has been cautious and ambiguous about the US advocacy of Indo-Pacific cooperation, over which its members are highly divided. Also, ASEAN and the US have a very different understanding of the central position of ASEAN (Kuik, 2018; Sapiie, 2018; Yong, 2018; Jiang, 2019, pp. 52–58; Wei, 2019, pp. 1–11).

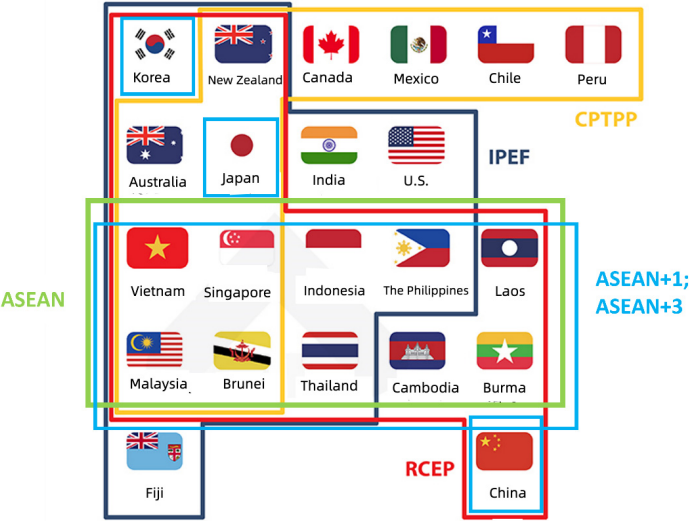
However, the launch and advancement of the IPEF negotiations may present even more severe challenges to the ASEAN centrality in regional economic cooperation. For one thing, as seven of the 10 ASEAN countries have already joined the IPEF as founding members, the pressure to pick sides between China and the US is likely to jeopardize ASEAN unity, aggravate the differences among ASEAN members in such aspects as China–US relations, trade rules, and supply chain security, while widening their economic gaps and increasing the difficulty for policy coordination (Zhou, 2021). For another, the Biden administration's efforts to use the IPEF to redefine the rules for regional cooperation, restructure regional industrial chains, and leading the evolution of regional order will make the ASEAN way less effective and legitimate in regional economic cooperation, while directly impacting a series of ASEAN-led initiatives such as the ASEAN Regional Forum, 10 + 1, 10 + 3, RCEP, and the East Asia Summit. Moreover, as the US intensifies its economic and strategic competition against China through the IPEF, the strategic game among major powers may further escalate in the region and Southeast Asia might even become their major battleground, which is likely to deteriorate the strategic environment in the region and destruct the external conditions on which ASEAN's centrality is based (Wang and Zhang, 2021, pp. 89–129).

Fourth, the IPEF may further undermine the basic driving force for regional economic cooperation in Asia-Pacific and impede regional economic integration.

For a long time after the end of the Cold War, the pursuit of economic interests has been the basic driving force of regional cooperation in East Asia/Asia-Pacific, which is manifested by the continuous advancement of regional economic integration. Driven by common economic interests, the major economies in East Asia are increasingly closer in trade and supply chain cooperation, and have developed a high level of complex interdependence, making the Asia-Pacific region the most dynamic and promising economic powerhouse globally. However, since the

financial crisis in 2008, as the major economies further intensified their competition for leadership in the Asia-Pacific regional economic cooperation, the synergy within ASEAN has been weakening, the shortcomings of the ASEAN model of “small horses pulling a big carriage” have become increasingly visible, and the members’ pursuit of individual interest has surpassed that of common regional economic interests (Huang and Sun, 2017, pp. 35–42; Liu *et al.*, 2017, pp. 45–90). Although there have been new mechanisms for regional cooperation, they are highly overlapped, competitive and difficult to coordinate, and some of them have become the tool for some countries to serve their own strategic interests (Jiang, 2019, p. 53). On November 15, 2020, after eight years of negotiations, the RCEP was officially concluded after the fourth RCEP Leaders’ Meeting, which marks a difficult but important step in the integration of cooperation mechanisms and the development of the regional institution in the Asia-Pacific (Jiang, 2021).

In this context, the IPEF will not only fail to promote the development of regional economic cooperation and the integration of regional cooperation mechanisms, but may even drive RCEP members further apart and intensify the competition and confrontation among different mechanisms for regional economic cooperation (as shown in Figure 1). Compared with RCEP, which is currently in force for 13 member states except for Indonesia and the Philippines, the IPEF is still at the initial stage of negotiation. Thus, it cannot rival or replace RCEP in Asia-Pacific regional economic cooperation in the short term. However, as the



Source: Made by the author.

Figure 1. Economic Cooperation Mechanisms in the Asia-Pacific

negotiations advance, the regional members will be less motivated by economic interests in regional economic cooperation, and some may start to linger between the two mechanisms. In the long run, the implementation of the IPEF will cause major adjustments to the existing regional economic structure, and is likely to weaken the central mechanisms for regional cooperation, undermine the regional trust network, and create bigger challenges to regional economic integration and the development of the regional institution.

Fifth, the IPEF may further accelerate the fracturing of the global supply chain and that of the international labor division system, causing greater uncertainties to the world economy and international order.

The COVID-19 pandemic and the Russia–Ukraine conflict have severely impacted global free trade and aggravated inflation worldwide, with some countries caught up in food, energy, and financial crises. The global economic growth is increasingly sluggish and complex, and there has been tremendous pressure for restructuring the supply chain and international division of labor based on the established multilateral trade system. This year, the IMF has lowered its global economic growth forecast for 2022 three times. The report released in July lowered the global economic growth forecast for 2022 and 2023 to 3.2% and 2.9%, respectively, warning that the global economy is facing multiple downside risks (Xiong, 2022). In May, UN World Economic Situation and Prospects 2022 lowered the global economic growth forecast from 4.0% to 3.1% (Liao, 2022).

In this context, the IPEF, which aims to serve US economic interests, built an economic circle exclusive of China, and intensified US–China strategic competition, which will bring greater uncertainty and instability to the already difficult world economy. On the one hand, the US efforts to reshape regional supply chains through the IPEF and induce other members to decouple from China economically will damage the current global supply chains, industrial chains, and the balance of international competition. It will also change global resource allocation, disrupt the traditional international labor division system, and undermine the environment for international trade and investment, adding more uncertainty and imbalance to the world economic recovery. On the other hand, through the IPEF, Washington will build rules of “high standards” in key areas such as digital economy, supply chain security, and clean energy. This process will further weaken the authority and legitimacy of the established international multilateral trade mechanism with WTO at the center, while threatening liberalization and facilitation of world trade and investment. More alarmingly, once the IPEF is successfully implemented as the Biden administration expects, and join forces with the US–Mexico–Canada Agreement (USMCA), the US–European Trade and Technology Council (TCC), and the American Economic Prosperity Partnership (APEP), the US may gradually establish a new multilateral trade mechanism that is superior to WTO and exclusive

of China, and thus will be one step closer to building a parallel system and dividing the world (Wang and Jiang, 2019, pp. 110–122).

#### 4. Prospects of the IPEF Negotiations

Generally, academic views are generally pessimistic about the prospects of the IPEF negotiations. Many scholars believe that IPEF is inherently defective and that the Biden administration is not capable of or committed enough to promote the negotiations, so the initiative is less likely to fulfill its promise and may even fall empty (Lovely, 2022; Goodman and Reinsch, 2022; Wang, 2022, pp. 72–73; Taweessrifuengfung, 2022, p. 74). This paper argues that the advancement of the IPEF negotiation depends largely on two factors: First, the political and economic situation within the US, and second, threat perceptions of other regional members of China and the comprehensive consideration of realistic interests.

On the one hand, after the US midterm elections, the Republicans regained control of the House of Representatives, and the Democrats took control of the Senate by a narrow margin. The Biden administration will be more constrained in domestic affairs, and may thus divert its focus of attention to foreign affairs and emphasizes more on the effectiveness of US foreign policy. In this context, the Biden administration may be more determined to accelerate the IPEF negotiations by using all the possible means.

On the other hand, considering the high inflation, downward pressure on the economy and the political and social difficulties within the US, the Biden administration probably has little political or economic leverage to advance the IPEF negotiations. Meanwhile, relevant parties and interest groups have irreconcilable differences over issues such as foreign trade, climate change, and infrastructure, which may further weaken the Biden administration's political ability to push forward the negotiations.

Since the US is reluctant to open up its market or lower the access barriers to other members, and has only limited economic and financial resources to invest in the Indo-Pacific region in the short term, it will probably try to attract members through such means as investment incentives, industrial transfers, and assistance in capacity development. It may also further prey on other members' security anxiety and their wariness of China by mongering the "China Threat," forcing them to compromise with the US and decouple from China in some of the key areas.

However, although Japan, Australia, South Korea, and other countries have expressed their expectations for greater US participation in the Indo-Pacific regional economic cooperation through the IPEF and for increasing investment in the region, India and most ASEAN countries are still highly doubtful about the substantive benefits the IPEF can bring to its members and whether there are



discriminatory provisions to developing countries (People's Daily, 2022). Moreover, unlike the US, most of the members now consider China as both a challenging competitor and a cooperative partner. In fact, they do not want to completely follow the US in decoupling from China economically, nor do they reject practical cooperation with China. Instead, they seek to cooperate with the US in security and China in economy, and maintain a subtle balance between reshaping regional partnerships and developing geo-economic competitions against China.

Therefore, given the domestic situation in the US and the attitude of the other members, it will be difficult to complete all the negotiations of the four pillars within 12–18 months. However, in the coming period, the four pillars may vary significantly in negotiation progress, and it is possible for the US to reach an agreement with regional members in some areas earlier than others.

- (1) Connected Economy: Due to the lack of market access and other trade incentives and the political difficulty in advancing topics related to labor, environmental standards, and cross-border data flow within the member states, it is barely possible to complete negotiations of all the subtopics in this area in the short term. However, in terms of infrastructure and rule-making in digital trade and other issues of common concern, a primary agreement may still be achieved (Meltzer, 2022).
- (2) Resilient Economy: The US attaches great importance to supply chain resilience, hoping to transfer the supply chains and industrial chains of semi-conductors and other key areas to other IPEF members, so as to decouple from China in economy and technology with precision. Moreover, the regional members clearly have higher security demands for their own supply chains and industrial chains, and are positive about accepting the US transfer, so it is probably less difficult for the parties to reach an agreement in this area (Du, 2022, pp. 87–105).
- (3) Clean Economy: The US is facing difficulties in promoting the Green New Deal domestically, and has only limited financial and technical support to provide to other members. Moreover, the member states are at different levels of economic development and transformation. Some Southeast Asian countries find the US goal of decarbonization and high standards in clean energy too ambitious to accept. Therefore, although all parties are motivated to cooperate in this area, it is less likely for them to reach an agreement in the short term (Benson *et al.*, 2022).
- (4) Fair Economy: The US attaches importance to negotiations on issues such as taxation and anti-corruption, hoping to attack particular Chinese enterprises, overseas Chinese people, and other entities in the name of anti-corruption,



anti-tax evasion, anti-money laundering, in order to gain economic benefits and disrupt the normal investment activities of Chinese enterprises overseas. However, subtopics under this area also touch upon the domestic politics of the member states and are not clear in detail and focus, and are thus less appealing to the regional members (Goodman and Arasasingham, 2022).

## 5. Conclusion

The IPEF proposed by the Biden administration has gone through three main stages — conception, preparation and engagement, and initial negotiation — and focuses on four key pillars: Connected Economy, Resilient Economy, Clean Economy, and Fair Economy. In fact, this framework supplements and reinforces the Trump administration's Indo-Pacific Strategy, while advancing the "America First" policy. It is a new attempt of the US to build an economic club exclusive of China in the Indo-Pacific and lead the construction of a new structure for regional cooperation, as well as a diplomatic signal deliberately released by the Biden administration to its Eurasian allies.

The economic prospects of the initiative are uncertain, but its political and strategic intentions are evident. In the short term, it can hardly cut off China's economic and trade ties with other founding members, nor can it rival or replace the existing regional cooperation mechanism represented by RCEP, or have any substantial impacts on China. However, it would be unwise to underestimate its long-term impact on US–China strategic competition, China's foreign relations and international environment, the Belt and Road Initiative, the Asia-Pacific regional cooperation, as well as the development of the world economy and the stability of the international order. To a great extent, the prospects of the IPEF negotiations depend on the domestic politics and economy of the US and the attitude of other members. It is less likely for the members to complete the negotiations of all the pillars in a short time, but the negotiations of the four pillars may vary significantly in progress, and it is possible for the US to reach agreements with other members on some key areas earlier than the others.

Facing the challenges posed by the intensification of IPEF negotiations led by the US, China should maintain its strategic determination, further enhance its independent innovation capacity, improve its level of openness to the outside world, and enhance its capability of agenda-setting and rule-making in regional economic cooperation and global governance. Meanwhile, China should continue to support and maintain ASEAN's centrality in regional economic cooperation, follow a policy of good neighborliness and friendship, and open its domestic market to more neighboring countries and BRI partners. It should also strive to create conditions for enhancing reciprocity within the Asia-Pacific region, carry

out practical cooperation with other members under the ASEAN-led cooperation mechanisms, and contribute to promoting regional economic cooperation and global economic recovery (Shen, 2019, pp. 1–28; Jiang, 2019, p. 56).

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