

# ***The Strategic Shift of U.S. Economic Framework Toward Asia Pacific: From TPP to IPEF***

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**Abstract:** The Indo-Pacific Economic Framework for Prosperity (IPEF) represents a significant pan-regional economic endeavor by the United States in the Indo-Pacific region following its departure from the Trans-Pacific Partnership Agreement (TPP) in January 2017. The primary objective of the IPEF is to enhance and consolidate American economic influence within the Indo-Pacific region. One of the TPP objectives encompassed this aspect. The four critical pillars of IPEF are Trade; Supply Chains; Clean Economy; and Fair Economy. Member states can choose to participate in different areas as they wish, without committing to all areas. However, the accord's true efficacy is still in doubt because there are no legally enforceable trade agreements or processes. Today, the United States still has certain challenges competing in the Asia-Pacific area for geoeconomic benefits. The paper investigates the shift in U.S. economic policy towards the Asia-Pacific region, specifically analyzing the transition from the TPP to the IPEF. The research primarily concentrates on the fundamental aspects, distinguishing features, consequences, limitations, and prospective advancements of the IPEF.

**Keywords:** Biden administration, Indo-Pacific Strategy, Indo-Pacific Economic Framework for Prosperity (IPEF), China, regional economic cooperation.

## **1. Introduction**

On May 23, 2022, US President Joe Biden unveiled the Indo-Pacific Economic Framework for Prosperity (IPEF). The framework was initially comprised of thirteen original member nations, with an open invitation for additional countries to join at any moment. At the online East Asian Summit presided over by Brunei in October 2021, President Biden first outlined his goals for IPEF. He enumerated a wide range of businesses where he aimed to reconsider the processes and standards of international business dealings. In Biden's Indo-Pacific Strategy, published in February 2022, an entire line is given to IPEF. It refers to IPEF as "a multilateral partnership for the 21st century" and describes it as the missing economic link in US geostrategic leadership in the Indo-Pacific region[1].

## **2. The Background of Asia-Pacific Economic Strategy**

The Trans-Pacific Partnership Agreement (TPP) is a significant trade agreement signed in 2015 by 12 nations that collectively account for 40% of global GDP. The Obama Administration hopes to accelerate US economic growth through this deal. The TPP will further expand this commerce and

investment between the US and the big and developing markets of the Asia-Pacific. These markets are already essential destinations for US manufactured goods, agricultural products, and service providers[2]. President Donald Trump abandoned the TPP on his first day in office. The CPTPP is an FTA created by the other 11 nations, excluding the US. The CPTPP provides a high standard for non-tariff measures and a dispute resolution system while reducing tariffs by 95%. China has also submitted a request to join the CPTPP in 2021. The ten ASEAN nations are a part of the China-backed RCEP. RCEP, which represents roughly 45% of the global population and about a third of global GDP, is one of the most ambitious trade groups in the world[3]. During his first trip to Asia, Biden publicly unveiled the IPEF, which revealed Washington's long-awaited Asia-Pacific economic policy. It happened five years after the United States left the TPP, which was considered a strategy to compete with China in the region.

### **3. Reasons for the Shift in Asia-Pacific Economic Strategy**

#### **3.1. System-level Perspective**

##### **3.1.1. The Strategic Importance of the Asia-Pacific Region**

The Asia-Pacific region's huge volume in population and economy has given it an essential position in the U.S. global economic strategy. The 13 countries of the IPEF include one country in the Americas, two countries in Oceania, and ten countries in Asia (7 of the 10 ASEAN countries have joined, while three countries, Myanmar, Laos, and Cambodia, have not joined), with a total area of 23.88 million square kilometers and a total population of 2.5 billion, which is about one-third of the world's total population. The total GDP of \$38 trillion, accounting for 41% of the world's total GDP, exceeds 30% of the global GDP covered by RCEP[4]. Such a substantial economic volume and population scale has undoubtedly strengthened the determination of the U.S. to build the IPEF.

##### **3.1.2. Serving for the U.S. Indo-Pacific Strategy**

The United States wants to increase its economic and political might in the "Indo-Pacific" region. IPEF was created to support the US Indo-Pacific Strategy and advance American interests at its core. It will even have a detrimental effect on the Indo-Pacific region because it is not focused on that region's post-epidemic economic recovery and growth.

One of the US Indo-Pacific Strategy's ten significant initiatives is the IPEF. Instead of the free trade agreements with reciprocal open market access and tariff exemptions that the regional countries desire, the US may utilize the IPEF to supplement its Indo-Pacific strategy and develop unilaterally driven economic cooperation arrangements. Thus, the IPEF departs from the established multilateral ideals of inclusivity, openness, equality, and reciprocity that support the Indo-Pacific region.

##### **3.1.3. Curb China's Economic Development**

The previous US-launched Indo-Pacific strategy is a political and security strategy, and the participating nations all have the strategic goal of containing and encircling China. Japan, India, and other countries actively participating in the strategy have political and regional security contradictions or conflicts with China. On the other hand, the ASEAN nations are less prepared to resemble the US on political and security matters closely. They are more keen on developing commercial and trade ties with China. As a result of China's active promotion of economic openness, win-win cooperation, and willingness to push for the creation of free trade zones, on the other hand, ASEAN nations have actively moved closer to China. In response to this trend, the United States has started planning to

strengthen the economic component of its Indo-Pacific strategy since it knows it cannot constrain China without the support of Asian nations.

### **3.2. Unit-level Perspectives**

#### **3.2.1. Containing China's Development**

The Biden administration views China as a "strategic competitor" and has imposed sanctions on it. The US Trade Representative Katherine Tai referred to the IPEF as an "arrangement independent of China" in a public statement. Such a plan would harm the unity of the Asia-Pacific region and regional economic integration, given the size and influence of China's economy in the region and the potential repercussions of artificially fragmenting the trade system and cutting off supply lines.

#### **3.2.2. Combat with the RCEP**

Five nations with free trade agreements with ASEAN, including the People's Republic of China, Japan, Korea, Australia, and New Zealand, make up 15 parties to the Regional Comprehensive Economic Partnership (RCEP). The ten ASEAN member nations started this advanced free trade agreement. On January 1, 2022, it goes into effect for most of the 15 member nations, with Korea entering into force one month later. It affects roughly a third of the world's population and about 30% of the global GDP[4].

Other external economies, including those in South Asia, Central Asia, and other Oceanian nations, are also welcome to participate in the pact. Reduced tariff and non-tariff barriers are part of the RCEP's goal to establish a free trade agreement with a single market. Following approval and the start of its implementation, members will agree to cut their tariffs to zero wholly and immediately within ten years.

In order to pull China out of the regional trade and supply system, the IPEF wants to direct these nations—which trade with China frequently—into other supply chains. In essence, this would result in a closed, exclusive, and adversarial system in the region that is motivated by geopolitical and ideological goals in opposition to multilateralism.

## **4. The Core Content and Characteristics of the IPEF**

The IPEF consists of four pillars. Firstly, a connected economy, more excellent standards, and regulations for digital trade, such as cross-border data flows, are the four core pillars of IPEF. Secondly, a resilient economy and supply systems that can survive unanticipated interruptions like the epidemic. Thirdly, a clean economy emphasizes projects and commitments related to renewable energy. The last is a fair economy that practices fair trade, has laws that combat corruption, and has efficient taxation. Contrary to previous conventional trade agreements, the IPEF does not contain any legally enforceable clauses and does not aim to expand free trade or "market access" by lowering trade barriers or reducing regulations. Instead, it seeks to support "common standard-setting partnerships". Despite the lack of clarity in the details, the IPEF's objective to create a "China-exclusion coterie" is obvious. China's expanding influence in the Pacific is intended to be resisted by the new "framework." The "America First" stance of the American government is another notable aspect of the IPEF.

A Supply Chain Agreement was produced at the IPEF Ministerial Meeting in Detroit, Michigan, in May 2023. The IPEF Supply Chain Agreement aims to strengthen U.S. economic cooperation with partners in the Indo-Pacific region and boost U.S. competitiveness globally by collaborating to improve supply chain resilience, efficiency, productivity, sustainability, transparency, diversification, security, equity, and inclusivity. Economic collaboration with Indo-Pacific allies and raise American

competitiveness internationally. The agreement is the first product of the IPEF's first year of operation, with member nations having started discussions on four "pillar" concerns. Other more complicated topics that are anticipated to require more time to negotiate include trade, clean energy, revamping the tax code, and fighting corruption. In keeping with its strategic objectives, the US anticipates bolstering the IPEF's implementation. The IPEF has now finished five rounds of negotiations, and additional developments are expected in the remaining three pillars. The two main challenges about collaboration in the new economy and new technologies are trade and clean economy issues. It is concerning and requires more observation to determine whether and how these agreements can be reached.

In terms of economic volume and population volume, IPEF is larger than RCEP, CPTPP, and USMCA. IPEF is not a conventional Free Trade Agreement (FTA), unlike TPP or CPTTP. Tariff reductions or increased market access have yet to be specified. Individual pillars may be discussed and agreed upon apart from other pillars. Nations can join any combination of the four pillars without being required to join the other pillars. Once a nation joins a pillar, it is assumed to dedicate itself to all its components[5]. This is distinct from conventional FTAs, when parties negotiate each topic concurrently until it is resolved. At this point, they are either expected to join the final agreement or exit fully. Since Article I, Section 8 of the Constitution, gives Congress authority over foreign commerce, the Biden administration has suggested that IPEF will not be submitted to Congress for approval, as with conventional FTAs[5]. Instead, an Executive Order will be used to implement IPEF.

The "Framework" in the IPEF's name is its primary verb. Although the IPEF and TPP are essentially distinct, the IPEF can be said to incorporate several of the TPP's provisions. The IPEF uses a cutting-edge strategy to interact with America's Asia-Pacific Partners on economic concerns as it seeks to develop an exclusive, binding trade norm. In addition, the US intends to participate through IPEF in some fields to challenge China by changing the rules rather than directly competing with it.

## **5. The Effect of IPEF to the US, China and the Asian-Pacific Region**

IPEF is a crucial step for the United States in its attempt to participate in the Asia-Pacific region's economy. The United States must take action to alter the regional economic system and restore the credibility of the regional economy. It is an economic addition to the American Indo-Pacific strategy.

China may experience further pressure in developing industries like semiconductors, healthcare, and the digital economy. Conversely, the US finds cutting China out of the regional industrial and supply chains challenging because IPEF needs more control over the China-led RCEP.

Although IPEF lacks a market, limiting its impact, it will help ASEAN nations and other key countries in the Asia-Pacific area regarding trade and investment. The economic rivalry between China and the United States in the Asia-Pacific region, on the other hand, is reflected in IPEF, which hastens the fragmentation of the Indo-Pacific region.

## **6. Analysis on the Defects and Prospects of Indo-Pacific Economic Framework**

### **6.1. Uncertain Outlook with Pitfalls**

The United States establishes and enforces norms and regulations to which member states must adhere. Hence, the process of developing standards exhibits basic dissimilarities. In addition to an initial roster of participants and delineating four fundamental policy principles, the IPEF necessitates further elaboration on the negotiation specifics. The IPEF offers some discernible benefits from the lack of regulations such as tariffs and quotas, particularly concerning market entry[6]. When juxtaposed with other free trade agreements in the Asia-Pacific region, such as the TPP and the RCEP, this particular deal appears to be deficient and devoid of substantial content.

## **6.2. Fragmentation of Regional Economic Development**

Rather than prioritizing the holistic development of the region, the IPEF is driven by the individual interests of its participants. Including exclusive or punitive elements in the IPEF may conflict with the obligations outlined in regional free trade agreements such as the RCEP and CPTPP. This might undermine the longstanding norms of openness, inclusivity, equality, and reciprocity preserved by multilateral institutions in the Indo-Pacific region. There is little question that the IPEF is causing erosion and injury to ASEAN's leadership position, hence disrupting the meticulously established regional structure that has evolved over a considerable period.

## **6.3. The Fragmentation of the Framework Rules**

Further clarification about the enforceability of IPEF's rules within a court of law is required. The IPEF presents a more flexible alliance than the TPP, offering a complete and legally binding trade agreement. The subject matter needs a coherent set of logical principles. The IPEF prioritizes the geopolitical interests of the United States and Japan over the implementation of stringent rules, such as tariff reductions and market access, in the countries within the region[6]. The IPEF often makes pledges lacking clarity and precision. Nevertheless, translating these commitments into specific legislation and obligations that countries are willing to acknowledge poses a significant challenge.

## **6.4. Limited Influence of the IPEF**

The ASEAN states frequently resist aligning themselves with the United States or China in light of the United States' co-optation, instead opting for a cautious and observant stance. The impact of the IPEF on the supply networks and manufacturing of the Indo-Pacific area is not found to be statistically significant. The inability of Southeast Asian nations to effectively manage complex production processes can be attributed to their inadequate infrastructure and limited technological capabilities.

## **6.5. Strong Geopolitical Overtones and Purposes**

The IPEF ideologizes trade matters and agreements with opposition ideals, breeds hostility and discord. The IPEF ostensibly presents itself as an economic endeavor. However, it possesses a discernible strategic objective. The IPEF uses economic initiatives, economic means, and strategic pressure to coerce Asia-Pacific countries to "choose sides" between China and the United States. The Biden administration's attempts to politicize, weaponize, and ideologize economic affairs will, to a certain extent, undermine the security and stability of the Asia-Pacific region and the overall pattern of regional economic cooperation.

## **7. Conclusions**

Since taking office, Biden has stated that China is the most significant strategic foe of the U.S., and the U.S. strategy toward China continues to be one of competitiveness. The Interim National Security Strategic Guidance, published by the Biden administration in March 2021, identifies China as the United States' biggest strategic rival in the future and notes that "China, in particular, has rapidly become more assertive." It is the only rival able to combine its technological, diplomatic, military, and economic might to pose a long-term threat to an orderly and open international system[7].

The Asia-Pacific area is seeing an increasing geopolitical and geo-economic significance as the global economic center gradually shifts towards the East. The United States believes that its "Indo-Pacific Strategy," designed to enhance regional leadership, continues to face deficiencies in economics and trade. This is primarily due to the perception that the TPP is considered "politically defunct" within U.S. electoral politics. At the same time, the associated "Indo-Pacific Strategy" has



also encountered political stagnation. The primary factor contributing to the lack of support for the "Trans-Pacific Partnership Agreement" inside the U.S. election politics discourse system is its perception as a political liability, resulting in a dearth of endorsement for its national security policy of regional economic arrangements. Consequently, the Biden administration seeks to reconfigure an economic framework in the Asia-Pacific region that embodies the concept of prioritizing American interests. The administration's strategic imperative drives this endeavor to enhance regional influence and offer Asia-Pacific nations purported alternatives to collaborating with China.

IPEF is now only seen as an administrative arrangement of the Biden administration that still needs to provide a helpful service. The IPEF's judicial foundation needs to be more solid because it is not a law passed by Congress. Additionally, it lacks a method for resolving disputes. The following American administration may eliminate it right away. Academic opinions regarding the IPEF negotiations' chances are typically negative. According to several academics, IPEF is intrinsically flawed, and the Biden administration needs more ability or commitment to advance the negotiations, which will likely affect the practical effects of cooperation and agreements between member states. As a result, the program has a lower chance of succeeding and even has a chance of failing.

Without question, IPEF has started a new U.S.-China policy arms race. The IPEF is merely a tiny component of American efforts to rival China more fiercely in trade and economic matters and to create a "new economic cold war bloc" to do so. China and the United States will inevitably compete regarding internal and foreign policy development, implementation, and efficacy.

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