



By: Tomorrow's Affairs Staff

US and Indo-Pacific partners versus Chinese influence in the region

Index	Value	Change	% Change
Korea	2,039.65	↓	-1.29
Hong Kong	23,425.33	↑	+120.36
HSI Volatility	17.17	↑	+1.03
Malaysia	1,670.12	↔	+1.85
Singapore	2,843.94	↓	-0.68
Taiwan	9,317.24	↓	+33.25
Hochiminh	687.88	↔	-1.01
Hanoi	85.23	↔	-0.31
Philippines	7,708.93	↑	-12.64
China	3,082.6680	↓	-2,051.0
SHSZ300 Index	3,318.6030	↓	+2,362.3
Indonesia	5,411.607	↓	+2,319
India	29,197.45	↑	+381.88

Exactly one year after it was launched, the initiative of the US and 13 Indo-Pacific economies has produced its first result. An agreement has been reached on future cooperation on supply chains.

It is one of the 4 pillars of the Indo-Pacific Economic Framework for Prosperity (IPEF), designed as a mechanism for expanding the US economic presence in the region and a platform for limiting China's regional economic influence.

The agreement reached in Detroit over the weekend by the ministers of the 14-member initiative represents a boost to President Joe Biden's administration, which has devised this new model of cooperation with partners in the Indo-Pacific region.

The IPEF is an attempt to use a creative model to lead the US out of a passive economic position towards the region, which began in 2017 when Donald Trump's administration withdrew from the negotiations on the Trans-Pacific Partnership (TPP).

A pre-election point for Biden

A bipartisan consensus and political will on a comprehensive economic agreement with Asian partners that would include issues of tariffs, trade, and standards. As the TPP could not be established in Washington, so the IPEF comes as a less binding alternative.

President Joe Biden is under pressure to deliver success in the Indo-Pacific region in the pre-election year. It is a strategic priority for the US in the eyes of both political camps.

Since leaving the TPP, US attempts to regain influence in the region have been sporadic and often oriented to non-economic spheres, such

as the security orientation of the Quad and AUKUS (Australia, UK, US).

Declining US economic influence in the Indo-Pacific has been partially offset by the first IPEF deal, even though it was too early and ambitious to expect it to be a game-changing formula.

The pillar dedicated to the supply chain was the easiest issue on which to reach a quick agreement. It is the response of the US and Indo-Pacific partners to the crisis that emerged in the supply chains during the Covid-19 pandemic, the consequences of which are still present.

IPEF participants do not want a repeat of dramatic supply disruptions, so the Detroit agreement establishes a mechanism for prevention and rapid joint response in any future event that threatens to disrupt supply chains.

"We learned the hard way during the pandemic...how intertwined these global supply chains are. The new cooperation absolutely would have helped us secure American jobs and keep supply chains moving", said US Secretary of Commerce Gina Raimondo.

A weakness turned into an advantage

Although agreements on the other 3 pillars (trade, clean economy, tax, and anti-corruption) continue, their harmonisation will require more time and complex discussions.

In the past year, when the initiative was launched, a too-loose and not-too-binding framework has often been highlighted as its

great weakness, but it may turn out to be its key quality.

IPEF participants can decide which of the 4 areas of cooperation they will focus on, adapting them to their economic interests.

So, for example, India will participate as an observer in the area of trade, but in the remaining 3 areas it will participate at full capacity.

The IPEF provides a good framework for Vietnam to reconcile its aspirations to be economically integrated, whilst at the same time preserving autonomy.

"Vietnam wants significant degrees of policy freedom and did not want to choose between the US and China. The IPEF gives Vietnam flexibility and does not demand it take sides", said David Dapice from the Ash Centre for Democratic Governance and Innovation at Harvard Kennedy School.

By participating in Biden's initiative, particularly after the first agreement, the Indo-Pacific countries showed that they were waiting impatiently for the impulse from the US to strengthen economic ties. The years of US absence from the partnership caused damage to their economies as well.

China lacks a response to the soft approach

The IPEF is designed to recognise the still strong links of all Indo-Pacific economies with China and to provide relief from an 'either-or' position.

[The] IPEF is intentionally designed not to be "a "

same old 'traditional trade agreement. Instead, it's designed as a more innovative and flexible approach, designed to reflect the fact that our economies have changed", said Secretary Raimondo.

National Security Advisor Jake Sullivan highlighted IPEF's unconventionality as its advantage, not its disadvantage -" it is a 21st century economic arrangement designed to tackle 21st century economic challenges".

The fact that the IPEF is not a typical free trade agreement and does not include agreements on tariffs and other trade aspects makes it easier for everyone involved, including the US, to reach agreed standards in 4 significant areas.

Agreements within the IPEF will not require the support of the US Congress or lengthy and risky verification in the institutions of other members of this initiative. This will accelerate cooperation and make it more efficient without internal political risk.

"This 'soft law' framework allows for quick U.S. action into the region", said Julien Chaisse, a trade professor at City University of Hong.

China recognised that the essence of the IPEF is aimed at reducing its economic influence in the region but does not have many ways at hand to counter it, precisely because of its flexibility, not typical of traditional economic agreements.

China's main complaint is that it views US initiatives in the Indo-Pacific, including the IPEF, as an attempt to create a "closed club," which is essentially true but only applies to China, not to other partners in the region.

"While we need to restrain illegal and aggressive moves by China, we also need to respect their legitimate concerns. It would be a mistake to treat them as an enemy rather than as a serious competitor", said David

Dapice.

With its first agreement on the supply chain, but also with the innovative logic of international economic agreements, the IPEF will avoid such a mistake for the time being.