Main Objectives and Outlook of the Indo-Pacific Economic Framework

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At the East Asian Summit held in October of 2021, the Biden administration proposed the Indo-Pacific Economic Framework (IPEF), which aims to newly establish economic security relations with the Indo-Pacific nations. This idea has been discussed in consideration of the economic importance of the Indo-Pacific region, which accounts for 50% of the world’s GDP and two-thirds of world economic growth. The region turns out to be a gigantic area, encompassing more than half of the world’s population, 65% of the world’s oceans, and 25% of the Earth.

In addition, the US plans to respond to China's initiatives, which have aggressively expanded its economic, diplomatic, and military influences in the Indo-Pacific region. In this respect, it has taken various actions to maintain the established order and to respond to the new challenges of the 21st century in cooperation with the Indo-Pacific countries. The US aims to balance the influences in the Indo-Pacific region in favor of the US, allies, and partner countries, and not to drastically change China.

In order to deal with global issues including climate change and non-proliferation, the US recognizes the necessity to cooperate with China.
as well as its allies. Specifically, climate change has posed serious challenges in South Asia and the Pacific Islands, and Covid-19 has been a global pandemic. The nuclear weapons and missile programs of North Korea have destabilized the regional as well as global security.

Reviewing the above-mentioned economic and geopolitical importance of the Indo-Pacific region, the Biden administration made public the Indo-Pacific Strategy in February of 2022, declaring its commitment to an Indo-Pacific that is “free and open, connected, prosperous, secure, and resilient.” The strategy sets up the following five detailed objectives: to advance a free and open Indo-Pacific, to build connections within and beyond the region, to drive regional prosperity, to bolster Indo-Pacific security, and to build regional resilience to transnational threats.

The US also announced the following ten core actions to be taken in the next one to two years: to drive new resources to the Indo-Pacific; to lead an Indo-Pacific economic framework; to reinforce deterrence; to strengthen an empowered and unified ASEAN; to support India’s continued rise and regional leadership; to deliver on the QUAD; to expand US-Japan-ROK cooperation; to partner to build resilience in the Pacific Islands; to support good governance and accountability; and to support open, resilient, secure, and trustworthy technologies.

On the 23rd of May in 2022, the US officially launched the IPEF consisting of the initial members: the US, Korea, Japan, India, Australia, New Zealand, and some ASEAN members including Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. Right after the official US declaration, Fiji became the 14th country and the first Pacific Island nation to join the IPEF.

Basically, the US aims at reorganizing the Indo-Pacific trade order centered around the US allies which share the same values of democracy and freedom. One of the main US objectives is to strengthen its role in the Indo-Pacific region by mixing economics, security, development, and global challenges, including climate change. During the next 12 to 24 months, the IPEF member countries are scheduled to discuss the following four pillars proposed by the US administration.

Pillar 1 deals with the new trade issues to facilitate fair and resilient trade along with digital, labor, environment, and other elements. Specifically, the IPEF members will “seek to build high-standard, inclusive, fair, and trade commitments and develop new and creative approaches in trade and technology policy that advance a broad set of objectives that fuels economic activity and investment, promotes sustainable and inclusive economic growth, and benefits workers and consumers.”

Pillar 2 focuses on the various issues to strengthen supply chain resiliency, which is one of the most urgent global as well as regional economic challenges raised in the wake of the Covid-19 pandemic and Russian invasion of Ukraine. The IPEF members will work “to improve transparency, diversity, security, and sustainability in the supply chains to make them more resilient and well-integrated.” They will “seek to coordinate crisis response measures: expand cooperation to better prepare for and mitigate the effects of disruptions to better ensure business continuity; improve logistical efficiency and support; and ensure access to key raw materials and processed materials, semiconductors, critical minerals, and clean energy technology.”


2) The QUAD, the Quadrilateral Security Dialogue, is a multilateral political dialogue between the US, Japan, India, and Australia, which was launched in 2007. It was regarded as the US response to the increasing Chinese economic and military power.


Pillar 3 relates to infrastructure, clean energy and decarbonization, which are global issues beyond the IPEF members. "In line with the Paris Agreement goals and efforts to support middle class jobs," they "plan to accelerate the development and deployment of clean energy technologies to decarbonize" their "economies and build resilience to climate impacts. This involves deepening cooperation on technologies, on mobilizing finance, including concessional finance, and on seeking ways to improve competitiveness and enhance connectivity by supporting the development of sustainable and durable infrastructure and by providing technical assistance."

Taxes and anti-corruption are the two issues to be discussed in Pillar 4. The IPEF member countries "are committed to promoting fair competition by enacting and enforcing effective and robust tax, anti-money laundering, anti-bribery regimes in line with existing multilateral obligations, standards, and agreements to curb tax evasion and corruption in the Indo-Pacific region. This involves sharing expertise and seeking ways to support capacity building necessary to advance accountable and transparent systems."

The main objectives of the IPEF seem to pursue the 21st century global trade rules covering digital trade, climate change, and anti-corruption, which are yet to be discussed in multilateral trade negotiations. In addition, it is reputed to be an economic security negotiation which focuses on security aspects between members with the same values of democracy and freedom. The IPEF is regarded as a timely US response to the ever-increasing Chinese influences in the Indo-Pacific region in view of the regional trade environment, following developments such as the Regional Comprehensive Economic Partnership (RCEP) taking effect in January of 2022, or the US withdrawing from the Trans-Pacific Strategic Economic Partnership (TPP).

Many countries welcome the US initiative of the IPEF as it reveals the high priority set on the economic and strategic importance of the Indo-Pacific region. But there have been debates about membership to the framework. Taiwan failed to join the IPEF because of dissenting voices from the ASEAN member countries. The US did not invite three ASEAN countries (Myanmar, Laos, and Cambodia) due to political reasons.

According to the Indo-Pacific Action Plan, the US administration will pursue ten core lines of effort in the next 12 to 24 months. To facilitate the IPEF negotiations, the US Commerce Secretary will lead talks on three out of the four pillars (supply chain resiliency, infrastructure, clean energy and decarbonization, and tax and anti-corruption), while the trade pillar will be led by the USTR.

The USTR will possibly pursue high standard trade rules to be discussed in Pillar 1 because the US is expected to ask the IPEF partners to level their playing fields. Regarding the issues related to supply chain resiliency to be discussed in Pillar 2, developing countries are known to expect increased US foreign investment in their strategic products. In the exchange of requests from the developing countries, the US will possibly ask the developing partners to participate in the discussions about coordinated traceability protocols, cybersecurity risk, and cooperation on critical minerals.

On the other hand, the US President Joe Biden declared plans in June of 2022 for the US administration to invest 40 billion dollars, with the goal of creating a values-driven, high-standard infrastructure to help finance projects in developing countries. This plan is regarded as the US counter to China’s Belt and Road. The issues related to incentives for clean energy transition, capacity building and financing, among others, to be discussed in Pillar 3 are welcome to the IPEF member countries. But it is still uncertain whether the detailed action programs for the B3W (Build Back Better World) will be released by next year.

In 2021, the OECD member countries agreed to launch the BEPS (Base Erosion and Profit Shifting) 2.0 initiative for a more transparent tax
environment by 2024, which will be discussed in Pillar 4 of the IPEF. For developing countries including India and ASEAN countries, however, multilateral obligations to curb tax evasion and corruption will be possibly regarded as the disguised barriers to trade and thus reduce their necessities to participate in this Pillar.

The IPEF will not be a traditional trade deal because the TPA (Trade Promotion Authority) already expired in July 2021, and furthermore the Biden administration has shown little interest in renewing the TPA. However, it is known to be a prerequisite for new trade deals because it ensures only a yes or no vote for a trade agreement by the US Congress without any amendments. Without the TPA, US President Biden is not authorized to enter into reciprocal trade agreements or to negotiate tariff agreements without congressional approval. As a result, the Biden administration will not pursue a comprehensive and binding treaty which needs to be approved by the US Congress, but instead prefers an executive agreement which is “a flexible lattice of mutually reinforcing but independent modules.”

The IPEF members are allowed to participate in a part of the four Pillars, which means that they are free to select a pillar. It is widely agreed that it will be relatively time-saving to finalize negotiations in each of the module-type Pillars, but it will be more difficult to attain a balance of interests in a whole set of Pillars. IPEF partners negotiating with the USTR will take a risk that a trade deal signed by a president will be substantially amended by Congress. The modular structure incentivizes IPEF members in a camp of developing countries to select only part of the Pillars, which may jeopardize the US vision of “a free and open, connected, prosperous, secure, and resilient Indo-Pacific.”

Therefore, discussions about market access issues through tariff reduction/elimination need to be facilitated to expand the opportunities for give and take in the negotiations, which is known to be a good vehicle to solve the free-rider problem. The USTR will need to pursue tariff negotiations with the IPEF partners under TPA in order to exert the full power to liberalize the markets of negotiation partners. It will also contribute to attaining high commitments in rule-making within the Indo-Pacific region.

IPEF partners seem to be concerned about the durability of the IPEF because of the volatility of US domestic policies. The US had taken the strong initiative of launching the TPP since 2005, but withdrew from it under the Trump administration. Furthermore, US President Joe Biden seems to put more emphasis on domestic policies than trade issues. The US administration will possibly set the target date for the final conclusion of the IPEF at the end of the next year in consideration of the US election processes. It will need to win bipartisan support to insulate the IPEF negotiations from trade politics in the next couple of years because it may take much more time to compromise in the contentious issues.

For its part, Korea will need to actively participate in the multilateral processes to set up global rules on digital, environment, and clean energy through membership of the IPEF because the Korean private sectors have strengthened their competitiveness in the global markets and these new trade issues will help upgrade the Korean economy. As we are all aware, global supply chain risks tend to be magnified due to increasing interdependency, which provides uncontrollable negative impacts for the whole economy. The discussions in the IPEF fora will be beneficial for the Korean economy if the IPEF members will “expand cooperation to better prepare for and mitigate the effects of disruptions.”

6) Picone (2022) pointed out that the promise of duty-free access to the US market has been critical for securing commitments on digital, labor, and other sensitive issues in past US trade agreements. He also emphasized that the absence of market access commitments has raised questions as to how its trade obligations could be enforced. Picone, Brian, “United States and 12 Indo-Pacific Countries Begin Discussions on Indo-Pacific Economic Framework, but Stop Short of Launching Formal Negotiations,” White & Case LLP (Whitecase.com), (2022): 5–6, https://www.whitecase.com/publications/2022/united-states-and-12-indo-pacific-countries-begin-discussions-indo-pacific-accessed-July-20, 2022.
Opportunities and Challenges in Today’s Korea’s Relations with China

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With a new leadership in Korea having come in last May, a change in foreign policy was to ensue. The new President Yoon Suk-yeol during his presidential election campaign has already made such a change explicit. His foreign policy team introduced the landmark for his new foreign policy in an article published in Foreign Affairs last February. In this article entitled “South Korea Needs to Step Up,” the then presidential candidate described his foreign policy as a “global pivotal state.” Korea as such a state, he envisioned, was to contribute to the world’s freedom, prosperity and peace. The whole notion of a global pivotal state is that it is time for Korea to pursue a foreign policy that correlates the nation’s world economic and defense standing along with its technology. Since Korea has sufficient power to spare for this endeavor, the new government wants to undertake the task of building a foundation as a mainstream strategy to materialize its foreign policy vision and goals.

The foundation was to comprise of three pillars. One was to rebuild the Korea-US alliance, implying recovering lost confidence and trust from the previous Korean government. The other was to enhance cooperation with like-minded states and allies in confronting global challenges. In the end, a global coalition based on international networks in the realms of not only security but also the economy is to follow. Another is to strengthen regional cooperation, first at a minilateral level, and later at a regional level. At the minilateral level, Korea-US-Japan trilateral cooperation, for instance, has been the pursuit. At the regional level, it will mean enhancing institutionalization of regional defense and economic cooperation. Indo-Pacific Strategy and QUAD, for an example, is for defense, while the Indo-Pacific Economic Forum (IPEF) and “Chip 4” are for the economy.

Following his inauguration on May 10, 2022, President Yoon immediately implemented his foreign policy vision. Less than a week after the inauguration, he in his National Assembly address on May 16 declared his decision to join America’s IPEF scheme. He also accepted U.S. President Joe Biden’s desire to visit him prior to attending the scheduled QUAD summit in Tokyo on May 25. In less than two weeks after taking office, President Yoon was able to hold a summit with the American president in his backyard. A joint statement following the summit outlined the specifications for cooperation measures between the two countries, ranging from defense, security, and technology, to economic areas.

His government also has been active in trilateral meetings with the United States and Japan. Prior to the Yoon government, the previous government also participated in such meetings in February and March. In June, the newly appointed Korean Defense Minister of the Yoon government for the first time joined the trilateral meeting in Singapore. They agreed on furthering military cooperation including joint exercises. The three nations also held additional meetings in June July, respectively. In June at the NATO summit, the three leaders held a trilateral summit. In the next month in Bali, Indonesia, the three foreign ministers gathered to reaffirm their nations’ commitment to diplomatic cooperation.

Korea’s new foreign policy, a global pivotal
state, is well received by the allies and the like-minded countries as it is based on common values we share together. On the contrary, those who have difficulties embracing the values that Korea shares with others are not pleased to see the way it is heading with its foreign policy. To them, it means Korea joining American-led containment policy against them. Korea as part of the US alliance with like-minded countries for now will have no other choice but to depict itself in such a state to the eyes of those contained. Hence, America’s containment policy will affect Korea’s relations with those targeted.

Korea’s relations with China are no exception. The more the Yoon government engages in America-led security initiatives, the more it will affect the government’s relations with China. The effects on Korea-China relations will be two-sided. One is positive and the other negative. The positive aspect will depend on how Korea plays out its position in the America-led security architecture. It, in other words, will have to secure its national interests, especially those pertaining to China. The negative aftermath, or the challenges, will arise from China not being properly understanding Korea’s intentions and goals of joining America’s architectures. At worst, Korea’s failure to persuade China will inevitably stall the bilateral relationship to the extent that it will have “crossed the bridge of no return.”

2. Opportunities for the New Government
Korea and China have not had a summit since June 2019. Even back then, it was at a multilateral venue, the G-20 Osaka Summit. Furthermore, the last time Chinese President Xi Jinping visited Seoul was in 2014. He has not reciprocated former President Moon Jae-in’s visit to Beijing in December 2017. Although there have been some foreign ministerial meetings along the years, not one higher-level meeting was held.

Against this background, however, many pundits once thought a new leader in a new government would be a turnaround in the bilateral relationship. It means the two countries would have a new playing field to play out their stalled bilateral relationship. In an ordinary and normal circumstance, it would have been the occasion. To our dismay, however, it seems there is no such hope with the Yoon government thus far, as it has not shown interest in pursuing such an end.

Regardless, there is still an opportunity to lay the groundwork for a bilateral relationship. All it takes is Korea’s new government taking the initiative. Korea is the one that has introduced a new leader and a new government. Hence, it should be its decision as to whether it wants to build a new playing ground for its relations with China to move forward. It has the opportunity to level the playing field that tilts heavily towards China as a result of its THAAD deployment in 2017.

Korea has an opportunity to level the playing field if and only when it wants to. President Yoon has already expressed such a desire during the presidential election campaign and after the election. He and his government do not see the temporary prescription to the THAAD conflict, also known as “3 No’s,” as legally binding. They do not regard it as a formal agreement between the two governments. As a former legalist, President Yoon should possess effective knowledge and argument to rebuke the so-called “3 No’s,” from his predecessor. He should utilize them to rebuke the informal, temporary, and non-binding, understanding that was yet a mere consensus that the Moon government and his Chinese counterpart had reached in October 2017.

The Yoon government should take the initiative to mend the relationship since it is the new comer to the diplomatic world. Beijing is left convinced that Korea’s new government must inherit the “3 No’s” from its predecessor. China has all the right to believe so because it is long-standing diplomatic practice. Hence, if it deems there is a problem left from the previous government, and if it refuses to inherit it, the new government must make it known to the counterpart party. What the new government had said, especially if it did not
present it in an official way, it must make official. If it wants to renounce the "3 No's," it must do so diplomatically and follow a diplomatic protocol. An abrogation cannot come from one side in a unilateral way, regardless if it were a treaty or not. It would be particularly the case with China largely because it believes the "3 No's" as a promise and an agreement between the two countries.

An opportunity to enhance the bilateral relationship is there with Korea’s augmented status and role in some prospective international architectures. The Indo-Pacific Strategy, IPEF, for instance, are salient examples. Korea is on track to join the Indo-Pacific Strategy, and already declared its commitment to IPEF. America’s initiatives are in need of Korea’s support and proactive contribution. There are many reasons for it. Its geo-political strategic value is one asset that makes it an irresistible and an undeniable partner in the security architecture. On top of that, the current Korea-US alliance and US Forces in Korea (USFK), in addition to its world-class military forces, should position Korea at the core of the Indo-Pacific Strategy’s decision-making group.

In addition, Korea’s status as a powerhouse for the core industries of the Fourth Industrial Revolution also makes its competitive position a valuable asset to the materialization of the prospective economic architecture in IPEF. Korea must take advantage of such industrial status and position, and cash it into its voting power. It should secure a strong bargaining position that can eventually facilitate mediation between the United States and China. The United States would like to use IPEF as a leverage platform over the supply chain to China, whereby what goes and what does not go to China will be determined. Korea should become an effective player in this platform, and perhaps a spokesperson for the interests of those excluded from IPEF. It is not an impossible scheme largely because it is the United States, who is in desperate need of Korea’s participation and not vice versa.

3. Challenges to Korea-China Relations

There is only one challenge that Korea will have to deal with China. That is, to effectively persuade China of its new foreign policy. Beijing is well aware of the Yoon government wanting to adopt a new policy that it deems will better serve Korea’s national interest. It has already expressed its understanding via editorials in the Global Times in March. The Yoon government’s foreign policy will naturally have to be different from that of the previous one adopted five years ago. Since then, Korea’s international security and economic environment has undergone a significant change.

Beijing would like to see Seoul giving it a briefing on its new foreign policy outlook and goals. It has not had a chance to hear about them in person but had to base its learning only through second-hand sources. In the end it can only raise the chances of misunderstanding and misperception on China’s part. Its relations with Seoul are already in a stall and the only way to improve the situation will be to have direct communication on the subject.

As mentioned before, Seoul wants to amend its relations that remain stagnated by the previous government. It has not denied this intent. Rather, it has emphasized since the coming of the incumbent government its desire to better its relationship with Beijing. However, to date, to our dismay, its words have not been met with action. President Yoon had one phone conversation with his Chinese counterpart, and Korea’s foreign minister did not fare any better. A foreign minister meeting will be in China in mid-August.

On this occasion, South Korea must seize the opportunity in leading the meeting and setting the tone for outstanding issues from the previous government. South Korea will have to set the agenda and avoid being defensive against China’s criticism and doubts. China will apparently raise some critical issues to our national vital national interests such as THAAD, the Indo-Pacific Strategy, IPEF, and others alike. If Korea fails to take the initiative, it will be on the defensive, and pushed to the corner. The result will be either
Korea will be in a conceding position or be offended to the extent that it loses its appetite for the improvement of the relationship with China.

Korea must prepare to meet China’s challenge to its defense cooperation with the United States and Japan. China’s foremost concern regarding the security development related to Korea is the expansion of its alliance beyond the United States, incorporating Japan into it. Korea has already made it explicit that it has interest in expanding military cooperation with the two countries. The three countries in principle already agreed on joint military exercises. Korea can expect Beijing’s straightforward criticism on the matter as the latter has already warned the former of its concerns in the “3 No’s.” One of the no’s was to oppose a US-Korea-Japan military alliance.

Secondly, Korea must be aware of the current developments in the relationships between friends and foes. Japan and China’s relations, for instance, are at their nadir since the diplomatic relationship was established in 1972. Korea’s pursuit of furthering security ties with the United States and Japan is undergoing change against this background. In addition, we all know strains upon US-China relations are also intensifying. Korea still wants to pursue a trilateral defense cooperation. It is time for Korea to ask itself whether it is aware of the strategic consequences of such a pursuit at this particular time or not. Is Korea taking an all or nothing approach here? It is not the ideal course for maximizing national interest purposes or for minimizing loss of that interest.

Lastly but not least, Korea must prepare its own list of questions instead of an answer sheet when there will be a diplomatic engagement with China. Korea has long shown a propensity to be defensive in its encounters with foreign powers instead of initiating the agenda for talks. To become a global pivotal state and contribute to world freedom, peace, and prosperity, Korea must alter its once passive attitude and position towards proactive ones, raising questions, setting the agenda, exerting a leverage, and making the rules and norms.

4. Concluding Remarks
The ball is currently in Korea’s court. Korea must toss the ball over to the Chinese side of the court. To do so, it has to be able to succeed in persuading them of its foreign policy goals. In this vein, Korea can consider the following three policy suggestions. Primarily, it must persuade its own people with its foreign policy vision and goals. THAAD, for instance, must be resolved domestically first. Local protests are still ongoing and the locals have blocked access to the deployment site. Under the circumstances, the supply of daily goods to the USFK at the site is experiencing tremendous difficulties. Korea as an ally is losing face to the United States. It must find a way to persuade the locals and secure their support. It can also apply itself to the government’s pursuit of improving relations with Japan. Without backing from home, Korea cannot succeed in persuading outsiders. The Korean government must be reminded that the most powerful source for diplomatic leverage is from one’s own people. The people’s support is the most powerful diplomatic weapon.