

Filling In the Indo-Pacific Economic Framework

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Executive Summary

The Biden administration has presented the outlines of an “Indo-Pacific economic framework” as the proposed vehicle for U.S. economic engagement in that vital region. A credible and durable economic strategy in Asia is critical to advancing U.S. commercial, diplomatic, and strategic interests. The Biden framework holds promise in this regard but needs to be developed in a way that meets several tests: providing tangible benefits for both Americans and Indo-Pacific partners; advancing binding rules and hard commitments as well as broad principles; being managed in a coherent and coordinated way; and meeting the administration’s commitments to transparency and inclusiveness. This paper offers constructive suggestions on the contents and organization of the administration’s concept with the goal of enhancing its prospects for success.

Introduction

On October 27, 2021, the Biden White House released a [short statement](#) offering a readout of the president’s participation in the annual East Asia Summit. It included the following paragraph:

President Biden also announced that the United States will explore with partners the development of an Indo-Pacific economic framework that will define our shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonization and clean energy, infrastructure, worker standards, and other areas of shared interest.

In issuing this statement, the Biden administration was following a traditional pattern for new presidents attending their first round of annual summits in Asia: presenting the contours of a U.S. economic strategy toward that critical region.

The need for such a strategy is compelling and urgent. The United States has deep and abiding interests in the Indo-Pacific region, which accounts for roughly half the world’s population, economic output, and trade, and where there is a fierce competition over whose economic rules and norms will prevail. Other

countries are actively negotiating trade agreements to establish regional rules and preferential access, while the United States largely sits on the sidelines. America's allies and partners in the region view the U.S. military and diplomatic presence in the region as welcome but insufficient; they also expect the United States to be an active, reliable, and durable partner in regional economic affairs.

The Biden administration's proposal for an "Indo-Pacific economic framework" (henceforth, "the IPEF" or "the framework") is clearly intended to address those imperatives. The headline issues listed in the White House statement cover many important areas of U.S. and regional partner interest. While few details have been released, it appears that the administration views the IPEF not as a single undertaking, like a traditional trade agreement, but rather as a platform for separate negotiations on topics of interest, conducted at varying speeds, with different configurations of countries, and with an array of potential outcomes.

As the authors of this paper have [frequently argued](#), we believe that U.S. economic and strategic interests would best be served by membership in a comprehensive, high-standard regional trade agreement in the Indo-Pacific. This could be achieved by returning to a revised Trans-Pacific Partnership (TPP) or applying to join its successor agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). TPP brought the United States together with 11 like-minded partners in the Indo-Pacific region to establish high-standard, binding rules on many of the issues that will shape America's future prosperity and security, from the digital economy to the role of the state in the marketplace. Although former president Trump withdrew the United States from the agreement in early 2017, leading U.S. allies and partners in the region, especially those in CPTPP, still hope that the United States will eventually return to a comprehensive, high-standard regional agreement like TPP. We also believe that there is more domestic political support for well-crafted trade agreements than is commonly assumed, as evidenced by the bipartisan congressional approval of the U.S.-Mexico-Canada Agreement ([USMCA](#)) in 2019.

However, it is apparent that the Biden administration is not yet prepared to take that step. The White House's clear preference is to develop the IPEF into a credible platform for U.S. economic engagement in the Indo-Pacific region. **In our view, the IPEF holds promise, but it will need to be well engineered and managed if it is to advance U.S. economic and strategic interests, become a credible alternative to other regional initiatives, and be seen by allies and partners as a durable U.S. commitment to the region.**

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That is the purpose of this paper: to spell out specific objectives and suggested policy actions in each of the six areas identified in the White House statement and to offer thoughts on the negotiating process and target participants in the IPEF.

Fleshing Out the Framework Contents

The October 27 White House statement listed six substantive issues to be included in the IPEF. As discussed further below, all are worthwhile topics for U.S. engagement with regional partners and would advance U.S. economic interests, including those of American workers, consumers, and businesses large and small. However, the administration has offered little detail to date on what it hopes to accomplish in each area or in the framework overall. To successfully advance U.S. interests and convince regional partners that it is serious, the administration will need to spell out clear objectives and detailed policy actions in each of the six areas.

Wherever possible, the framework should seek to advance binding rules and hard commitments that go beyond broad principles and goals. This is important both to advancing U.S. economic and strategic interests and to winning the congressional and public support needed to make the IPEF successful. **At the same time, to obtain U.S. requests for stronger rules and standards, the Biden administration will need to offer tangible benefits to regional partners, especially less-developed ones.** Partners will have little incentive to join an initiative in which the benefits are perceived as mainly going to the United States. They will also want to be convinced that U.S. commitments under the framework are durable and not likely to be overturned by future administrations.

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With those considerations in mind, we offer below a number of recommended objectives and policy actions in each of the six areas, in the order listed in the White House statement.

TRADE FACILITATION

Simplifying and improving import and export procedures at the border are critical to promoting jobs and growth, particularly for small and medium-sized enterprises (SMEs). In the Indo-Pacific region, SMEs account for **60–70 percent** of employment but only **35 percent** or less of direct exports, meaning there is ample room for growth. Economists **estimate** that the Trade Facilitation Agreement (TFA) that entered into force among World Trade Organization (WTO) members in 2017 could produce cost reductions of more than 14 percent and growth of international trade of up to \$1 trillion annually. And advances in digital technology since the TFA was concluded, such as blockchain and smart contracts, would further reduce frictions at the border. Helping countries meet their TFA commitments and take on additional ones should be a key part of the Biden administration's supply chain strategy in the region.

Appropriate commitments to support SMEs could include:

- Promoting greater SME participation in Indo-Pacific markets by providing capacity building and technical assistance to fulfill TFA commitments and by increasing access to broadband connectivity;
- Promoting exchange of information and best practices on SME digitization and access to capital, trade finance, trade missions, and training programs; and
- Encouraging use of regulatory impact assessments to review and minimize the adverse impact of new regulations on SMEs.

In pursuing these efforts, the Biden administration should draw on and deepen the work on **trade facilitation** and **SMEs** in the Asia-Pacific Economic Cooperation (**APEC**) forum.

As discussed in the digital section below, the United States should also join the Digital Economy Partnership Agreement (DEPA) signed by Singapore, New Zealand, and Chile in 2020. Among other things, DEPA expands digital inclusivity and attempts to increase information and tools available to SMEs to participate in the globalized digital economy. Other provisions of DEPA, such as interoperability requirements and digital invoicing provisions, are also likely to increase SME participation in both the analog and digital economies.

At the same time, the United States should pursue commitments from IPEF participants on an array of customs-related issues, including:

- Enhanced customs procedures such as improving the transparency and availability of relevant laws, regulations, and procedures; expanding electronic processing of information and documents; and facilitating their acceptance by customs authorities;
- Promoting the use of “single windows” for import, export, and transit; and
- Establishing “trusted trader programs” to facilitate customs clearance for traders that meet specified security criteria.

Partners in the Indo-Pacific region, particularly less-developed countries, should generally welcome these steps because they provide tangible benefits in expediting two-way trade and promoting growth and inclusiveness. However, progress in this area will not likely be seen by partners as producing the same level of benefit as greater access to the United States market, a point we discuss further in the Negotiating Process section below. Thus, it is unlikely by itself to create a powerful incentive for partners to accept U.S.-preferred rules in other areas.

STANDARDS FOR THE DIGITAL ECONOMY AND TECHNOLOGY

The Biden administration is right to make the digital economy a centerpiece of the proposed IPEF. As the Covid-19 pandemic has made clearer than ever, governments, businesses small and large, workers, and consumers alike are increasingly dependent on the internet and digital technology. During the pandemic, **90 percent** of Americans say the internet has been essential or important to them. U.S. industrial machinery, automobiles, aerospace, and other U.S. goods producers increasingly rely on digital technology to remain globally competitive, as do services industries, in which the United States is the global leader. In the Indo-Pacific region, the number of internet users is expected to grow to **3.1 billion** by 2023. Yet there are few agreed-upon global rules to secure and expand the opportunities of the digital economy while managing the risks, from cyberattacks to unauthorized use of personal data.

That said, there has been significant progress in developing U.S.-preferred digital rules and norms in the Indo-Pacific region. The United States was instrumental in winning agreement among the original 12 TPP members on a set of **cutting-edge commitments** in the digital arena. These commitments were adopted in CPTPP, then built upon in the **USMCA** and the U.S.-Japan Digital Trade Agreement (**USJDTA**), both signed in 2019. In addition, a number of U.S. partners in the Indo-Pacific region have moved forward with advanced digital provisions of their own, including **DEPA** and the Singapore-Australia Digital Economy Agreement (**SADEA**), both signed in 2020, as well as the just-concluded Korea-Singapore Digital Partnership Agreement (**KSDPA**).

Even since these more recent agreements were signed, the digital economy has evolved further, and new rules are needed to cover issues such as improved patient access to high-quality healthcare, better protection of online consumer privacy, and enhanced standard-setting in the digital economy. There is now a strong case for integrating the principles and rules in the various Indo-Pacific digital deals into a broader regional agreement and adding new rules to cover the emerging issues. Among other things, a new agreement should include rules to:

- Prohibit restrictions on cross-border data flows and data localization requirements, including for financial services;
- Ensure nondiscriminatory treatment of digital products;
- Prohibit customs duties on digital products distributed electronically;
- Prohibit forced disclosure of proprietary computer source code and algorithms;

- Promote the protection of personal information in digital trade, ensuring that information is transferred across borders consistent with strong privacy principles;
- Permit the use of electronic authentication and e-signatures, while protecting consumers' and businesses' confidential information;
- Promote access to government-generated public data in formats usable by SMEs; and
- Promote the interoperability of privacy rules and related enforcement regimes, such as the APEC Cross-Border Privacy Rules (CBPRs), while respecting U.S. federal and state privacy laws and regulations.

The proposed agreement should establish new digital governance rules that ensure trust through risk-based regulation that fosters continued innovation in the digital economy and safeguards public policy interests. Moreover, a new digital agreement should be designed to close the digital divide and promote greater inclusion in the digital economy for small businesses, women and minority entrepreneurs, gig workers, and others that have had less favorable access or opportunities in the digital economy. The Covid-19 pandemic has also shown the vital role of digital technologies in providing essential healthcare, especially for underserved patients in both urban and rural settings. An inclusive digital agreement is both an economic and political imperative. Smaller businesses and individual entrepreneurs are a critical source of growth for all economies and are increasingly dependent on the internet; they need rules that promote access and certainty. Moreover, as a political matter, domestic support for U.S. participation in Indo-Pacific economic arrangements such as the proposed digital agreement under the IPEF depends on the gains being seen to be shared widely among all segments of society.

The Covid-19 pandemic has also shown the vital role of digital technologies in providing essential healthcare, especially for underserved patients in both urban and rural settings. An inclusive digital agreement is both an economic and political imperative.

A related issue is the role of the U.S. Congress in a formal digital agreement, discussed further in the Negotiating Process section below. Although it is often argued that a sectoral agreement not involving market access concessions by the United States does not require congressional approval under trade promotion authority, this underestimates Congress's likely intense interest in any Indo-Pacific agreement on the digital economy. In fact, difficult as the congressional process will be, formal legislative approval of the proposed digital agreement would be preferable, since only this will ensure that the rules and principles negotiated are binding and durable—and perceived as such by America's Indo-Pacific allies and partners.

While a negotiated agreement covering the core rules of digital trade is necessary, we believe it is not sufficient, for two reasons. First, not all Indo-Pacific countries will have the willingness or capacity to participate in high-standard negotiations of the kind proposed here. Second, there are numerous aspects of the digital economy that may be difficult to capture in a binding trade agreement but would benefit from further cooperative work in the region. These include:

- Mitigating the risks of cyberattacks and cyber theft;
- Dealing with fraudulent, misleading, or deceptive commercial activities online;
- Developing new ways to make the internet and digital trade tools widely available to underserved groups;
- Promoting greater financial inclusion for people through use of digital tools;

- Establishing an annual digital SME dialogue involving relevant stakeholders to exchange information and best practices on digitization and internationalization of SMEs;
- Promoting digital workforce skills;
- Developing ethical and other standards for the use of artificial intelligence;
- Seeking cooperation in the standards-setting process as it affects the digital economy; and
- Creating opportunities to collaborate on digital technology policies that support global health and climate change objectives.

Therefore, we believe that the digital module of the IPEF should involve concentric circles of countries and issues: at the core, negotiation with as many willing partners as possible of a formal agreement with binding rules; surrounding it, forums for discussion and agreement on digital principles, practices, and capacity building with a broader group of interested partners. This approach would advance U.S. economic interests, provide tangible benefits for a range of Indo-Pacific partners, and set the stage for those not initially prepared to join a formal agreement to eventually do so. (See the section below on target countries for further discussion of these points.)

The Biden administration should ensure that the digital provisions of the IPEF build on and connect to related provisions in other regional agreements such as APEC, DEPA, SADEA, CPTPP, USMCA, and USJDTA. We believe that the United States should join DEPA, whose modular approach and focus on emerging issues align with the proposed U.S. approach in the IPEF. U.S. participation would ensure that DEPA's provisions are strengthened and leveraged, and not watered down or used by others to the disadvantage of U.S. interests.

SUPPLY CHAIN RESILIENCY

The Covid-19 pandemic has been a powerful incentive for companies and governments to rethink their supply chain strategies and to build resilience and redundancy into them. The IPEF presents an opportunity for the United States to pursue its supply chain interests with Indo-Pacific partners that already play a critical role in its value chains and manufacturing ecosystem.

First, IPEF participants should commit to coordination on mapping, transparency, and information sharing on critical supply chains, starting with a clear definition of what is “critical.” They should begin with adopting an approach similar to the one agreed to in the inaugural U.S.-EU [Trade and Technology Council](#) meeting, which has resulted in the bilateral launch of information gathering and sharing platforms.

Second, to hedge against future geopolitical stresses, framework participants should commit to cooperation on sharing information with other participants on supply chain stress testing and early-warning systems for shortages and bottlenecks through formal government-to-government channels. While closer coordination will not eliminate risk, it will better enable partners to weather future storms, whether induced by climate, pandemic, or other sources. To supplement this work, a core group of IPEF members should evaluate the feasibility of creating joint stockpiles or strategic reserves of essential goods. It also would be beneficial to develop mechanisms for testing and certification of components used in critical infrastructure.

Third, advanced-country participants in the framework such as the United States, Japan, and Australia should also agree to coordinate development finance projects to secure access to key raw materials and critical minerals. This could include, for example, infrastructure investments to pave roads, develop airports, and improve ports. The European Union recently announced \$341 billion in spending in public-private funds, some of which will be used to counter Chinese influence in Africa through the construction of new, sustainable infrastructure. Advanced-country IPEF participants should similarly seek to invest in

infrastructure that supports sustainable supply chains not only regionally but also globally. These countries should also agree to provide technical assistance to less-developed partners in the region.

Finally, IPEF participants should develop common standards for transparent, trusted, and sustainable supply chains. This would include developing shared principles on supply chain working conditions and prohibiting importation of products derived from forced labor or illegal logging. Countries should aim to provide technical assistance on elevating labor standards and protecting workers, which they should also do in concert with existing International Labour Organization (ILO) programs in the region.

DECARBONIZATION AND CLEAN ENERGY

A key goal of the Biden administration has been action on climate policy and the promotion of decarbonization. It makes sense, then, for the administration to make this a priority in the IPEF as well. That means taking steps to deepen cooperation among framework participants on the development of new technologies, investment strategies, and roadmaps that advance environmental sustainability. These steps should strive to achieve net-zero emissions and integrate environment as a core issue in other modules of the framework, including environmental standards, building on USMCA commitments. In that regard, there are a number of useful steps the United States should pursue.

First, framework participants should agree to promote increased investments in technologies that have environmental remediation capabilities as well as climate change mitigation benefits. For example, countries should work in concert to deploy [carbon-capturing cement](#) products on an industrial scale, which would require substantial upfront investment. Three of the world's top five cement-producing countries are in the Indo-Pacific region. Investing in new technology to decarbonize cement production would ensure that cement itself becomes a carbon storage mechanism.

Second, IPEF participants should work together to scale up environmentally beneficial investments while eliminating harmful investments. That means enhancing information sharing on which countries are best situated to house certain aspects of the renewable energy transition, whether it is leveraging the development of a new solar field in Australia or investing in offshore wind in Indonesia. It also means creating common standards for risk exposure and disclosure, which would help avoid long-term overreliance on stranded assets, such as depreciating fossil fuel extraction schemes or funds that are over-leveraged in climate-exposed assets. More transparent and environmentally friendly investment protocols will better insulate the region from possible turmoil resulting from the energy transition.

Third, participants should commit to expanding regional carbon offset markets, including the Australian-led [Indo-Pacific Carbon Offsets Scheme](#). This would protect crucial carbon sinks, such as the Sumatran jungle, while reducing countries' dependence on environmentally problematic exports, such as coal shipments to China. The United States should lead the way by committing to a purchase agreement of Indo-Pacific carbon offsets equal to or greater than income received from extractive exports to China.

Fourth, participants should agree to increase demand for renewable power throughout the region. That would have the additional benefit of offering U.S. firms an opportunity to build facilities that would benefit from cheap renewable electricity, while simultaneously helping firms avoid or reduce tariffs levied via carbon border adjustment schemes. If governments in the region can agree to adopt policies that would attract the relocation of manufacturing firms while increasing and accelerating investment in renewable-energy projects, this would in turn increase demand for renewable energy, creating a competitive market that drives distribution and adoption of decarbonized electricity. In addition, to create competitive energy markets, IPEF participants should agree to phase out fossil fuel subsidies.

Finally, the administration should take the opportunity to encourage framework partners to commit to increasing market access for environmental goods and services, and by participating in and leading renewed negotiations on the WTO's proposed Environmental Goods Agreement (EGA). Doing so, particularly if commitments include services, would put direct climate change mitigation and worker-centric trade at the forefront of regional and multilateral trade policy objectives.

INFRASTRUCTURE

In light of the massive need for infrastructure in the Indo-Pacific region—as much as \$26 trillion between 2016 and 2030, according to the [Asian Development Bank](#)—and the challenges posed by China's Belt & Road Initiative (BRI), the Biden administration is right to make this an element of the IPEF. In fact, the administration has already been prioritizing global infrastructure, winning support from Group of Seven (G7) leaders in June to the [“Build Back Better World” \(B3W\)](#) initiative. It makes sense to try to operationalize B3W in the Indo-Pacific region.

IPEF participants should be asked to commit to the Group of Twenty's (G20) [quality infrastructure principles](#) agreed to at Osaka in 2019. The Biden administration should also seek deeper commitments from IPEF participants on transparency, such as making government contracts public, or at a minimum sharing contract information with one another. This would differentiate the IPEF from BRI's opaque approach, including the [unusual confidentiality clauses](#) often found in BRI contracts. Moreover, transparency commitments—which would also apply to the United States, as it is not always as forthcoming as it could be with contract information—would align with the Biden administration's anti-corruption focus.

The infrastructure module should also incorporate relevant commitments on sustainability, in all senses of the word—financial, environmental, and social. This would include a requirement for life-cycle cost assessments for infrastructure projects, a prohibition against new coal-fired power plants, a commitment to enhanced worker rights, and a requirement that community consultations be a part of project planning (to include gender equity considerations). Again, among its other benefits, this approach would contrast the IPEF favorably with China's poor treatment of its workers on BRI projects and with the [lack of a gender dimension to BRI](#).

Finally, the United States should explore creating a fund that includes public and private financing, for which partner countries that sign on to the deeper commitments on infrastructure become eligible. In addition to providing a direct benefit to recipient countries, the fund and related commitments should help reduce risks for private investors, supporting the B3W objective of mobilizing private capital to boost infrastructure investment.

Whether via a new fund or existing mechanisms, serious public funding commitments are essential to achieving U.S. infrastructure strategy goals in either the B3W or IPEF. Among other things, public resources are needed to prepare projects, build capacity in recipient countries, and provide first-loss guarantees and other incentives that reduce risks for prospective investors and catalyze private investment.

WORKER STANDARDS

Forced labor and human trafficking are persistent problems in the Indo-Pacific region. In line with the ILO Declaration on Rights at Work and according to [labor standards in the USMCA](#), the IPEF should integrate labor as a core issue throughout other elements of the framework, including seeking agreement on the adoption of USMCA-like dispute-settlement provisions. For example, commitments to integrate worker standards into digital policy can help reduce barriers to participation in the digital economy among disadvantaged groups and spur growth among SMEs in the region. Integrating worker standards into existing agendas provides additional leverage to workers and elevates a worker-centric trade agenda.

Concurrent with Department of Labor goals, the Biden administration should seek IPEF participants' commitments to enforce labor provisions of existing trade agreements in the region, while providing capacity building and other program support to ensure that workers are treated fairly. Furthermore, the United States should work to obtain commitments to elevate worker rights and inclusivity, including using worker training programs and educational initiatives to encourage women and disadvantaged people's participation in the workforce. Given the sensitivity of this issue with some countries, using APEC in its traditional role as "incubator" to enhance labor standards and norms in the region during the likely [U.S. host year in 2023](#) would be a sensible approach. Finally, one specific commitment the United States should seek from IPEF parties is not to block the work of companies and nongovernmental organizations in analyzing and certifying the status of their supply chain participants' labor practices. As countries have become more aggressive in opposing forced labor, for example, the ability of companies to track their supply chains and ensure they are not compromised has become an important element of worker rights enforcement.

OTHER AREAS OF SHARED INTEREST

In addition to the six topics above, the White House statement on the IPEF also stated a desire to work with regional partners on "other areas of shared interest." The Biden administration is reportedly exploring several other topics, including export controls, investment screening, taxation, and anti-corruption. These are all worthy topics of discussion with regional partners, as is one other cluster of issues: subsidies, including transnational subsidies, and state-owned enterprises. But again, the Biden administration will need to offer tangible benefits for Indo-Pacific partners, especially less-developed ones, to win their acceptance of U.S.-preferred rules and standards in these areas.

Negotiating Process

Although the substance of the IPEF is the most important element, process also matters. The administration's proposal raises two fundamental process questions that are closely related:

- Whether there will be one negotiation or a "menu" approach in which countries may subscribe to general principles but then pick and choose the individual areas where they want to make more specific commitments; and
- Whether the framework or any of its elements will be submitted to Congress for approval.

The administration appears to prefer a menu approach with an overall framework of principles and goals to which countries would be asked to commit. Discussions on each of the various goals, such as those outlined above, would then proceed separately, with different groups of countries participating in different modules. The anticipated result would be a matrix in which some countries make commitments in all the areas and others only in a few. Commitments might range from agreements to cooperate and share information to enforceable obligations.

This approach contrasts with the more traditional concept in trade negotiations of a single undertaking in which all issues on the agenda would be negotiated simultaneously, with countries expected to subscribe to the final agreement in its totality or to withdraw. This approach has been used in previous multilateral trade negotiations, successfully in the case of the Uruguay Round and unsuccessfully in the case of the Doha Round, and it is the standard approach for bilateral and regional free-trade agreements.

The challenge of either approach, as noted above, is for the United States to offer tangible benefits sufficient to obtain the commitments it desires from the other countries. Committing to vague principles is easy, and that part of the proposal will likely be well received by partners. Translating those commitments into specific rules and obligations that countries would accept will be much more

difficult and will require the United States to put something on the table as well. The obvious candidate is market access concessions, although commitments in areas like digital commerce and competition and decarbonization should be considered as well. Thus far, however, there is no indication the administration has grappled with that issue.

The additional challenge of a menu approach is falling into the no-risk, no-reward trap. The administration will likely face situations where only a small number of IPEF participants, primarily our close friends and allies, are willing to make meaningful commitments. In a number of the areas the administration has proposed under the framework, such as digital trade and climate, even an agreement among a small number of parties could be meaningful, and there is always the possibility of expanding the membership over time. The best outcome would be many countries making strong commitments in all the areas being negotiated. However, the choice in the end may be between many participants but weak commitments and fewer participants but stronger obligations. **What is important is to have a sufficient critical mass of countries to shape regional rules and norms, as well as sufficient incentives to encourage other countries to join over time.**

It would be helpful for the administration to regularly get advice on how best to do that and, as negotiations continue, comment on what progress they are making. In that regard, the administration's concern about transparency and inclusion is well taken. It has committed itself to a more consultative and transparent policymaking process and has criticized previous administrations for listening primarily to the business community and focusing less on addressing the interests of workers, consumers, and civil society groups. **It is important that the administration consult with all stakeholders: labor, small and large businesses, consumers, and environmental and other civil society groups, as well as the U.S. Congress** (see below).

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The other challenge of a menu approach is that it could add to the “spaghetti bowl” problem, wherein a network of separate agreements with different memberships, different levels of commitment, and different rules causes confusion for exporters and investors and complicates compliance. Moreover, an initiative with six or eight different strands of work poses a major coordination challenge for the U.S. government. **For the framework to be sustained and effectively implemented, there will need to be a single high-level coordinator, either a senior White House official or a designated cabinet officer.** Without such central coordination, the IPEF is likely to suffer from incoherence and inconsistency and lose relevance over time.

The second issue is the role of Congress. Initial administration statements suggest that any framework negotiating objectives or outcomes would not be submitted to Congress for approval. This is likely a mistake for two reasons. First, Congress is ever mindful of Article I, Section 8 of the Constitution, giving it preeminence on trade policy, and does not usually regard a promise to consult as adequately meeting the requirements of that section. The administration might get away with it because Congress has no immediate recourse, but proceeding without congressional approval would surely become an issue later on when other trade issues come up.

Second and more important, a decision not to submit the framework or agreements negotiated under it to Congress implies that it will not contain any obligations that require congressional action. That

rules out any market access concessions as well as any changes in law on issues like digital trade, digital competition, or decarbonization. That in turn tells partners from the beginning that they have little to gain from the United States by negotiating any agreements under the IPEF. In other words, the Biden administration is suggesting a process in which other nations are expected to commit to do only what the United States is already doing or is seeking.

That is a myopic approach that does not take into account the likelihood that other nations will have expectations for the United States, just as Washington has for them. **We believe that formal legislative approval of the proposed agreements under the framework would better ensure that the rules and principles negotiated are binding and durable—and perceived as such by America’s Indo-Pacific allies and partners.** Regardless of whether it decides to seek congressional approval, the administration should consult closely with Congress throughout the process.

Target Countries

In an [interview](#) during her mid-November trip to Asia, U.S. commerce secretary Gina Raimondo said, “We intend for the framework to be flexible and inclusive so that many different countries can participate.” This is commendable—the ultimate goal of the IPEF should be to get as many willing countries as possible to sign on to its principles and rules—but it leaves a number of practical questions about which countries to include in different parts and stages of the process.

Formal legislative approval of the proposed agreements under the framework would better ensure that the rules and principles negotiated are binding and durable—and perceived as such by America’s Indo-Pacific allies and partners.

Despite Secretary Raimondo’s statement, it appears that the Biden administration is considering limiting participation in the framework, at least initially, to willing partners in East Asia and Oceania. That would presumably include U.S. treaty allies such as Japan, the Republic of Korea, Australia, and New Zealand, as well as close partners like Singapore. (The question of other key Southeast Asia countries is discussed below.) Private conversations with administration officials suggest that they are considering whether to include India or other South Asian countries such as Bangladesh or Sri Lanka, but that they do not intend to include Pacific-facing partners in the Americas such as Canada, Mexico, Peru, and Chile. We believe that none of these countries should be excluded from the framework, at least from signing on to the overall declaration of principles and goals, although it is likely that a number of them will decide on their own not to participate.

The administration is unlikely to be able to invite all 10 member countries of the Association of Southeast Asian Nations (ASEAN) to participate in the IPEF, despite its focus on [enhancing relations](#) with ASEAN its first year. In light of political and human rights concerns, it is inconceivable that the administration would consider inviting Myanmar into the framework under current conditions. Laos and Cambodia are among the least-developed countries in the world and are unlikely to be able to participate in more than capacity-building elements of the initiative. **The success of the IPEF will rest on whether major Southeast Asian economies such as Indonesia, Thailand, and Vietnam are willing to sign on and make significant commitments.**

Finally, there are difficult questions surrounding China and Taiwan. Beijing is clearly not ready to accept the high economic standards that the United States is seeking to advance. But some Indo-Pacific partners

may be wary of participating in what could be perceived as an anti-China alliance, including potential Chinese coercive behavior in response. The Biden administration will need to be clear that the driving force for this initiative is to raise standards, strengthen countries' competitiveness, and enhance their ability to respond to global challenges and defend their national interests.

In contrast, Taiwan should be as ready as most of the other potential participants to endorse the substantive goals and many of the harder commitments of the framework. The challenge is that other regional partners may be uncomfortable extending an invitation to it for fear of politicizing the initiative. The Biden administration should consult with regional partners on Taiwan's possible inclusion, all the while continuing to intensify bilateral economic engagement with Taipei, including exploring a bilateral trade agreement.

We believe a framework that is open in principle to most members of the broadly defined Indo-Pacific region would be ideal. However, there is a valid argument for moving ahead on negotiations with countries willing to work toward high-standard, binding commitments. At a minimum, this should include participants in the original TPP negotiations. Countries that do not meet that test could be included in elements of the framework that involve agenda-setting, sharing of best practices, and capacity building. In other words, as discussed in the digital section above, IPEF participation would involve a set of concentric circles, with an initial group of partners willing to make more binding commitments at the core, and wider circles of participants willing to accept the broad principles and goals of the framework and to engage in cooperative work on relevant issues but not yet ready to make harder commitments.

This leads to one final issue about IPEF participation that the administration will have to grapple with. There will need to be a process for deciding whether and how to add new participants to the framework or its discrete elements. In particular, criteria will need to be established to assess applicants' commitments to the IPEF's goals and principles. Moreover, after initial invitations are extended by the United States, countries that join the framework will presumably expect a voice in determining who else is allowed to join in the future.

Conclusion

The need for an affirmative U.S. economic strategy in the Indo-Pacific region is compelling and urgent. We believe the Biden administration's proposed Indo-Pacific economic framework concept holds promise. However, a number of substantive and organizational questions will need to be answered for the framework to be seen as credible and durable by regional partners and U.S. stakeholders.

To summarize what we see as the keys to a successful approach:

- 1. Tangible benefits.** Any effort must include tangible benefits for both Americans and Indo-Pacific partners. The Biden administration may not intend to submit an IPEF product to Congress, but it remains important politically that actors invested in the trading system say an agreement is a net positive for the U.S. economy. Likewise, Indo-Pacific partners are not likely to make significant commitments under the framework unless they believe they are receiving tangible benefits.
- 2. Binding rules.** Wherever possible, the framework should seek to advance binding rules and hard commitments that go beyond broad principles and goals. This is important both to advancing U.S. interests and winning the congressional and public support necessary to make the IPEF successful.
- 3. Effective management.** Unlike trade negotiations or a more targeted initiative led by a single agency of the U.S. government, the proposed framework will be a complex undertaking involving multiple

strands of work and many agencies. It will be critically important to name a single person in the White House or lead agency to coordinate the various elements of the framework. Otherwise, there will be confusion on the part of Indo-Pacific partners, complicating negotiation of the agreements under the IPEF and creating implementation problems here at home.

- 4. Transparency and inclusiveness.** The administration has committed itself to an open and inclusive economic policy from its first days in office. It is particularly important in a complex negotiation like the IPEF that the administration consult with all stakeholders: labor, small and large businesses, consumers, and environmental and other civil society groups, as well as the U.S. Congress.

In closing, we believe the IPEF is an important initiative, one which, if implemented successfully, will help remind nations in the region of the enduring U.S. commitment to the Indo-Pacific as well as our commitment to a rules-based trading system that reflects high economic standards. Successfully concluding the framework will not be easy, and it will take time, but the consequences of greater economic integration and stability in the region and a stronger U.S. presence are worth the effort. ■

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