Regional Perspectives on the Indo-Pacific Economic Framework

By Matthew P. Goodman and Aidan Arasasingham

THE ISSUE

The proposed Indo-Pacific Economic Framework (IPEF) is the Biden administration’s answer to questions about the United States’ economic commitment to the vital Indo-Pacific region. For this initiative to succeed, it must address concerns among regional partners about the framework’s form, function, benefits, inclusivity, and durability. Based on conversations with representatives from over a dozen regional governments, this brief summarizes Indo-Pacific perspectives on the IPEF. The U.S. government can bolster its chances of securing regional buy-in for the IPEF by:

- Offering more meaningful incentives for countries to join the initiative and make binding commitments;
- Aiming for inclusivity beyond close allies and partners to attract countries from South and Southeast Asia and across the Pacific;
- Breaking out digital negotiations as a separate pillar of work to secure a high-standard regional digital economy agreement;
- Demonstrating the framework’s durability by seeking greater congressional support for the initiative and offering sustained capacity-building support in the region; and
- Centralizing coordination through a single high-level coordinator, either a senior White House official or designated cabinet officer, and clarifying the role of key U.S. agencies.

INTRODUCTION

In October 2021, President Biden proposed an “Indo-Pacific economic framework” as the centerpiece of his administration’s economic strategy toward the critical region. Over the following several months, administration officials have worked to flesh out the contents of the initiative and to consult widely with regional allies and partners as well as domestic stakeholders and experts. Public details remain scarce, but the administration has now made clear that the IPEF will consist of four “pillars” of work: (1) fair and resilient trade (encompassing seven subtopics, including labor, environmental, and digital standards); (2) supply chain resilience; (3) infrastructure, clean energy, and decarbonization; and (4) tax and anti-corruption. Work on the first pillar will be led by the Office of the U.S. Trade Representative (USTR), while the other three pillars will be overseen by the Department of Commerce. The administration reportedly intends to launch the initiative with interested countries later this spring, with negotiations on the respective pillars to begin some months later and agreements to be made within 18 months—possibly ahead of the U.S.-hosted Asia-Pacific Economic Cooperation (APEC) Leaders’ Meeting in November 2023.

In January of this year, the CSIS Economics Program and the CSIS Scholl Chair in International Business issued
a report entitled *Filling In the Indo-Pacific Economic Framework*, offering constructive ideas on how to make the IPEF credible, durable, and supportive of U.S. commercial and strategic interests in the region. One of the central arguments of that paper was that a successful framework would require a balance between ambition (i.e., winning binding commitments to U.S.-preferred rules and standards) and inclusivity (i.e., persuading a wide range of partners in the region that the initiative will generate tangible benefits for them).

To achieve that balance, the Biden administration will need to listen and be responsive to the views of allies and partners in the Indo-Pacific region. That is the purpose of this brief. Between January and March 2022, the CSIS Economics Program consulted with a broad array of Indo-Pacific governments to hear their views about the IPEF and what they considered to be the necessary elements of a successful initiative.

**RECURRING THEMES**

During this study, the authors conducted individual and group interviews with representatives from over a dozen regional embassies in Washington, D.C., covering a wide range of advanced and developing countries from East, Southeast, and South Asia as well as Oceania. The authors also consulted with government representatives in regional capitals; U.S. diplomats in the region; and current and former U.S. government officials from the National Security Council staff, Departments of State and Commerce, and USTR. From those conversations, several key themes emerged:

**U.S. ENGAGEMENT WELCOME**

Regional partners unanimously welcomed the announcement of the IPEF as a sign of renewed U.S. economic engagement in the Indo-Pacific region, after several years on the sidelines. In the words of a government official from an advanced economy in the region:

*We have benefitted from U.S. engagement in Asia since World War II. We welcome the IPEF and its inclusion in the Indo-Pacific Strategy. We see this as an opportunity for the United States to lay out an affirmative economic strategy that complements its security presence in the region.*

Representatives from all countries interviewed expressed their support for the overall content of the framework and their government’s interest in most or all of the topics initially outlined. However, many countries, especially members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), characterized the IPEF as a second-best option to the United States joining the CPTPP or a similar comprehensive, high-standard regional trade agreement. While supportive of the IPEF as a standalone initiative, several countries expressed hope that it would be a first step toward the United States eventually rejoining such an agreement.

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**A PREFERENCE FOR INCLUSIVITY**

There is broad consensus from regional governments that the IPEF should be as inclusive as possible. Each country from the region interviewed for this project noted that a successful IPEF would need to include a diverse set of countries—geographically, economically, and developmentally. Some countries consulted said that they did not want to see the IPEF become an “insiders’ club.” In the words of an embassy official from one Southeast Asian country:

*In order for the framework to be successful, it should be inclusive. . . . It is better to reach out to all Indo-Pacific countries rather than singling some out. This could defeat the [framework’s] purpose by being too choosy.*

It is widely expected that close U.S. partners, such as Japan, the Republic of Korea (ROK), Australia, New Zealand, and Singapore, will be included in the IPEF. These countries have already indicated a public willingness to join, and their alignment with the United States on rules, standards, norms, and economic policies makes these partners most likely to fulfill commitments under this new framework. However, even among this group of advanced economies, interviewees repeatedly and forcefully noted that a successful IPEF cannot only be made up of “the usual suspects.” These partners view the success of the IPEF as hinging on the extent to which the United States can attract developing countries from Southeast Asia, South Asia, and the Pacific.

Interviews with officials from governments of the 10-country Association of Southeast Asian Nations
(ASEAN) revealed a clear preference for the United States to invite all ASEAN countries to join the IPEF. At the same time, there was realism about the likelihood of this happening. All recognized that political and human rights concerns rule out the United States inviting Myanmar under current conditions. The Biden administration has signaled little interest in inviting the three smallest ASEAN economies—Laos, Cambodia, and Brunei—while offering no clear rationale for why these three countries are not eligible. ASEAN interviewers seemed resigned to the likelihood that the administration would invite, at most, only the six largest ASEAN economies. Privately, administration officials initially signaled a focus on just four of these—Indonesia, Vietnam, Malaysia, and Singapore—again with no clear explanation as to why Thailand and the Philippines were less worthy of inclusion.

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India, the largest country in the Indo-Pacific considered for inclusion in the IPEF, is studying the benefits of participation but appears to have a preference for bilateral economic forums with the United States, as well as for smaller plurilateral arrangements, such as the Quadrilateral Security Dialogue (“the Quad”). Some East and Southeast Asian countries may feel reluctant about India’s inclusion in the IPEF given lingering frustrations over India’s withdrawal from the Regional Comprehensive Economic Partnership (RCEP) negotiations, after slow-walking negotiations over nearly eight years. Japan and Australia, however, see value in India’s inclusion for strategic reasons—the same reasons that those two nations are enthusiastic members of the Quad. Although India may not be an ideal participant under current conditions, its exclusion from the IPEF would raise questions about how “Indo” the Indo-Pacific Economic Framework truly is.

The IPEF’s inclusion in the United States’ broader **Indo-Pacific Strategy** might theoretically allow countries not typically included in past multilateral economic negotiations in Asia to now participate. However, as of late March, there was no indication that the Biden administration had approached countries such as Bangladesh, Nepal, Papua New Guinea, or Timor-Leste, nor any Pacific Island nations, about possible IPEF membership. Moreover, the administration continued to signal—again, without explanation—that it had no plans to invite Pacific-facing countries in the Americas—Canada, Mexico, Peru, and Chile—although all are CPTPP and APEC members and have been constructive participants in regional economic affairs.

Interviews with regional partners revealed one caveat to the desire for broad inclusivity. Most Southeast Asian countries are worried about the optics of China being excluded from the IPEF while simultaneously understanding the political and economic policy reasons for that exclusion. But under the assumption that the United States will not invite China to join the framework, several countries in both East and Southeast Asia expressed discomfort about Taiwan’s possible participation. Despite recognition that Taiwan might be eligible on economic merit, there is clear concern that its inclusion would further politicize the framework and heighten China’s opposition to the effort, thus forcing an unwelcome choice for regional partners between respecting either Washington or Beijing imperatives.

**UNCLEAR FORM AND FUNCTION**

Partners in the region remain perplexed over what the IPEF is and what it seeks to do. The U.S. government is signaling to governments in the region that the framework is intended to be an affirmative partnership to promote shared economic interests. However, the Biden administration has portrayed the IPEF to domestic stakeholders as an initiative that will allow the United States to better compete with China in the region. As a result, some regional partners expressed concern that the IPEF is primarily a political endeavor meant to counter China, rather than a sincere and thoughtful economic policy integration initiative. This perception of an anti-China bent has a chilling effect on enthusiasm among certain prospective South and Southeast Asian participants who are aiming to deepen economic relationships with both the United States and China.

Uncertainty over function also extends to uncertainty over form. The U.S. government has explicitly stated that the IPEF will not be a multilateral trade agreement akin to the CPTPP. The question that follows from many regional capitals is: If the IPEF is not a trade agreement, what is it? Since it is presented as a multilateral initiative with multiple workstreams leading to concrete outcomes, this suggests that there could be parallel negotiations
among up to a dozen regional governments over the 18 months envisaged for the process, with several agreements emerging along the way. This negotiating complexity is exacerbated by the fact that the IPEF is being co-led by two different agencies—USTR and the Department of Commerce—with additional agencies such as the Departments of State, Treasury, and Agriculture, not visibly involved in IPEF deliberations to date, potentially involved with specific pillars. Regional capitals feel the need to match this complex interagency dynamic on their end as well, adding negotiating and coordinating costs. In the words of an embassy representative from one Southeast Asian developing country:

_We are unsure how the IPEF will be a value-add beyond existing regional architectures and bilateral engagement with the United States. The added costs of engaging multilaterally on the IPEF should be taken seriously, especially given the relative ease of addressing these issues in our bilateral channels with the United States._

Several countries also feel that their input is not respected by the U.S. government at present. Foreign and trade ministries in the region have familiarity with the process of negotiating trade agreements where their interests are explicitly and frequently sought in advance of and during negotiations. But officials in Washington, embassies, and Indo-Pacific capitals are unsure how, when, and with whom in the U.S. government they should engage on the IPEF. In absence of clear two-way communication, these countries see a “take it or leave it” offer to join the IPEF at launch rather than a “negotiation” mindset where the framework is cocreated among participants. The U.S. government has responded to that assertion by stating that countries can choose to join one or more pillars and will have agency in shaping each, even if they are not present at the IPEF’s anticipated launch in the second quarter of 2022. But doubts remain.

Regional governments also have many outstanding questions about the way forward on the IPEF. What kind of negotiating process and timeline will the framework follow? What will be the defined outcomes? How will progress be measured? More details will inevitably emerge in the coming months, but these questions lingered among regional partners nearly half a year after the initiative was announced.

**MANY ASKS, FEW OFFERS—AND OTHER REGIONAL OPTIONS**

In a typical trade negotiation, parties prepare “offers” and “requests.” During a negotiation, offers, such as for greater market access, incentivize target countries to agree to requests, such as binding commitments to lower trade barriers or raise standards. Opposing interests are eventually resolved, and the compromise agreement that is negotiated balances what regional partners perceive they are giving up with what they perceive they are receiving. Although the design of the IPEF is not that of a traditional trade negotiation, this model for multilateral economic engagement nevertheless colors the views of regional partners, particularly if there is any intention of reaching enforceable and concrete outcomes. As a result, regional governments see the IPEF as a proposal with many U.S. requests, few U.S. offers, and a variety of credible regional alternatives to the framework that could provide more tangible benefits.

To most regional governments, the IPEF has many challenging asks. For example:

- The seven issues under the “fair and resilient trade” pillar—labor, environment and climate, digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation—are perceived by many regional governments as a laundry list of U.S. trade policy requests. Many partners worry that in some of these areas, particularly labor and digital issues, U.S. requests in the IPEF will go beyond or run contrary to partners’ existing policies or force difficult political decisions at home.

- Some countries are concerned that policies under discussion for the “supply chain resilience” pillar may include challenging requests to tighten policies on export controls and technology transfer, particularly toward China, or to relinquish the ability to maintain sovereign control over supply chains.

- U.S. expectations for more ambitious carbon-reduction commitments under the “infrastructure, clean energy, and decarbonization” pillar worry some countries in the region that do not have sufficient financial and technical resources to achieve these more ambitious commitments on their own.

- Many partners see the likely requests under the “tax and anti-corruption” pillar commitments as going beyond those already made under the United Nations Convention against Corruption (UNCAC) and other international arrangements.
Regional governments see the IPEF as a proposal with many U.S. requests, few U.S. offers, and a variety of credible regional alternatives to the framework that could provide more tangible benefits.

To practically all regional governments interviewed, prospective U.S. offers under the IPEF are not commensurate with these expected U.S. requests. Many Indo-Pacific governments remain particularly frustrated by the U.S. government’s unwillingness to offer greater market access in the United States, a position that U.S. officials have reiterated again and again. In traditional trade negotiations, market access offers are usually the most attractive incentive for countries to accept U.S. requests for higher standards. While regional governments acknowledge that other incentives could theoretically be offered in place of market access—for example, increased official financing for infrastructure or decarbonization initiatives—they view current offers as limited or nonexistent. In the words of an embassy representative from another major Southeast Asian developing country:

The first thing we look for [in an agreement like this] is incentives and market access. This framework offers neither in its current form. We do not think there are offers in any of the pillars.

Several embassy representatives also noted the difficulty of ratifying economic agreements in their capitals given domestic political issues. While the United States intends the IPEF to take the form of an executive agreement (or agreements) not requiring congressional approval, other countries in the region may need to go through legislative approval processes to implement commitments made in the IPEF. Malaysia, in particular, is experiencing an uphill battle to ratify the CPTPP. In other cases, trade itself has become a hot-button electoral issue. Just as in the United States, credibly outlining the benefits of trade and multilateral economic engagement to domestic audiences in all partner countries will be essential for the IPEF to succeed. In the words of an embassy representative from a major Southeast Asian developing country:

For domestic constituents, we need “ammo” to convince stakeholders why our country would want to support this. Right now, the “ammo” isn’t there.

Without meaningful offers that suggest tangible benefits for countries in the region, the United States has little more to offer prospective IPEF participants than a political commitment to improving its economic presence in the region. That might have been enough a decade ago, but today China is asserting itself as the economic center of gravity in the Indo-Pacific. New regional trade agreements such as the RCEP and financing mechanisms such as China’s Belt and Road Initiative (BRI) offer Indo-Pacific countries a variety of options for their trade, supply chain, infrastructure, clean energy, and economic integration needs (see Figure 1).

Unlike a decade ago when the United States was negotiating the original breakthrough Trans-Pacific Partnership (TPP), regional governments assert that it is not enough for the United States merely to be economically engaged in the Indo-Pacific through an initiative such as the IPEF; rather, it must be engaged in a way that offers an attractive alternative commensurate with existing arrangements such as the CPTPP, RCEP, and BRI. From what they are seeing so far in the IPEF, partners are not convinced.

Doubts About Durability

In the words of an embassy representative from a close U.S. partner in the region:

The hardest challenge for the IPEF will be making it durable.

Regional partners are concerned about the IPEF’s staying power given the volatility of U.S. domestic politics. The memory of strong U.S. leadership on the TPP, followed by an abrupt withdrawal from the agreement after presidential candidates Hillary Clinton and Donald Trump distanced themselves from it for domestic political purposes, still haunts many regional partners, as do the Trump administration’s tariffs and general mercantilist stance. Although the Biden administration has softened U.S. trade rhetoric, many remain concerned over the continuation of some protectionist Trump-era trade policies. The Biden administration will need to create and sustain strong bipartisan support for the IPEF to insulate progress made on this agreement from potential electoral swings in 2022 and 2024.
Regional partners also have domestic politics that complicate prospects for the IPEF. Many countries face general elections over the next two years. First up is the Philippines, in early May, which could significantly shift the country’s approach to engagement with the United States. This will be followed by general elections in Australia later in May, India in July, Malaysia in July 2023, and Bangladesh in December 2023. There is one upside opportunity: Yoon Suk-yeol’s victory in the March 2022 ROK presidential election will likely make Seoul more willing to closely cooperate with the United States economically, though this could be tempered by opposition party control of the National Assembly.

Regional governments also seek sustained senior White House support for the IPEF initiative. There is concern among regional partners that the United States will repeat a familiar pattern of rolling out new regional initiatives but not following through over time. This concern is heightened by the fact that there is no single senior official in the Biden administration clearly identified as leading the framework. For the administration to make regional partners enthusiastic about the framework, it will need to address these various political and organizational questions about durability.

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Source: Authors’ compilation based on multiple sources. Note: “DEPA” refers to the Digital Economy Partnership Agreement. “FTA” refers to a free trade agreement with the United States. “TIFA” refers to a trade and investment framework agreement with the United States.
PERSPECTIVES ON THE FOUR PillARS
In surveying officials from Indo-Pacific governments, the authors also asked for perspectives on each of the IPEF’s four pillars. To varying degrees, regional partners said that the four pillars and the topics within them are broadly aligned with the priorities of their respective governments, but with important caveats. Perspectives on each pillar are summarized below.

FAIR AND RESILIENT TRADE
The trade pillar was revealed to be the most difficult for regional partners to digest. As noted, this pillar will encompass a wide range of topics, including labor, environmental, digital, agricultural, regulatory, competition, and trade facilitation issues. USTR, the lead agency for this portion of the framework, has made clear that it expects countries that sign up for participation in this pillar to be prepared to make commitments in all seven areas. USTR has also said that it expects all commitments agreed upon under this pillar to be binding under international law. However, without an offer of U.S. market access, many regional partners see this pillar as a laundry list of challenging U.S. requests with little tangible benefit for them.

Digital economy issues are an especially important component of the IPEF for many countries in the region. Advanced economies, such as Singapore, New Zealand, the ROK, Australia, and Japan, are highly incentivized to join the IPEF because of the digital component. An embassy official from one of these countries noted:

Digital cooperation is [our country’s] top interest. We want the digital economy to be the centerpiece of the IPEF.

For these countries, the digital component presents an opportunity for the United States to align data, privacy, intellectual property, digital tax, and technology policies to foster a more open and interoperable market for advanced digital economies. Existing agreements in the region—such as the Digital Economy Partnership Agreement, the U.S.-Japan Digital Trade Agreement (USJDTA), the Singapore-Australia Digital Economy Agreement, and the Korea-Singapore Digital Partnership Agreement—all present models for what an IPEF digital economy agreement could look like, while also addressing emerging artificial intelligence, competition, and talent issues in the digital economy not covered by existing agreements.

However, to many less-developed countries in South and Southeast Asia, digital issues in the trade pillar may represent less of an offer and more of a request from the United States. Although all countries consulted for this project expressed interest in having digital issues included in the IPEF, some developing countries saw digital economy issues as a capacity-intensive area where they are reluctant to dive into detailed negotiations. As one official noted:

The digital economy in [our country] is growing but still very small. Our government has limited capacity for further commitments on tech regulation.

Many other countries were hesitant about making binding commitments on certain U.S. priorities embedded in other trade agreements such as the TPP and USJDTA. These include a prohibition on data localization requirements or a commitment to free cross-border data flows, which may run contrary to existing national policies and require changes to local laws. Below are some of the comments from these developing countries:

Our government is keen on improving the digital transformation. However, there are different standards in different countries in the region for the digital economy. A framework that would impose certain standards would not be helpful if they were standards not in [our country’s] interest. There needs to be some real look at where current standards are in the region. We know what the United States wants [on digital standards]. There have been talks on this for a while. But those [digital] issues look different among Indo-Pacific countries.

Digital is a slightly tricky issue [for our country]. . . . The way that the United States has framed cross-border data flows may not be suitable for [our country] per se. We would rather discuss bilaterally. We are not sure how much one could achieve with 7–8 countries talking digital. There are too many moving parts.

Yes, the digital economy is a major priority for [our country]. But we need more of an explanation on privacy issues. Data privacy in Asia and data privacy in the United States may not be aligned. If [the IPEF digital discussion] is binding, [our country] needs to be worried. If [the IPEF digital discussion] is “building blocks,” then we can engage further.

It was implicit that several of these South and Southeast Asian countries were concerned about digital standards being a roadblock to participation in the broader trade pillar. For these countries, the prospect of making binding
commitments to adopt high U.S. digital standards without the promise of digital market access for e-commerce expansion was unappealing. However, many South and Southeast Asian countries were more open to being invited to discuss and shape nonbinding principles for the digital economy in exchange for capacity building, talent investment, and foreign direct investment assistance.

Most other issues under the trade pillar—labor and environmental standards, agriculture measures, regulatory practices, and competition policy—are also perceived by many Indo-Pacific countries as U.S. requests, not offers. There are also different levels of enthusiasm toward each. Some countries were very willing to work with the United States on labor-related issues, while others were distinctly not. Most countries felt positively about working with the United States on environmental issues, though the discussion often veered toward questions about what additional emissions-reduction requests the United States would make under the infrastructure, clean energy, and decarbonization pillar. Some countries viewed food security and food systems resilience cooperation as promising but also saw agriculture as an area where the United States would inevitably try to eliminate sensitive import restrictions.

When asked about potential tangible benefits under this pillar, many regional representatives cited trade facilitation. In particular, regional partners were interested in opportunities to improve access to the global markets for small and medium-sized enterprises (SMEs). But there were questions about what tangible actions the United States would offer in this area, and no country consulted saw any potential incentives that would make up for the lack of a market access component to the IPEF.

**SUPPLY CHAIN RESILIENCE**

The supply chain resilience pillar was frequently cited as appealing to potential IPEF participants but also as an area where many questions remained. The pillar meant something different to each country consulted. To some, supply chain resilience means a chance to bolster domestic manufacturing capabilities and jobs. To others, it is an opportunity to fix bottlenecks in healthcare, pharmaceutical, and other essential products prompted by Covid-19. To still others, this pillar offers an opportunity to partner on securing critical resources. And as mentioned earlier, there were questions about whether the U.S. intention was to align export-control and investment-screening regimes to prevent transfer of critical dual-use technologies to strategic competitors such as China.

For the United States, resilience has become synonymous with reshoring or “friend-shoring.” As the U.S. government continues to encourage U.S. firms to rely less heavily on China in their supply chains, many developing Indo-Pacific countries see this as an opportunity. Several South and Southeast Asian developing countries expressed interest in working with the United States under the supply chain resilience pillar to leverage these trends and shift production to their countries. Advanced technologies, electric vehicles, and batteries were mentioned as promising targets for this cooperation. Exactly how the U.S. government would incentivize private companies to shift production to partner countries remains an open question.

For other countries interviewed, bolstering manufacturing capability is not the only draw of this pillar. In the words of an embassy official from a Southeast Asian country:

**In the past, [our country’s] adoption of supply chains has been a result of problems between the United States and China. However, the new challenge for us is supply chain disruptions from pandemics and global conflict. We want to promote resiliency. We want protections from disruptions.**

The focus on sheltering supply chains from pandemics and geopolitics-induced disruptions was shared by several other South and Southeast Asian countries attempting to position themselves in a deglobalizing world. This would seem to create an opportunity for success in this pillar through efforts focused on emergency stockpiling, improving supply chain transparency for key items, agreeing not to withhold exports to IPEF members during times of shortage, and encouraging redundant investment in important industrial capacities (if ways can be found to make that economically feasible).

**INFRASTRUCTURE, CLEAN ENERGY, AND DECARBONIZATION**

This is another potentially enticing pillar for regional partners. All three of the pillar’s headline issues are perceived by most partners as aligning with their existing national priorities, and the first two are seen by many as offering potential tangible benefits. Several developing countries in South and Southeast Asia highlighted clean energy as a key item of interest in the IPEF. In the words of an embassy official from a Southeast Asian country:

**Cheap clean energy is the most attractive offer. If this is to be realized, we will need a lot of climate funding and new technology and investment.**
While renewable energy is now cheaper than fossil fuels in many cases, the start-up costs of increasing renewable energy production in a country are higher than relying on existing infrastructure, where carbon-intensive energy generation remains dominant. Regional partners would like to see the United States help close the gap through climate financing and expertise sharing. Several countries also welcome U.S. financial support in phasing out their coal sectors. Many would appreciate support in transitioning to electric vehicle-oriented transportation systems.

Infrastructure is another area in which U.S. support is welcome. U.S. financing, technical assistance, workforce development, and private-sector partnerships were mentioned by several countries as areas where the United States could support regional infrastructure development. Regional governments have been following U.S. involvement in the G7 Build Back Better World (B3W) initiative closely. Some see B3W and the Blue Dot Network as promising platforms for the United States to support high-quality infrastructure investment in the Indo-Pacific region, though skepticism remains about the funding and execution of these initiatives. The extent to which the United States can mobilize further capital, expertise, and labor from other donor countries in the region, such as Japan, Australia, New Zealand, and India, is also an issue that developing countries see as a test of U.S. economic leadership in the Indo-Pacific.

Governments in the region anticipate that the main request from U.S. negotiators in this pillar will be for countries to increase the ambition of their decarbonization commitments under the Paris Agreement, either in terms of scale or speed. While affirming their commitment to decarbonizing by mid-century, some developing country officials said that more funding and technical assistance from the United States is needed to achieve these results. A representative from one Southeast Asian country summed this up as follows:

*To reach zero emissions by 2050, we will first need financial assistance. Second, we will need technological assistance. Third, we will need experiences to be shared from other countries. In an integrated world, the experiences from advanced countries will be important for us to tackle climate change [in our country].*

### TAX AND ANTI-CORRUPTION

Of the four IPEF pillars, the tax and anti-corruption one remains the least clear—and least attractive—to regional partners. Not included in the original White House announcement of the IPEF, this pillar was added in subsequent materials used to brief regional countries and domestic stakeholders. Details remain scarce about what exactly the focus of this pillar will be. One source of confusion is that the pillar will be led by the Department of Commerce, with no visible role for the Treasury or State Departments, which have traditionally taken the lead on tax and anti-corruption issues, respectively. While tax and anti-corruption issues resonate with most countries consulted, many view this pillar as likely to contain challenging requests and few offers.

When discussing this pillar, most countries interviewed first highlighted their support for the global minimum corporate tax agreement (GMCT) from the Organization for Economic Cooperation and Development (OECD). All IPEF target countries, apart from Sri Lanka, are parties to this agreement. Regional partners are confused as to what more the United States would like interested IPEF participants to do on corporate taxation beyond implementing the GMCT. With work on this initiative coordinated through the OECD in Paris, prospective IPEF participants see additional work on corporate tax issues within the IPEF as unnecessarily duplicative.

Anti-corruption issues present a greater challenge to regional governments. Target countries in the Indo-Pacific have Transparency International Corruption Perceptions Index scores ranging from “very clean” in the case of some advanced economy partners to “highly corrupt” in the case of some developing country partners in South and Southeast Asia. Of the latter, representatives from these countries candidly acknowledged that anti-corruption issues would either not be welcome in negotiations or would be challenging to discuss. Some representatives suggested encouraging their governments to move beyond UNCAC to embrace the principles and practices of the OECD Anti-Bribery Convention. In the words of an embassy official from one country in the region:

*Anti-corruption is a place of discomfort for our country, particularly among our government officials after recent [U.S. actions].*

Regional partners do not see any clear offers in the tax and anti-corruption pillar. Some officials speculated that this pillar might be of interest if the agenda covered...
bilateral taxation treaties, which mitigate double taxation of income. Currently, only 8 of the 24 countries in the Indo-Pacific region examined in this report have bilateral tax treaties with the United States; key U.S. targets for the IPEF, such as Malaysia, Singapore, and Vietnam, do not.

Finally, one Southeast Asian embassy noted that, of all the IPEF topics, anti-corruption was the one of least interest to their capital, but added that the poor optics of participating in all IPEF pillars except this one made them question participation in the overall initiative. Among the broader group of countries, a diverse range of advanced and developing countries expressed concern that the tax and anti-corruption pillar could threaten broader IPEF inclusivity.

**RECOMMENDATIONS**

The Biden administration has an opportunity to develop the IPEF into a credible and durable framework that reasserts U.S. economic leadership in the Indo-Pacific region and advances U.S. economic and strategic interests there. But the survey of regional views conducted for this report makes clear that this can only happen if partners believe there is something in it for them and that the United States is committed to long-term engagement in the region. The following steps are recommended to favorably shape regional perceptions, expand participation, and increase the IPEF’s prospects for success:

1. **Offer more meaningful incentives.** The unwillingness to offer greater access into the U.S. market is a serious impediment to securing binding commitments from Indo-Pacific countries to the higher standards that the Biden administration is rightly seeking through the IPEF. The U.S. government must make other meaningful offers to partners within each of the four pillars. The areas of greatest interest to less-developed countries in the region appear to be enhanced trade facilitation, greater access to the digital ecosystem for SMEs, tangible development of more resilient supply chains, financial and technical assistance for the clean-energy transition, and increased investment in infrastructure. Relevant U.S. government bodies and facilities that support these areas financially or technically—including the U.S. Development Finance Corporation, U.S. Agency for International Development, and U.S. Trade and Development Agency—should be given the resources and mandate to make these offers credible. The Biden administration should work with other advanced partners in the region, such as Japan and Australia, to coordinate their offers in these areas.

2. **Aim for inclusivity.** As currently structured, the IPEF seems unlikely to appeal to many countries in the region beyond close allies and partners such as Japan, the ROK, Australia, New Zealand, and Singapore. The framework will be considered a failure if it cannot draw in at least two to three of the larger ASEAN emerging economies—Indonesia, Thailand, Vietnam, Malaysia, and the Philippines. The goal should be to attract an even wider group of countries from South and Southeast Asia and the Pacific (including Pacific-facing countries in the Americas). Rather than insisting that countries sign on to a predetermined agenda as a condition of joining the framework, the Biden administration should consider recharacterizing the four pillars as indicative of U.S. interests and invite countries to join a broader launch event—at which all participants are offered a chance to comment on and shape the agenda. Smaller groups of countries interested in more ambitious negotiations on parts of the agreed agenda could then break off into separate tracks or subtracks that need not be tightly organized by the four pillars. The broader group could share best practices and seek agreement on refined principles that would lay the groundwork for more targeted rulemaking and standard-setting efforts down the road.

3. **Break out digital negotiations.** Reaching agreement on U.S.-preferred rules for the digital economy is arguably the highest substantive priority for the United States in the Indo-Pacific region and for many of its partners there. The current inclusion of digital issues as just one portion of the broad “fair and resilient trade” pillar runs the risk that this critical part of the agenda gets bogged down and that partners do not see the clear trade-offs that exist in the digital space alone. There appears to be a broad appetite in the region (and among some U.S. congressional members) for a digital economy negotiation led by the United States and key partners such as Japan and Singapore. The Biden administration should prioritize this area by making it a separate pillar of the IPEF.

4. **Demonstrate the framework’s durability.** As this survey of regional views confirmed, most Indo-Pacific partners are skeptical that the IPEF will
enjoy the bipartisan support or staying power of a more formal trade agreement that ultimately wins congressional approval. To help counter these impressions, the Biden administration could seek a bipartisan resolution in Congress in support of the IPEF. It could also launch a series of events and workshops on specific topics under the framework, such as supply chains, infrastructure, and corruption, that draw in both government officials and the private sector from the United States and partner countries. But these and similar efforts will not offer the same sense of durability that an agreement approved by Congress would provide.

5. **Centralize coordination.** Indo-Pacific partners clearly remain confused about the complex architecture of the IPEF and the division of responsibilities for it in the U.S. government. As argued in CSIS’s related January paper, “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.” This paper reiterates that recommendation here. In addition, the White House should clarify the role of U.S. agencies that are critical to a successful economic strategy in the Indo-Pacific but have not been mentioned explicitly in the Biden administration’s presentation of the IPEF to date—notably the Treasury and State Departments but also the U.S. government’s development finance and development assistance operations. The president will also need to be personally involved in the effort to bring partners to the IPEF table.

**CONCLUSION**

There is a pressing need for affirmative U.S. economic engagement in the Indo-Pacific region. The Biden administration’s Indo-Pacific Economic Framework is a good first step in that direction. However, a number of substantive and organizational questions will need to be addressed before the framework is seen as credible and durable by its intended audiences. This project’s conversations with regional partners revealed that they are interested and invested in developing a successful IPEF with the U.S. government. If U.S. policymakers can address regional questions and critiques related to inclusivity, form, function, benefits, and durability, then the IPEF has a real chance at securing buy-in from the region and advancing U.S. economic and strategic interests in the world’s most critical economic region.

Addressing regional concerns will be difficult, take time, and require U.S. policymakers to be responsive to requests from other partners. But failure of this framework is not an option. U.S. strategic and economic success in the region, as well as the mutual prosperity of all regional partners involved, will be worth the effort of building consensus behind this framework.

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