

The Indo-Pacific Economic Framework: An Inclusive Quad-plus Initiative

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Summary

The Indo-Pacific Economic Framework has been announced with strong participation from Southeast Asia. The United States-led initiative demonstrates inclusivity and a Quad-plus character enhancing its prospects of setting purposeful rules and standards.

The long-awaited [Indo-Pacific Economic Framework](#) (IPEF) was launched on 23 May 2022. Announced in Tokyo during United States (US) President Joe Biden's maiden visit to Asia since assuming office, the IPEF comprises 13 countries. Led by the US, its other members include Australia, Brunei, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and Vietnam.

Accounting for two-fifth of the global gross domestic product, the IPEF is a formidable economic bloc. It has four of the world's [top 10 economies](#) – the US, Japan, India and Korea. Barring India, the remaining three economies belong to the [Organisation for Economic Co-operation and Development](#) (OECD) club of the world's wealthiest and advanced economies. Australia and New Zealand, two more IPEF members, are OECD economies as well. The high-income membership of the IPEF is augmented by non-OECD high-income economies like Singapore and Brunei. The long-term economic potential and prospects of the group is enhanced by major emerging market economies – India, Indonesia, Malaysia, Philippines, Thailand and Vietnam.

The geographical identity of the IPEF is distinctly Indo-Pacific, with it including countries that are major economic actors for the Indian and Pacific oceans. The 'bridge building' between economic actors of the two oceans will be facilitated by Southeast Asia. Except for Cambodia, Laos, and Myanmar, the rest of the economies of the Association of Southeast Asian Nations (ASEAN) have joined the IPEF.

This wholesome participation from ASEAN in the IPEF might surprise those who felt ASEAN would stay away from such an Indo-Pacific initiative to avoid an anti-China posture. The major ASEAN economies have clearly seen long-term economic and strategic benefits in joining the IPEF. The substantive participation from Southeast Asia reaffirms the regional faith in the US leadership in steering the IPEF.

The IPEF is not proposed as a free trade agreement (FTA). However, the fact that it would set rules on issues that would impact regional trade and investment – such as supply chain resilience, digital economy, cross-border data standards, decarbonisation and energy efficiency – would lead to it being identified as a trade framework.

Comparisons of the IPEF with existing major regional trade frameworks like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) are inevitable. These comparisons would arise from all IPEF members, except the US and India, being in the RCEP; and several (for example, Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam) figuring in the CPTPP.

Unlike the RCEP and CPTPP, the IPEF does not intend to walk down the path of securing reciprocal market access among the members through wide-ranging tariff cuts. Instead, it would work on establishing common enforceable rules and operable standards that would enable the grouping to achieve its larger objectives: resilient supply chains, robust digital connectivity, the conduct of fair business and establishing clean energy practices. Through the IPEF, the US is expected to return to the region as a decisive ‘rule-setter’ – a role it had relinquished after exiting the Trans-Pacific Partnership (TPP).

The IPEF is distinct in its inclusion of the US and India. India’s [enthusiastic endorsement](#) of the project is consistent with its current robust strategy of engaging in FTAs. The fact that both India and the US have committed to the IPEF – as well as the Quad – notwithstanding their differences, most notably on the Russia-Ukraine conflict – reflects the importance both attach to collaborating in the Indo-Pacific, particularly the focus areas of the IPEF.

The fact that neither the US nor India are in the RCEP or TPP will have a bearing on the way rules and standards evolve in the IPEF. Both have domestic constituencies with strong reservations about free trade. Nonetheless, their shared interest of containing China has got them working together in a rules-based economic framework for the Indo-Pacific. Collaborating on new generation rules and standards might see a virtuous brush-off, particularly for India, on liberalising internal restrictive regulations impeding cross-border services trade.

The IPEF has set off as a Quad-plus entity. This vindicates the diplomatic maturity displayed by the Quad members – US, India, Japan and Australia – in making the forum ‘open’ and ‘inclusive’ by inviting more countries and living up to the notion of a free, open and inclusive Indo-Pacific.

The IPEF has kicked off with a large membership drawn from the non-Quad countries. This clearly shows that the Quad has not hesitated in embracing a much larger regional community. More countries are expected to join the initiative in future. The inclusivity will boost the IPEF’s chances of setting meaningful trade and business rules and increase its political acceptance among the members and the international community.

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