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Biden's Asian Economic Plan is No Substitute for a Real Trade Deal

U.S.'s new blueprint for economic engagement with Asia is aimed at competing with China. But the plan fails to leverage the U.S.'s biggest economic strengths.



President Biden during the Indo-Pacific Economic Framework launch Monday.

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By [Jacky Wong](#) [Follow](#)

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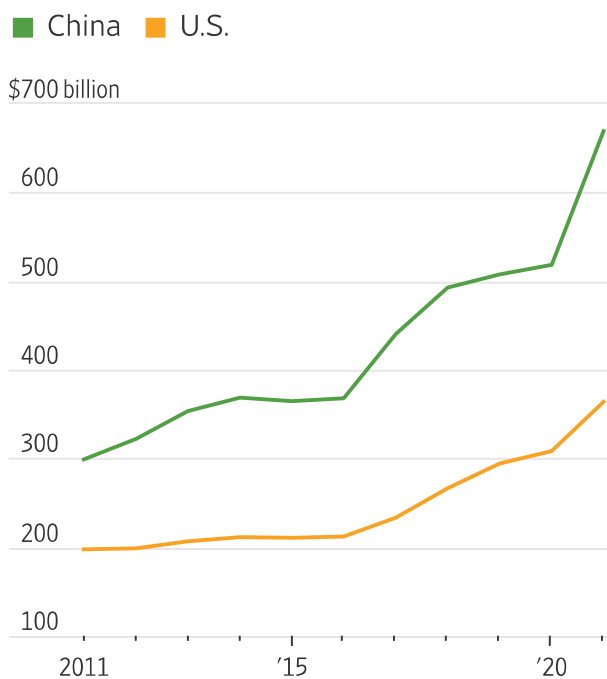
President Biden's economic plan to counter China in the Indo-Pacific region will probably fall short.

The U.S. and a dozen countries on Monday launched a new trade initiative called the Indo-Pacific Economic Framework. The move is clearly aimed at countering China's influence in the region. Apart from traditional American allies like Australia and Japan, the initial members also include India and many economies in Southeast Asia, including Indonesia and Vietnam.

Since withdrawing from the Trans-Pacific Partnership in 2016, the U.S. has lacked a clear economic strategy in the region. Other countries in the TPP went ahead

without the U.S. to form a new trade pact, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which came into force in 2018. Many CPTPP members also signed up for another massive trade deal called the Regional Comprehensive Economic Partnership in 2020. Though it is less ambitious in scope, RCEP is notable because it includes China as a member.

Asean's annual trade of goods and services



Source: CEIC

The new IPEF aims to put the U.S. back onto the map in the region economically to match its increasingly assertive security plans in the region. There are scant details on how the new agreement is going to tackle its stated objectives such as supply-chain resilience and clean energy development, but the elephant in the room—changes to tariffs and market access—is conspicuously absent. India's inclusion in the IPEF is particularly notable, as the country has always been skeptical about opening its markets too much. It pulled out of the RCEP because of the potential impact on its farmers and businesses. The fact that

India is willing to join is perhaps a sign that the IPEF lacks bite to match its bark.

The U.S., with its vast domestic economy, offers a viable market for Indo-Pacific economies if the objective is to counter China's rising economic clout in the region. Many U.S. companies and farmers would also have benefited from increased access to fast growing markets in friendly Asian countries, while lessening the relative importance of the Chinese market. That was the original idea of the TPP. But reviving the TPP faces immense domestic opposition in the U.S.

The IPEF is therefore probably best viewed as a weak second or third best option: something that can survive domestic politics while still sending a signal of intent on the U.S.'s part. But it may not work nearly as well. China is a key trading partner for most countries in the Indo-Pacific region. Trade between China and

countries in the Association of Southeast Asian Nations, for example, has more than doubled in the past decade. The U.S. remains an important export destination but less so as a source of imports.

If the U.S. joined the CPTPP, it would put to bed any discussion of the shallower, China-backed RCEP becoming the dominant setter of commercial standards. As it is, the drift in U.S. policy—toward stronger, more expensive Asian security commitments and a second-fiddle role for U.S. exporters and manufacturers—may continue.

—*Jacky Wong*

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