

Opinion **Trade Secrets**

## The US trade pledge to the Indo-Pacific is empty

Joe Biden's vague IPEF structure is no match for deals that offer tangible commercial gains

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Joe Biden with prime ministers Anthony Albanese, of Australia, Narendra Modi, of India, and Fumio Kishida, of Japan. The countries are among the 14 nations in the Indo-Pacific Economic Framework © Yuichi Yamazaki/Getty Images/Bloomberg

**Alan Beattie** 10 HOURS AGO

It's tough being a global trading power tussling for geoeconomic pre-eminence when you can't sign binding trade deals, but that's more or less where the Biden White House finds itself. A decade ago, when the Obama administration was driving forward the Trans-Pacific Partnership regional mega-deal, you'd have been laughed out of Washington for predicting that, the US having abandoned the agreement, Beijing would [apply to join a pact](#) originally designed to counter China's economic heft. But the toxicity of formal trade agreements on Capitol Hill, which predates President Joe Biden and even Donald Trump, and among Biden's voter base has in effect shut off one of the US's main vehicles for projecting economic influence.

Searching for an Asia-Pacific alternative to what is now the CPTPP (prefixed with "Comprehensive and Progressive"), the US last year announced the Indo-Pacific Economic Framework, a series of deals with 13 other nations.

Its first results, of an initiative on supply chains, were unveiled nearly two weeks ago. They were unimpressive. [The US announcement](#) was a mass of abstract verbiage with a tangle of subclauses festooned with adjectives and adverbs layered two or three deep. It pledged, among other things, to "ensure that workers and the businesses, especially micro-, small-, and medium-sized enterprises, in the economies of IPEF partners benefit from resilient, robust, and efficient supply chains by identifying disruptions or potential disruptions and responding promptly, effectively, and, where possible, collectively". All clear now?

In the time-honoured tradition of talking shops reproducing themselves, the announcement has no binding mechanisms but instead sets up a new Supply Chain Council, a Supply Chain Crisis Response Network and — this being the Biden administration — a Labor Rights Advisory Board.

The IPEF's fundamental flaw is exactly that predicted by experienced trade folks from the beginning. Without substantial new access to the US market or other trade privileges on offer, there's little incentive for partner countries to make big commitments themselves. The IPEF will not substantially reroute value networks away from China or otherwise meaningfully counter Beijing's geoeconomic influence.

Certainly, the IPEF has acquired some of the political trappings of a formal preferential trade agreement. Guided by muscle memory, familiar characters from PTA controversies of past decades have lumbered into action. A range of US business organisations from the Software & Information Industry Association to the National Pork Producers Council [have complained](#) there isn't enough in it for them. Congress has been [huffing and puffing](#) about its prerogatives, in this case whether it gets to veto the agreements. Environmental and labour campaigners including the non-governmental organisation Public Citizen, those trusty old warhorses of the globalisation-sceptic movement, have risen to their feet at the sound of distant bugles and [organised a demonstration](#) outside an IPEF ministerial meeting. The IPEF isn't a trade agreement so much as a TPP re-enactment society: some impressive-looking battles with realistic replica weapons but no one getting hurt.

Now, it's certainly true, as the Biden administration argues, that there are other ways to do trade policy than big multi-stranded PTAs, which other leading trading powers such as the EU are also [struggling to get signed and ratified](#). The academic and former US official Kathleen Claussen [has pointed out](#) the quiet but rapid proliferation of smaller US deals on issues from food regulation to consumer privacy protection over recent years.

Those relatively sympathetic to the administration's negotiating strategy, such as Chad Bown, of the Peterson Institute think-tank in Washington, say the IPEF could be a vehicle for creating targeted agreements on critical raw materials supply and other friendshoring arrangements. But, as the US has shown with its critical minerals deals with Brussels and Tokyo — essentially a means of granting European and Japanese companies access to electric vehicle tax credits under Biden's Inflation Reduction Act — these can be done swiftly and ad hoc. They don't need a cumbersome region-wide negotiating structure.

Indonesia, for example, an IPEF member, is being courted by China and other automotive manufacturing economies for its rich deposits of nickel, used in electric vehicle batteries. [Indonesian producers](#) want a critical minerals agreement with the US to unlock IRA tax credits and give them incentives to export there — in some ways a similar lure to old-style preferential market access. If the US is serious about turning Indonesia into a reliable part of its auto supply chain, it should move quickly and do a bilateral deal rather than wait for the next dense slab of IPEF rhetoric to slide off the bureaucratic production line in several months' or years' time.

The Biden administration is right that geopolitics and value networks are changing too quickly for old-style trade agreements to address on their own. But smaller, more targeted deals still need incentives to work. The IPEF produces a lot of words but few commercial rewards. The real business of building trade alliances will go on elsewhere.

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