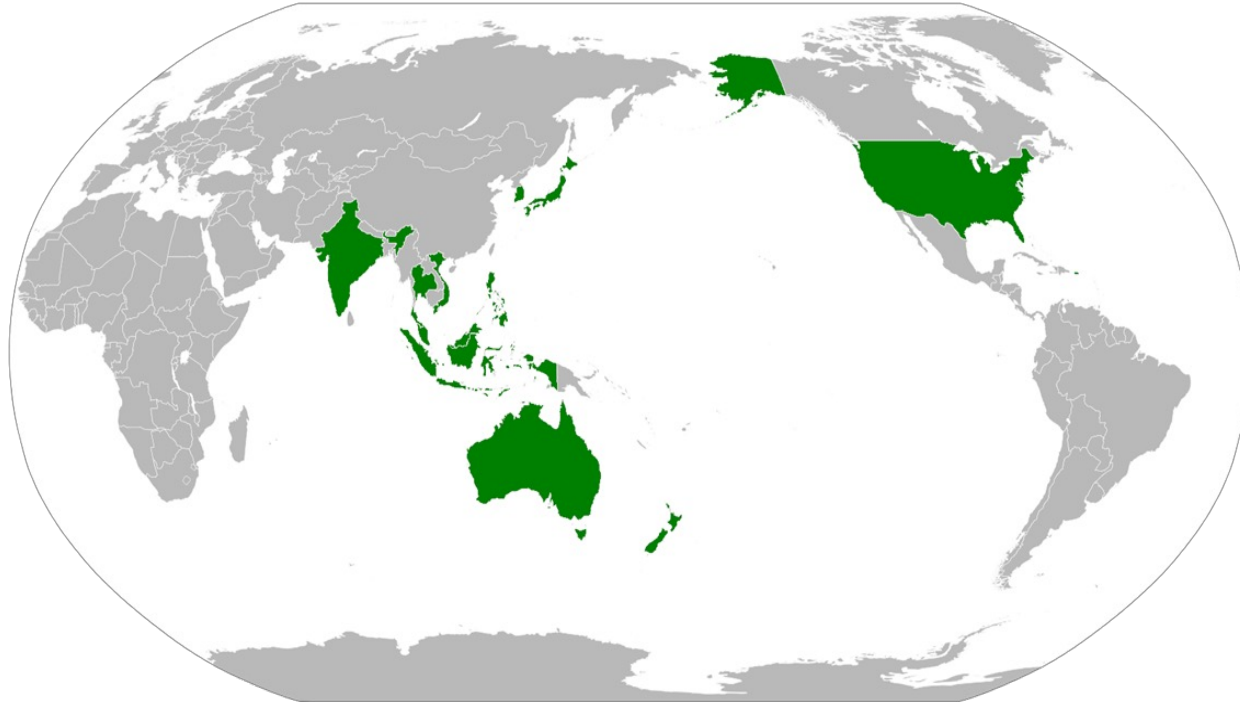


# U.S. Trade Policy in the Indo-Pacific



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## Asian economies' participation in major trade frameworks

Country/region	IPEF (13)	CPTPP (11)	RCEP (15)
China		Applied	●
Japan	●	●	●
South Korea	●		●
Taiwan		Applied	
Brunei	●	●	●
Cambodia			●
Indonesia	●		●
Laos			●
Malaysia	●	●	●
Myanmar			●
Philippines	●		●
Singapore	●	●	●
Thailand	●		●
Vietnam	●	●	●
Australia	●	●	●
New Zealand	●	●	●
India	●		Withdrew
U.S.	●	Withdrew	

Number of members in parenthesis; other members of CPTPP include Canada, Mexico, Peru, Chile

Source: White House

## IPEF vs Other Major Asia-Pacific Strategic and Trade Deals



1. Treaty Partner refers to countries that hold significant defense and/or free trade agreements with the U.S., including:

- Mutual Defense Treaty between the United States and the Republic of Korea; Free Trade Agreement Between the United States of America and the Republic of Korea (KORUS FTA);
- Australia, New Zealand, and United States Security Treaty (ANZUS Treaty);
- Agreement between the United States of America, the United Mexican States, and Canada (USMCA);
- United States-Chile Free Trade Agreement;
- United States-Peru Trade Promotion Agreement.

2. Australia and Japan have been listed as Quad partners but also hold significant defense and/or free trade agreements with the U.S.

# U.S. move to “frameworks”

- Indo-Pacific Economic Framework—13 countries; 4 pillars
  1. Connected Economy (trade)
  2. Resilient Economy (supply chains)
  3. Clean Economy (infrastructure, clean energy, and decarbonization)
  4. Fair Economy (tax and anti-corruption topics)
- Trade and Technology Council (US +EU) – 10 working groups
- U.S.-Taiwan Initiative on 21st Century Trade
- Americas Partnership for Economic Prosperity for the Western Hemisphere

"The future of the 21st century economy is going to be largely written in the Indo-Pacific — in our region."  
President Biden at the Indo-Pacific Economic Framework For Prosperity Launch Event

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IPEF member countries represent 40% of the global GDP, 28% of global goods and services trade, and 60% of global population.

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Foreign direct investment from the United States to the Indo-Pacific has nearly doubled in the last decade, and United States to Indo-Pacific trade supporting three million American jobs.

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All fourteen countries agreed to take part in Supply Chain, Clean Economy, and Fair Economy pillars, with thirteen agreeing to take part in the Trade pillar.



## The four pillars under IPEF

	Name	Focus
Pillar one	Trade	<b>"Resilient, sustainable and inclusive economic growth"</b> , which will include provisions around forced labour, environmental protection, fair competition, trade facilitation, transparency and agriculture.
Pillar two	Supply chains	<b>Preventing future supply-chain disruptions</b> , particularly for "critical sectors", including by identifying choke points and boosting investment in both physical and digital infrastructure.
Pillar three	Clean economy	<b>Enhancing the use of clean energy and climate-friendly</b> technologies to support green economic transitions and sustainable development.
Pillar four	Fair economy	<b>Improving the "level playing field" for all market participants</b> , including by fighting corruption, curtailing tax evasion, improving administrative transparency and enhancing the rule of law.

Source: EIU.

# Connected Economy – Pillar I = Trade

- “seek to craft high-standard, inclusive, free, fair, and open trade commitments that build upon the rules-based multilateral trading system”
- “develop new and creative approaches to trade and technology policies that advance a broad set of objectives”
- Labor
- Environment
- Digital Economy
- Agriculture
- Transparency and Good Regulatory Practices
- Competition Policy
- Trade Facilitation
- Inclusivity
- Technical Assistance and Economic Cooperation

# Resilient Economy – Pillar II = supply chains

- “work to minimize market distortion, protect confidential business information, promote regulatory compliance, respect market principles and act consistently with our WTO obligations”
- Establish Criteria for Critical Sectors and Goods
- Increase Resiliency and Investment in Critical Sectors and Goods
- Establish an Information-Sharing and Crisis Response Mechanism
- Strengthen Supply Chain Logistics
- Enhance the Role of Workers
- Improve Supply Chain Transparency

# Clean Economy – Pillar III = climate and energy

- In recognition of energy and infrastructure needs and in line with Paris Agreement goals, accelerate efforts in pursuit of greenhouse gas emissions mitigation and elimination, enhanced energy security and climate resilience and adaptation
- Energy Security and Transition
- Greenhouse Gas Emissions Reduction in Priority Sectors
- Sustainable Land, Water and Ocean Solutions
- Innovative Technologies for Greenhouse Gas Removal
- Incentives to Enable the Clean Energy Transition



# Fair Economy – Pillar IV = tax and corruption

- Level the playing field by preventing and combating corruption, curbing tax evasion, and improving domestic resource mobilization
- Anti-Corruption
- Tax
- Capacity Building and Innovation
- Cooperation, Inclusive Collaboration and Transparency

# IPEF is Different!

- Procedurally

1. USTR is not in charge or coordinating other than Pillar I
2. Whatever comes out of IPEF negotiations will not go to the Congress for approval

- Substantively

1. IPEF is unlikely to result in any new binding rules
2. IPEF is unlikely to include any dispute settlement process or treaty interpretation mechanism
3. IPEF is unlikely to move beyond existing international obligations (WTO, ILO)
4. IPEF is transparency and information sharing + coordination mechanism

- Motivation

1. Respond to pressure for an Asia strategy, make up for TPP withdrawal
2. “Decouple” from China
3. Maintain or increase ties to other Asian partners despite their ties to China

# Erasing the line between economic and national security

- Jake Sullivan—no longer enough to stay one or two generations ahead in foundational technologies like advanced logic, memory chips, AI
- AI technology is critical to future of global military and economic power competition
- China strategy = military-civilian fusion
- New US strategy = 1. invest in U.S. technology (ex. CHIPS Act \$52B semiconductors)
  2. Develop, attract and retain top talent
  3. Protect U.S. technology –enhanced export controls
  4. Deepen cooperation with allies and partners, including through IPEF

# Enhanced Export Controls

- Expansion of entity list, Commerce Control List (CCL) and End Use Restrictions = AI chips can no longer be sold to any entity operating in China, whether military, commercial; addition to CCL and End Use List essentially bars exports of American-made tools needed for high-end chip production in China, and of U.S. tools or components to Chinese factories capable of making chips above or below a certain threshold
- Foreign Direct Product Rule = will prevent companies anywhere in the world from selling advanced chips to Chinese firms or organizations engaged in AI and supercomputing activities without a U.S. government license if the companies use American technology to make the chips

# Confronting China – the U.S. National Security Toolbox

## Export Controls

Military End Use / End User Rule

License Exceptions (CIV, APR)

Deemed Exports

De Minimis Rule

Emerging and Foundational Technologies

Entity List

Foreign-Produced Direct Product Rule

Enforcement

Hong Kong Decertification

Other Export Control Regimes (e.g., DOE)

## Sanctions

SDN Designations (e.g., human rights)

Potential Hong Kong Sanctions

## Other Measures

CFIUS / FIRMMA

National Security Tariffs

Telecom Supply Chain Executive Order

Immigration

Bulk Power Executive Order

IP Theft Prosecutions

# U.S. Energy Sector Mineral Supply Chain

## Dependency: Relative Import Dependence



\*World production of primary material

