



POINTS OF VIEW

The International Studies Center (ISC) publishes commentaries on international issues in its Points of View. The views expressed are the authors' own and do not represent those of the Royal Thai Government or the Ministry of Foreign Affairs of Thailand. Permission to reproduce the commentary(s) may be obtained from the ISC at isc@mfa.mail.go.th, and due recognition to the author(s) should also be given as appropriate.

No. 7/2023 | June 2023

Geopolitics of Economic Cooperation: IPEF, APEC, and the Straddling of Perception and Reality

Walaya Jariyadham¹

From its heydays in the 1990s, the Asia-Pacific Economic Cooperation (APEC) has cemented itself as a dominant annual forum where leaders from four continents of the Pacific Ocean gather and declare joint policy aspirations aimed at trade liberalisation and set the stage for cooperation in other areas. To its credit, since its birth in 1989 APEC has done much in encouraging discussions and building networks that promote trade and investment, easing the ways countries do business together, and in closing the gaps in regulatory frameworks and international trade practices. It has complemented the work of the World Trade Organization in non-binding ways, using open dialogues and consensual style. Given that APEC's economies account for half the world's population and about half of international trade and GDP, its 'open regionalism' approach and voluntary concessions have significantly facilitated trade and investment among the member

¹ Dr. Walaya Jariyadham is a fellow at the International Studies Center (ISC).

economies. The Forum has helped create a sense of business community and awareness about sustainable development, and allowed many creative initiatives to break into the mainstream.

Apart from the economic agenda, APEC has also styled itself as a platform for sideline meetings where leaders pull diplomatic maneuvers. The fact that it has China and Russia, as well as Hong Kong and Taiwan, Japan and the United States, as well as the major ASEAN economic powerhouses as member economies shows the breadth of its reach, especially when it comes to relatively new issues like competition and anti-trust, digital economy and privacy protection, and transparency and anti-corruption. Most recently, under the Thai chairmanship, APEC managed to make good on its sustainability objectives, adopting the Bangkok Goals on Bio-Circular-Green (BCG) Economy with targets on climate change mitigation, environmental resource conservation, and waste management, among other lofty aspirations. The model seeks to combine sustainability approaches – the bioeconomy (renewable biological resources), the circular economy (upcycling) and the green economy (sustainable ecosystems) – to go beyond normal growth models. The Thai chairmanship helped raise significant awareness and created momentum for green economy and environmentally sustainable businesses in Thailand, although there remain challenges regarding access to sustainable finance and the creation and maintenance of ecosystems conducive to BCG economy. More coordination among public and private sectors, universities, the media, and local communities and hard rules will be needed to translate these visions and goals into implementable and enforceable practices. But on the whole, Thailand successfully rallied a consensus to give another push to the broad aspirations of upgrading and aligning economic cooperation and business practices. The baton of APEC chairmanship has now passed to the United States.

In recent years, geopolitical considerations have intruded various economic cooperation frameworks, and APEC is no exception. APEC has been observed by some as losing relevance,

becoming a mere annual talk fest, and no longer being a game-changer in the making of economic order. Trade liberalisation platforms like APEC have been seen as efforts in crafting bromides of lowest common denominators. Until now, the Bogor Goals on trade liberalisation by 2020 have not been realised, with the Free Trade Agreement of the Asia-Pacific remaining elusive. This comes as no surprise as APEC has economies with vastly different political and economic systems like Russia, China, US, and Japan in it.

As geopolitical divergence widens between countries with different interests in the global order, the membership of economic cooperation clubs also becomes fragmented along geopolitical lines. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) became effective in 2018, and the Regional Comprehensive Economic Partnership (RCEP) came into effect in the beginning of 2022. The emergence of the Indo-Pacific construct and the competition to shape and influence international order, including economic rules-making, has been further intensified by the war in Ukraine and growing tension in the South China Sea and the Straits of Taiwan. As a result, the Indo-Pacific has somewhat replaced Asia Pacific as the dominant conceptual framing of geopolitical landscape.

The Indo-Pacific Economic Framework (IPEF), launched by the United States in May 2022 along with 14 participating countries, reflects the changing dynamics of U.S. efforts to re-engage with the strategic region on strategic issues for selective decoupling or de-risking in order to secure a level of strategic autonomy. IPEF has all ASEAN countries on board except the ASEAN Least Developed Countries; namely Myanmar, Laos and Cambodia, which together with China are also the only RCEP members that are not in IPEF. Compared to APEC, it leaves out Latin American countries of Chile, Mexico, and Peru, and does not include Canada, Papua New Guinea, Hong Kong, Taiwan, China or Russia.

Since its launch, several observations about IPEF have been made. The absence of Taiwan has been seen as an attempt to avoid the discomfort of ASEAN countries considerate about China's reactions. Its draft texts have been negotiated mostly under wraps, away from the prying eyes of the public, although some stakeholder listening sessions have been held. It has also been criticised as not being ambitious enough in scope and for excluding market access, although from a different angle it also has the potential for breakthroughs not possible on the APEC platform.

APEC is more than ever struggling to retain relevance but can still serve as an off-ramp venue to discuss regional affairs, and a platform for obligation-free pledges and non-binding concessions given voluntarily. The joint declarations may become more and more just bromides setting common aspirations to give a veneer of cooperation but with little substantive changes. Given that the U.S. is pushing hard on the IPEF agenda, it is interesting to observe how these two trade fora will be managed side by side and in parallel in the present geopolitical context.

Increasingly often, smaller, bespoke alliances with selective membership like this have become the go-to format, a product of the bipolarising and multipolarising nature of modern-day geopolitics. The divides in value systems and perception of interests have made the alignment of positions among countries more challenging. IPEF, with its selective membership and a flexible, opt-in format is understandably seen as a U.S.-centered instrument to regain economic foothold in the Asia-Pacific. On surface, the format is amenable to the consensus-based, voluntary approach *à la* APEC and ASEAN and seems to serve geopolitical situation well. But in reality, any real gains in trade liberalization or economic integration remains problematic. This is because internally, countries struggle with legislative-branch scrutiny, cabinet approvals, and opposition by NGOs and civil society. Many countries have hence settled for perception rather than reality, and have chosen to keep negotiation agile and commitment voluntary. The focus, in other words, seems to have

shifted from traditional wins like market access to maneuvers to achieve better aligned rules-making and policy directions. Essentially, this is a quest for sphere of influence – like-minded club memberships – to integrate and enmesh economic systems through regulatory harmonization partly as hedge against unpredictable actions and to pave the way for gradual or selective decoupling from unfriendly players over time.

Another aspect of this kind of economic grouping is that one cannot take for granted that all member countries will be fully on board on the chosen issues. There will be a lot of wait-and-see, non-committal bargaining, especially in countries with chronic political uncertainty. The requirements for inter-agency coordination across the pillars of cooperation will face administrative frictions, especially for developing countries that are bureaucratically ill-prepared to negotiate on substantive points due to policy vacuum. Also, the domestic and public support in some member countries remains questionable, with the voice of lobby groups and private sector not always clearly defined or taken into account. In some countries, the inputs from businesses or academics and think tanks can be difficult to obtain, inter-agency decisions exceptionally complicated, and political leadership unclear or even absent.

For Southeast Asia as a region, the least developed countries are still left out from both APEC and IPEF, adding to their continued vulnerability to external influence. The heterogeneous nature of both IPEF and APEC, and the different degree of state control of economic affairs, will continue to pose challenges to efforts at policy alignments and economic integration, if these gains still feature in their objectives. Regardless of what IPEF can achieve by year's end, APEC can and should carry on its works on transboundary information frameworks and digital regulation, access to green growth technology and decarbonization, with focus on seeking real legislative changes or upgrades to make real impacts.

For both IPEF and APEC, the push and pull will continue among powerful countries with clear agenda and counter-agenda, with other countries hedging their interests and inserting their own ideas to claim domestic credits. Changes to environmental and labour standards and transparency or corruption will be hard to achieve in developing countries. It remains to be seen if IPEF will settle for low common denominators on its priority pillars the way APEC chairmanships often do in exchange for success in issuing joint declarations. But this time, as threats from insecurities on multiple fronts are becoming more clear and present, both groupings need to carefully balance between the perception of geopolitical gains and real impacts on the well-beings, if not the very survival, of their businesses and populations.