



Biden Administration Plans for an Indo-Pacific Economic Framework

Updated February 25, 2022

During the East Asia Summit in October 2021, President Biden [announced](#) plans for a U.S.-led Indo-Pacific Economic Framework (IPEF). In November, Secretary Raimondo and USTR Tai, who are [co-lead the initiative](#), held exploratory talks with Japan, Malaysia, Singapore, and South Korea during overseas visits, but no official negotiations have been launched yet. Questions remain over an IPEF's scope, potential participants, and the congressional role. In February 2022, the Biden Administration released its broader [Indo-Pacific strategy](#), which said the IPEF would be launched "in early 2022."

An IPEF would be the Administration's first major trade and economic initiative in the region. Some [Members of Congress](#), [several business associations](#), and U.S. allies, such as [Australia](#) and [Japan](#), have called for a more active U.S. trade policy in the Indo-Pacific, including U.S. leadership in regional trade agreements. Some stakeholders [have recommended](#) a prioritization of digital trade issues in particular.

U.S. officials state that they [do not envision](#) the IPEF will take the form of a "traditional trade agreement." In early February, a USTR official [said the initiative](#) will include different modules covering "fair and resilient trade, supply chain resilience, infrastructure and decarbonization, and tax and anticorruption." Countries will have to sign up to all of the components within a module, but will not have to participate in all modules. The "fair and resilient trade" module will be [led by USTR](#) and include digital, labor, and environment issues, with some binding commitments, but the IPEF will not include market access commitments. The [USTR official stated](#) that congressional consultation will be critical but the agreement is envisioned as "more of an Administrative arrangement."

Seeking agreements that do not require congressional approval would limit the scope of potential IPEF commitments given Congress' constitutional authority to regulate U.S. foreign commerce. [Trade Promotion Authority \(TPA\)](#), which establishes U.S. trade negotiating objectives and allows for expedited congressional consideration of trade agreements under specific criteria, expired in July 2021, potentially complicating any congressional consideration of new trade initiatives that may require changes to U.S. law. Several U.S. business associations [recently urged](#) the Administration to conclude IPEF modules this year, and include binding commitments, such as on market access, and provisions for future expansion of commitments and participants. Other stakeholders [identified specific commitments](#) they support and urged the Administration to seek formal legislative approval to ensure the IPEF is "binding and durable."

Congressional Research Service

<https://crsreports.congress.gov>

IN11814

Relationship to Other Regional Agreements and the U.S. Indo-Pacific Strategy

Since President Trump withdrew the United States' signature from the proposed 12-nation [Trans-Pacific Partnership \(TPP\)](#) in 2017, many observers [have asserted](#) that the United States lacks an economic and trade strategy sufficient to counter China's increasing economic influence in the Indo-Pacific. These stakeholders argue that the U.S. absence from TPP's successor agreement and other regional agreements limits the U.S. ability to shape trade rules in the region and keep pace with technological developments. In contrast, China and 14 other Asian countries are participating in the [Regional Comprehensive Economic Partnership \(RCEP\)](#) trade agreement (effective since early 2022). China and other countries also have formally [requested to accede](#) to the TPP's successor arrangement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)), and China has requested to join the Digital Economic Partnership Agreement ([DEPA](#)) with Chile, New Zealand, and Singapore. The EU also continues to advance new trade agreements in the region.

Biden Administration officials [have stated](#) that the Administration is not currently interested in joining CPTPP, [saying](#) other arrangements are better suited to address the region's current economic challenges. A [number of observers](#), however, argue that without binding new trade rules, including on market access, the IPEF is unlikely to match China's initiatives, meaning the United States may "[remain on the sidelines](#)," potentially impairing the Administration's ability to promote its [vision](#) of a "free and open Indo-Pacific, where countries follow the rules, cooperate whenever they can, and resolve their differences peacefully." Thus far, the Administration's steps toward enacting its vision have been predominantly diplomatic and military in nature; [some analysts argue](#) that security issues are likely to remain the Administration's focus in the region, including potentially through the IPEF.

Options to Advance Digital Trade

The Administration's announcement of the IPEF follows months of [speculation](#) regarding a potential U.S. digital trade pact in the region. In August, Ambassador Tai [noted](#) that digital trade "is an area that we are actively working with our partners to establish rules." Many Members have [expressed support](#) for a digital trade agreement, including during a [recent hearing](#). By lowering barriers to digitally-enabled trade and establishing nondiscriminatory trade rules, [digital trade](#) agreements may help U.S. companies compete more effectively in the international marketplace, while also expanding U.S. access to international products that rely on digital technologies. A U.S.-led regional digital agreement could help to establish U.S. leadership on a rapidly developing trade policy issue, which may be of particular concern given China's more active engagement in regional trade negotiations and differing priorities. Some observers [argue](#) that U.S. participation in existing regional digital pacts, such as DEPA, also could advance U.S. interests; [Canada](#) and [South Korea](#) are currently in the DEPA accession process.

U.S. commitments in the [U.S.-Mexico-Canada Agreement \(USMCA\)](#) digital trade chapter and in the standalone [U.S.-Japan Digital Trade Agreement](#) build on existing CPTPP provisions governing digital trade, which the United States helped craft. They provide for nondiscrimination, consumer protection, privacy, and cross-border data flows, and prohibit forced technology transfer, data localization requirements, and customs duties on digital trade, among other obligations. The agreement with Japan could be a template for an Indo-Pacific agreement on digital trade. It did not require congressional approval in part because it was limited in nature, omitting dispute settlement procedures and raising questions about enforceability. The USMCA model is more binding and comprehensive.

Questions for Congress

Potential questions Congress may have regarding plans for an Indo-Pacific Economic Framework include:

- What role should Congress play in the negotiation and consideration of an IPEF and other regional trade initiatives? What regional and other multilateral trade commitments would best serve U.S. economic and strategic interests in the region?
- What types of enforcement mechanisms would an IPEF include and how would its commitments and enforceability compare to CPTPP and U.S. free trade agreements? What are the tradeoffs of these approaches and should they be pursued in tandem?
- How does the expiration of U.S. Trade Promotion Authority (TPA) affect the Administration's approach to scoping, negotiating, and enacting an IPEF and trade agreements?

Author Information

Brock R. Williams, Coordinator
Specialist in International Trade and Finance

Mark E. Manyin
Specialist in Asian Affairs

Rachel F. Fefer
Analyst in International Trade and Finance

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.