

The Negotiation Progress and Potential Implications of the Supply Chain Agreement under the "Indo-Pacific Economic Prosperity Framework"

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After President Joe Biden took office, he introduced the "Indo-Pacific Economic Framework for Prosperity" (IPEF) concept at the 2021 East Asia Summit (EAS) and officially launched it on May 23, 2022. IPEF comprises 14 member countries, including those from East Asia, New Zealand, Australia, and extending to Pacific Island nations. The framework consists of four main pillars: trade, supply chain, clean energy and infrastructure, and taxation and anti-corruption. Member countries can choose to participate in negotiations for each pillar, with India being the only exception, not joining the trade pillar negotiations. The other member countries are engaged in negotiations for all four pillars. As of June 2023, IPEF has held four rounds of negotiations, including a special round, and organized two ministerial-level meetings. The fourth round of negotiations is scheduled to take place in mid-July in Busan, South Korea.

The scope of the negotiations for each pillar can be gleaned from the ministerial statements of IPEF member countries. The first pillar (trade) covers labor, environment, digital economy, agriculture, transparency, good governance practices, competition policies, trade facilitation, inclusivity, technical assistance, and economic cooperation. The second pillar (supply chain) includes establishing standards for critical industries and products, enhancing resilience and investments in key industries and products, establishing mechanisms for information sharing and crisis response, strengthening supply chain logistics systems, enhancing the role of labor, and improving supply chain transparency. The third pillar (clean economy) involves energy security and transition, reducing greenhouse gas emissions from priority industries, sustainable land, water, and marine programs, innovative technologies to eliminate greenhouse gases, and incentives for transitioning to a clean economy. The fourth pillar (fair economy) includes anti-corruption measures, taxation, capacity building, innovation, inclusive cooperation, and transparency.

Following several rounds of negotiations and ministerial-level meetings, the main content of the supply chain agreement has already been announced. After the agreement takes effect, each member will develop a document on managing supply chain risks in key sectors and products, improve emergency cooperation and response measures during supply chain disruptions, enhance transparency in supply chain

investments related to national security and public health, and establish a Supply Chain Council, among other measures. The expected impact of these measures is profound.

Upon Biden's announcement of launching IPEF, the American business community established the "American Association of the Indo-Pacific" (AAIP) to provide recommendations for IPEF. AAIP proposed several key suggestions for the supply chain agreement negotiations, including prioritizing the resilience of critical minerals, pharmaceuticals, and medical equipment supply chains, establishing trusted importer programs, incorporating service industries (such as transportation, freight, and courier services) into the supply chain negotiations, including tariff concessions for critical goods and materials, addressing intellectual property issues related to supply chains, and creating a blacklist of businesses that jeopardize supply chain resilience (e.g., through intellectual property infringement). Despite the U.S. government repeatedly stating that IPEF is not a traditional FTA and has no intention of reopening any trade negotiations involving tariff concessions, AAIP believes that including discussions on tariff concessions for critical goods and materials is essential for businesses and suggests IPEF should cover at least specific sector product tariff concessions negotiations.

Considering the far-reaching impact of the IPEF supply chain agreement, Taiwan should strive to engage in substantive cooperation on IPEF issues within the framework of Taiwan-U.S. bilateral relations. Additionally, Taiwan should continue to promote supply chain cooperation with other organizations such as APEC and other countries to mitigate the negative effects of not being able to participate in IPEF.

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