



22-6 China's CPTPP Bid Spurs South Korea to Act on Asia-Pacific Trade Pacts

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INTRODUCTION

China's sudden application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in September 2021 has broad implications for South Korea's economic relations with China, Japan, and the United States. As China moves to deepen its ties to regional partners, Korea needs to follow suit, complementing the ongoing implementation of the Regional Comprehensive Economic Partnership (RCEP) with negotiations to join the CPTPP and participation in the US-led Indo-Pacific Economic Framework for Prosperity (IPEF).

Like its Asian partners in the RCEP and the CPTPP, Korea has substantial trade and investment ties with both China and the United States. Decoupling from either economic partner is both impractical and undesirable. Indeed, Korea already is in the process of deepening ties with China via the implementation of RCEP, which entered into force in January 2022 and is designed to strengthen regional supply chains linking production in the 15 member countries. At the same time, Korean President Yoon Suk-yeol has welcomed the IPEF, which promises to promote greater collaboration among its (non-Chinese) participants in developing a new architecture for governing the digital economy and the nexus of trade, labor, environmental issues as well as promoting US-Korea collaboration on semiconductors and electric vehicle batteries. The challenge for Korean policymakers is to balance ongoing implementation of Asian economic integration pacts with the new US-led initiative in the Indo-Pacific region.

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China's accession to the CPTPP has moved slowly since it started in September 2021. The Policy Brief first assesses prospects for Chinese accession talks and how they affect prospective Korean negotiations to join the pact. In the past, Korea frequently debated but invariably postponed deciding whether to participate in negotiations on the CPTPP, despite the substantial benefits to be gained from doing so. However, China's application has prompted Korean officials to get off the fence and apply as well.¹ Korea's expected application should advance quickly since the original CPTPP drew heavily from precedents in the Korea-United States Free Trade Agreement (KORUS FTA).

The Policy Brief then examines the new IPEF option for a nontraditional trade and investment accord between the United States and select Asian allies and what it could offer to Korea as a channel for reforms that could update and deepen US-Korean economic relations in areas beyond the scope of the KORUS FTA. Elaborating the content of the IPEF awaits further consultations among the participating countries, but the initiative should promote greater US-Korea trade and investment in high-technology sectors.

The concluding section argues that Korean participation in the RCEP, CPTPP, and IPEF is desirable and mutually reinforcing and should allow Korea to sustain its strong commercial interests in both the US and Chinese markets. Korea should expedite its application and negotiations with CPTPP members so that it can join the pact in 2023 before China and other Asia-Pacific applicants. Accepting CPTPP obligations on labor, environment, and other issues should complement Korea's participation in the IPEF and hopefully obviate the need to update the KORUS FTA, which has served both countries so well for the past decade.

CHINA'S ACCESSION TO THE CPTPP WILL INVOLVE LENGTHY AND DIFFICULT NEGOTIATIONS

Chinese leaders had signaled interest in CPTPP membership since the pact entered into force at the end of 2018. Chinese academic and government researchers have been closely examining CPTPP obligations to assess the compliance of Chinese laws and regulations with CPTPP requirements. Without US participation in the pact and given extensive trade and investment ties with most of the CPTPP members, Chinese officials seemingly calculated that their application to join the pact would not be rejected out of hand and would result in negotiations on the terms of China's entry over the course of several years (as is common in intra-Asian trade negotiations).² Moreover, the US decision to put the CPTPP on the backburner allowed China to move preemptively via its application to obstruct Taiwan's membership (Taiwan then applied six days after Beijing) and complicate the potential debate among CPTPP countries if US officials reversed course and sought to rejoin the pact.

Before applying to join the CPTPP, Chinese officials commissioned studies to benchmark Chinese practices against CPTPP requirements and subsequently targeted specific laws, regulations, and reform measures that China would need to modify. Since then, as [Wang Shouwen](#), China's vice minister of commerce,

Korea frequently debated but invariably postponed deciding whether to participate in negotiations on the CPTPP, despite the substantial benefits to be gained from doing so. However, China's application has prompted Korean officials to get off the fence and apply as well.

1 In late 2021, the previous Moon Jae-in government announced its intention to apply to join the CPTPP after completing consultations with domestic groups, and President Yoon seems determined to follow through on that course of action.

2 For example, the RCEP talks took eight years from their launch during the ASEAN Summit in Phnom Penh in November 2012 to signing in November 2020.

noted, Chinese trade representatives have been “contacting, communicating, and negotiating with relevant members in accordance with the CPTPP accession procedure.” Vice Minister Wang argued that the provisions of the CPTPP are consistent with current and planned Chinese economic reforms to advance high-quality development, that China would augment market access commitments already bound in existing FTAs with most of the CPTPP countries as part of its commitments to join the pact, and that China would thus be able to meet the standards of the CPTPP.

Two-way merchandise trade between China and the CPTPP countries totaled \$1.4 trillion in 2021;³ all but Mexico are linked to China via bilateral FTAs or the RCEP and depend importantly on trade and investment with China. Vice Minister Wang stated that Chinese accession would “help the 11 CPTPP member countries to further expand market access to the world’s second largest economy, and help these countries expand their relationship with China.”

CPTPP members need to be convinced about the scope and constancy of Chinese commitments to economic reforms required by the high-standard CPTPP obligations. At first glance, China seems to be making significant strides in areas such as investment and is implementing some other needed reforms on protection and enforcement of intellectual property and on trade and the environment.

China’s recent proposal to [use its free trade zones \(FTZ\) to test run trade reforms](#) is the strategy envisaged to introduce and implement regulatory policies closer to CPTPP standards. The new Hainan FTZ is becoming a laboratory for new customs procedures and investment policies that facilitate entry and establishment of foreign goods and services. Not surprisingly, however, these FTZ experiments are unlikely to bridge the biggest gaps between Chinese practice and CPTPP standards regarding commitments to data flows and localization as well as subsidies for state-owned enterprises (SOEs) and the protection of labor rights.

China has promulgated several laws on the use and protection of data, including the Data Security Law, the Cybersecurity Law, and the Personal Information Protection Law. Implementing regulations to administer and enforce those laws are being developed in an effort—to the extent possible and consistent with domestic policy goals—to bridge the gap between Chinese law and the requirements of the CPTPP. But all require intrusive access by government authorities to private data and restrictions on the use of data within China purportedly for national security reasons. These provisions seem to contravene CPTPP obligations and will likely pose a major obstacle to Chinese accession unless CPTPP members accept a very broad national security exemption to accommodate Chinese practices.

Support for SOEs, extended at various levels of government via preferential tax and regulatory measures, also could present obstacles for Chinese membership. To be approved for CPTPP membership, Chinese officials need to assure their CPTPP counterparts that there is a level playing field to compete for sales in the Chinese market and that their own industries are not disadvantaged by subsidized imports from China. That will be a difficult case to make, given the pervasive nature of public subsidies in certain sectors of the Chinese economy,

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3 UN Comtrade Database.

and there is a risk that Chinese officials may offer instead incremental reforms over extended implementation periods, as is being done for Malaysia and Vietnam, as a workaround the CPTPP requirements.

Finally, China seems to face a large challenge in meeting CPTPP requirements on labor standards and practices, which cover freedom of association, the right to collective bargaining, the elimination of all forms of forced or compulsory labor, and prohibition of child labor. The CPTPP incorporates the provisions of the labor chapter of the Trans-Pacific Partnership (TPP) originally accepted by US officials in February 2016.⁴ In particular, the pact calls for countries to discourage “in whole or part” imports of goods produced by forced or compulsory labor (Article 19.6).⁵

Under Article 3 of China’s Trade Union Law, “all workers have the right to organize or join trade unions according to law; no organization shall obstruct or restrict them.” Article 11 states that the “establishment of basic-level trade union organizations, local trade union federations, and national or local industrial trade union organizations shall be submitted to the trade union organization at the next higher level for approval.” But since the All-China Federation of Trade Unions (ACFTU) is the only legal labor union in China, labor union organizations will operate under the ACFTU with limited autonomy. Chinese practice seems to contravene the spirit and possibly letter of CPTPP requirements and may lead Chinese officials to try to water down the US-inspired CPTPP labor obligations or possibly seek an exemption from those rules.

In sum, China seems willing to narrow the gap between its practices and CPTPP standards, but it is unlikely to close the gap in key areas for a long time. That is the offer that implicitly is on the table in China’s accession talks; it suggests that CPTPP members will be under pressure to agree to bend their standards on SOEs, labor, and data to accommodate Chinese participation. Since most CPTPP members do not want to say “no” to China, it is more likely that, as is common in Asian trade negotiations, the members will agree to establish an Accession Working Group (AWG) after extensive review and then proceed with laborious talks that aspire to quick resolution but constantly are extended year after year.⁶

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KOREA SHOULD EXPEDITE ITS APPLICATION TO JOIN THE CPTPP

Korean policy already is highly aligned with many CPTPP obligations and the Korean market has been opened to goods from most CPTPP countries under a series of bilateral and regional FTAs, most recently the RCEP, which accounts for about half of Korea’s merchandise trade and substantial overseas direct investment by Korean companies (see table 1).⁷ Joining the CPTPP would augment those benefits and provide Korean firms advantage in freely sourcing within both the intra-Asian and Asia-Pacific regions.

4 The CPTPP does not include the bilateral understandings negotiated by the United States with specific countries that augment labor market commitments.

5 For an assessment of the TPP labor chapter, see Cathleen Cimino-Isaacs and Jeffrey J. Schott, eds., *Trans-Pacific Partnership: An Assessment*, Washington: Peterson Institute for International Economics, 2016, chapter 15.

6 Mexico could be the outlier that is willing to say no to China, and it only takes one country to block or veto the accession of a new member.

7 See also Jeffrey J. Schott, *RCEP is not enough: South Korea also needs to join the CPTPP*, PIIE Policy Brief 21-17, 2021.

Table 1
South Korea's two-way trade, foreign direct investment (FDI), and trade balance with ASEAN, China, Japan, and the United States, 2000, 2010, and 2020 (millions of US dollars or percent as indicated)

Item	2000	2010	2020
ASEAN member countries			
Korean exports to ASEAN	20,134	53,195	89,051
Korean imports from ASEAN	18,173	44,099	54,836
Korean trade balance with ASEAN	1,960	9,096	34,215
Korean GDP	576,178	1,144,067	1,637,896
Total Korean exports	172,267	466,381	512,710
Korean exports to ASEAN/total Korean exports (%)	11.7	11.4	17.4
Total Korean exports/Korean GDP (%)	29.9	40.8	31.3
Total Korean imports	160,479	425,208	467,498
Korean imports from ASEAN/total Korean imports (%)	11.3	10.4	11.7
Total Korean imports/Korean GDP (%)	27.9	37.2	28.5
Total FDI stock in Korea	42,342	134,234	218,310
of which: from ASEAN	5,349	5,840	18,969
ASEAN FDI stock in Korea/total FDI stock in Korea (%)	12.6	4.4	8.7
Total Korean FDI stock abroad	25,816	254,716	433,672
of which: Korean FDI stock in ASEAN	3,659	31,228	76,546
Korean FDI stock in ASEAN/total Korean FDI abroad (%)	14.2	12.3	17.7
Japan			
Korean exports to Japan	20,466	28,176	25,092
Korean imports from Japan	31,827	64,296	46,025
Korean trade balance with Japan	-11,361	-36,120	-20,932
Korean GDP	576,178	1,144,067	1,637,896
Total Korean exports	172,267	466,381	512,710
Korean exports to Japan/total Korean exports (%)	11.9	6.0	4.9
Total Korean exports/Korean GDP (%)	29.9	40.8	31.3
Total Korean imports	160,479	425,208	467,498
Korean imports from Japan/total Korean imports (%)	19.8	15.1	9.8
Total Korean imports/Korean GDP (%)	27.9	37.2	28.5
Total FDI stock in Korea	42,342	134,234	218,310
of which: from Japan	6,963	32,403	53,945
Japanese FDI stock in Korea/total FDI stock in Korea (%)	16.4	24.1	24.7
Total Korean FDI stock abroad	25,816	254,716	433,672
of which: Korean FDI stock in Japan	449	5,288	8,749
Korean FDI stock in Japan/total Korean FDI abroad (%)	1.7	2.1	2.0

Item	2000	2010	2020
China			
Korean exports to China	18,455	116,838	132,555
Korean imports from China	12,799	71,573	108,870
Korean trade balance with China	5,656	45,265	23,685
Korean GDP	576,178	1,144,067	1,637,896
Total Korean exports	172,267	466,381	512,710
Korean exports to China/total Korean exports (%)	10.7	25.1	25.9
Total Korean exports/Korean GDP (%)	29.9	40.8	31.3
Total Korean imports	160,479	425,208	467,498
Korean imports from China/total Korean imports (%)	8.0	16.8	23.3
Total Korean imports/Korean GDP (%)	27.9	37.2	28.5
Total FDI stock in Korea	42,342	134,234	218,310
of which: from China	94	1,078	8,684
Chinese FDI stock in Korea/total FDI stock in Korea (%)	0.2	0.8	4.0
Total Korean FDI stock abroad	25,816	254,716	433,672
of which: Korean FDI stock in China	4,380	57,278	79,470
Korean FDI stock in China/total Korean FDI abroad (%)	17.0	22.5	18.3
United States			
Korean exports to the US	37,806	49,991	74,396
Korean imports from the US	29,286	40,588	57,765
Korean trade balance with the US	8,520	9,403	16,631
Korean GDP	576,178	1,144,067	1,637,896
Total Korean exports	172,267	466,381	512,710
Korean exports to the US/total Korean exports (%)	21.9	10.7	14.5
Total Korean exports/Korean GDP (%)	29.9	40.8	31.3
Total Korean imports	160,479	425,208	467,498
Korean imports from the US/total Korean imports (%)	18.2	9.5	12.4
Total Korean imports/Korean GDP (%)	27.9	37.2	28.5
Total FDI stock in Korea	42,342	134,234	218,310
of which: from the US	9,051	28,394	35,098
US FDI stock in Korea/total FDI stock in Korea (%)	21.4	21.2	16.1
Total Korean FDI stock abroad	25,816	254,716	433,672
of which: Korean FDI stock in the US	7,280	47,921	102,371
Korean FDI stock in the US/total Korean FDI abroad (%)	28.2	18.8	23.6

Note: Latest data on FDI stock are from 2019. Trade balance figures are not seasonally adjusted. The members of the Association of Southeast Asian Nations (ASEAN) are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

Sources: UN Comtrade database, <https://comtrade.un.org/data>; World Bank, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KR>; OECD International Direct Investment Statistics, https://www.oecd-ilibrary.org/finance-and-investment/oecd-international-direct-investment-statistics_2307437x.

Korea has long been prepared for TPP/CPTPP but gave priority instead to concluding the RCEP, given the importance of trade and investment with the 14 other RCEP countries. Importantly, Korean officials held back in an excess of caution over concerns about market access demands that partner countries might require as the price of entry into the new trading club. Trade and investment disputes with Japan in recent years only reinforced these concerns since Japan, as every CPTPP country, has a veto over the accession of new members.

But China's application to the CPTPP has turned the tables on this precautionary argument. Without the United States at the table, Japan needs additional strong partners to steel the resolve of CPTPP officials not to water down obligations or accept long transition periods for economic reforms in negotiating the terms of China's participation. The memory is still fresh of the RCEP negotiations in which China exempted key areas from tariff cuts (e.g., autos) to deny Korean and Japanese exporters new access to the Chinese market. For that reason, Japan will likely be more tempered in bilateral talks with Korea over the terms of its CPTPP accession and seek realistic compromises on sensitive issues, including Korea's [ban on fish imports from Fukushima](#).

Of course, other CPTPP countries will seek new Korean trade reforms, especially in agriculture, that will provoke opposition among groups in Korean society. But those concerns can be addressed through domestic programs that provide income support to farmers and others facing new import competition and other programs designed to strengthen the competitiveness and resilience of those sectors of the Korean economy.

Once Korea formally submits its application, the process of securing approval for the start of accession negotiations should be straightforward and less time consuming than the experience of the other applicants to date (United Kingdom; China; Taiwan; and Ecuador). UK officials applied in January 2021 and the CPTPP members established an AWG eight months later. China is still consulting on its qualifications more than eight months after applying; a decision on setting up an AWG for China does not seem imminent. Taiwan and Ecuador also have not advanced quickly through the detailed accession process. CPTPP accession does not follow the first in, first out (FIFO) rule; individual applications proceed on their own pace and are not constrained by talks begun earlier with other countries. The United Kingdom may be the first to apply and first to be accepted, if it secures support during the ongoing AWG negotiations, but it would not be surprising if Korea completed its accession negotiations and entered CPTPP soon after the United Kingdom and long before China and Taiwan and other applicants.

IPEF CAN COMPLEMENT KOREAN PARTICIPATION IN RCEP AND CPTPP

For domestic political reasons, supported by a Trump-like skepticism about traditional FTAs, the Biden administration has not moved to join the CPTPP and is unlikely to change its position for the foreseeable future. China's application to join the CPTPP has complicated US options for pursuing deeper integration with its former TPP negotiating partners.

It would not be surprising if Korea completed its accession negotiations and entered CPTPP soon after the United Kingdom and long before China and Taiwan and other applicants.

Instead, US officials launched discussions on May 23, 2022 on a new initiative called the [Indo-Pacific Economic Framework for Prosperity \(IPEF\)](#), which seeks to deepen economic cooperation with non-Chinese partners in Asia and Oceania under four main pillars: connected economy (with a particular focus on labor, environment, and digital economy issues, among others); resilient economy (promoting supply chain resilience through “[friendshoring](#)” investments outside of China); clean economy (especially to advance decarbonization goals); and fair economy (pursuing international tax and anticorruption initiatives).⁸ Chinese officials have criticized the IPEF as designed to contain China's growing commercial relations in the region. An article in the [Global Times](#), a leading megaphone for Communist Party views in China, charged that “the IPEF is the economic pillar of the ‘Indo-Pacific strategy’ and a geopolitical tool for the US to encircle China.”

For Korea and the 12 other US partners⁹ participating in the US-led initiative, the IPEF is valuable as a strategy for securing deeper US economic engagement in the region after the volatile and protectionist policies pursued by the Trump administration. But many of the CPTPP countries participating in the IPEF also have been vocal in calling for a US return to the Asia-Pacific pact; they regard the two initiatives as complementary. Those countries do not want to use the IPEF to decouple from China since they are working with China in RCEP and considering China's application to the CPTPP. At the same time, there is an interest in building more resilient supply chains that may reduce their exposure to Chinese partners in specific technology sectors.

Moreover, the May 23 statement simply commits countries to develop a detailed negotiating agenda for each of the four pillars, so that, [as the New Zealand government has noted](#), participants can better assess “the opportunities that a negotiation might represent.” Though announced in Tokyo with great fanfare by President Joseph R. Biden, Jr., and other heads of state gathered for the occasion, the IPEF is in an early developmental stage.

US officials have not clarified what would be expected of other countries under each pillar, much less what the United States would contribute. The strategy was announced while still under construction; consultations with domestic constituencies as well as foreign officials continue to try to define what could be pursued that benefit both the United States and its IPEF partners. That effort is hamstrung by the limited scope to change existing US laws and practices, including trade and investment restrictions that burden relations with prospective IPEF countries, since US trade promotion authority (TPA) expired on July 1, 2021.

Without TPA, and with a skeptical view about the value of traditional trade negotiations that involve commitments to both liberalize trade and adopt common rules to ensure that domestic policies (e.g., labor practices, environmental standards, competition policies) do not distort trade and

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8 Meetings under the first pillar are led by the US Trade Representative and the latter three pillars by the US Commerce Department.

9 As of June 1, 2022, the countries participating in the IPEF talks are Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States, and Vietnam. Fiji announced its participation shortly after the official launch on May 23.

investment flows, US officials have been reluctant to sit down at the bargaining table. They are critical of even the high-standard rules developed in the TPP, most of which are embodied in the US-Mexico-Canada Agreement (USMCA), which they acclaim as far preferable to the Asia-Pacific deal! In the IPEF, they presumably expect Asian partners to accept new rules consistent with current US practice (and which thus do not require Congress to act on implementing legislation).

The Korean response to the IPEF initiative has been supportive, cognizant of its implicit linkage to the indispensable security interests that underpin the US-Korea alliance. Korean officials seem happy to work with US colleagues to strengthen economic relations and in so doing avoid a dust-up over updating the KORUS FTA similar to the frontal attack that Trump, aided by Democrats in Congress now widely represented in the Biden administration, waged against the North American Free Trade Agreement (NAFTA). While China has supplanted the United States as Korea's leading trading partner, the United States still accounts for about 13 percent of merchandise trade and, importantly, is a welcoming host for more than \$100 billion in Korean foreign direct investment (see table 1). Deepening that investment relationship is a key economic objective driving US and Korean cooperation on the US-led initiative.

Although the detailed content of the IPEF is still being negotiated, there are several components of the four pillars that should promote deeper commercial ties between Korea and the United States. In the trade pillar, Korean interests closely align with the goal of developing regional rules to govern the digital economy. That is why Korea has applied to join the Digital Economy Partnership Agreement (DEPA), founded by three other CPTPP members (Singapore, New Zealand, and Chile).¹⁰ The DEPA builds on the original chapter on e-commerce in the TPP/CPTPP and the USMCA. Still unclear is whether US officials will revise their digital economy template to accommodate [differing views](#) in the region on privacy rules, data localization requirements, and content liability for online platforms—issues that have hampered progress on global talks in this area. What is clear is that many of the 13 IPEF partners will likely find US demands for labor and environment reforms to be politically fraught; several countries could drop out of the deal on this pillar if they are required to accept, all or nothing, rules on the digital economy as a package with labor and environment provisions.

The second pillar on supply chain resiliency offers the most concrete advantage for Korean firms. Current US legislation could extend substantial financial support to Korean firms that invest in high-technology facilities in the United States. Samsung, SK Hynix, LG Energy Solution and others are advancing plans for new US operations to produce semiconductors and electric vehicle batteries. The IPEF initiative also reinforces ongoing work to expand vaccine production and distribution from Korean facilities as part of the broader response to the pandemic.

The third pillar on clean energy also holds promise for enhanced regional cooperation to accelerate the implementation of nationally determined contributions (NDCs) to reduce greenhouse gas emissions. Here again, US and

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¹⁰ China also has applied to join the DEPA.

Korean interests should align, provided countries avoid imposing new carbon border adjustment levies against different national measures that promote decarbonization.

The fourth pillar on cooperation on international tax and anticorruption measures seems limited to better information sharing under “existing multilateral obligations, standards, and agreements.” The scope of these commitments will presumably be fleshed out in current talks among the IPEF participants.

US and Korean officials need to recognize and avoid inherent problems with the implementation of the IPEF that could yield unintended consequences. The following are key concerns that need to be mitigated if the IPEF is to provide a useful platform for Asia-Pacific economic relations.

First, at present, there is no “Indo” in the IPEF. There is no indication that India subscribes to any of the four pillars of the economic program put forward by US officials. India has impeded efforts in the World Trade Organization (WTO) to establish specific trading rules to help mitigate the COVID-19 pandemic and the world food crisis exacerbated by the war in Ukraine, similar to what India did almost a decade ago in stalling conclusion of the WTO’s most important deal to date, the Trade Facilitation Agreement (TFA).¹¹ Furthermore, its tacit acceptance of Russia’s invasion of Ukraine calls into question whether it could be considered a strategic ally of its Asia-Pacific partners.¹² India has increased its purchases of Russian oil and wheat since the war began and continues to buy substantial amounts of military hardware from Russia, though US officials expect India to procure more US equipment to reduce dependence on Russian suppliers. Indian participation is critical for IPEF as a security strategy; it is a stalwart supporter of efforts to contain China. But it is hard to see India as a trusted economic partner. More likely, it will decline to participate in any of the IPEF rulemaking initiatives just as it backed out of signing the RCEP when that massive trade deal was concluded in November 2020.

Second, the IPEF offers an a la carte menu, allowing countries to pick which areas to participate. Some members of the Association of Southeast Asian Nations (ASEAN) have been discouraged from participating since their levels of economic development make it unlikely that they could meet the high-standard obligations along with rigorous enforcement requirements sought by US officials. In this regard, the IPEF is comparable to TPP/CPTPP, which currently includes only four ASEAN members, but the opposite of the RCEP, which covers all ten ASEAN members. In the TPP, however, US officials offered the prospect of better access to the US market if countries accepted new rulemaking obligations; the IPEF lacks those incentives, making it less likely that other Asian countries will come together in the US initiative—at least under the trade pillar.

Third, the IPEF focus on building more resilient supply chains seems to ignore the extensive network of trade and investment that links South Korea and most other Asian countries to the Chinese market. Most US partners in the region do

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11 India worked to water down the TFA obligations and then reneged on the pact soon after it was agreed at the WTO ministerial in Bali in December 2013. That is why trade facilitation is on the IPEF agenda; the WTO results were not sufficient due to India’s demands and India is unlikely to change its position in the IPEF context, if it participates in the rulemaking exercise at all.

12 On March 2, 2022, India abstained from [United Nations General Assembly Resolution ES-11/1](#) condemning Russia’s invasion of Ukraine.

not want to choose between the US and Chinese markets; they need to continue to operate in both.¹³ China remains Korea's leading trading partner and is the host to about \$80 billion in investment by Korean firms (see table 1). Moreover, the implementation of the RCEP, which includes rules of origin that provide tariff preferences that encourage sourcing of components from China and other RCEP countries, will tend to deepen rather than discourage Chinese participation in intra-Asian supply chains. To date, US officials have failed to take account of the entry into force of RCEP at the start of 2022 in developing their IPEF strategy.

Korean policy needs to carefully navigate participation in both economic initiatives. For the RCEP, it will be critical to strengthen ties with ASEAN, whose markets offer a valuable option for diversifying production away from higher-cost and more heavily regulated operations in China. This is consistent with Korea's existing New Southern Policy with ASEAN and India and should be continued in the new Yoon administration.

CONCLUSION

As one of the world's leading trading nations, Korea needs to actively participate in the three major integration regimes in the Asia-Pacific: the RCEP, the CPTPP, and the IPEF. The three regimes are mutually reinforcing and Korea is among the few major trading countries along with Japan eligible to participate in all three. The United States and China are not.

China's decision to apply for membership in the CPTPP seems to have moved Korean policymakers to get off the fence and participate as well in the region's most comprehensive integration arrangement. That is a good thing for the Korean economy, which should benefit from closer integration in the region's largest trade and investment pacts. The RCEP is particularly important for regional integration with the ASEAN and should support Korean FDI in those countries and contribute to more resilient intraregional supply chains for Korean industries. Prospective membership in the CPTPP complements the RCEP and ensures that Korea remains in the forefront of trading nations with preferential access across the Asia-Pacific region.

Finally, the IPEF provides a valuable channel for deepening ties with the United States, particularly in sectors where Korean high-tech industries have an important stake in regional trade and investment. The Yoon government should be a willing partner to rulemaking reforms, especially in the digital economy area where IPEF discussions could complement and possibly reinforce Korea's current efforts to accede to the Digital Economy Partnership Agreement.

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¹³ Singapore's Prime Minister [Lee Hsien-Loong](#) emphasized this key point after the May 2022 IPEF meetings in Tokyo, noting that "economic engagement between the US and the region, and between China and the region, are both very much to be encouraged."



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