

Why do ASEAN Countries, Japan and South Korea Join Both IPEF and RCEP

Erge Wu^{1, a}

¹Stamford International University, Bangkok, 10310, Thailand

^a1910220002@students.stamford.edu

Abstract: In recent years, the world economy has gradually emerged the phenomenon of anti-globalization, especially the trade frictions between China and the United States and since 2020. Since the beginning of the year, the global pandemic of the novel coronavirus has caused a serious blow to the world's economic system, especially the transnational trade, which has almost completely stopped due to Covid-19, and the trade friction between China and the United States has not changed. This paper takes the post-epidemic era and the Sino-US trade war as the background of the great era, and from the perspective of ASEAN countries, Japan, and South Korea, through SWOT analysis and other methods, studies how these countries seize the current opportunities, especially those from. The opportunities of IPEF and RCEP take the lead in realizing the economic recovery after the epidemic.

Keywords: Ten ASEAN countries, Japan, and South Korea, IPEF, RCEP.

1. Introduction

On July 6, 2018, then-US President Donald Trump announced an additional 25% tariff on Chinese imports, marking the official start of the China-US trade war. As China and the United States are the second and first largest economies in the world and both play important roles in the global trade supply chain, the trade frictions between the two countries are bound to have a significant negative impact on world trade, especially transnational trade. The trade frictions between China and the United States are still ongoing. In the meantime, on March 11, 2020,

The World Health Organization (WHO) officially declared Covid-19 as a Pandemic, marking the world's entry into the epidemic era. Due to the devastating and highly contagious nature of the novel coronavirus, countries have introduced strict epidemic prevention measures to prevent the spread of the epidemic in their countries. However, these epidemic prevention measures have not only controlled the epidemic in their own countries, but also hit the domestic and even transnational trade. With the passage of time and the unremitting efforts of all countries in the world, it was not until the end of 2022 that China eased the control of Covid-19 and listed the novel coronavirus as a class B infectious disease, marking the official history of the era of COVID-19 and the gradual recovery of the global economy. At present, there is an urgent need for countries to find a stable way to quickly restore the economic level to the pre-epidemic state in the post-epidemic era. [1] On May 23, 2022, in response to the post-pandemic recovery and to counter China in the Asia-Pacific region, the United States announced the launch of a new Asia-Pacific economic partnership, the Indo-Pacific Economic Framework (IPEF), which has four key pillars: (1) A connected economy, (2) a resilient economy, (3) a clean economy, and (4) an equitable economy. They correspond to four directions: (1) Trade, (2) Supply chain, (3) Clean energy, decarbonization and infrastructure, (4) Taxation and anticorruption. The fourteen initial members - the United States, Australia, Brunei, India, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand,

Fiji and Vietnam - account for 40% of global GDP. Although there were different attitudes within ASEAN in the initial face of the Indo-Pacific Framework Agreement, it was only for political and economic considerations. In the paper "Perceptions and Reactions of ASEAN Countries to the Indo-Pacific Economic Framework (IPEF) -- An Interpretation based on economic expectations and Threat Perception", the author found through case analysis that, Singapore, Vietnam, and the Philippines have positive economic expectations for IPEF and strong threat awareness of China, so they firmly join the IPEF. However, Indonesia and Thailand are cautious about joining IPEF.

Indonesia's main consideration is the threat from China, while Thailand's main consideration is that IPEF can bring higher economic benefits, rather than the threat from China. [3]

2. Literature Review

In the paper "On the Impact of Covid-19 on economic globalization", the author clearly expounds the impact of COVID-19 on economic globalization and the anti-globalization phenomenon that has emerged. It includes not only the world trade in goods, but also the international trade in services, and analyzes the impact of the COVID-19 pandemic on the global economy from various aspects. [1]

In "The Impact of COVID-19 on global Supply Chain and China's Response", the author analyzes the impact of the Pandemic on global supply chain from both the supply side and the demand side, and puts forward some suggestions on how to improve the stability of global supply chain in the post-epidemic era based on China's current response measures. [3]

The global supply chain in the article from Cross-border E-commerce to Global Digital Trade, Professor Ma Shuzhong and Dr. Pan Gangjian expounds the status and advantages of crossborder e-commerce in the digital economy, and fully analyzes the development prospects of cross-border e-commerce and re-examines the iterative cross-border e-commerce of global digital trade in combination with the

background of Covid-19. [2]

In the paper "Perceptions and Reactions of ASEAN Countries to the Indo Pacific Economic Framework (IPEF) -- An Interpretation based on economic expectations and Threat Perception", Xing Ruili of the School of Marxism at Nanjing University of Aerospace made an in-depth analysis of ASEAN countries' attitudes towards IPEF and predicted the future trend of ASEAN countries in IPEF. [3]

Ling Shengli and Zhu Yimin from the Institute of International Relations, China Foreign Affairs University made a comprehensive analysis of the attitudes and concerns of Japan and South Korea towards IPEF in the Indo-Pacific Economic Framework: Perception and Response of Japan and South Korea.[4]

3. Research Methodology

Since the theme of this study is more policy-oriented and involves specific data of economic development of each country, which may lack the support of accurate data in some parts, this study mainly uses SWOT analysis model to analyze the same country or organization from different perspectives.

From the perspective of the ten ASEAN countries, the four key pillars of the IPEF are the key to economic recovery and overtaking in corners for each country. In terms of trade, in the context of the Sino-US trade war, both Chinese and American companies will seek to set up factories in third countries other than China and the US, so as to break down the tariff barriers caused by the Sino-US trade war. However, this means that it is necessary to establish a complete and accurate supply chain system, which should include the location of the raw material market of the product, the suppliers of the product at all levels, and the transportation chain of raw materials, parts, and finished products. From the perspective of energy and taxation, energy is the blood of the production line, so good infrastructure and the use of clean energy are necessary. IPEF can help member states to establish more stable and perfect infrastructure, so as to better guarantee the supply of energy, and thus attract more enterprises to invest in their countries. The development of clean energy can save energy consumption costs and enhance its attractiveness to multinational enterprises. From the perspective of taxation and anti-corruption, for a country, the breeding of corruption is the biggest threat to economic development and social stability. However, some countries cannot eradicate corruption due to their own reasons, so it is undoubtedly the best choice to join IPEF and make external efforts to fight corruption. At the same time, in terms of taxation, IPEF can bring some preferential tax policies, thus attracting a large number of multinational enterprises to choose investment in member countries. To sum up, the key pillars of IPEF seem to be four independent directions, but in fact they complement each other, with the purpose of attracting multinational companies to inject capital and open factories in member countries [3]. Take Thailand as an example. Due to the Pandemic, the tourism industry, which has long been relied on by the Thai economy, has been hit hard (tourism accounts for about 25% of Thailand's GDP, which is a very important industry), and the social unemployment rate has risen sharply. According to the data of the World Bank, Thailand's per capita GDP in 2019 was 7,630 US dollars. In 2020, the per capita GDP was USD 6,990.9, which was also the lowest point after the Pandemic began. Although tourism recovered somewhat from the end of 2020 to the middle of 2021 due to the control of the epidemic in

Thailand, with the outbreak of civil war in Myanmar on September 5, 2021, With the outbreak of civil war in Myanmar, the influx of a large number of refugees made the epidemic out of control in Thailand, the tourism industry was suppressed again, and the economy of Thailand was in ruins. As a result, Thailand chose to join the IPEF.

After joining IPEF, Thailand's own advantage is that its own infrastructure is at a high level in Southeast Asia. First of all, although Thailand has been ruled by a military government since 2014, it has a stable society, good economic development, and relatively complete infrastructure before the pandemic. Therefore, compared with neighboring countries such as Myanmar and Laos, Thailand has a relatively independent regime and perfect infrastructure. However, the disadvantage of Thailand is that due to the highly developed tourism before the epidemic, Thailand's economic structure is relatively deformed, its industrial development is relatively backward, and some energy supply networks are gradually aging. Although Thailand's infrastructure is relatively perfect, its technology is gradually backward, and some facilities in remote areas are even unserviceable due to disrepair. After joining IPEF, Thailand is faced with many opportunities. First of all, with IPEF, some trade concessions can restructure the country's economic structure. This is an opportunity to change the status quo of the Thai economy, which is mainly based on tourism, and thus improve the resilience of the economy to emergencies. Secondly, due to the Pandemic, there are a large number of unemployed people in Thailand. As Thailand joins the IPEF, it can attract more multinational enterprises to the country, which can not only achieve the purpose of attracting investment, but also provide a large number of jobs for the country, alleviate the employment problem of the people, and help the government maintain social stability to a certain extent. However, IPEF is a double-edged sword for Thailand, although it can introduce funds and alleviate the employment problem of the society, due to the tax and anti-corruption content in the agreement, there are risks to its own sovereignty and regime. At the same time, as the technological development lags behind the developed countries in the agreement, it is difficult for Thailand to delay the dividend of clean energy in a short period of time.

In general, whether in Thailand or other ASEAN member states, joining IPEF has a positive effect on the country's economic development and the reconstruction of economic order. In addition, as the United States is the world's only remaining superpower and the world's largest economy, it plays an important role in the world in terms of economy, politics, and military affairs. Choosing to join the IPEF can send a signal to the United States to seek good alliance, so as to enhance its national security. As for why Thailand and other ASEAN countries joined the IPEF even though they were home.

IPEF also joined the RCEP (Regional Comprehensive Economic Partnership) in order to better develop its own economy and gain greater benefits in the cooperation between countries. Because the RCEP is led by ASEAN and its members are mostly Asian countries, and the accession of China, the world's second largest economy, is undoubtedly more helpful for economic development. At the same time, it can also survive in the current environment of Sino-US trade war.

The attitude of the ten ASEAN countries towards IPEF is mostly from the perspective of economic development, but

the attitude of Japan and South Korea is also dominated by political factors.

As the earliest Allies of the United States in the Asia-Pacific region, South Korea and Japan have always been actively supportive of the United States. Therefore, it is not surprising that the Indo-Pacific Framework Agreement will include Japan and South Korea among its initial members. Japan, in particular, has been the economic center of Asia before China's entry into the WTO. After China's entry into the WTO, the industrial center of focus in the Asian region has shifted, and many factories have chosen to move from Japan to China. For example, Foxconn, Apple and other large companies have chosen to locate some links in their product supply chain in China and invest and set up factories in China, because compared with Japan, compared with Japan, China has a cheaper labor force, more abundant natural resources and energy, as well as more favorable investment policies. That has led to a shrinking number of existing factories in Japan, which is part of the reason that Japan and South Korea have become politically toxic with China. According to the World Bank, Japan's GDP per capita began to decline after the start of 2004, from \$38,299 in 2004 to \$35,779 in 2007. After 2008, the per capita GDP began to rise rapidly, reaching the highest point in nearly 20 years in 2012, 49154.3 USD/person. However, with the deterioration of China-Japan relations, Japan's per capita GDP shrank sharply after 2012. Within just two years, Japan's per capita GDP fell to 34,960.6 \$/ person. It can be seen that since the beginning of the 21st century, Japan's economic development has experienced great ups and downs, and there are many unstable factors.

According to the survey, although Japan and South Korea actively support the establishment of IPEF, South Korea hopes to seek some independence while joining IPEF, while Japan shows some concerns. The SWOT analysis model is used to analyze the attitudes of Japan and South Korea towards IPEF, and it can be found that Japan and South Korea have similar advantages. Both are among the few developed countries in the agreement, with relatively high levels of economic system, social situation, and infrastructure construction, while their disadvantages lie in their remote geographical locations in the Indo-Pacific region. The disadvantages of both countries are that they are far away from the Strait of Malacca, and their land areas are small, and they are both island countries or peninsular countries with lack of resources. [5] In terms of opportunities and risks, joining IPEF can directly obtain help from the United States. At the same time, in the stage of Sino-US trade war, joining IPEF has the opportunity to attract back the factories that moved to China in 2003 by using preferential economic policies. Is a form of confrontation between China and the United States, so joining IPEF will deepen the bad relations with China. However, close neighbors are better than distant relatives. Japan and South Korea are geographically close to China, while China, as the world's second largest economy, is rich in natural resources, abundant in energy reserves and supply, complete infrastructure, and leading the world in some leading technologies. Therefore, economic and trade cooperation with China is good for the development of Japan and South Korea. This is also the concern of Japan when it joined IPEF, which is also the reason why Japan and South Korea chose to join both IPEF and RCEP.

In general, ASEAN countries, Japan and South Korea

support the position of IPEF, because it plays a positive role in the economic reconstruction after the pandemic and the resumption of transnational trade. In addition, the ten ASEAN countries and Japan and South Korea are not only members of the IPEF, but also members of the RCEP. Another reason is that the purpose of these countries joining the RCEP is to seek a balance. On the one hand, they can obtain greater benefits through cooperation with China. On the other hand, they can obtain economic and political support from the United States through IPEF, which is good for their own national security and economic and trade development. For ASEAN countries, in the context of the post-epidemic era and the Sino-US trade war, they should first grasp their geographical advantages and take advantage of the economic benefits of RCEP and IPEF to attract entrepreneurs from China to invest in their countries. Meanwhile, they should constantly optimize their infrastructure construction and ensure energy supply, so as to attract more foreign investment. For Japan and South Korea, they should take advantage of their own economic advantages and leading advantages in technology to attract the factories that once "went out" to "come back", so as to develop towards higher economic goals.

4. Conclusions of the study

ASEAN countries, including Thailand, are positively supportive of the two organizations.

Because ASEAN countries are developing With the largest number of countries, Southeast Asian countries have had to play both ways by maintaining a positive attitude toward both sides in order to gain support from the United States in terms of military strength and national security, as well as economic and trade convenience from China.

The positive attitude of Japan and South Korea towards the two organizations is based on the consideration of their own infrastructure construction, in order to renew and iterate themselves.

Due to their original industrial base, Japan and South Korea have to obtain financial support from China and technical support from the United States through RCEP and IPEF. At the same time, it is also to maintain a balanced situation and not be hurt by the Sino-US trade war, which side will be tied to the chariot and become the victim of the other country and will not have bad relations with the world's two largest economies.

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