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Written Testimony
"Indo-Pacific Reactions to the Changing Trade and Economic Landscape"

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I would like to thank the Commission for the opportunity to testify here today. It is indeed an honour to address members of Congress from Singapore on the important topic of crafting a sensible economic strategy for US engagement with the Indo-Pacific region. Trade and economic engagement are key elements to support US security.

Asia is not just China. My testimony today looks at Indo-Pacific reactions to changing trade and economic policies. This region matters. In announcing its strategy in 2022, the Biden Administration noted that the Indo-Pacific accounted for over half of the world's population, 60 percent of global gross domestic product (GDP), and two-thirds of global economic growth.[1]

American engagement with the Indo-Pacific is at an important crossroads. First, because rapidly changing economic and trade policies have put pressure on allies and partners in the region. Second, many American initiatives, such as a turn away from multilateralism and the rejection of traditional trade agreements, run counter to ongoing trade integration activities taken by friends and allies in the Indo-Pacific. IPEF is simply not seen as an adequate replacement for sustained economic engagement. Finally, the range of unilateral actions taken under Executive Orders has continued to increase. Although many of these decisions have been aimed at China, the impact has been felt across Asia. I will discuss each item in turn.

I will finish with recommendations of what the US can do to manage economic engagement more effectively with the countries in this region, including suggesting that Congressional input to economic policymaking is necessary. Economic integration of the US with the Indo-Pacific is essential for national security. With minimal recent American trade integration in the region, China has been steadily building the trade dependencies of other Indo-Pacific economies with China, as the trade data in the appendix indicates. Bolstering US competitiveness as a trade partner in the region is not something to be done with half measures. It requires concrete, continuous, and observable actions.

For specific policy recommendations, Congress should:

- Recognize that traditional American strengths, such as its large domestic consumer market, highly competitive and globally active companies, as well as leadership in foreign direct investment, can be damaged by poor policy choices;
- Understand that friends and allies in the Indo-Pacific can be affected by US decision making, even when policies are not directly targeted or intended for the broader region;
- Support multilateral solutions to achieving consistency in key economic policies as these help companies and consumers in the US and across the Indo-Pacific;
- Avoid undermining key multilateral principles like non-discrimination that support American and Indo-Pacific participation in the global economy;
- Exercise caution in changing domestic rules like de minimis, as this provision supports the participation of micro, small and medium sized enterprises (MSMEs);
- Clarify US policies and positions on digital trade, including domestic settings for personal privacy;
- Reconsider the role of trade agreements as a key element of economic cooperation, particularly for new and evolving elements like digital trade or climate and trade;
- Seek to join ongoing regional trade agreements like the CPTPP, RCEP, or DEPA or craft similar regional arrangements;
- Use caution in promoting national security exceptions to economic measures;
- Review carefully trade and economic policies aimed at one party to limit the impact and potential damage to other Indo-Pacific partners;
- Promote economic integration with the Indo-Pacific as a mechanism for achieving inclusive growth, economic development and national security for the US; and
- Promote trade and investment with the Indo-Pacific as a critical tool to achieving broader security objectives.

The Importance of US Economic Leadership

The United States has been the most important contributor to global economic structures since the end of World War II, showing patient leadership and stewardship of economic institutions to support US and global economic growth and development. America emerged from the ashes of the war as an economic powerhouse, responsible for a dominant share of global trade in goods and services. Foreign firms were able to access the booming US consumer market as a key driver to spread economic growth. American firms ventured out and quickly became the world's largest international investors with an especially sizable economic footprint in Asia.

The gap between the United States and the rest of the world has narrowed over the ensuing decades, leading to increasing unease in the US about the continued fitness of economic structures and the value of continuing trade and investment integration. While this Commission is largely focused on US relations with China, my testimony looks at US economic engagement with the broader Indo-Pacific, particularly as many ongoing and proposed policies vis-à-vis China also have implications for the rest of the region.

Singapore's Prime Minister Notes Changing Conditions

Singapore's new Prime Minister, Lawrence Wong, effectively captured sentiments from the region in his inaugural speech last week. He said:

> "The great powers are competing to shape a new, yet undefined, global order. This transition will be marked by geopolitical tensions, as well as protectionism and rampant nationalism everywhere. It will likely stretch for years if not decades. As a small country, we cannot escape these powerful cross-currents. As an open economy, our livelihoods will be hit when multilateralism fractures. As a diverse society, we will be vulnerable to external influences that tug us in different directions. We must brace ourselves to these new realities and adapt to a messier, riskier and more violent world…We seek to be friends with all while upholding our rights and interests."[2]

Dramatic Adjustments in US Economic Policies

Wong notes that great powers, particularly China and the United States, have been engaged in growing competition to shape a new order. Both sides have taken steps that have affected the economic and security landscape in the Indo-Pacific. Rather than focus on what China has done, my testimony focuses more on US policy decisions and makes recommendations of what Congress should consider going forward.

US actions taken within the past decade have dramatically shifted economic engagement in the Indo-Pacific, including withdrawal from trade arrangements, abrupt shifts in positions taken in regional or multilateral settings, unilateral actions like tariff rate adjustments, and significantly expanded use of national security exceptions and justifications. Nearly all have had an impact on countries in the region, even if they were not the originally intended targets of policy changes.

For example, President Donald Trump withdrew the United States from participation in the Trans-Pacific Partnership (TPP) on his first full day in office in 2017. His administration also began imposing a wide-ranging set of economic restrictions on various countries in the region, including substantial escalations in tariffs for specific products like washing machines, steel, and aluminium or against China under Section 301 justified by reasons of national security and unfair trade practices. The Appellate Body of the World Trade Organization (WTO) was left to wind down completely with the US blocking the replacement of outgoing experts, effectively halting multilateral dispute settlement. Most of these policies have been continued under the Biden Administration, along with a growing list of new tariff actions, investment restrictions, export controls, and screening activities. Much of this activity has been aimed at confronting China, but many decisions have impacted the wider Indo-Pacific.

The United States has also stopped negotiating what are now called “traditional” trade agreements focused on market liberalization and binding legal commitments for a set of agreed rules covering topics like goods, services, and investment. Instead, the Biden Administration launched the Indo-Pacific Economic Framework (IPEF) which was intended to demonstrate a new approach to managing economic affairs with 13 partners in Asia.

Unexpected US Policy Shifts

The net effect of these actions has presented challenges to countries in the Indo-Pacific, including toward some of America’s closest friends and allies, as the Singapore Prime Minister’s speech highlighted. The Indo-Pacific is a trade-dependent region that has relied on US promotion of global economic commitments dating back to the 1950s. But the region is being buffeted by a growing use of exceptions and the application of US domestic economic tools first promulgated during the Cold War that have lain largely dormant for decades.

While the dominant American narrative—as necessary to counter a growing threat from China—to justify the use of these actions may appear to be consistent and coherent when viewed from within Washington, countries in the Indo-Pacific do not always share the same interpretation of actions nor share similar reactions to US initiatives. Even among America’s closest partners, support for specific initiatives varies.

These reactions are driven by a range of differences. The Indo-Pacific is a diverse place, with countries that are large and small, rich and poor, high-tech and not. But nearly all have very high trade links to both the United States and China. For most of the Indo-Pacific, in fact, trade in goods is increasingly dominated by bilateral flows to China and not to the United States, as the trade data in the appendix indicates. The assessment of the threat posed by China is simply different in the region. Views of China can vary by sector and can fluctuate over time.

The region is also increasingly wary of US economic actions. The speed of change in Washington on economic policy has been dizzying. In one recent example, the US withdrew provisions from the table in a key policy area of digital trade, in the Joint Statement Initiative on Electronic Commerce in the WTO, citing the need for "policy space." After decades of lectures from the US about how "policy space" should be avoided, with participants strongly urged to sign up to legally binding commitments on trade, this about-face was a significant shift.

US actions using national security exceptions have challenged trade policy norms. The global system has had exceptions in place to manage trade tensions in times of conflict and war. The United States has taken an increasingly wide number of actions, including changes to investment screening and export controls, on the basis of national security concerns.

Away from Multilateralism

The US has also moved away from robust support for global trade arrangements. Asian firms, as well as American firms operating across the region, have built their export operations based on a set of consistent rules, underpinned by having recourse to dispute settlement at the WTO. The multilateral system has allowed smaller players to experience better market access as well as economic non-discriminatory treatment, without being at the mercy of more powerful members. The risk of multilateralism fractures is seen as significant enough that PM Wong noted the consequences to Singaporean livelihoods in his inaugural address.

A lack of American interest in signing comprehensive trade agreements is also a problem for Indo-Pacific countries as they struggle to reform and modernise their economies. Their policymakers need free trade agreements to support domestic policy adjustments and reinforce commitments for international engagement. Allowing the multilateral system to fray increases the risk of failed states and domestic backlash to trade.

Lack of commitment to the multilateral system is driving regulatory divergence. China's proactivity in standards-setting bodies risks a bifurcation of critical standards for telecommunications, energy, agriculture, and technology.[3] Faced with a choice of following regional or American rules, Indo-Pacific partners may increasingly choose to stay local.

Tariff Rate Escalation

Many of the actions taken by the US against China have also had unintended consequences for the rest of the region. Tariff rate hikes against Chinese imports under Section 301, for instance, also affected trade between the region and China and from the region to the United States. While some countries like Vietnam benefitted from supply chain changes driven by tariff escalation, the short-term dislocation has caused challenges for many firms in the region, including US firms operating in the region.

Tariff adjustments for one product usually entails changes in business operations across the whole of a supply chain. A 25% tariff hike for finished electronic products may also mean economic dislocations for companies that contribute raw materials, parts or components, even if these were not directly addressed by the new tariff policy. In some instances, suppliers were unceremoniously dumped from production processes and replaced with new vendors. These changes can appear in third or even fourth tier suppliers, many of which are located across the Indo-Pacific region and may not have even realized they were part of an affected US-China supply chain at all.

The US appears to be viewing tariff rate hikes as an increasingly legitimate policy tool. The consequences, however, could be long lasting. The use of tariffs as a means of punishment further undermines the multilateral trading system. It encourages others to do the same, accelerating the collapse of global norms supporting trade flows. Raising tariffs on one party or on one product can produce significant collateral damage to others. An increase in tariffs on facemasks, for instance, can change the economics of delivering facemasks for vendors elsewhere, making it more or less competitive to supply finished products. Tariff adjustments for completed masks can also alter markets for fabrics, elastic, and even packaging.

Trade is a key pillar of security and rising economic uncertainty results in greater security risks.

CPTPP: Alive and Kicking

It is not just changes in the level of American support for multilateral solutions to economic issues or rapid adjustments to existing trade arrangements that have caused challenges across the Indo-Pacific. The withdrawal of the US from the Trans-Pacific Partnership (TPP) put significant pressure on remaining members. Many of the provisions were specifically written and designed by the United States for its own domestic purposes. The removal of the Americans from a carefully crafted agreement negotiated across an eight-year time frame created significant stresses on some governments to maintain most of the TPP language and commitments without receiving potential benefits from US participation.

Despite these challenges, members managed to make minimal adjustments to the agreement and bring it into force as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) in 2018. It has now expanded with the addition of the United Kingdom to include 12 members with more in the queue to join.

The CPTPP provides member state companies with extensive coverage, with nearly all tariff lines, including agriculture, currently receiving duty-free access; nearly complete services market opening; strong investor opportunities and protections; robust intellectual property rules and enforcement; broad e-commerce commitments; access to government procurement contracts; and a dispute settlement mechanism that has ruled on its first case.

The US drafted the rules in this agreement to suit its domestic interests and to build a robust economic leg to the overall regional security architecture. Current members adjusted 21 provisions after the US withdrew, but otherwise left the document and all member schedules and commitments unchanged. CPTPP members may opt to craft entirely new rules, particularly as larger economies accede, and new trade related issues become prominent in negotiating agendas. The United States should be part of the process by rejoining the CPTPP and giving American firms based in the US an opportunity to share in the benefits provided by the FTA.

Trade agreements are an important mechanism to bind the US to partners in the Indo-Pacific. They grant access to the lucrative American market in exchange for a long list of objectives, including stronger labor and environmental provisions as well as regulatory consistency across a range of topics like product safety standards, effective protection and enforcement of intellectual property rights, or digital policy. Strong, carefully negotiated, and crafted trade rules can help limit the risks of non-members gaining preferential access to the US market. Trade agreements like the CPTPP should be seen as a way to provide clear and tangible benefits to friends and allies in the region.

IPEF as a Framework, not a Trade Agreement

Instead of traditional FTAs like the TPP, the US has offered its friends and partners economic engagement through four IPEF pillars. IPEF is a poor substitute. It does not provide the Indo-Pacific with similar levels of commitment or responsibility.

While the membership group includes some of America's closest friends in the region, alignment with US interests has not been automatic. While all were willing to discuss engagement without market access in the form of tariff reductions or other market liberalization or investment protection actions, the IPEF process has brought its own frustrations and challenges for participants. The US has consistently been better at describing what IPEF is not, rather than what IPEF is and, even in the concluded pillars of the agreement, the Framework architecture does not inspire confidence in the types of outcomes or deliverables that participants may receive.

While it is certainly possible that the three completed pillars on supply chains, clean energy, and tax and anti-corruption will lead to substantial economic engagement, it is equally plausible that these initiatives will fizzle out. IPEF is a framework that requires ongoing investments of time and money to create tangible outcomes. The US may, or may not, continue to commit resources to future initiatives.

Unfortunately, the process of concluding IPEF did not lead members to believe the US will prioritize economic engagement through the Framework. While participants worked hard and were active across multiple rounds in different locations with a goal of concluding the agreement in time for the US to host APEC in November 2023, there was no ceremony to announce the conclusion of any of the pillars and the trade pillar was not ready for even an informal, hastily called announcement. Instead, some participants in IPEF experienced deja vu as the United States left them standing at the economic alter once again, having pulled out of the expected closing announcements at the last minute.

Public pronouncements are important milestones for Indo-Pacific leaders and ministers, with carefully choreographed ceremonies seen as a suitable end to a resource-intensive process of negotiations. After this failure of diplomacy in San Francisco, two of the pillars will now be formally signed in Singapore in June 2024. Negotiations for the trade pillar are meant to be ongoing, but no schedule for talks has been announced.

A lack of clear Congressional support for IPEF and other economic arrangements has been identified by Indo-Pacific participants as a substantial risk. IPEF was launched through an Executive Action, and it could be revoked with similar ease. America's partners would prefer the stability offered through Congressionally approved actions as a bulwark against sudden policy shifts in the future. Congressional participation in IPEF and similar economic initiatives also helps support financial resourcing for future activities.

Modest Supply Chain Shifts

As the US friends and partners in the region look to the future, it is increasingly unclear what sorts of trade and economic policies America might opt to use. There are few options at the moment that the Americans might take that could be viewed from inside DC as "too harsh" on China. This may appear desirable from Washington, but it is of increasing concern to US partners in the Indo Pacific as they do not share similar views on the dangers posed by China nor of the risks that emanate from reactions in both Washington and Beijing to unfolding events in the region.

The US says that China is an unreliable economic partner, which is hard to deny given China's commitment to using industrial policy to control target sector supply chains and trade coercion to silence critics. But having left the TPP and having serious challenges getting IPEF across the finish line, it is hard to view American economic engagement into the region as a consistent US priority. Hence, even the closest allies and partners are uncertain about the commitment that Washington will maintain towards economic integration with the Indo-Pacific.

Because the level of uncertainty surrounding future economic policies continues to rise, firms have been making relatively modest changes in their supply chain operations and footprints. The need for American business to diversify supply chains and avoid dependence on a limited number of suppliers or customers has been obvious for some time, with US-China economic tensions and the Covid-19 pandemic disruptions reinforcing the message. However, diversification can also come with costs, as firms typically must carry additional inventory, invest in new or expanded operations, or use less efficient suppliers. Hence, firms have been reluctant to make wholesale changes to supply chain footprints, even in the wake of increasing policy rhetoric urging companies to make dramatic adjustments.

There are likely to be even more stresses placed on supply chains in the near term. Companies that heeded US administration warnings to reduce dependence on China may find their new operations are not lowering uncertainty as much as anticipated. For example, firms that did choose to adjust procurement and manufacturing to near shore in Mexico, Vietnam, or Poland may discover that future US actions place these investments at risk. As even the staunchest US friends have discovered, unilateral policies, like the imposition of Section 232 on steel and aluminium, can find targets anywhere. As a result, firms of all nationalities are looking to diversify by finding new opportunities and becoming less dependent on the American market. Once they switch to new markets for their goods and services, they may not return, leading to fewer options for American consumers and firms and less investment in the US.

Foreign Direct Investment

Foreign direct investment has always been substantial across most of the Indo-Pacific economies. There are both push and pull factors at play. The use of increasingly onerous rules governing trade with the United States, for instance, has driven some firms to add or expand operations out of China and into other markets. But some apparent "winners" of diversification, like Vietnam, have also been actively courting inbound investment, including by crafting a web of ambitious trade deals. Hence it can be difficult to determine if the pull factors of new market access and investment protections has driven new trade and investment patterns or if the growing risks of trade sanctions, investment screenings, and higher tariffs from the US has pushed firms to relocate or expand.

Many of the arguments made about changes in manufacturing or investment are conducted in a vacuum. There is insufficient interest in collecting the kind of data that is necessary for solid policymaking. Instead, assumptions about what should be or must be happening on the ground seems to be substituting for careful analysis. There appear to be markedly fewer American individuals and firms traveling across the region, particularly in China, or being based for extended periods of time in the Indo-Pacific. Language skills that are critical to understanding the complexity of the region are being eroded.

While the American market remains the largest and most lucrative for most firms across the Indo-Pacific, access is getting harder. The potential reduction or elimination of trade rules like de minimis may make it impossible for small firms in the region to find a foothold in the US market.[4] Having flourishing micro, small and medium sized enterprises (MSMEs) is critical to achieving greater economic growth in every economy. American small businesses source from the Indo-Pacific to distribute products in the US consumer market, so e-commerce has become a vitally important mechanism to anchor the Indo-Pacific to the United States. Yet the obstacles to successful online business for American MSMEs continue to grow, including changes in data flow rules, adjustments to border rules, new restrictions and requirements for online platforms, and increasingly onerous requests for information about products and services.

Indo-Pacific Economic Integration Continues with RCEP

It is important to recall that US policy does not take place in a vacuum. While America has not been engaging in traditional trade agreement negotiations, most of the region has continued to promote trade and economic integration with other partners. This includes the entry into force of the Regional Comprehensive Economic Partnership (RCEP) in 2022. RCEP, which includes 15 participating members (Australia, Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, and Vietnam), is a comprehensive agreement covering trade in goods, services, investment, intellectual property rights, e-commerce, development and cooperation.[5] The total legal text runs to nearly 500 pages, accompanied by 14,000 pages of individual member schedules that outline specific commitments.

RCEP builds on five existing trade agreements between ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and their Dialogue Partners in the region (Australia, China, India, Japan, Korea, and New Zealand). Most of the so-called ASEAN+1 deals have recently undergone upgrades. ASEAN-China, for instance, has just been revised for a third time. Each adjustment has included an expansion of included tariff coverage with reduced or eliminated tariffs on nearly all products, plus additional services and investment commitments. Most RCEP members also have bilateral trade and investment agreements between them. Some of these arrangements have also been broadened and deepened over time.

Because RCEP has built on ASEAN's existing agreements across the Indo-Pacific and a dense network of bilateral arrangements, early utilization of RCEP within and across Southeast Asia has been muted. Often, the ASEAN+1 agreement currently provides better tariff benefits, for example, than RCEP although as RCEP comes into full implementation, the differences will narrow and firms will likely switch to using RCEP preferences instead of ASEAN+1.

RCEP allows cumulation of the content or inputs to production of goods, making it much easier for firms to qualify for lowered or eliminated tariffs across Asia for trade within Asia. Qualification under the rules of origin is also relatively easy, meaning that trade in the region for most raw materials, intermediate goods, and finished products can benefit from RCEP.

RCEP is increasingly being used by firms in Northeast Asia for trade, as China, Japan and Korea had no prior FTA linkages with one another.[6] Companies in these three member countries are also very familiar with the benefits of trade agreements for lowering tariff costs, supporting trade in services, and facilitating investment. Their past experiences using FTAs means that firms were quick to understand and apply RCEP preferences to their trade practices.

Trade in Asia for Asia using RCEP is also set to expand, with a growing list of potential applicant countries looking to join. Currently, Bangladesh, Hong Kong, and Sri Lanka have expressed the greatest level of interest. India participated in the entire negotiating process for RCEP before declining to proceed to membership, but could ask to rejoin in the future.

Many Pathways for Economic Engagement in Asia

RCEP is not the only FTA game in town. The seven Asian members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) currently enjoy tariff-free coverage for most tariff lines, including agriculture, as well as nearly free access for services trade and strong investment access and protection.[7] The agreement is set to expand in 2024, with the entry into force of the schedules for the United Kingdom, bringing the total number of CPTPP members to 12 (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, UK, and Vietnam).[8] CPTPP members are also grappling with a long list of accession applicants, including Costa Rica, Guatemala, China, and Taiwan, making it likely that additional members will be added in the future.

Indo-Pacific members are also busy working on other trade arrangements. The agreement between the European Union and New Zealand came into force earlier this month.[9] The EU has also been busy expanding its existing ASEAN FTA network with Singapore and Vietnam to include additional FTAs with Indonesia, Malaysia, and Thailand.[10] The EU already has FTAs with Japan and Korea and has been working on trade deals with Australia and India.

Officials in the Indo-Pacific region are also actively involved in negotiating, signing, and implementing a range of new thematic trade arrangements, including several digital agreements and some on sustainability and climate. The Digital Economy Partnership Agreement (DEPA) has entered into force between Chile, Korea, New Zealand, and Singapore with Canada and China working on accession.[11] Singapore has already signed Digital Economy Agreements (DEAs) with Australia, Korea, and the United Kingdom and is currently negotiating with the EU on an EUSDTA.[12] The ten members of ASEAN are working on an upgrade to their 2018 E-Commerce Agreement to become the Digital Economy Framework Agreement (DEFA) in 2025.[13]

Singapore and Australia have signed a Green Economy Agreement.[14] New Zealand has helped lead 13 rounds of negotiations with Costa Rica, Fiji, Iceland, Norway, and Switzerland to create the Agreement on Climate Change, Trade and Sustainability (ACCTS).[15]

While the US has grown increasingly skeptical of trade and economic integration, the Indo-Pacific has not. Indeed, officials have shown willingness to consider new forms of cooperation and have recognized the dangers of regulatory divergence. Many of the newest trade arrangements explicitly include mechanisms for ensuring that future economic policymaking consider experiences and interests of trade partners in the region.

Lawrence Wong highlighted the risks of heightened protectionism and nationalism, pointing out that rising geopolitical tensions may endure for years or decades. Like countries across the region trying to manage economic buffeting, Singapore will need to stay nimble and leverage opportunities for collaboration and integration with a diverse range of partners while considering its own rights and interests.

Recommendations for Congress

The US has been the most important actor in shaping the global trade and economic landscape for decades. A commitment to open trade and economic engagement has helped most of the Indo-Pacific economies experience sustained growth.

However, a wavering commitment by the United States to the principles of multilateralism, absence of US involvement in the key regional economic architectures of CPTPP or RCEP, and a renewed enthusiasm for harsh, unilateral trade actions has made relations between the US and Asia more complicated. Many of the decisions taken by the United States, across the past two administrations, in particular, have had profound consequences for the region.

Although many policy changes were driven by a desire to address Chinese practices, these actions have had an impact across the region. In some instances, Indo-Pacific economies have benefitted from adjustments that have led to more inbound investment, including from Chinese firms seeking new economic activities. In others, changes like the sudden and dramatic escalation in tariff rates for US-China trade has led to unwelcome disruptions in supply chain activities across the region. Standard setting in the region has proceeded with minimal US involvement.[16]

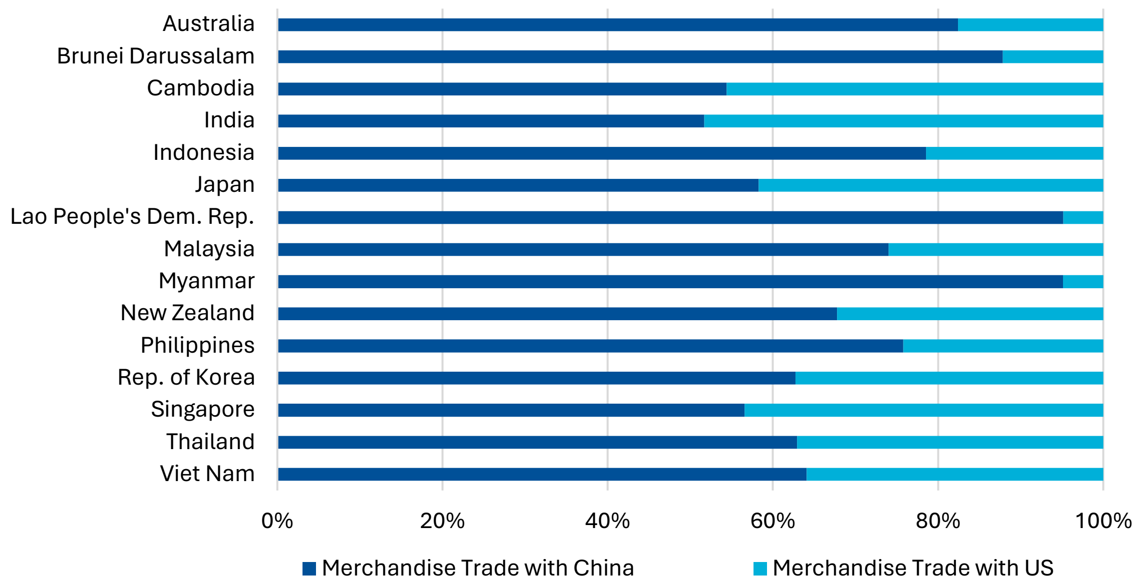
US trade policy has been increasingly driven directly by the Executive Branch, which has made it easier to announce and implement rapid shifts in policy direction. It would be better to have trade objectives supported by members of Congress, to help ensure that future initiatives are more sustainable. Certainly, from the perspective of most Indo-Pacific partners, having Congress at the table in setting broad policy parameters can help lower their risk and reduce uncertainty in working with the United States.

For specific policy recommendations, Congress should:

- Recognize that traditional American strengths, such as its large domestic consumer market, highly competitive and globally active companies, as well as leadership in foreign direct investment, can be damaged by poor policy choices;
- Understand that friends and allies in the Indo-Pacific can be affected by US decision making, even when policies are not directly targeted or intended for the broader region;
- Support multilateral solutions to achieving consistency in key economic policies as these help companies and consumers in the US and across the Indo-Pacific;
- Avoid undermining key multilateral principles like non-discrimination that supports American and Indo-Pacific participation in the global economy;
- Exercise caution in changing domestic rules like de minimis, as this provision supports the participation of MSMEs;
- Clarify US policies and positions on digital trade, including domestic settings for personal privacy;
- Reconsider the role of trade agreements as a key element of economic cooperation, particularly for new and evolving elements like digital trade or climate and trade;
- Seek to join ongoing regional trade agreements like the CPTPP, RCEP, or DEPA or craft similar regional arrangements;
- Use caution in promoting national security exceptions to economic measures;
- Review carefully trade and economic policies aimed at one party to limit the impact and potential damage to other Indo-Pacific partners;
- Promote economic integration with the Indo-Pacific as a mechanism for achieving inclusive growth, economic development, and national security for the US;; and
- Promote trade and investment with the Indo-Pacific as a critical tool to achieving broader security objectives.

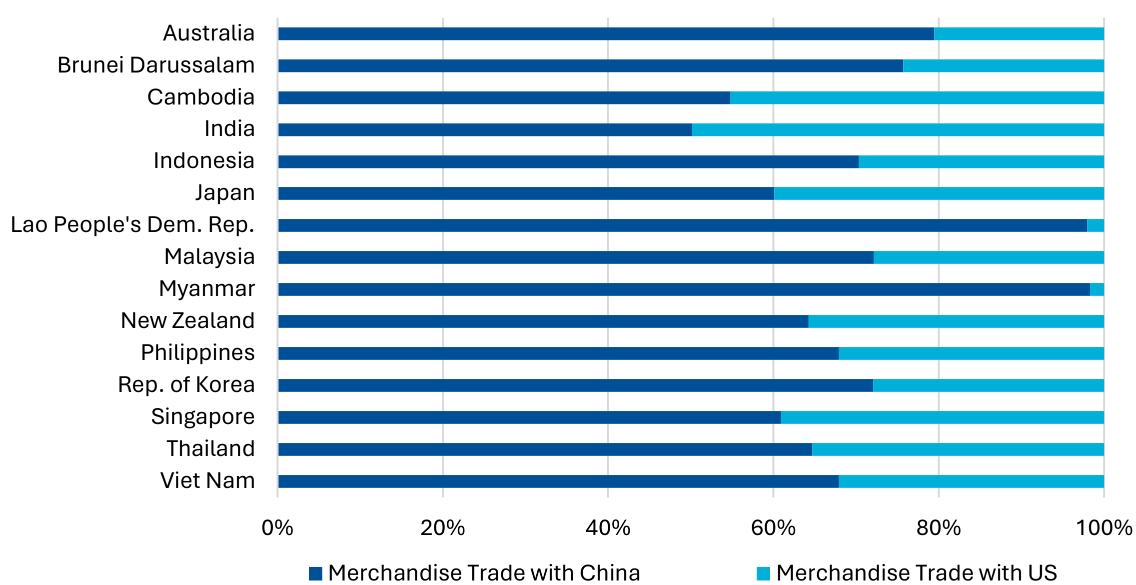
Appendix

Figure 1 – Share of trade (%) with the US and China for selected Indo-Pacific Countries in 2023



Source: Data from UN Comtrade

Figure 2 – Share of trade (%) with US and China for selected Indo-Pacific countries in 2013



Source: Data from UN Comtrade

Table 1 – Share of exports to China for selected Indo-Pacific countries in 2017 and 2023

Country	Exports to China in 2017 (% exports to China & US)	Exports to China in 2023 (% exports to China & US)
Australia	90.33	91.04
India	57.47	17.52
Indonesia	54.26	72.52
Japan	70.75	51.43
Malaysia	58.82	68.50
Rep. of Korea	63.58	57.47
Singapore	50.99	43.57
Viet Nam	24.45	43.65

Table 2 – Share of imports from China for selected Indo-Pacific countries in 2017 and 2023

Country	Imports from China in 2017 (% imports from China & US)	Imports from China in 2023 (% imports from China & US)
Australia	62.83	68.67
India	83.51	74.58
Indonesia	67.01	86.77
Japan	67.99	67.41
Malaysia	76.42	81.80
Rep. of Korea	60.32	69.68
Singapore	89.80	64.46
Viet Nam	72.62	93.34

[1] https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf
[2] https://www.channelnewsasia.com/singapore/pm-lawrence-wong-first-speech-prime-minister-full-4338286
[3] China Standards 2035 | China's quest to shape the world through standards setting (hinrichfoundation.com)
[4] https://www.hinrichfoundation.com/research/article/trade-policy/killing-msme-access-to-global-trade/
[5] https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/regional-comprehensive-economic-partnership-rcep/
[6] China and Korea had a 2014 shallow bilateral FTA in place. http://fta.mofcom.gov.cn/topic/enkorea.shtml
[7] https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/
[8] https://www.dfat.gov.au/trade/agreements/in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership
[9] https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/new-zealand-european-union-free-trade-agreement/

[10] https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en

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