

The Making of the Indo-Pacific Economic Framework for Prosperity (IPEF)



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Analysis of the Indo-Pacific Economic Framework for Prosperity for Fiji

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This paper discusses the implications of Indo-Pacific Economic Framework for Prosperity (IPEF) for Fiji. The members of the IPEF are at different stages of development and thus the welfare gains from the framework would vary between countries. Fiji is among the smallest economies in the IPEF and stands to gain market opportunities for trade and investment through integration with Asia and the United States (US). However, realising these benefits necessitates substantial reforms. The IPEF offers potential market access, but Fiji's private sector must comply with regulatory requirements to trade effectively. Consequently, Fiji needs technical and financial assistance for these reforms. A key recommendation is for Fiji to strengthen or propose an overarching IPEF development chapter with specific assistance areas across the Trade, Supply Chains, Clean Economy, and Fair Economy Pillars. This assistance should supplement existing aid from developed countries. If Fiji volunteers under all four Pillars, it must request an action plan for assistance provision over time from the developed IPEF members.

List of Abbreviations

CTPAT	Customs Trade Partnership Against Terrorism
EPA	Economic Partnership Agreement
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
ILO	International Labour Organization
IMF	International Monetary Fund
IPEF	Indo-Pacific Economic Framework for Prosperity
MFN	Most Favoured Nation
MSGTA	Melanesian Spearhead Group Trade Agreement
OECD	Organisation for Economic Co-operation and Development
PACER	Pacific Agreement on Closer Economic Relations
PICTA	Pacific Island Countries Trade Agreement
RGDP	Real Gross Domestic Product
RIVA	Regional Integration Value Chain Analysis
SPARTECA	South Pacific Regional Trade and Economic Co-operation Agreement
SPS	Sanitary and Phytosanitary
STEM	Science, Technology, Engineering, and Mathematics
TBT	Technical Barriers to Trade
TINA	Trade Intelligence Negotiations Adviser
TRIMs	Trade-Related Investment Measures
TRIPs	Trade-Related Aspects of Intellectual Property Rights
UNCAC	United Nations Convention against Corruption
UNCTAD	United Nations Conference on Trade and Development
US	United States
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Introduction

In May 2022,¹ the United States (US) initiated the Indo-Pacific Economic Framework for Prosperity (IPEF) in collaboration with 13 countries – Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. The framework aims to bolster the resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness of the economies.

The primary objective of the IPEF is to foster cooperation, stability, prosperity, development, and peace within the region. It is noteworthy that the 14 IPEF partners collectively account for 40 per cent of global Gross Domestic Product (GDP) and 28 per cent of the global goods and services trade.

The members of the IPEF are at different stages of development and as a result the benefits accrued from the partnership would vary among countries. This paper therefore provides an analysis of the implication of the IPEF on developing countries with a focus on Fiji. The rest of the paper is as follows: Section I of the paper provides an overview of the Fijian economy and international trade, Section II of the paper provides an assessment of Fiji's integration with IPEF members using UN Comtrade and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Regional Integration Value Chain Analysis (RIVA) database. Section III of the paper discusses the implications of the different pillars of the IPEF on Fiji and the final section concludes the paper with recommendations.

The Fijian Economy and International Trade

Fiji is a small island state located in the Pacific region. It has a limited export base and is highly dependent on imports, including fuel. The island's distance from major markets also raises the cost of doing business and access to markets. Additionally, it has a limited commodity and services base. The major exports of Fiji include agriculture products, fisheries, and travel and tourism. According to the Fijian Trade Policy,² with a population of 884,887³ Fiji is classified as a middle-income country and operates as an open economy. The country's real gross domestic product (RGDP) per capita is FJ\$6,246.22 (US\$2864.88).

After gaining independence in 1970, Fiji implemented several new economic policies. Initially, during 1970-late 1980s, economic policies focused on import-substitution, self-sufficiency, and included significant government involvement in the business sector. The period witnessed robust growth followed by a prolonged phase of low average growth. From late 1980s, Fiji transitioned to a more market-oriented approach, emphasising trade liberalisation, deregulation, investment promotion, and an increased role for the private sector. To continue fostering an efficient and outward-looking economy, it is crucial to reduce or eliminate well-established interventions such as tariffs, tax and customs exemptions, and incentives. Given this, the ongoing commitment to these reforms is essential for Fiji's economic development. In this vein, participating in the IPEF

1 "Indo-Pacific Economic Framework for Prosperity (IPEF)", Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/agreements-under-negotiation/indo-pacific-economic-framework-prosperity-ipef>

2 "Fijian Trade Policy Framework (2015-2025)", Ministry of Industry, Trade and Tourism – Republic of Fiji, July 2015, <https://www.mitt.gov.fj/wp-content/uploads/2018/10/Fijian-Trade-Policy-Framework-min.pdf>

3 "Census of Population and Housing", Fiji Bureau of Statistics, 2017, <https://www.statsfiji.gov.fj/statistics/207-census-of-population-and-housing.html>

and expanding its market potential will contribute to the ongoing reform agenda for Fiji. Fiji has been a member of the World Trade Organization (WTO) since 1996. It is part of a major grouping of the small vulnerable economies and the African, Caribbean Group, which share similar trade and economic challenges.

Fiji is part of regional and sub-regional trade agreements, including the Pacific Agreement on Closer Economic Relations (PACER Plus)⁴ with Australia, New Zealand and the Pacific. The PACER Plus comprises trade in goods, services, investment, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), labour mobility, and economic and development chapters. Furthermore, among the small states of the Pacific, Fiji is also a member of the Pacific Island Countries Trade Agreement (PICTA)⁵ Trade in Goods agreement, which aims to provide duty-free and quota-free market access to goods traded among the 12 small states of the Pacific region, excluding Australia and New Zealand. Apart from these, Fiji has signed and ratified the Economic Partnership Agreement (EPA) with the European Union (EU) which aims to ensure duty-free and quota-free access to goods into the EU market.⁶

At the sub-regional level, Fiji is a signatory to the Melanesian Spearhead Group Trade Agreement (MSGTA) among the four members of the Melanesia group, comprising Papua New Guinea, Vanuatu and Solomon Islands.⁷ Fiji is also a beneficiary of the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) with Australia and the US' Generalized System of Preferences (GSP) scheme.⁸ Radika Kumar

Based on the IMF's *Direction of Trade Statistics* database,⁹ Fiji typically exports nearly US\$1 billion annually, with the US purchasing around 20 – 25 per cent of the total exports. The primary export from Fiji to the US is drinking water, commonly sold under the brand 'Fiji Water'. Australia and New Zealand also form a significant market for Fijian goods, along with other Pacific islands. Fiji's major exports to New Zealand include textile clothing, taro, pharmaceutical products and kava while its exports to Australia include clothing and textiles, gold, and agricultural produce.¹⁰

4 "Pacific Agreement on Closer Economic Relations Plus", Australian Government – Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/trade/agreements/in-force/pacer/pacific-agreement-on-closer-economic-relations-plus>

5 "Regional Trade Development and Integration", Pacific Islands Forum, <https://www.forumsec.org/regional-trade-agreements/>

6 *Ibid.*

7 "Excelling together towards a progressive and prosperous Melanesia", Melanesian Spearhead Group, <https://msgsec.info/about-msg/>

8 The GSP scheme includes 13 Pacific countries accounting for over 10 per cent of all 119 current GSP beneficiary countries; the GSP imports from the group is low comprising of US\$10 million to US\$20 million over the last decade. Also see "SPARTECA (South Pacific Regional Trade and Economic Cooperation Agreement)", Investment Policy Hub – United Nations Conference on Trade and Development (UNCTAD), <https://investmentpolicy.unctad.org/international-investment-agreements/groupings/1/sparteca-south-pacific-regional-trade-and-economic-cooperation-agreement->

9 Ed Gresser, "Pacific Islands Trade: Options for U.S. Policy", The Progressive Policy Institute, 14 February 2023, <https://www.progressivepolicy.org/publication/pacific-islands-trade-options-for-u-s-policy/#:~:text=Thirteen%20of%20these%20are%20GSP,Vanuatu%2C%20and%20Wallis%20and%20Futuna.>

10 "Exporting to New Zealand", Fiji Consulate General & Trade Commission – Australia & New Zealand, <https://www.investinfiji.today/exporting-to-new-zealand/>;

"Exporting to Australia", Fiji Consulate General & Trade Commission – Australia & New Zealand, <https://www.investinfiji.today/exporting-to-australia/>

Fiji has achieved success as a beneficiary of the GSP in exporting processed foods and certain agricultural products.¹¹

Fiji's fisheries industry is also substantial, including fish processing plants. Fijian officials have expressed interest in making canned tuna eligible for GSP benefits, as it currently faces high US Most Favoured Nation (MFN) tariffs, reaching up to 35 per cent. While canned tuna already qualifies for the GSP program for least-developed countries, expanding its eligibility to all beneficiary countries has been politically sensitive due to the significance of tuna cannery employment in American Samoa. Additionally, including canned tuna in the GSP without ensuring preferential benefits for Pacific Island countries might yield limited results, as larger producers like Thailand and the Philippines would also qualify and may be preferred sources due to lower costs.

In 2022, Fiji exported US\$815.34 million to the world with top destinations being the US (20.51 per cent), Australia (16.51 per cent) and New Zealand (8.23 per cent). With respect to imports, Fiji imported US\$2.12 billion from the world with top sources being Singapore (17.07 per cent), Australia (16.09 per cent) and China (15.04 per cent).¹²

The IPEF is a unique partnership deal for Fiji as it comprises its major export and import destination markets along with new and emerging markets such as India, Indonesia and other Asian countries, providing Fiji with opportunities for greater market access.

Section II: Analysis of Fiji's Integration with IPEF Members

This section analyses Fiji's integration with the IPEF members using data from the UN Comtrade database and the ESCAP RIVA database.¹³ The analysis focuses on Fiji's integration levels in trade and investment, value chain, infrastructure and connectivity.

Major Export and Import Destinations of Fiji

The US, Australia and New Zealand constitute more than 40 per cent of Fiji's exports (Figure 1). In 2021, Fiji's exports to the US stood at 20.5 per cent, Australia 16.5 per cent and New Zealand at 5.7 per cent. Other markets for Fiji included Asia (Japan and China) and the Pacific Island countries. It is interesting that Fiji's exports to China¹⁴ were around 5.7 per cent, despite China having a major geopolitical presence in the region. China has heavily supported infrastructure development in Fiji and other countries in the Pacific. In the context of the IPEF, however, while China is not a major exporter in goods, it may still have an influence in services and other related trade aspects. Within the IPEF membership, three of the IPEF members are major export destinations for Fiji, the agreement may yield further benefits for the country, depending on the final deal of the agreement.

Fiji also has the potential to deepen its trade integration with its major exporting partners. Despite

11 Notably, these include above-quota cane sugar (1.46 cents/kg), fresh and chilled taro (2.3 per cent Most Favoured Nation [MFN] tariff), candied and sushi-quality ginger (2.4 per cent MFN tariff), bakery products (4.5 per cent MFN tariff), and canned fish product (6.0 per cent). GSP imports from Fiji to the US typically range between US\$10 million and US\$20 million per year, accounting for approximately 5 – 10 per cent of Fiji's total exports to the US.

12 Note: Data is from UN World Trade but analysed in Trade Intelligence Negotiations Adviser (TINA) portal.

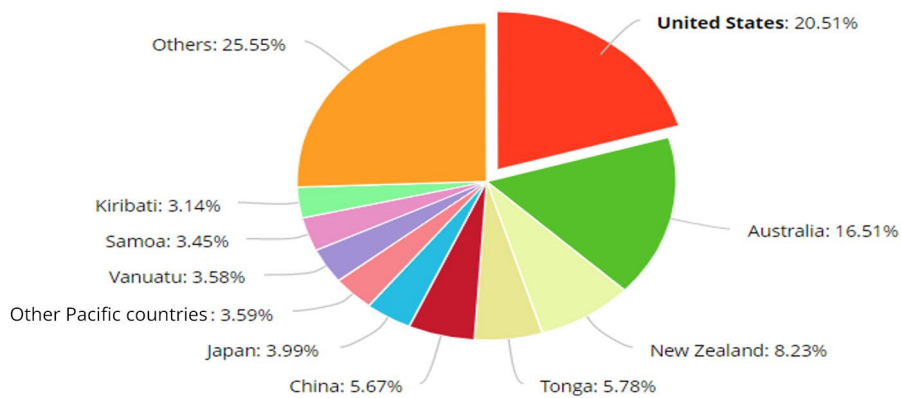
13 "Regional Integration and Value Chain Analyzer (RIVA)", UN Economic and Social Commission for Asia and the Pacific (UNESCAP), <https://riva.negotiatetrade.org/#/>

14 *Ibid.*

Fiji negotiating the PACER Plus with Australia and New Zealand, it has only been signed and not been ratified so far. As such, through the IPEF, Fiji may have the potential to access the Australian and New Zealand markets without the PACER Plus. Furthermore, securing a bilateral Free Trade Agreement (FTA) with the US may be an arduous and prolonged process. The USA GSP scheme has stringent rules for Fiji to export, so despite the agreement in place it is not that effective. The requirements for GSP plus is burdensome to have market access. Fiji is a small country and does not have the capacity like Asia does to compete in US GSP. So the IPEF gives a level of comfort in market access if negotiated well.

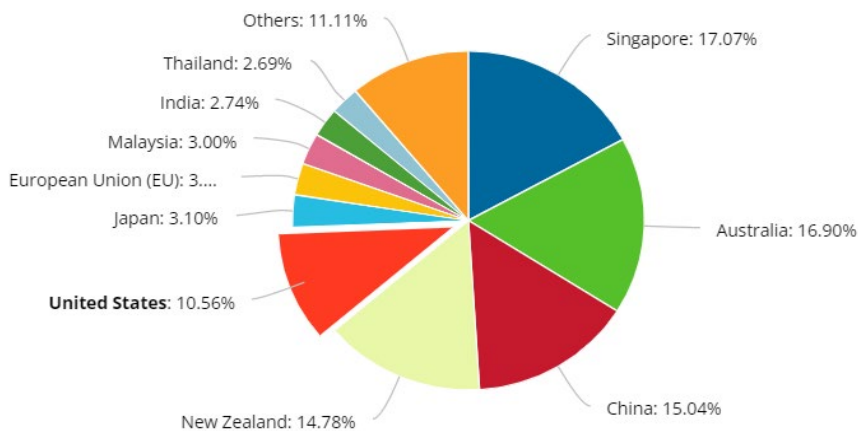
Figure 2 analyses Fiji’s major import destination for 2021. Singapore, Australia, China, New Zealand and the US are major importing countries constituting more than 70 per cent of imports. Singapore, Australia and China are the top three importing countries. Other countries include Thailand, India, Malaysia, the EU and Japan. With China being one of the major importing destinations for Fiji, the IPEF may create a shift in Fiji’s import markets. Depending on the negotiations, other countries in Asia, including India, may be able to substitute some of the imports from China. The IPEF may create import diversification opportunities for Fiji.

Figure 1: Major Export Destinations of Fiji



Source: UN Comtrade

Figure 2: Major Import Sources of Fiji

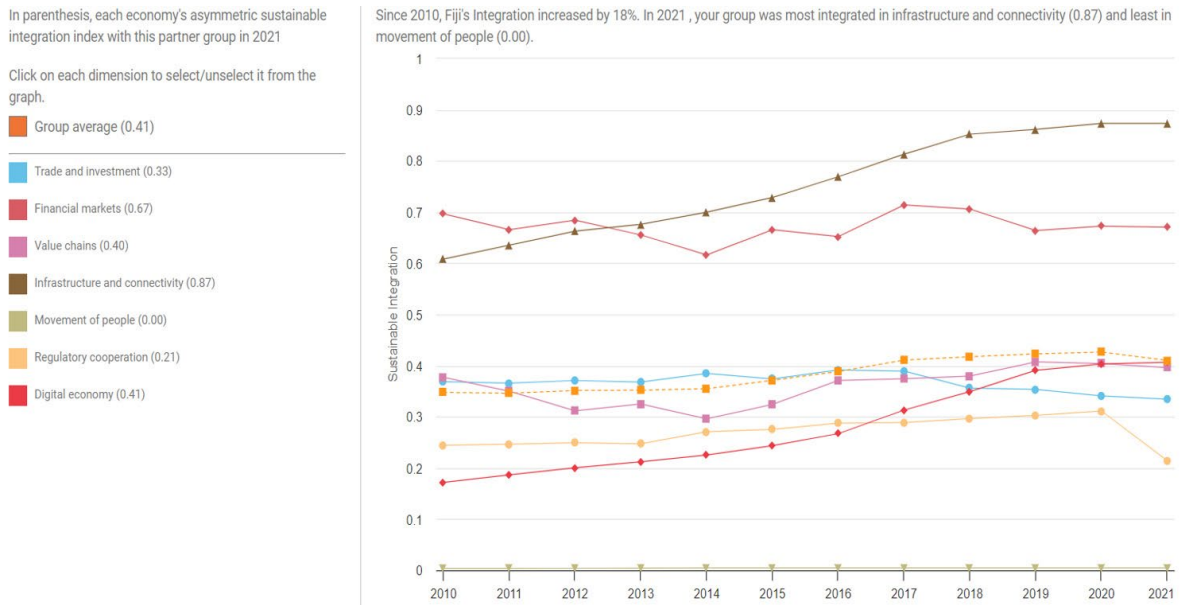


Source: UN Comtrade

Trade and Investment Integration for Fiji

The data from the ESCAP RIVA database¹⁵ assesses the current level of trade and investment integration of Fiji with IPEF members (refer to Figure 3). In comparison to 2010, Fiji's integration with the IPEF members has increased by 18 per cent. However, the depth of integration varies across the different indicators. The current levels of Fiji's integration are highest in connectivity and the financial sector, followed by digital economy, trade and regulatory cooperation (Figure 3). While there has been an improvement in integration across different variables, there are opportunities for deeper integration.

Figure 3: Trade and Investment Integration for Fiji with IPEF Members Excluding the US



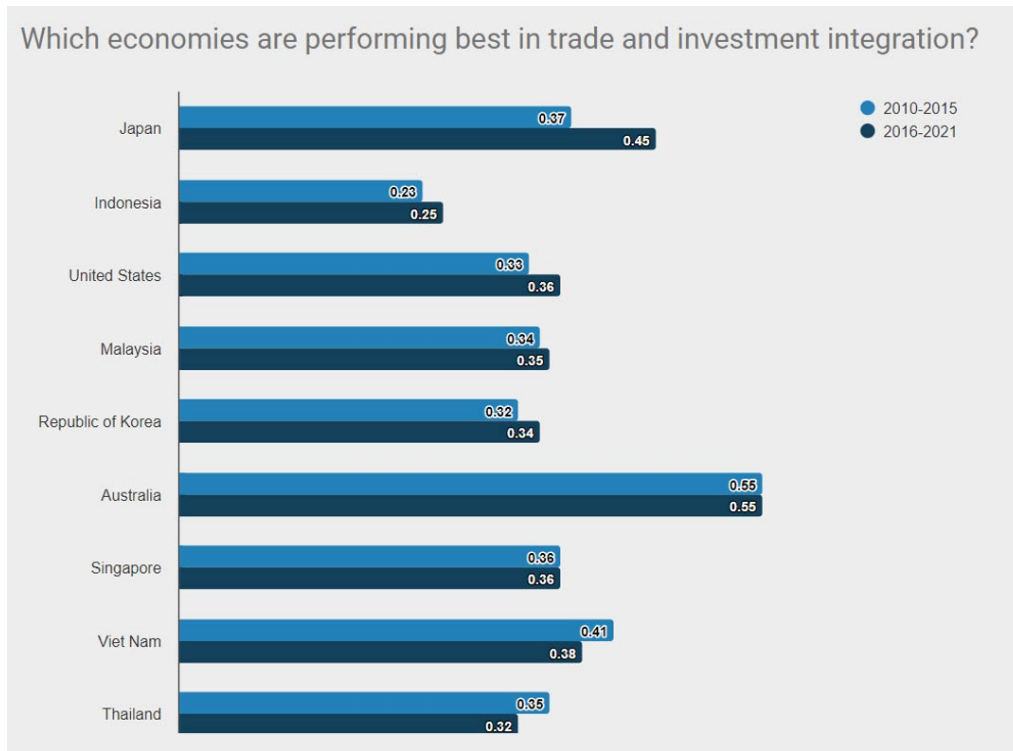
Source: RIVA database

Performance of IPEF Members on Trade and Investment

Figure 4 shows the economic performance in relation to trade and investment for IPEF member countries. In comparison to the period of 2010 - 15 and that of 2016 - 21, Australia, Japan, Singapore, the US, Malaysia and Indonesia have expanded integration, while Vietnam and Thailand have contracted trade and investment integration. The IPEF may provide an option for Fiji to expand its integration level with IPEF members.

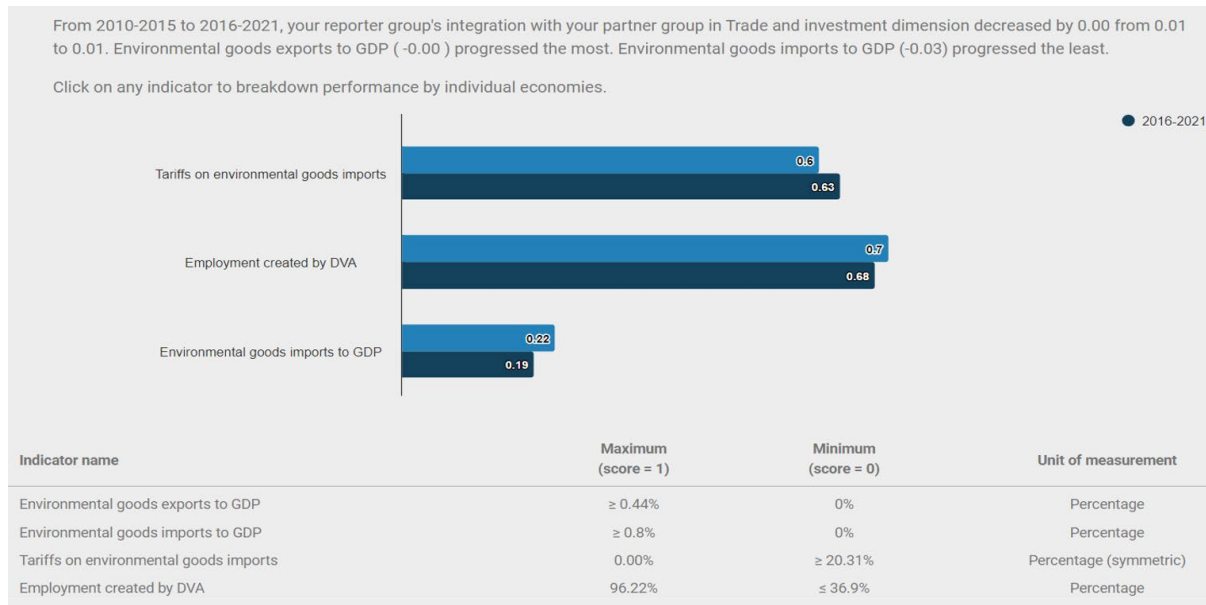
15 *Ibid.*

Figure 4: IPEF Members' Performance in Trade and Investment



Source: RIVA database

Figure 5: Fiji's Trade and Investment Integration

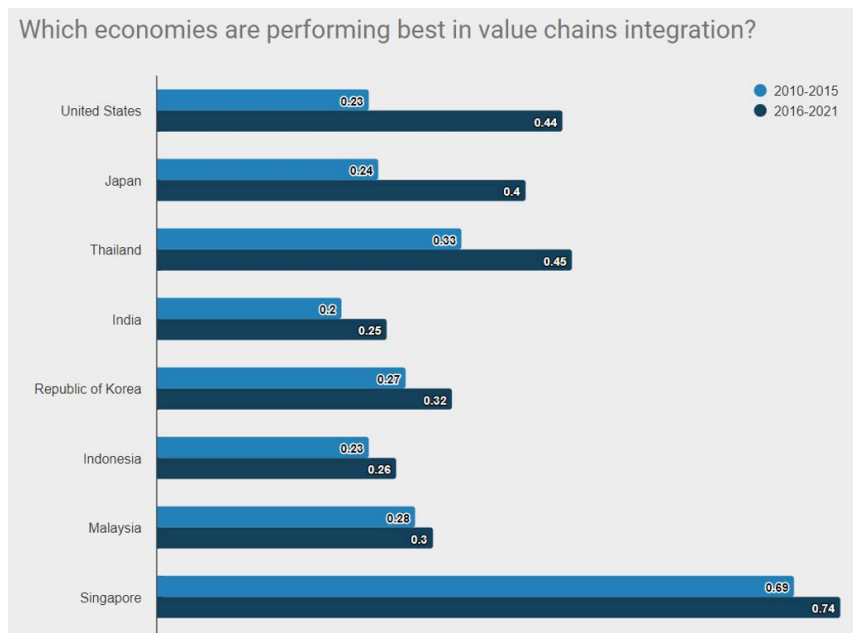


Source: RIVA database

Performance of IPEF Members on Value Chain Integration

Figure 6 depicts the value chain integration levels between 2010 - 15 and 2016 - 21. At the aggregate level, the value chain integration index for all the IPEF members has improved between the periods. Singapore and the US are leading in the value chain integration, with the US demonstrating the most substantial improvement. The rest of the IPEF members have different levels of value chain integration developments. The IPEF may benefit countries to integrate further. However, this would depend on the provisions of the supply chain agreements.

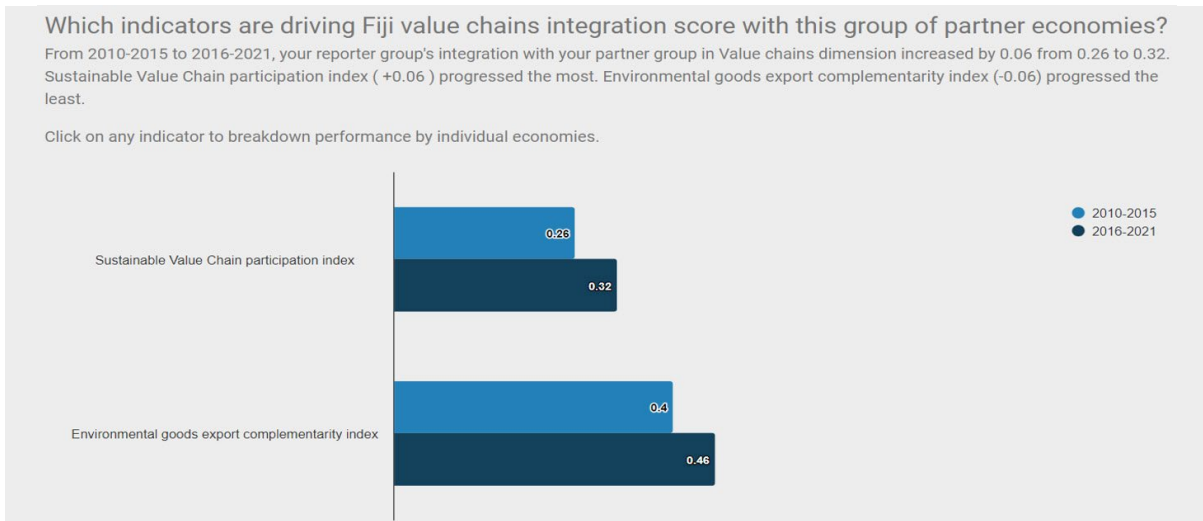
Figure 6: Value Chain Integration of IPEF Members



Source: RIVA database

Figure 7 provides some evidence of Fiji's sustainable value chain participation index with IPEF members. Over the same period, Fiji's participation has improved from 0.26 - 0.32, an increase of 0.06. As such, the IPEF may provide further potential for Fiji to enhance its value chain integration competitiveness and diversification.

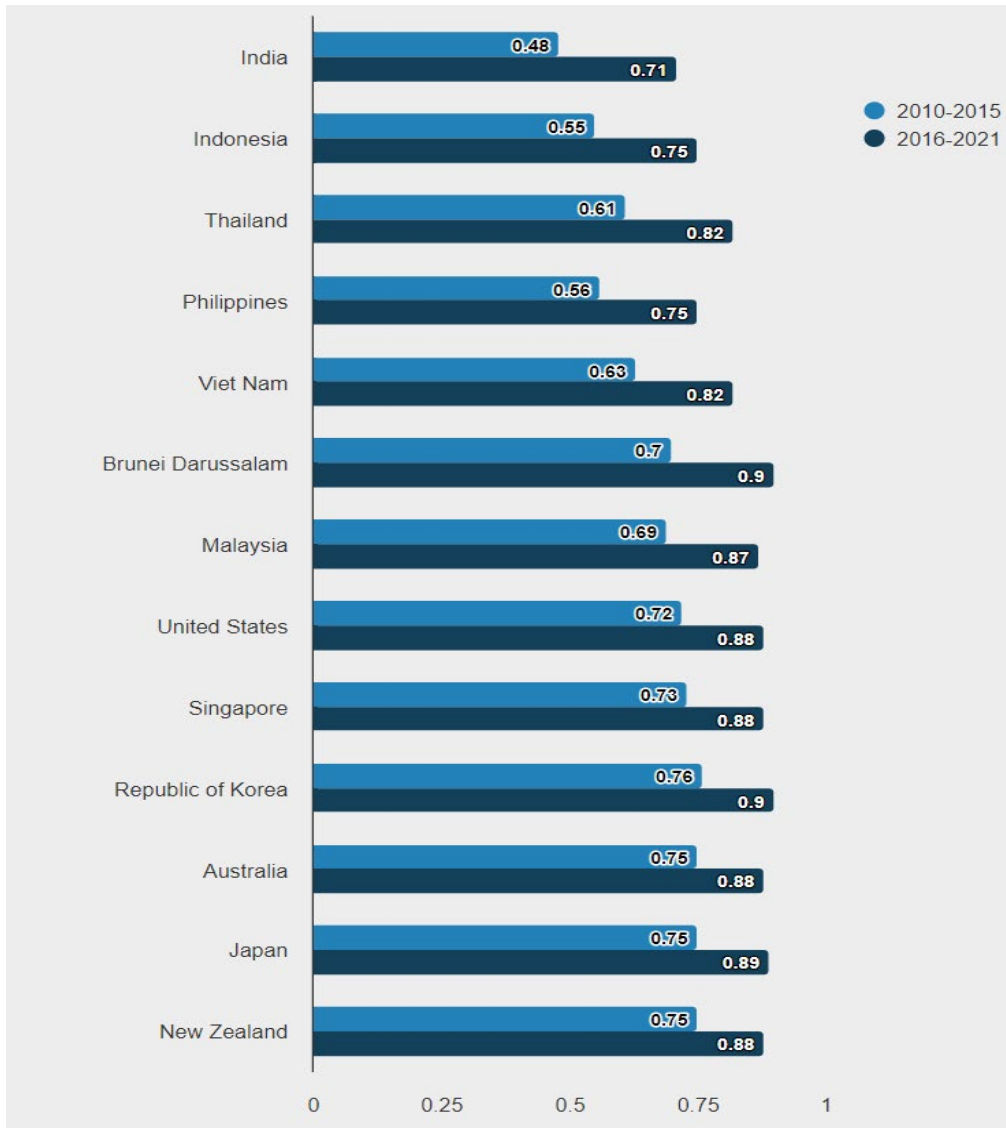
Figure 7: Fiji's Value Chain Integration with IPEF Members



Source: RIVA database

Performance of IPEF Members on Infrastructure and Connectivity Integration

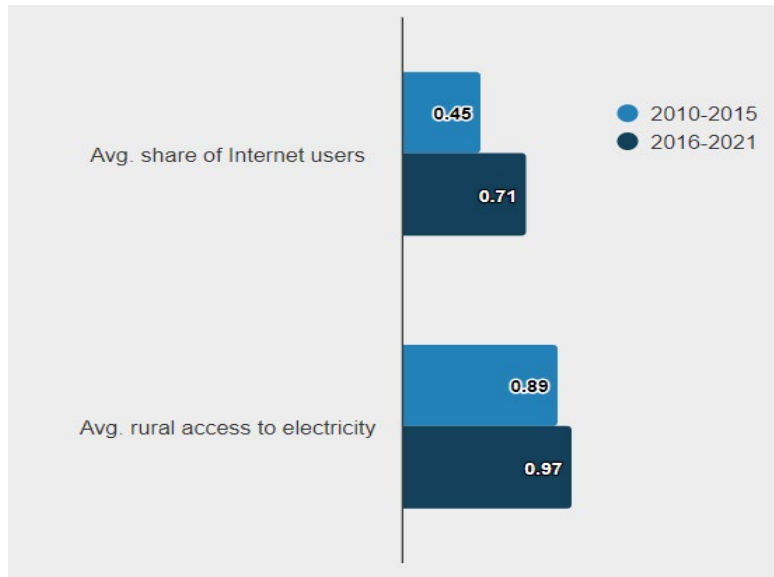
Figure 8 depicts the infrastructure and connectivity integration for IPEF members between the period 2010 - 15 and 2016 - 21. Between the two periods, the IPEF members have improved their infrastructure and connectivity integration with South Korea, Singapore, Japan, the US, Australia, New Zealand, Vietnam, and Thailand with index score of 0.8 and above between 2016 - 21. Other economies like India and Indonesia have also made substantial progress with scores of 0.71 and 0.75 respectively.

Figure 8: Infrastructure and Connectivity Integration

Source: RIVA database

Figure 9 shows Fiji's integration on infrastructure and connectivity over the same period as well. In terms of average rural access to electricity and internet Fiji has also improved in the areas. It is therefore indicative that for IPEF integration, Fiji has the potential to integrate with the rest of the members and benefit from market access and supply chain integration. This, however, would be contingent upon the scope and depth of the finalised text.

Figure 9: Fiji's Infrastructure and Connectivity Integration



Source: RIVA database

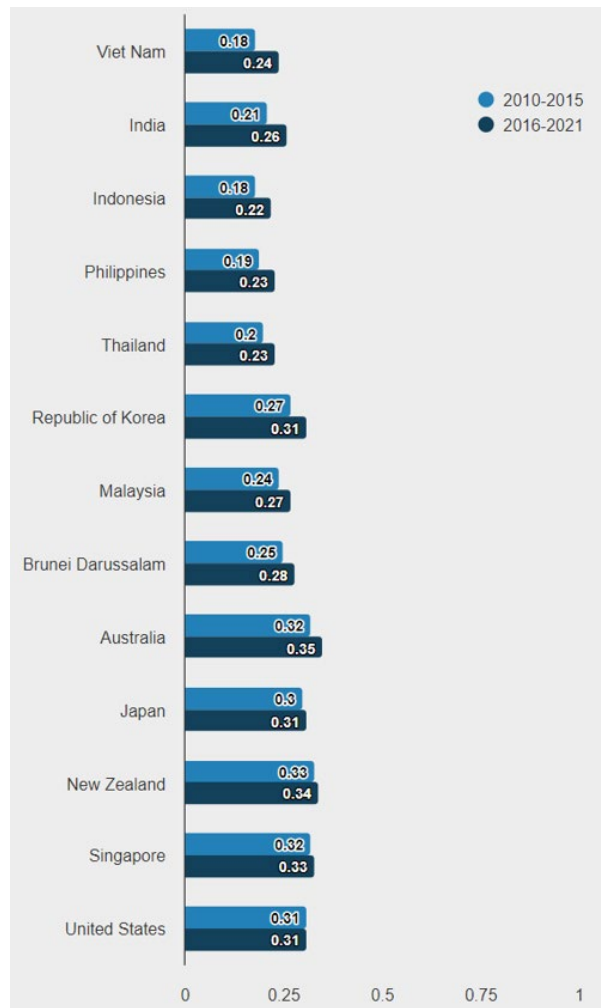
Performance of IPEF Members on Regulatory Connectivity¹⁶

Figure 10 depicts the regulatory connectivity among the IPEF members. Within the IPEF members, this index has been the lowest in comparison with the other areas. Regulatory reforms usually require political and legal will to be implemented. During the periods 2010 - 15 and 2016 - 21, Australia, South Korea, New Zealand, Singapore and the US have been leading. Figure 11 shows Fiji's Regulatory Connectivity Integration. In comparison to other IPEF members, Fiji's performance on regulatory connectivity is better, with an index score of 0.57 during the time period 2016 - 21. Overall, the IPEF may provide additional opportunities for further regulatory coherence and reforms for the countries.

¹⁶ Regulatory connectivity is one of the seven indicators of regional integration dimensions from the RIVA database. It comprises of sustainable FTA scores, average rule of law index, SDG trade and regulatory distance from partners and average IIA score.

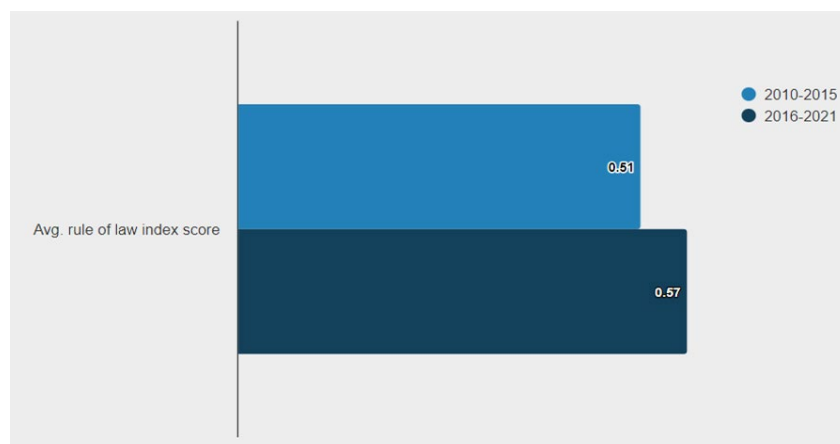
See "Regional Integration Analyzer", UN Economic and Social Commission for Asia and the Pacific, <https://riva.negotiatetrade.org/#/rioverview>

Figure 10: Regulatory Connectivity Integration



Source: RIVA database

Figure 11: Fiji's Regulatory Connectivity Integration

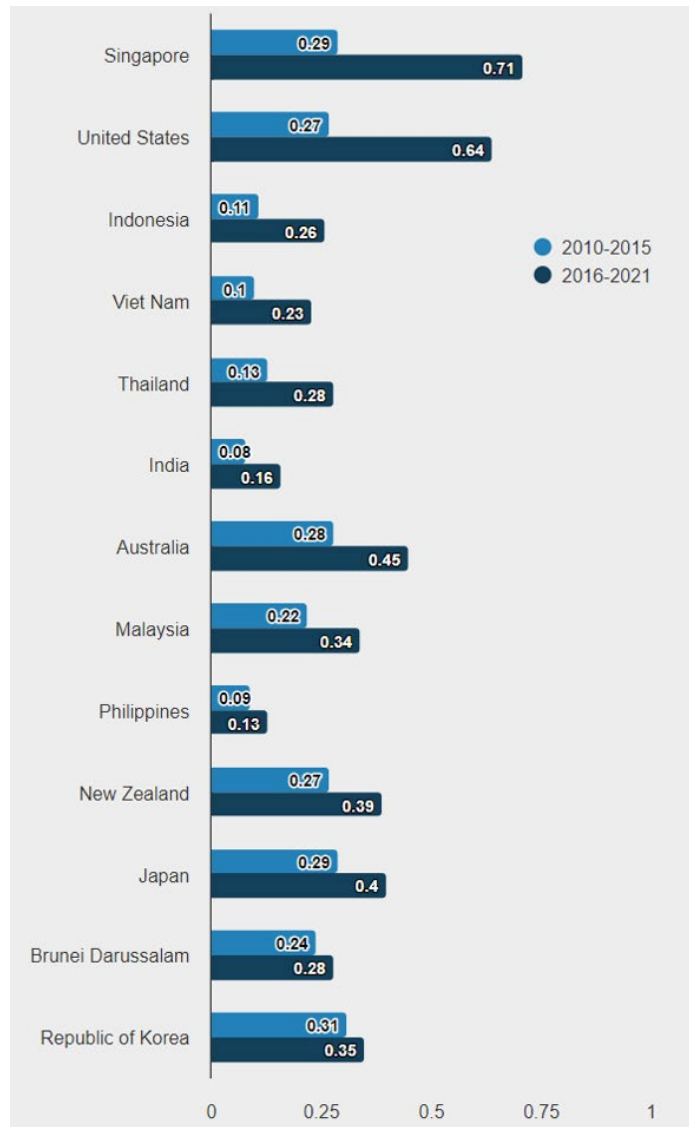


Source: RIVA database

Digital Economy Integration

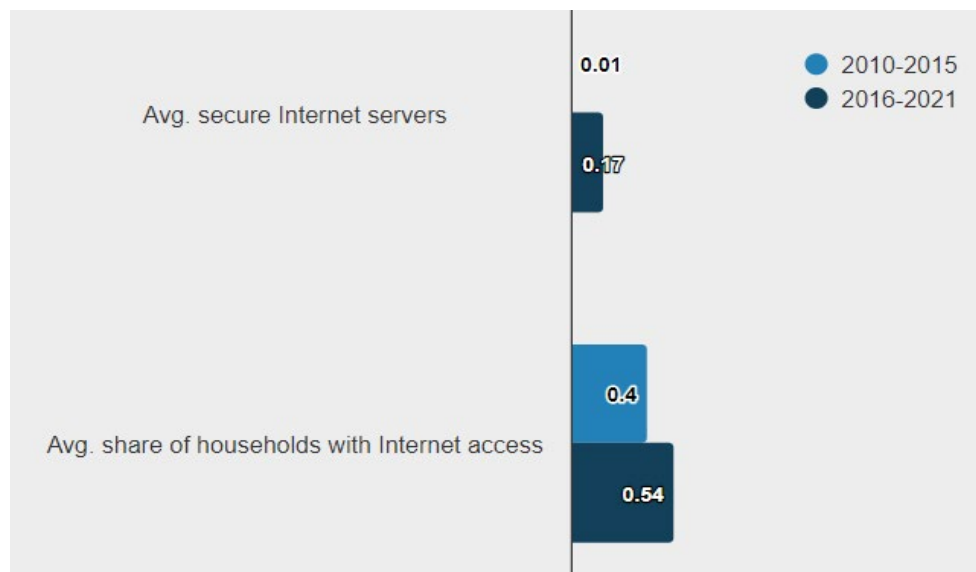
Figure 12 depicts the digital economy integration of the IPEF members. Within the periods 2010 - 15 and 2016 - 21, Singapore and the US are the most integrated in the digital economy with index scores of 0.71 and 0.64 respectively. The rest of the IPEF members have on average integrated at a slower pace in the digital economy than the rest, with mean scores at 0.4 during 2016 - 21.

Figure 12: IPEF Members Digital Economy Integration



Source: RIVA database

Figure 13 provides the specific situation for Fiji on digital economy integration. Fiji's integration into the digital economy is low, based on access to secure internet and average access to internet per household with scores of 0.17 and 0.54 respectively. The IPEF may provide opportunities for further integration. However, it will depend on the trajectory of discussions over the coming months on this subject.

Figure 13: Fiji's Digital Economy Integration

Source: RIVA database

Section III: Implications of the IPEF for Fiji

The Supply Chain Agreement

The Supply Chain Agreement of the IPEF is considered to be the world's first multilateral supply chain agreement.¹⁷ It aims to develop resilient and competitive supply chains and establish a framework for lasting cooperation on issues including workforce development, supply chain monitoring and investment promotion.

Along with the Supply Chain Agreement, the members have committed to several initiatives including digital shipping pilot projects, including one with the Port of Singapore;¹⁸ expansion of the US Customs Trade Partnership Against Terrorism (CTPAT) program in the Indo-Pacific,¹⁹ an IPEF Science, Technology, Engineering, and Mathematics (STEM) Exchange Program, and additional trainings, symposiums, and two-way trade missions with IPEF partners. Beyond these specific measures, the US also hopes to grow public and private sector engagement and investment in the region. In return, the US hopes that the IPEF Supply Chain Agreement will better position IPEF partners to reshape their supply chains to meet US interests, including resilience and competitiveness, in line with the broader US 'friend-shoring' agenda that incentivises supply chain reshuffling to countries that do not pose a national security threat.

17 Aidan Arasasingham, Emily Benson, Matthew P. Goodman and William Alan Reinsch, "Assessing IPEF's New Supply Chains Agreement", *Center for Strategic & International Studies*, 31 May 2023, <https://www.csis.org/analysis/assessing-ipefs-new-supply-chains-agreement>

18 *Ibid.*

19 The digital shipping pilot project links to trade facilitation and digital trade in IPEF. The US Customs Trade Partnership is a way to shift the power dynamics back to USA and to an extent what IPEF aims to achieve too.

Implications of the Supply Chain Agreement for Fiji

In relation to value chain integration, the IPEF members are at different stages of development and integration. Fiji also has the potential to integrate with the members of the IPEF through this agreement. However, the degree of trade creation and trade diversion would depend on the level of trade between Fiji and the rest of the IPEF members. Fiji's major trading partners include Australia, New Zealand, the US and China. Though the former three economies are members of the IPEF, China is not a member.

The IPEF also has stringent structures in place to ensure the integration of members into the supply chain. Fiji, being a small economy with limited resources and capacity, may need to be cautious about the implementation of the agreement. For example, information in relation to the action plan for the Supply Chain Council is not yet clear. The action plan implementation would have a burden on the private sector if resources were not sufficiently allocated. The Supply Chain Response Network has merits given the COVID-19 pandemic during which Fiji as well as the rest of the world encountered major disruptions in supply chains, especially for essential goods. While the response mechanism laid down by the IPEF aims to address such disruptions, the coordination mechanism needs to be clearly outlined for ease of implementation.

At the regional level, Fiji has negotiated the PACER Plus with Australia and New Zealand. However, it has not ratified the agreement to date. The PACER Plus agreement does not have a strong linkage on trade and labour issues within the Agreement, whereas the IPEF has. As such, the cost and benefit for Fiji in relation to the compliance on labour laws within the supply chain will determine the level of success under the IPEF with its trading partners. Given that China is not part of the IPEF, Fiji may need to carefully consider the ways in which its exports from value added products would be integrated into the IPEF supply chain and whether it would meet the rules of origin requirements. Fiji imports raw materials from the rest of the world to process and export final goods to Australia and New Zealand and the rest of the world, particularly for textile and clothing. If the supply chain requirements become stringent and constrains Fiji from importing raw materials from China, then it will affect the local cost of production, as importing from China is cheaper.

At the multilateral level, Fiji is a member of the WTO since 1996. At the 1st WTO Ministerial Conference in Singapore in December 1996, in relation to issues surrounding labour rights within supply chains of partner countries, ministers renewed the commitment to observe internationally recognised core labour standards.²⁰ Labour rights issues are critical for any country and must be upheld. The IPEF members, including Fiji, recognise this, which is a positive step towards fair and equitable trade. However, in tandem, it should also ensure that these are not deemed as disguised restrictions on trade. For Fiji, in finalising the agreement on supply chains, it must request for a strong mechanism for capacity building and technical assistance in order to ensure that its private sector is in a position to comply with the required labour standards. Such reforms may take time. However, if they are progressively achieved, it could provide Fiji with the competitive advantage in relation to fair and sustainable trade. As such technical assistance and capacity building must be part of the text with a clearly stated work programme for implementation.

20 "Singapore Ministerial Declaration", World Trade Organization, 13 December 1996, https://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm

Implications of the Trade Pillar for Fiji

The Trade Pillar of the IPEF intends to negotiate provisions addressing labour, environment, competition policy, agriculture, transparency, digital economy and emerging technology, trade facilitation, good regulatory practices, gender, indigenous populations, and development and economic cooperation. The Trade Pillar will be one of the most comprehensive frameworks should members decide to have an outcome on all these areas. But integrating these issue into a trade agreement framework may have its own implications; it would depend on the scope and depth of the agreement.

As it stands, it is deemed that the IPEF negotiators have high ambition in these areas. The framework reflects the consolidation of new and existing issues at the WTO with varying interests among developed and developing countries. For example, on trade and labour, members in the IPEF aim to achieve high-standard commitments that benefit workers, including those related to implementing and enforcing internationally recognised labour rights, corporate accountability in cases of labour law violations, public engagement and cooperative mechanisms on emerging labour issues, including with respect to workers in the digital economy. At the WTO, for example, in the fisheries subsidy agreement, the US had a previous proposal on forced labour.²¹ However, certain members were of the view, that though the labour issues are critical to address, these must be done so in the relevant forum of the International Labour Organization (ILO).

In relation to environmental issues within the Trade Pillar, the aim is to achieve trade-related commitments that meaningfully contribute to environmental protection and effective responses to common sustainability challenges, including those that are climate-related. The issues include obligations on trade and environment, enhanced environmental cooperation, protection of the marine environment, conservation of wild fauna and flora, climate change and renewable energy, circular economy, promotion of 'green' data centres and data transmission, voluntary market mechanisms for promoting sustainability of information and communications technologies, promotion of lower carbon sourcing in supply chains, corporate accountability and responsible business conduct, and implementation of obligations under multilateral environmental agreements.

Several issues being discussed in the Trade Pillar are being deliberated in the Committee on Trade and Environment in the WTO. The scope of environment-related issues are new under the WTO. Despite the importance of addressing environmental issues, members need to also weigh the cost of implementation for developing countries. Furthermore, the scope further focuses on digital infrastructure greening and data transmission, which require further reflection, and an assessment of the capacity of members. The developed economies of the IPEF have the required infrastructure to undertake reforms, however, the costs would be high. A way would perhaps be for transitionally-phased implementation with technical and financial assistance as conditions for implementation.

The aim is also to promote equitable growth of the digital economy in a manner that supports labour and environment objectives, sharing best practices on regulatory approaches and policy issues, and promoting responsible use of emerging technologies. For Fiji, in order to develop the digital economy, the development of digital infrastructure ecosystem is important.

21 "United States Urges WTO Members to Address Forced Labor on Fishing Vessels in Ongoing Fisheries Subsidies Negotiations", Office of the United States Trade Representative, 26 May 2021, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/may/united-states-urges-wto-members-address-forced-labor-fishing-vessels-ongoing-fisheries-subsidies>

The issues on trade and an agreement on digital trade covers a plethora of issues which are trade-related and beyond the scope of the traditional trade agreements. There is an ongoing discourse on this at the multilateral level and in particular, under the plurilateral on the Joint Statement Initiative.²² Despite the importance of the digital economy and digital trade agreement, developing countries in the IPEF including Fiji must exercise caution with respect to the commitments they undertake without adequate regulatory and infrastructure reforms in place. Figures 10 and 11 show the digital economy integration levels among the IPEF and also for Fiji, revealing that there is scope for IPEF members to integrate in this area. In this regard, a step wise approach of prioritisation may be better than a full-fledged agreement. Developing countries could also demand technical and financial assistance to develop their digital infrastructure environment first and foremost, and then move progressively in other areas.

For developing countries, including Fiji, agriculture is a vital sector for economic development. The issues surrounding non-tariff measures for market access have been a challenge for Fiji. The discussion of the text focuses on enhanced transparency, regulations, SPS and TBT measures. Depending on the requirements of countries, the cost of compliance may be high. As such, agriculture and related infrastructure development assistance is needed to ensure that Fiji is able to benefit from the market access of the IPEF countries. Fiji must also ensure that the baseline on discussions in relation to agriculture are aligned with the WTO Agreement on Agriculture.

In relation to transparency and regulatory practices, the text aims to focus on commitments on the publication of proposed regulations and allowing a meaningful opportunity for public comment by interested persons, improving public accessibility to information about regulations and regulatory processes, having processes and mechanisms for internal coordination, and reliance on high quality information, and science and evidence in rulemaking. The members further aim to use this arrangement as an opportunity to cooperate on the adoption of sound and transparent regulatory practices, thereby promoting good governance. It further aims to build on the Joint Statement Initiative on Services Domestic Regulation of the WTO. Despite the fact that good regulatory practices and coherence would facilitate trade, developing countries, including Fiji, need to ensure that their right to regulate the domestic sector is not compromised. Furthermore, adhering to the process of high quality, scientific and evidence-based rule making would also require resources and capacity. This will affect the ability of market access for services. The issues surrounding these are currently under debate at the WTO. Should Fiji consider progressing in this area, it needs to do so progressively, ensuring that the required regulatory and institutional capacities are developed, and the private sector is also empowered to undertake the required regulatory reforms first and foremost.

On competition policy, the Trade Pillar focuses on members maintaining competition laws to ensure open, fair and competitive markets, including digital markets and cooperating on competition enforcement and policy issues. The issue of competition policy is one of the issues from the 1996 Singapore Ministerial Conference of the WTO. The issues surrounding anti-competitive behaviour have elements in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Trade-Related Investment Measures (TRIMs) Agreements. The issue, however, is to ensure that developing countries including Fiji have the technical and financial capacity to negotiate and implement these policies in their domestic markets effectively. The discussions would also include the competition policy of digital markets which is a new area and would first require capacity building before arriving on any commitments.

²² "Joint Initiative on E-commerce", World Trade Organization, https://www.wto.org/english/tratop_e/ecom_e/joint_statement_e.htm

For developing countries including Fiji, trade facilitation is crucial for overall trade. Fiji has signed and ratified the WTO Trade Facilitation Agreement and is in the process of implementing its commitment. The scope of the IPEF trade facilitation agreement, however, is beyond the traditional trade facilitation commitment, in particular on the digitalisation aspect, which has other related issues such as data protection and cross-border flow of data. To undertake digital trade facilitation, further domestic reforms on regulation and infrastructure would be key. For these, Fiji would require regulation and infrastructure development capacities.

The Trade Pillar has a development and economic cooperation element which focuses on the ongoing development and economic cooperation, including the existing bilateral- and regional trade-related technical assistance and capacity building. The IPEF commitments are robust and beyond the scope of the traditional frameworks or agreements. As such, developing countries including Fiji have to demand additional technical and financial assistance for the full implementation of the IPEF.

Implications of the Clean Economy Pillar for Fiji

The US has tabled a proposal which seeks to promote a clean economy, including by accelerating IPEF partner countries' clean energy transitions, scaling and reducing the cost of innovative technologies and advancing low greenhouse gas emissions in priority sectors. The text also aims to enhance collaboration with the private sector to take advantage of the market, investment, industrialisation, and quality job opportunities related to a clean economy transition.

In the case of developing countries including Fiji, whilst the commitment to clean energy transition is vital to tackle climate change, they have to ensure that the commitments in relation to the regulations and infrastructure requirements do not burden the private sector. Relative to the US, the private sector in Fiji is mostly composed of small and medium enterprises. Furthermore, investing in clean energy infrastructure will also require enormous capital investment. In the textual proposal and discussions, Fiji has to consider these aspects and include a development chapter to cover the specifics of the technical and financial assistance needed for the clean economy transition. Fiji must undertake a phased approach towards these transitions.

Implications of the Fair Economy Pillar for Fiji

The US has tabled a proposal that seeks to prevent and combat corruption and related financial crimes, improve tax administration and increase cooperation, information sharing and capacity building in these areas. The aim of the text is to promote inclusiveness, transparency, the rule of law and accountability, all of which are essential to levelling the playing field for workers and enterprises in the Indo-Pacific region and ensuring that the benefits of economic growth and investment are broadly shared.

For developing countries including Fiji, a fair economy is vital for international trade. The US proposal, however, covers several areas and also requires compliance with various international standards. For Fiji, while combating corruption, ensuring transparency, and adhering to labour rights are at the core of a well-functioning economy, it has to also ensure that sufficient technical and capacity building assistance are provided for it to undertake the required regulatory and institutional reforms. As such, Fiji will need to strengthen or propose a pillar on economic and development assistance to cover specific areas of assistance for fair economy.

Conclusion

The IPEF is a new generation agreement which covers new and emerging issues and has geopolitical and economic agendas intertwined. The members of the IPEF are at different levels of development, with the US, Australia, New Zealand, Singapore, South Korea, Malaysia and India being major economies. Fiji is one of the smallest economies among the IPEF members. The framework does provide an opportunity for Fiji to integrate with Asia and the US and create new market opportunities for trade and investment. However, these benefits would only be realised if Fiji is able to bear the cost of the reforms (which are substantial) to effectively integrate and benefit from the Supply Chain Agreement, and the available proposals for the Trade, Clean Energy and Fair Economy Pillars.

For Fiji, the IPEF, on the one hand, has potential for market access, with access to Asia and the US market, which would not be feasible if Fiji had to negotiate FTAs with each member separately. However, the requirements for regulatory, infrastructure and institutional reforms of the IPEF may be burdensome for Fiji and may act as a barrier to fully utilising its potential. The private sector of Fiji will need to comply with the regulatory requirements in order to be able to trade. As such, Fiji would require technical and financial assistance to undertake the required reforms over time if it aims to benefit from the IPEF.

A key recommendation for Fiji would be to strengthen or propose an overarching pillar as the IPEF development chapter with specific areas of technical and financial assistance across the various pillars of trade, supply chain, clean energy and fair economy. It must also ensure that the assistance is in addition to the existing assistance provided by various developed countries. Given that the IPEF is proposing new areas of commitments by members which are beyond the scope of traditional trade agreements including the WTO, Fiji could provide such justification. Furthermore, should Fiji decide to volunteer under all the four pillars, within the development assistance pillar, it needs to further request developed members to provide an action plan for the provision of assistance over time. Fiji must also condition its commitment to technical and financial assistance by developed IPEF members.

Views expressed in the paper are of the author and not of any persons or organisations.

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Dr Kumar has experience in negotiating Trade Agreements including the Pacific Agreement on Closer Economic Relations, EU-Economic Partnership Agreement, Pacific Island Countries Trade Agreements, the Micronesian Trade and Economic Committee and US-Compact agreement. She later served as Deputy Head of Mission in Geneva and worked with various organisations including UNESCAP, ITC, WTO WIPO and also was instrumental in WTO negotiations including the Fisheries Subsidies negotiations for members. She coordinated with ACP, SVE, G-90 and LDC group of countries.

She is also an academic and was lecturer in Economics at the University of the South Pacific teaching international economics. Currently, she holds the position of Adviser, Artificial Intelligence and Transformative Technology at the Commonwealth Secretariat in London. She is also an author and publisher, and a frontend developer.