

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



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The Republic of Korea and the IPEF

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The Indo-Pacific Economic Framework (IPEF) was announced as newly elected President Yoon began a tilt towards the United States (US), endorsing it as a chance to write rules and not take them. Extensive consultations between business and ministries ensured that each Pillar was examined, but showed little evidence of rule writing until May 2023. The Korean Ministry of Trade and Industry was also protesting the impact of the Inflation Reduction Act (IRA) and the Creating helpful incentives to produce semiconductors (CHIPS) Act with the same US negotiators as for the IPEF. Minister Ahn of the Ministry of Trade, Industry and Energy (MOTIE) sees opportunities to draw the US closer to the international position especially by creating a carbon trading zone in the Clean Economy Pillar, and played a role in the Supply Chain committee creation. Korea covered the same issues with the Chinese on a bilateral basis ensuring that Korea was not drawn fully into any decoupling strategy. Discussion in Korea in June showed MOTIE optimistic, but business doubtful about the efficacy of the IPEF which could be challenged in Congress with Executive Orders which could be abandoned by the next US President.

List of Abbreviations

ACRC	Anti-Corruption and Civil Rights Commission
APEC	Asia-Pacific Economic Cooperation
CHIPS	Creating helpful incentives to produce semiconductors
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DEPA	Digital Economy Partnership Agreement
DPM	Deputy Prime Minister
EU	European Union
EV	Electric Vehicle
FTA	Free-Trade Agreement
GDP	Gross Domestic Product
ICIO	Inter-Country Input-Output
ICT	Information and Communications Technology
IFANS	Institute of Foreign Affairs and National Security
IFRI	Institut français des relations internationales
IPEF	Indo-Pacific Economic Framework
IRA	Inflation Reduction Act
IT	Information Technology
KCCI	Korea Chamber of Commerce and Industry
KIET	Korea Institute for Industrial Economics and Trade
KITA	Korea International Trade Association
KORUS	US-Korea Free-Trade Agreement
MAFRA	Ministry of Agriculture, Food and Rural Affairs
MOEF	Ministry of Economy and Finance
MOF	Ministry of Oceans and Fisheries
MOFA	Ministry of Foreign Affairs
MOJ	Ministry of Justice
MOLEG	Ministry of Government Legislation
MOTIE	Ministry of Trade, Industry and Energy
MOU	Memorandum of Understanding
MSIT	Ministry of Science and ICT
OECD	Organisation for Economic Co-operation and Development
PIIE	Peterson Institute for International Economics
RCEP	Regional Comprehensive Economic Partnership

ROK	Republic of Korea
SNU	Seoul National University
THAAD	Terminal High Altitude Area Defense
TiVA	Trade in Value Added
TTC	Trade and Technology Council
US	United States
USTR	United States Trade Representative
WTO	World Trade Organization

Introduction

Before May 2023, the existing text for the four Pillars at the IPEF was so bland that it is hard to quarrel with the words, although India saw problems and will not sign the Trade chapter. The Indo-Pacific Economic Framework for Prosperity (IPEF) is undermined by the lack of benefit or compensation for members in terms of the two major United States (US) trade policy measures that appeared after the IPEF was announced – the Inflation Reduction Act (IRA) or the Creating helpful incentives to produce semiconductors (CHIPS) Act. Despite the constant reference to the World Trade Organization (WTO) in the text, the US is a notable violator of WTO global rules.¹

At the outset of the negotiations, Deputy Prime Minister Choo Kyung-ho assured Korean legislators that Seoul would defend its national interests while maintaining strong relations with all parties during any IPEF discussions. He said that while it is important to join the group to strengthen supply networks, Korea should “at the same time input our position from the start in forming regulations.”²

Korea’s unique trajectory from 1945 to 2023

Given South Korea’s position as a trading nation – the sixth largest exporter in 2022 – its unique trajectory tends to be overlooked. Korea was a colony of Japan from 1910 to 1945, divided into South and North by occupying forces. The Korean War became a proxy hot-cold war, and ended in the longest armed armistice in history. US domination in Korea forced a market opening to US companies in 1985, and in 1991, a détente was forged with China and Russia in expectation of progress between North and South Korea.³ China became Korea’s largest market by 2000. Hence, the thesis that Korea is a *prisoner of geography* faded. First pronounced by Tim Marshall, as the global economy appears to be refreezing into an incipient Cold War mode the iron bars of geography seem to be descending again.⁴ As late as in April 2022, the outgoing Korean President fretted over the remaining Cold War structures between the North and the South, calling for a Peace Treaty. However, by May 2023, some were accusing the new President as being at the forefront of creating a new Cold War.⁵

1 “A WTO Member cannot waive unilaterally its own WTO obligations whenever it considers that another Member is acting “unfairly” and that the WTO Agreement does not provide adequate remedies. Such unilateral responses to perceived unfair acts of another Member are themselves both unfair and illicit under the WTO Agreement.” See “ United States — Tariff Measures On Certain Goods from China (WT/DS543/R/Add.1)”, World Trade Organization, 15 September 2020, https://www.wto.org/english/tratop_e/dispu_e/543r_a_e.pdf;

Failing to appoint judges to the panels paralysing the WTO’s dispute resolution process. See “The World Trade Organization: The Appellate Body Crisis”, *Center for Strategic & International Studies*, <https://www.csis.org/programs/scholl-chair-international-business/world-trade-organization-appellate-body-crisis>

2 Lee Ho-jeong, “Korea will join IPEF on its own terms: Finance Minister Choo”, *Korea JoongAng Daily*, 21 August, 2022, <https://koreajoongangdaily.joins.com/2022/08/21/business/economy/IPEF-Korea-USChina-tensions/20220821170204012.html>

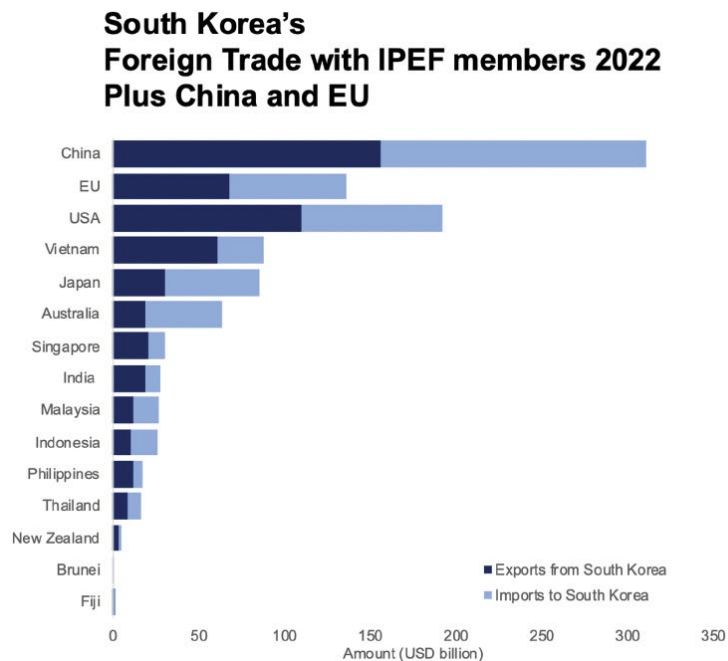
3 Progress with the North after the US signing of the Geneva Agreed Framework was thwarted by the US 1994 midterms and then dogged by the North’s resumption of nuclear investigations later in the 1990s.

4 Tim Marshall, *Prisoners of Geography: Ten Maps That Tell You Everything You Need To Know About Global Politics* (New York: Scribner, an imprint of Simon & Schuster, Inc., 2015), 208-229. “how do you solve a problem like Korea? You don’t, you just manage it...”

5 Keeho Yang, “Rethinking South Korea-Japan Relations”, *EAF Policy Debates – East Asia Foundation*, 29 June 2023, https://www.keaf.org/en/book/EAF_Policy_Debates/Rethinking_South_Korea_Japan_Relations?ckattempt=1

Three decades of relations with China, Korea's largest trading partner, was celebrated in 2022. The US is the second largest partner, followed by the European Union (EU) and Vietnam. Trade with China is conducted under a bilateral Free Trade Agreement (FTA) with ongoing active negotiations to include services. When exports via Hong Kong are added, which mainly go into Southern China, China takes almost 30 per cent of Korea's trade.⁶ Figure 1 shows the degree of trade connectivity with China, the EU and then the members of IPEF.

Figure 1: South Korea's foreign trade connectivity with China, the EU and IPEF members



Source: Korea International Trade Agency⁷

President Yoon's tilt towards the US

Usually, Korea has had a progressive President whenever there is a Republican President of the US and vice versa. Geopolitics and 'America First' have upset this rule. The abrupt change in both domestic and international policy, however, did not make it appear out of sync when the opposite happened: conservative President Yoon Suk-yeol taking office in May 2022, with the US having Democrat Joe Biden as its President. The alliance has spilled over into a tripartite agreement between the US, Japan and Korea enshrined in the August 2023 Camp David Agreement which goes beyond geopolitics and calls for closer technological cooperation with 20 different initiatives.⁸

6 "Global trade statistics service K-stat", K-Stat, <https://stat.kita.net/>

7 *Ibid.*

8 The language of the later paragraphs of this agreement implies that Japan, Korea and US will go beyond the IPEF in coordination. See "The Spirit of Camp David: Joint Statement of Japan, the Republic of Korea, and the United States", The White House, 18 August 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/18/the-spirit-of-camp-david-joint-statement-of-japan-the-republic-of-korea-and-the-united-states/>

The earlier Moon Jae-in's administration had been strongly in favour of trade agreements and oversaw the renegotiation of the US-Korea (KORUS) FTA at the insistence of Donald Trump. This period also witnessed the signing of a number of FTAs plus the larger Regional Comprehensive Economic Partnership (RCEP), application for membership of the Digital Economy Partnership Agreement (DEPA), completion of a digital trade agreement with Singapore, a digital policy agreement with the EU and a last-minute bid for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is now stalled over agricultural issues.⁹ Korea, through strong social control and distancing which avoided actual lockdowns during the COVID-19 pandemic, experienced the smallest drop in the Gross Domestic Product (GDP) amongst major Organisation for Economic Co-operation and Development (OECD) members. In 2023 Korea is experiencing low growth due to contraction of trade, and a sluggish domestic economy.

The election of Yoon Suk-yeol who ran partly on an 'anything but Moon' programme, aimed to repair relations with the US and create a smaller government. However, it was not clear what relations with the US had been damaged by Korean action during Moon's administration as opposed to damage to the relationship by Trump who put sanctions on Korean washing machines, and steel and aluminium, and also threatened to withdraw troops. The Koreans had agreed to swap a higher tariff for a quota arrangement, but when Biden became President and super tariffs elsewhere were dropped, the US refused to amend the quota agreement on Korean steel.¹⁰

Announced by Biden in May 2022, the same month that Yoon took office, the IPEF seemed to be the perfect instrument for the new administration to endorse. Yoon saw the IPEF as 'all about rules' and stated that it was necessary to join the IPEF since Korea aims to be a rule-maker rather than a rule-taker.¹¹ This fitted in nicely with his advisors' concept of an active global Korea led by National Security Advisor Kim Sung-hwan, who was one of the architects of the concept and especially of the tilt to the US.¹² Kim Tae-hyo, Deputy head of the National Security Office, commented, "In playing a leading role, Korea will propose new standards of creation, invite other countries and reali[s]e its national interests within [the] IPEF."¹³

The IPEF talks begin

During the formative months of the Administration, there was a debate as to whether the Trade Bureau of the Ministry of Trade, Industry and Energy (MOTIE) should have moved back to the Ministry of Foreign Affairs (MOFA), an experiment conducted during 2009-2014 under President Lee Myung-bak.¹⁴ MOTIE retained the department, which is led by an official with the western title of a 'Minister' while using a Korean title subordinate to the 'Vice Minister'. The new Minister of Trade,

9 The current administration has a minority in the National Assembly with a high proportion of rural seats. See Oh Seok-min, "S. Korea's accession to CPTPP likely to boost real GDP, damage agricultural sector", *Yonhap News Agency*, 25 March 2022, <https://en.yna.co.kr/view/AEN20220325005100320>

10 Andrea Shalal, "U.S. not looking to renegotiate Trump-era steel quotas with S.Korea, says Raimondo", *Reuters*, 24 March 2022, <https://www.reuters.com/business/us-not-looking-renegotiate-trump-era-steel-quotas-with-skorea-says-raimondo-2022-03-23/>

11 Lee Haye-ah, "Yoon sees S. Korea's participation in IPEF is only natural", *Yonhap News Agency*, 23 May 2022, <https://en.yna.co.kr/view/AEN20220523004200315>

12 Kim Sung-han was replaced suddenly in March 2023 for unclear reasons but possibly for opposing Kim Tae-hyo more pro Japanese and US views.

13 Kim Eun-young and Yoon Hee Young, "Tech cooperation with US to boost comprehensive strategic alliance", *Korea.net*, 19 May 2022, <https://www.korea.net/NewsFocus/policies/view?articleId=214970>

14 Many of the Ministers and Vice Ministers appointed had last served in government in his administration in 2013.

Ahn Duk-geun, had been a professor at Seoul National University (SNU) until nominated on May 9 2022.¹⁵ It is obvious from his past academic and official work, and his enthusiastic endorsement of the IPEF that Minister Ahn felt he could shape this opportunity to meet the needs of the twenty-first century in an empirical way that could suit Korea.

After the launch of the IPEF, on the occasion of the 23 May 2022 Korea-US summit meeting, the government claimed it had been actively engaging in the member states' preliminary negotiations process, proceeding with what must have been a very cursory economic feasibility evaluation (May-June 2022), and thereafter, held a public hearing (8 July 2022).¹⁶ Public hearings are held almost secretly at very short notice in Korea to avoid the embarrassment of the opposition, so only major bodies are notified. A 'hearing is part of a process of collecting ideas on the matter and not an occasion for the government to offer a final resolution.'¹⁷ Ministers of the countries invited to be members of the IPEF held an informal virtual meeting on 26-27 July 2022, and the plan to negotiate the IPEF was passed at a Korean Ministerial Meeting on international economic affairs on 19 August 2022.¹⁸

The MOTIE made a report to the National Assembly on 18 August 2022 that "once IPEF negotiations officially commence, the Ministry will strive in full measure to maximise national interest through sufficient communication with interested parties and experts."¹⁹ The basic documents for the Four Pillars were described by MOTIE as the outcome of intensive negotiations that have taken place since the launch of the Framework in May. MOTIE spoke of the Pillars as outlining the cooperation mechanisms of a new economy for tackling digital and supply chain issues, and climate change.²⁰ The Korean audience was not given any indication of changes that went into the initial US drafts before the innocuous Pillar documents were published in September last year.

Recognising that the negotiating rounds starting in December 2022 would be crucial, MOTIE announced that "all relevant ministries (MOTIE, the Ministry of Economy and Finance (MOEF), Ministry of Foreign Affairs (MOFA), Ministry of Agriculture, Food and Rural Affairs (MAFRA), Ministry of Oceans and Fisheries (MOF), Ministry of Science and ICT (MSIT), Ministry of Justice (MOJ), Ministry of Government Legislation (MOLEG) and the Anti-Corruption and Civil Rights Commission (ACRC), et cetera.) and industry experts will be working in tandem as One Team."²¹

15 Oh Seok-min, "(profile) Professor with expertise in int'l trade tapped as new trade minister", *Yonhap News Agency*, 9 May 2022, <https://en.yna.co.kr/view/AEN20220509010000320>

16 "MOTIE submits IPEF plan to National Assembly", Ministry of Trade, Industry and Energy, 31 August 2022, https://english.motie.go.kr/en/pc/pressreleases/bbs/bbsView.do?bbs_cd_n=2&bbs_seq_n=1054

17 "IPEF public hearing", *Yonhap News Agency*, 8 July 2022, <https://en.yna.co.kr/view/PYH20220708141700325>. The press photo shows a larger audience.

"Administrative Procedures Act", *Korea Legislation Research Institute*, 31 December 1996, https://elaw.klri.re.kr/eng_service/lawView.do?hseq=335&lang=ENG. The term "public hearing" means the procedure by the administrative agencies of extensively collecting the opinions of parties, persons with expert knowledge and experience, and the general public regarding any administrative functions through open discussions" Administrative Procedures Act Article 2.

18 *op. cit.*

19 *Ibid.*

20 "IPEF ministerial statement outlines four pillars for economic cooperation", Ministry of Trade, Industry and Energy, 13 September 2022, https://english.motie.go.kr/en/pc/pressreleases/bbs/bbsView.do?bbs_cd_n=2&bbs_seq_n=1064

21 *Ibid.*

After attending the IPEF meeting on 22 September 2022, Ahn asked a former colleague Prof. Lee Si-wook at the KDI School to undertake a series of discussions with academics, businessmen and government agencies. The results of the meeting, focused on the political-economic view of the IPEF, were discussed at a domestic symposium on 6 October 2022, "Supply Chain Realignment Era, the Meaning of Indo-Pacific Economic Framework for Prosperity (IPEF) and Role of Korea."²² One can assume that businesses welcomed the idea in principle but were wary of an agreement with no clear benefits to the parties joining in terms of trade. Equally, they were concerned about both the exclusion of China, and China's possible reaction. Businesses questioned the effectiveness of a fiat as opposed to a free-market Supply Chain Pillar and whether the proposals for anti-corruption were necessary in view of the OECD Bribery Convention.²³ Other academics queried how a worthwhile agreement could be passed by the US Presidential Decree and not by the US Congress, and how a group of countries which were a mix of OECD and non-OECD countries would work.²⁴ Would the agreement cut across or support the WTO rules, given the record of the US in not supporting the WTO, and actively blocking the appointment of judges?

The second, third and fourth Pillars' special negotiation round was an intersessional round in Delhi preceding the official second round of the IPEF negotiations centred around three of the four IPEF areas, namely Supply Chain, Clean Economy and Fair Economy. The MOTIE aimed to actively engage in the negotiations to incorporate into the agreement the rules that will help expand domestic companies' Indo-Pacific exports and market presence. Ahn did not go to the Delhi round in February due to being embroiled in the IRA negotiations with the US to save the Korean Electric Vehicle (EV) industry.²⁵ Instead, MOTIE's Deputy Minister for FTA Negotiations Roh Keon-ki led the delegation aiming to "make efforts to advance the negotiations in a way that the IPEF can play a central role in resolving pressing challenges facing the Indo-Pacific region through a balanced approach based on rules and cooperation, while also securing Korea's core interests."²⁶

When Minister Ahn attended the fourth public-private joint strategic meeting of the IPEF on June 7 2023 at the Korea Chamber of Commerce and Industry (KCCI) after the Detroit Round on 31 May 2023, his opening message was that "through the IPEF Supply Chain Agreement, the basics for joint response has been established among IPEF member states" and added that "more efforts will be made to see further outcomes in other areas like improving trade rules, raising transparency in anti-corruption and taxation, and clean energy transition, to provide a stable business environment for firms."²⁷

22 "Trade Minister attends IPEF Strategy Symposium", Ministry of Trade, Industry and Energy, https://english.motie.go.kr/en/tp/tradeinvestment/bbs/bbsView.do?bbs_seq_n=1090&bbs_cd_n=2&view_type_v=TOPIC&¤tPage=1&search_key_n=&search_val_v=&cate_n=

23 "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", Organisation for Economic Co-operation and Development, <https://www.oecd.org/corruption/oecdantibriberyconvention.htm#>

24 This issue remains a theme of Korean conversation despite the fact that 11 of the countries are members of the CPTPP, see discussion on the Busan round below.

25 At this moment the USTR announced that Korean EVs currently made in the US would not get the IRA subsidy and neither would Korean imports. See Yoon Young-sil, "Hyundai, Kia Scrambling as They Get Excluded from US Subsidies", *Business Korea*, 19 April 2023, <https://www.businesskorea.co.kr/news/articleView.html?idxno=113135#>

26 "MOTIE attends IPEF Pillars 2-4 special negotiation round", Ministry of Trade, Industry and Energy, 9 February 2023, https://english.motie.go.kr/en/pc/pressreleases/bbs/bbsView.do?bbs_cd_n=2&bbs_seq_n=1197

27 "Trade Minister attends 4th public-private joint strategic meeting for IPEF", Ministry of Trade, Industry and Energy, 7 June 2023, https://english.motie.go.kr/en/pc/photonews/bbs/bbsList.do?bbs_cd_n=1&bbs_seq_n=1626

The meeting was attended by representatives of relevant organisations, including the Korea International Trade Association (KITA) and Korea Institute for Industrial Economics and Trade (KIET).²⁸ After the session, the progressive *The Hankyoreh* (a Korean newspaper) ran an article titled, *Can the IPEF deliver the US dream of an Asian economy without China?* The authors noted “It [the Supply Chain Agreement] is the first between the countries participating in the IPEF, which was launched in May 2022, and the first international agreement regarding supply chains,” but questioned whether China could really be excluded by such an agreement.²⁹

IPEF issues in Korea before the Busan round

Before the Busan round started on July 9 2023, Minister Ahn said that he expected agreements to be made comparable to those in the Detroit session. In fact, the Busan round was inconclusive and did not discuss these issues. According to observers, it was mainly concerned with differences between the CPTPP text preferred by the seven countries and the proposed US text.³⁰ There remain two main issues which had circulated in Korea since the early days of the IPEF. These are: where does Korea’s China relationship stand as the IPEF takes shape; and what is the practical use of the IPEF and how does it serve the Korean national interest?

One: Where does Korea’s China relationship stand as the IPEF takes shape?

As of 2021, the trade volume between Korea and the remaining 13 IPEF member nations had come to US\$498.4 billion, accounting for 39.6 per cent of Seoul’s total trade that year.³¹ Trade with China including Hong Kong came to about 30 per cent. From day one, voices throughout Korea had questioned how being part of the IPEF – seen as reshaping the Indo-Pacific to exclude China – was going to affect China trade relations. Already in May 2022, the government was ‘bracing for a possible backlash from China, which claims that the initiative is aimed at countering Beijing by excluding the country from global supply chains and rearranging them.’³²

“I think that China is unhappy about the IPEF,” Park Jin, Minister of Foreign Affairs said during a meeting of the Assembly’s Foreign Affairs and Unification Committee, having just completed a video call with Chinese Foreign Minister Wang Yi. According to Chinese reports, Wang told Park that the two sides must oppose moves to decouple economically and ensure that the world’s supply chains remain stable and smooth.³³ *The Korea Times* (a Korean newspaper) wrote, “Although the Yoon administration stresses that South Korea’s participation in the IPEF is a decision based on national interests and is not intended to contain China, the opposition party is expressing concerns about possible diplomatic and economic retaliation.”³⁴

28 “Trade Minister attends 4th public-private joint strategic meeting for IPEF”, Ministry of Trade, Industry and Energy, 7 June 2023, https://english.motie.go.kr/en/pc/photonews/bbs/bbsList.do?bbs_cd_n=1&bbs_seq_n=1626

29 Kim Hoe-seung and Kim So-youn, “Can the IPEF deliver the US dream of an Asian economy without China?”, *Hankyoreh*, 30 May 2023, https://english.hani.co.kr/arti/english_edition/e_business/1093886.html

30 Interviews with observers from foreign embassies in Korea involved in the Busan round. Korea not being a member of CPTPP to date was left on the sidelines of this issue.

31 “Korea holds public-private meeting on IPEF developments, future strategies”, *The Korea Times*, 31 May 2023, https://www.koreatimes.co.kr/www/nation/2023/06/113_352040.html

32 “South Korea to join US-led Indo-Pacific economic initiative”, *The Korea Times*, 18 May 2022, https://www.koreatimes.co.kr/www/nation/2023/06/113_329387.html

33 *Ibid.*

34 *Ibid.*

Korean trade suffered in 2018 over the Terminal High Altitude Area Defense (THAAD) missile location in Korea in Chinese retaliation which stopped tours to Korea, and forced the Lotte Group to give up its multibillion dollar business in China.³⁵ Kim Tae-hyo, as seen by some as a hardest pro-US voice proclaimed “The IPEF is not aimed at forcing countries to decouple from China.”³⁶ A day later, Kim Tae-hyo said that “Seoul and Beijing are discussing follow up agreements to their bilateral free trade agreement pertaining to supply networks, investments, and the service sector.”³⁷ He also added that they were in discussions with China to update the FTA in preparation to smoothly open up not only the service sector but other markets as well. When asked to elaborate, an official in the Presidential Office told *The Hankyoreh*, “We’ve instructed the trade officials at the Ministry of Trade, Industry and Energy who are negotiating the Korea-China FTA to set up a cooperative mechanism to stabiliz[e] our supply chains with China.”³⁸

As for China possibly pursuing economic retaliation against South Korea for its IPEF membership, as it had following the US’ deployment of its THAAD anti-missile system in South Korea, Kim said circumstances surrounding the two cases are very different. The presidential aide added that the government will proactively communicate with both the US and China to avert backlash from Beijing.³⁹ MOTIE had earlier funded a Peterson Institute for International Economics (PIIE) study by Mary E. Lovely and Abigail Dahlman on the impact of the US decoupling from China and its impact on Korea’s trade. The study was given an IPEF twist when it was published in July 2022. Lovely and Dahman had used the Trade in Value Added (TiVA) database of the OECD for their statistical analysis.⁴⁰ “The Policy Brief therefore focuses on the entanglement of Chinese and Korean supply chains for unsanctioned goods and assesses how the US demands to “build China out” could affect Korean manufacturers. It highlights Korean engagement in China-linked supply chains for computer, electronic, and optical equipment, a sector in which technology tensions between the [US] and China are growing.” The conclusions of this study are complex but indicate that Korea’s supply chain in some of its most dynamic Information Technology (IT) products could be seriously affected in case of the supply chain being diverted from its present course by US policy, especially damaging to Korean investment in China with consequent cost penalties. However, these diversions are likely to come from other aspects of the US policy rather than the

35 “South Korea’s Lotte seeks to exit China after investing \$9.6 billion, as Thaad fallout ensues”, *The Straits Times*, 13 March 2019, <https://www.straitstimes.com/asia/east-asia/south-koreas-lotte-seeks-to-exit-china-after-investing-96-billion>

36 Kim Mi-na, “National security advisor’s ouster could afford hard-liner Kim Tae-hyo stronger influence”, *Hankyoreh*, 31 March 2021, https://english.hani.co.kr/arti/english_edition/e_national/1086055.html; *op. cit.*

37 “Top Office Dismisses Claims IPEF Membership Jeopardizes China Ties”, *KBS World*, 19 May 2022, http://world.kbs.co.kr/service/news_view.htm?lang=e&Seq_Code=169765

38 *Ibid.*

39 Jung In-hwan, Seo Young-ji and Lee Bon-young, “S. Korea confirms intent to join IPEF, prompting fears of backlash from China”, *Hankyoreh*, 19 May 2022, https://english.hani.co.kr/arti/english_edition/e_international/1043541.html

40 The latest TiVA indicators were generated using the 2021 release of the OECD Inter-Country Input-Output (ICIO) tables, which extend to 2018 relationships in place before the COVID-19 pandemic. Although somewhat dated, they reflect the most recently available information.

IPEF Supply Chain chapter agreement.⁴¹ Nevertheless, the Korean opposition may blame the IPEF for the end result, quoting Lovely and Dahlman's ascription of these impacts to the IPEF.⁴²

Korea and China have continued to talk about extending their FTA in services and Ahn confirmed that a Supply Chain Agreement was being negotiated with China to maintain stability of trade. Korea signed a Memorandum of Understanding (MOU) with China on 27 August 2022 on supply chain relations and appointed a new high-level body. The MOU calls for the establishment of the new director-level group on supply chains to discuss related issues 'in time' when any supply disruptions take place and to enhance policy consultations, according to the Ministry, along with joint proposals to open the services sector. This was signed at the 17th Korea-China Meeting on Economic Cooperation by Deputy Prime Minister (DPM) Mr Choo and Foreign Minister Park Jin who led the negotiations with China. It appears, in outline, to be similar to what the Committee agreed in Detroit for the IPEF.

During the first half of 2023, Korea and China have continued discussions on matters such as chip supplies and other investments. China's commerce minister said after meeting with South Korean Trade Minister Ahn Duk-geun on the sidelines of the Asia-Pacific Economic Cooperation (APEC) conference in Detroit in May 2023, that they have agreed to strengthen dialogue and cooperation on semiconductor industry supply chains amid broader global concerns over chip supplies, sanctions and national security. They exchanged views on maintaining the stability of the industrial supply chain and strengthening cooperation in bilateral, regional and multilateral fields, according to a statement from the Chinese Ministry of Commerce.⁴³

World media and President Yoon tend to trumpet every move by the US, and about the US and Korea, while agreements between China and Korea tend to be under-reported under Korea's attempt to maintain a balance by the Foreign Minister and Deputy Prime Minister/Finance Minister.⁴⁴ Whether this will be enough depends partly on their skill and partly on the answer to the second question.

Two: What use is the IPEF anyway?

This serious conversation raised the issue of whether Korea could truly be a rule-maker rather than a rule-taker. With the IRA and the CHIPS Act, and the realisation that Biden and Trump are cut from a similar protectionist mould from a Korean perspective, resulted in real popular anger

41 Mary E. Lovely and Abigail Dahlman, "22-8 South Korea Should Prepare for Its Exposure to US-China Technology Tensions [Policy Brief]", *Peterson Institute for International Economics*, July 2022, <https://www.piie.com/sites/default/files/documents/pb22-8.pdf>. About 60% of Korea's semiconductor exports go to China of which about half are processed in China and then exported by Korean local affiliates and Chinese companies.

42 *Ibid.* Throughout the paper as published, Lovely and Dahlman write as though the IPEF rather than other US policy such as IRA, CHIPS Act or USTR directives will result in these changes which does not seem to be the case with the current agreement.

43 "China, South Korea agree to strengthen talks on chip industry, Chinese commerce ministry says", *Reuters*, 27 May 2023, <https://www.reuters.com/technology/china-south-korea-agree-strengthen-talks-chip-industry-chinese-commerce-ministry-2023-05-27/>

44 Choi Hyun-june and Kim Hoe-seung, "Chip powerhouse S. Korea struggles to strike balance between China's demands, US pressure", *Hankyoreh*, 1 June 2023, https://english.hani.co.kr/arti/english_edition/e_international/1094267.html

on the Korean side.⁴⁵ The IRA and the CHIPS Act directly challenged Korea's core interests. This was not part of the IPEF or any known formal discussions during the IPEF though the subject must have surfaced during discussions. Minister Ahn was now thrown into the position of being aggressive towards the Office of the United States Trade Representative (USTR), while the same organisation was promoting the IPEF.

Reporters at the 28 May 2023 session with Minister Ahn came away asking what use the IPEF was when it was all agreed. Ahn had been enthusiastic about one of the three committees set up under the Supply Chain Pillar, which would create a framework for discussion about supply chain disruption. "The deal on supply chains lays the foundation for joint responses to any global supply chain disruptions among the member nations. The government will strive for making tangible results in the other sectors so as to provide our companies with stable business circumstances," Ahn said.⁴⁶

He said he hoped that the Busan round in July would create further useful outcomes. As noted above, the Busan round achieved almost no concrete results and therefore, all these issues were left to the Bangkok round. As noted, a dispute arose over the wording of chapters deviating from the CPTPP agreement despite the fact that each chapter's document is bland and says most of the right things. Possibly through inputs by the 13 non-US members including frequent insertion of references to the WTO (despite the US' obstructionism in not appointing judges bringing trade disputes to a halt) and the widespread US outcry at the WTO's condemnation of the US' use of tariffs to block trade.⁴⁷

Ahn also briefed the participants on ongoing negotiations on the three remaining fields of Trade, Clean Economy and Fair Economy, and exchanged opinions about Korea's stance on the future path "and policy measures to maximise benefits for domestic companies."⁴⁸ This latter comment implies that Korea might change its internal policies to make any IPEF measures more attractive to Korea's interests although exactly what form these changes might take are unclear.

Some were excited about the prospective digital agreement while for others, Ahn's proposal for an IPEF carbon trading market⁴⁹ based on the Paris Agreement was more unique. It seems that Ahn's thinking was now about driving agreements which would pull the IPEF closer to the global vision rather than making rules that worked against them.⁵⁰ On the digital agreement, KITA published its *Analysis and Implications of Digital Trade Norms of Indo-Pacific Economic Framework (IPEF) Participating Countries* on 16 June 2023. It outlines the importance of extending digital rules to developing countries, but also stresses on the upcoming battle over international or localised data.⁵¹ The CPTPP already has a good digital chapter and if the seven IPEF members who are also CPTPP members (Korea is currently only an applicant for membership) are consistent, they appear

45 Jaemin Lee, "How a Biden Legislative Achievement Jeopardized Relations With South Korea", *The Diplomat*, 6 January 2023, <https://thediplomat.com/2023/01/how-a-biden-legislative-achievement-jeopardized-relations-with-south-korea/>

46 *op. cit.*

47 Paul Krugman, "Why America Is Getting Tough on Trade", *The New York Times*, 12 December 2022, <https://www.nytimes.com/2022/12/12/opinion/america-trade-biden.html>

48 *op. cit.*

49 As indicated in press reports on the Minister's briefing meeting with Korean industry.

50 Jeong Seok-joon, "[Exclusive] Government starts designing IPEF carbon market... take the initiative", *The Digital Times*, 13 June 2023, http://www.dt.co.kr/contents.html?article_no=2023061302109958063004

51 Ryu Eun-joon, "Conclusion of IPEF Digital Trade Negotiation, Creation of Business Opportunities for One Company", *ZDNET Korea*, 14 June 2023, <https://zdnet.co.kr/view/?no=20230614100620>

to being insist on compatibility. One could read the USTR comment on the Bangkok round in this light. Building on the discussions that took place during the fourth negotiating round in Busan, South Korea, in July 2023, the IPEF partners continued to make progress on negotiations towards high-standard outcomes.⁵² The Korean comment was that the “fifth round will focus on narrowing down the issues of Pillar 1 (trade), Pillar 3 (clean economy) and Pillar 4 (fair economy), as well as the participating countries’ differences of opinion over core issues.”⁵³

Fundamentally, the issue that underlay Koreans’ minds as the Korean National Assembly was briefed on each stage is that on the US’ side, the IPEF rests on Executive Action and the US Congress is not involved. No US law would be changed. On the Korean side, changes in the law to take account of the IPEF if any Acts required modification would need approval by the National Assembly which at least until May 2024 is with the opposition.

One issue that Koreans have either hardly noted or hardly commented on is the labour standards which underlies part of the US initiative. President Yoon is currently at war with Korea’s labour unions and with parts of the workforce itself and he is unlikely to favour conditions for more labour inspections from the US.⁵⁴

Korea, the EU and the IPEF

Together, China and the EU make up about 45 per cent of Korea’s export trade, outweighing the IPEF countries. The EU as a rule giver may see several challenges in the IPEF. On 22 May 2023, at a summit in Seoul, President Yoon and Ursula von der Leyen (President of the European Commission) and Charles Michel (President of the European Council) signed or confirmed a landmark set of agreements.⁵⁵ Further, as stated in Korea’s own Indo-Pacific Strategy, cooperation with the EU plays a vital part in establishing a rules-based international order.⁵⁶

The recent legislative activities by the US, such as the IRA, the Science Act, and sanctions on exports to China are in line with the ‘America First’ policy but burden its allies and partners. While Korea is participating in the establishment of trade rules in newly emerging areas through the IPEF, the future trajectory of the IPEF remains uncertain. Dr Jaewoo Choo of the Institute of Foreign Affairs and National Security (IFANS) in an *Institut français des relations internationales* (IFRI) paper states

52 “Joint USTR and U.S. Department of Commerce Readout of Fifth Indo-Pacific Economic Framework Negotiating Round in Thailand”, Office of the United States Trade Representative, 18 September 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/september/joint-ustr-and-us-department-commerce-readout-fifth-indo-pacific-economic-framework-negotiating>

53 “Korea participates in the 5th round of IPEF negotiations”, Ministry of Trade, Industry and Energy, 12 September 2023, https://english.motie.go.kr/en/tp/ftaeconomiccooperation/bbs/bbsView.do?bbs_seq_n=1422&bbs_cd_n=2&view_type_v=TOPIC&¤tPage=1&search_key_n=&search_val_v=&cate_n=4

54 Shin Ji-hye, “Yoon wages war against labor unions, once the force behind Korea’s democratization”, *The Korea Herald*, 14 March 2023, <https://www.koreaherald.com/view.php?ud=20230314000517;>

No Kyung-min, “[News Focus] What’s really driving Yoon’s war on unions?”, *The Korea Herald*, 12 June 2023, <https://www.koreaherald.com/view.php?ud=20230612000643>

55 “EU-Republic of Korea summit, 22 May 2023”, Council of the European Union, 22 May 2023, [https://www.consilium.europa.eu/en/meetings/international-summit/2023/05/22/;](https://www.consilium.europa.eu/en/meetings/international-summit/2023/05/22/)

“Factsheet: EU-Republic of Korea”, European Union External Action, 22 May 2023, https://www.eeas.europa.eu/eeas/factsheet-eu-republic-korea_en

56 “Strategy for a Free, Peaceful, and Prosperous Indo-Pacific Region”, Ministry of Foreign Affairs, 28 December 2022, https://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=322133. Original drafts had concentrated on the US, and later drafts added China, SE Asia and EU.

that “a different discussion on the trade environments needs to happen that distances itself from the future protectionist approach taken by the US. In this context, a partnership between the EU and the [Republic of Korea (ROK)] is called for more than ever.”⁵⁷ In addition to the ROK-EU FTA platform, the EU may consider including the ROK as the third partner of the EU’s Trade and Technology Council (TTC) negotiation, currently conducted with the US and discussed with India.⁵⁸

Conclusion

Ahn Duk-geun appears to be beginning the formulation of a new dynamic for the IPEF, with an attempt to inject a Korean perspective into the negotiations. Korea is statistically going to be a victim of any decoupling between China and the US; he may help to mollify this. But much depends on other ongoing negotiations between Korea and China and between Korea and the EU. Certainly, the real future of the IPEF also hangs on the May 2024 Korean elections for Seoul, and the November 2024 elections in the US, for all the IPEF members.

57 Jaewoo Choo, ‘South Korea and IPEF: Rationale, Objectives and the Implications for Partners and Neighbors’, *Center for Asian Studies, Institut français des relations internationales (IFRI)*, *Asie.Visions*, No. 133 (February 2023). <https://www.ifri.org/en/publications/notes-de-lifri/asie-visions/south-korea-and-ipef-rationale-objectives-and-implications>. This article suggests, first, that South Korea and France must find ways to cooperate to “manage” the United States. Second, it argues that South Korea should take the lead in building a collective mechanism to manage and control the US, which must be made more aware of the external effects of its legislation. Third, it suggests that South Korea and France share information with respect to developments around shaping the IPEF in the United States.

58 *Ibid.* This was a proposal made by the previous administration before Minister Yeo was replaced by Minister Ahn. See János Allenbach-Ammann, “South Korean trade minister calls for closer ties with the EU”, *Euractiv*, 13 October 2021, <https://www.euractiv.com/section/economy-jobs/news/south-korean-trade-minister-calls-for-closer-ties-with-the-eu/>

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