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Indo-Pacific Economic Framework: Business Recommendations

February 23, 2022

The Indo-Pacific region has become the world's hotbed of economic activity and integration. Our future in the United States is inextricably linked to the region: That future will be more prosperous and secure if we can maintain and expand on our traditionally strong business presence across the Pacific. The Biden administration has clearly recognized the strategic importance of the Indo-Pacific to America's global leadership and security, and it has identified the role of robust commercial relations as a key plank in a successful regional strategy.

Regrettably, the hard-won negotiations that in 2015 produced the Trans-Pacific Partnership (TPP) were abandoned in 2017 by the Trump administration. Exiting the TPP and dismissing the opportunity to strengthen and join its successor agreement, the CPTPP, have created a vacuum of U.S. economic and strategic leadership in the Indo-Pacific. Meanwhile, other countries in the negotiation proceeded more than three years ago to implement the agreement without the United States, and far from triggering the cataclysm some U.S. critics predicted, the agreement has served as a magnet to new applicants, further expanding its regional impact and economic heft. Seeking to strengthen and rejoin the CPTPP would be the straightest and best path to realizing the administration's economic and strategic ambitions in the Indo-Pacific.

While not a perfect agreement, the American business community supported the TPP and is, first and foremost, in favor of seeking to strengthen and rejoin it. The administration's proposed alternative, the Indo-Pacific Economic Framework (IPEF), lacks the precision, specificity, economic impact, and enforceability of that clear first choice. Indeed, even the name of the new initiative seems to suggest a reluctance to be forthright that trade is essential to U.S. relations with the Indo-Pacific and supports many jobs in the United States. However, in the absence of a return to the TPP, important elements in the administration's Indo-Pacific Strategy could be achieved through the IPEF. Following are our suggested points for inclusion in that new framework:

FIRST PRINCIPLES

The administration should draw on the following principles:

1) *Time is of the Essence*. The region is moving ahead without the United States. In addition to the CPTPP (which entered into force in December 2018), the Regional Comprehensive Economic Partnership (RCEP) trade agreement entered into force in January 2022, and the Digital Economic Partnership Agreement (DEPA) entered into force in December 2020. As these agreements have been implemented without U.S. participation, workers, farmers, and companies in the participating economies have secured preferential market access and the protection of new trade rules, while American workers, farmers, and companies face mounting disadvantages in the region. China, in particular, stands to benefit as it moves to pole position in the competition for regional leadership. Further, the American political calendar is unkind to slow or more cautious efforts. U.S. trade policy history is littered with failed or partially realized ideas that might have yielded more economic and strategic benefits if officials had moved faster or if challenging political decisions had been made sooner.

2) *Don't Reinvent the Wheel.* There are numerous examples, some of which we draw on below, of existing agreements that would achieve important ends for U.S. interests, including support for U.S. workers, equity considerations, supply chain resiliency, and mitigation of global challenges like climate change. An attempt to completely reinvent U.S. trade policy tools or to reshape the entire global economic agenda to reflect the political forces in Washington is cumbersome, fraught with uncertainty, and far less likely to be successful.

3) *Opt for Variable Geometry and a Staggered Approach*. The IPEF envisions an "executive agreement" and not one which, like a comprehensive trade agreement, would require approval by Congress. As such, the IPEF can draw on creative tools to engage multiple stakeholders according to different timetables and desired outcomes. Still, it is important that the IPEF include high standards and enforceable commitments that create meaningful outcomes. We have included examples of this approach in our recommendations below.

4) *Institutionalize Consultation with Stakeholders.* The private sector and other stakeholders are the administration's eyes and ears on the ground in the Indo-Pacific when it comes to commercial and economic issues. Establishing a formalized but flexible mechanism to enable the best-informed approaches to the IPEF would go far to ensuring public trust in the negotiating process.

RECOMMENDATIONS

Digital Trade

As explained in the U.S. Chamber's recent report, *The Digital Trade Revolution: How U.S. Workers and Companies Can Benefit from a Digital Trade Agreement*, burgeoning digital trade opportunities are supporting dynamic growth and good jobs in all 50 states, and firms of all sizes and sectors are poised to benefit. Following are some of the report's chief findings:

- *The digital economy has become critical to the U.S. economy*, driving growth, prosperity, and dynamism for every state and sector across the United States. A diverse range of firms not traditionally seen as actors in the digital economy are producing digital goods and services, including businesses in transportation and warehousing, arts and entertainment, and even mining. Nearly two-thirds of the digital economy consists of digital services, not digital goods. The digital economy is expanding nearly three times as rapidly as the economy writ large.

- *Digital economy jobs are proliferating in the United States.* Jobs tied to the digital economy can be found in nearly every sector, and their number is growing at a faster rate than that of overall job growth over the last decade. These jobs pay well, and compensation growth for digital jobs exceeds that for all jobs generally.

- *Trade is key to the U.S. digital economy's growth.* The bulk of U.S. services exports are digitally tradeable, but the potential for expansion of the digital delivery of services exports remains largely untapped. Developed economies — and particularly Europe — are the top markets for U.S. exports of digitally tradeable services. These exports, coming from every U.S. state, supported more than 2 million U.S. jobs in 2020. America's small business exporters are among those with the most to gain from digital technologies that have the potential to overcome the longstanding hurdles to exporting they face.

- *Unfortunately, global barriers to U.S. digitally tradeable services exports are on the rise.* Left unchecked, the proliferation of these trade barriers threatens to deprive American workers and companies of the potential benefits of exporting digitally tradeable services.

To counter these foreign trade barriers and secure the benefits of digital trade for American workers and companies, the Chamber is pressing for the United States to negotiate new rules for digital trade with key partners abroad. Central to the IPEF should be an enforceable digital trade agreement building on the U.S.-Japan Digital Trade Agreement or the digital trade chapter of the United States-Mexico-Canada Agreement (USMCA). Such an agreement should do the following:

- Prohibit limits on cross-border data flows;
- Uphold cross-border transfer of information by electronic means;
- Prohibit requirements for localization of computing facilities, including localization of financial service computing facilities for covered financial services;
- Ensure non-discriminatory treatment of digital products;
- Prohibit customs duties on electronic transmissions;
- Adopt or maintain interoperable frameworks to protect personal information, while supporting innovation;
- Mitigate risk of cyberattacks and cyber theft through adoption of common risk-based approaches as well as initiatives to address specific concerns such as submarine cable disruptions;
- Ensure acceptance of electronic signatures and use of interoperable authentication systems and secure digital identities;
- Promote risk-based approaches to cybersecurity;
- Protect source code and algorithms;
- Foster participation in the digital economy, including by cooperating on information sharing and capacity-building to foster SME innovation;
- Promote use of industry-led and internationally-accepted standards to support digital trade, electronic payment services, fintech, and emerging technologies;
- Facilitate cross-border sharing of healthcare-related data;
- Privacy and data protection; and
- Technology choice and open digital architectures.

Other relevant new areas to consider including are provisions to address cybersecurity challenges (including a coordinated, voluntary vulnerability disclosure), trust in ICT suppliers, and interoperability in wireless technologies such as Open RAN.

Customs Administration and Trade Facilitation

In this area, the IPEF should expand on the WTO Trade Facilitation Agreement (TFA) to streamline procedures and ease logistical impediments to the free flow of goods and services. This focus should be two-fold: (1) accelerate implementation of key provisions of the TFA, as the U.S. and other countries have already proposed at the WTO; and (2) go beyond the TFA to further retool customs procedures for the 21st Century.

Some of these elements are also embodied in the ASEAN Single Window, a project the United States supported to create a single automated system for clearing customs across the region, making trade more transparent and secure, lowering costs for business and prices for consumers. (Indeed, the move from paper to digital customs also made it possible to keep cross-border trade moving during the COVID-19 lockdowns. During the first year of the pandemic, the countries that were most active on the platform saw their trade activity rise by 20 percent, even as most other cross-border trade was falling.) A new agreement would ideally include:

- Online publication of customs and other border information, including practical steps for import, export and transit; current duties, taxes and fees imposed at the border; requirements related to customs brokers, and procedures to correct errors;
- Single window for import, export and transit;
- Specific expedited customs procedures for express shipments;
- Electronic systems for traders, including submission of customs declaration and related documentation, including those documents required by other agencies (e.g., drug and medical device regulators);
- Acceptance of electronic documents under specific international standards, including e-Phyto (electronic phytosanitary) certificates;
- Joint work plan to advance AEO mutual recognition agreement with an eye toward delivering more tangible benefits for AEO participants;
- Broad scope for advance rulings, including classification, valuation, origin, and application of quotas;
- Mechanisms to help ensure consistent customs treatment from port to port, including through advance rulings and administrative guidance;
- Coordination and consistency on customs classification including support for science based regulatory requirements for shipments;
- Prohibition on consular transactions in connection with importation;
- Disciplines on penalties, including no penalties on minor errors (unless part of a consistent pattern) and procedures to allow correction of errors without penalties; and
- Expanded customs cooperation, including on the sharing of best practices and lesson learned from the pandemic.

While the Single Window seeks to standardize the movement of formal customs entries (i.e., large quantities of goods usually found in container-based trade), a new agreement should also seek to revolutionize the customs clearance of lower value e-commerce shipments whose volumes grew substantially since the pandemic's onset. For instance, the IPEF should look to digitize the customs declaration and payment of any duties, fees, and taxes due, moving these processes off the border.

Good Regulatory Practices

In addition to exploring opportunities for regulatory harmonization, the IPEF should incorporate and build on the Good Regulatory Practices and Technical Barriers to Trade provisions in USMCA and the recently concluded WTO Reference Paper on Services Domestic Regulation, including:

- Online publication of draft regulations, opportunity to comment on draft regulations, and appropriate consideration of comments;
- A web site with information about plans for regulating, regulations being developed, and regulators' specific responsibilities;
- Encouragement of the use of a Regulatory Impact Assessment to evaluate draft regulations, including examination of the positive and negative impact of a regulation and feasible and appropriate alternatives to the regulation;
- Review of regulations, to assess effectiveness of regulations and identify opportunities to reduce regulatory burden;
- Encouragement for regulatory authorities to use reliable high quality information, and to be transparent about the source of information used;
- Independence of regulatory authorities;
- Promotion of stakeholder engagement to promote regional efficiencies for and common approaches to necessary regulation;
- Recognition of the role of advisory groups, public notice of the membership and activities of advisory groups, and the opportunity to provide input on topics under their mandate;
- Disciplines to ensure the timely and fair review of business licenses, including licensing fees that are reasonable and do not in themselves restrict the supply of services; and
- Recognition that regulators across the region can leverage relevant international voluntary consensus technical standards from multiple sources in pursuing their objectives and providing for cost-effective market access.

Anticorruption

The IPEF should emulate the anticorruption commitments in USMCA and the U.S. trade protocols with Brazil and Ecuador, including such measures as:

- Obligations to adopt and maintain measures to prevent and combat bribery and corruption;
- Rules for integrity in maintaining financial records, including financial statement disclosure and auditing requirements;

- Provisions to preclude the tax deductibility of bribes and establishes measures regarding the recovery of proceeds of corruption and the denial of a safe haven for foreign public officials that engage in corruption;
- Effective, persuasive sanctions for corrupt acts;
- Procedures to report corrupt acts, and protection for persons who report corruption (whistleblowers);
- Policies and procedures to promote accountability of public officials; and
- Obligations regarding the participation of the public sector and civil society in the effort to prevent and combat bribery and corruption.

Government Procurement

Foreign government agencies represent some of the most important export customers for the products made by American workers: Indeed, government customers represent up to a half or more of the foreign market for some key U.S. exports. In this context, it is critical that American products continue to enjoy access to foreign government procurement and that American products not be disadvantaged in foreign markets by other countries' greater willingness to negotiate new trade commitments on government procurement. This is a particular challenge with respect to competition from exporters from other countries selling their goods and services in the region, including Chinese firms, which can draw on a much broader array of official tools to promote their exports to Indo-Pacific government customers. The IPEF should build on the commitments in the USMCA Government Procurement chapter, including:

- Publication and notices of procurement information;
- Qualification requirements for suppliers;
- Conditions in which limited tendering might be used;
- The nature of technical specifications that might be required;
- Information that will be included in tender documentation;
- Time periods that will be available for tendering;
- Transparency and post-award information; and
- Ensuring integrity in procurement practices, including through a domestic review process.

There have been reports that the IPEF might not include market access commitments by either the U.S. or its partners. If true, this is a regrettable omission that would limit the value of IPEF to U.S. exporters and disincentivize the negotiating ambitions of other economies in the Indo-Pacific. However, even if the IPEF were to exclude market access commitments, commitments like those in the USMCA Government Procurement chapter text on government procurement procedures — all of which are already enshrined in U.S. procurement law and practice — would represent an important step in enhancing U.S. exporters' ability to compete for foreign government contracts.

In view of the importance of Indo-Pacific government procurement markets to U.S. exporters, we would also urge that the IPEF incorporate significant increases in funding for work with IPEF partners under the U.S. Trade and Development Agency's Global Procurement Initiative. Although this valuable initiative to build capacity in foreign government procurement does not involve formal market access commitments, it has enhanced transparency, fairness and value — and thus competitive opportunities for U.S. exporters — in those foreign markets where USTDA has undertaken it.

Health Systems

The COVID-19 pandemic has drawn attention to the strength of health systems around the globe, and the Indo-Pacific region is home to a particularly diverse range of investments in national health systems. As the world gradually shifts toward future pandemic preparedness, increased and holistic investment in health will be critical to shared prosperity. Countries with low levels of investment have been particularly vulnerable to public health threats like COVID-19, and as a result, have also seen their economic strength decline over time.

An investment in health systems from innovation to delivery is an investment in economic growth and stability. Not only will strong and resilient health systems withstand public health emergencies, but a healthy population is more likely to live happy and productive lives. It will be important to remember that resilient health systems protect against both infectious disease threats as well as rising chronic disease burdens. There needs to also be a collaborative and trusted partnership with the private sector, whose role in health systems has been of critical importance during the pandemic via the development, production, and mass distribution of high-quality vaccines, therapeutics, diagnostics, and PPE.

The economic evidence to support investments in health systems is clear. Chamber commissioned research from the Victoria University in 2016 found that as non-communicable disease burdens climb a country on average could expect to experience a 6.5% drag on its GDP by 2030 as a result of lost labor productivity. An updated study from the same group in 2020 found that on average a country could expect a $20 return on each additional dollar invested to counter cardiovascular disease and diabetes. The McKinsey Global Institute has estimated that better alignment between health and investment could add boost global GDP by 8 percent or $12 trillion, or 0.4 percent a year faster growth by 2040.

COVID-19 has laid bare the link between health and the economy. The Chamber encourages the IPEF to establish a health track for dialogue to strengthen health systems. We further urge IPEF participants to further create an enabling environment that encourages investments in the strengthening of health systems across the Indo-Pacific in line with the US' Vision for Health System Strengthening initiative. The Biden Administration has committed to invest resources and provide assistance to strengthen health systems through disease surveillance, laboratory detection capacities and the strengthening of immunization systems and vaccine delivery.

Medical Products

Support tariff elimination on health products: The COVID-19 pandemic has drawn heightened attention to gaps in health care resilience, and generated understandable concerns in many countries about how best to minimize their exposure to such gaps in the future. However, banning or placing tariffs on imports of medical technologies to compel domestic production is not an effective solution. No country — not even the United States — can or should seek to produce everything it consumes itself. Doing so would be wasteful and costly, and in the case of healthcare would needlessly drive up routine cost of patient access to health technologies. Such measures would also likely hurt U.S. exports of medical technologies, one of our most important export sectors. In addition to the other measures intended to strengthen cooperation on medical technology issues, IPEF should contain an agreement that to the extent that members want to use government measures to strengthen their domestic supply of medical technologies, they will do so via government funding (and/or other investment incentives) for domestic production rather than through bans on imports (trade barriers), and further will make those investment incentives (including any government funds) available to businesses from other IPEF countries.

More broadly, tariffs on vaccines and the inputs and equipment required to develop and manufacture them impose unnecessary material costs on the manufacture and distribution of COVID-19 vaccines. According to the Organization for Economic Co-operation and Development (OECD), tariffs on vaccines exist in 22% of countries, with 8% of countries applying duties above 5%. Equally concerning are the numerous tariffs that governments impose on raw materials and other inputs necessary to produce medicines, including vaccines. According to the OECD, average world tariffs on vaccine ingredients such as preservatives, adjuvants, stabilizers, and antibiotics range between 2.6% and 9.4%.

The Chamber urges IPEF members to engage meaningfully in discussions at the WTO and elsewhere to eliminate tariffs on health products, including finished therapeutics, diagnostics, and vaccines, as well as the active pharmaceutical ingredients, raw materials, chemicals, other inputs and intermediaries, and specialty equipment used to invent, manufacture, and deploy these products.

The Chamber also supports moves by the United States to join the Ottawa Group initiative to examine tariffs on medical goods more broadly. These countries—Australia, Brazil, Canada, Chile, European Union, Japan, Kenya, South Korea, Mexico, New Zealand, Norway, Singapore and Switzerland—have been developing proposals to expand tariff-free trade in medicines, inputs, and medical supplies to build on the framework established by the 1995 WTO sectoral agreement on medicines and promote trade facilitation measures for critical products such as vaccines. Such an initiative could be crucial to minimizing trade disruption and facilitating swift pandemic response, ensuring that the world is better prepared for future pandemics. The United States has an important leadership role to play in brokering an agreement on these issues and encouraging greater global cooperation.

Refrain from export restrictions: Export restrictions delay the transit of critical goods and often fail to expand ready supplies, particularly when other governments retaliate in kind. The need to reaffirm these commitments was laid bare by recent experiences during the COVID-19 pandemic. At the height of the first wave of the pandemic, governments around the world resorted to export restrictions intended to prevent shortages of critical goods. By April 2020, a total of 145 notified export restrictions had been imposed on medical goods. One year later, more than 60 notified restrictions were still in place.

Rather than securing domestic supply, these restrictions hindered the global response to the pandemic by imposing barriers on companies coordinating global medical supply chains. At a time when companies most needed to dedicate their time and resources to increasing global supply, these restrictions disrupted supply chains and distribution routes, produced delays and additional costs, and increased the risk of supply shortages during the pandemic. These policies have a particularly damaging impact on patients in developing and least developed countries that are endpoints in complex distribution systems for medical goods.

The Chamber urges IPEF participants to reiterate their commitments in the WTO and other trade agreements to bar export restrictions on health products, refrain from imposing new restrictions, and ensure that any export restrictions that IPEF members deem necessary are consistent with WTO rules and procedures. The latter includes requirements that the restrictions be temporary, transparent, properly notified to the WTO and impacted parties, and applied only to prevent or relieve critical shortages of essential products.

Strengthen regulatory cooperation and capacity building: COVID-19 has highlighted the importance of robust and consistent regulatory standards for health products and services, as well as the critical need for cooperation among countries in developing and applying those standards. Effective regulation involves broad "heads up" information collection as well as robust and transparent consultation with partners and stakeholders, boosts public trust in the safety of health products, including vaccines, and contributes to global supply chain resilience. Throughout the COVID-19 pandemic, coherent and consistent regulations, as well as regulatory agility, have helped to facilitate patient access to critical health products. Conversely, regulatory complexities and inefficiencies in certain markets have impeded supply chains and delayed patient access. Particularly in the case of vaccines, and therapeutics, fostering greater global convergence of regulatory approval processes will significantly hasten access to high-quality products for patients by limiting the need for redundant approvals across every market. In the area of personal protective equipment, World Health Organization's COVID-19 recommendations to policymakers for face coverings reference multiple standards, providing manufacturers flexibility to produce to either one.

The Chamber urges IPEF participants to increase and improve regulatory cooperation, share best practices across borders, and expand mutual and unilateral recognition policies, as appropriate. Further, IPEF participants are urged to continue consultations with industry and the private sector. Participants should also adhere to relevant international standards on regulatory mechanisms on critical medical products, including medical devices.

Infrastructure

There is a large gap in the Indo-Pacific between its infrastructure needs and current investments. Ports, roads, power grids, and broadband are building blocks for commerce and connectivity, and for the region's continued economic development. While the United States is unlikely to provide the kind of financial and building capacity offered through China's Belt and Road Initiative, we and our allies and partners in the region can contribute to the region's infrastructure needs with greater transparency, governance standards and collaboration with domestic firms than Chinese alternatives.

As Secretary of State Blinken has stated: "Countries in the Indo-Pacific want a better kind of infrastructure. But many feel it's too expensive, or they feel pressured to take bad deals on terms set by others rather than no deals at all." The United States and our partners have become experts in providing that better kind of infrastructure. The United States has, for example, together with Australia and Japan, announced a partnership with the Federated States of Micronesia, with Kiribati, and Nauru to build a new undersea cable to improve internet connectivity to these Pacific nations. Since 2015, members of the Quad have provided more than $48 billion in government-backed financing for infrastructure for the region, representing thousands of projects across more than 30 countries and serving millions of people.

Codifying the principles associated with this approach in the IPEF would be an important signal of U.S. commitment to infrastructure development in the region. For instance, countries should promote the development and deployment of 5G, Open Radio Access Networks ("Open RAN"), as well as seek to improve the exchange of information on regulatory, standards, and technological approaches and practices. Moreover, the United States should seek to build a framework that facilitates the active coordination of research activities for the development of future 6G technologies in a way that leverages existing capabilities in the Indo-Pacific region. There are many ways to promote the use of 5G to drive economic growth which should be advanced in the IPEF, including use cases in the private network advanced manufacturing context.

For the semiconductor supply chain, transparency and coordination amongst key economies in the region would help ensure that supply networks for semiconductors remain reliable amid a shifting landscape of control and incentive policies. Key objectives of any policy should be to diversify production capabilities across legacy, intermediatory, and leading-edge nodes while avoiding supply disruptions. We strongly support dialogues to explore the objectives of many to incentivize domestic production, R&D and stimulate local industries.

Sustainability

The IPEF should encourage prioritization of projects that will support greater resource efficiency, including measures to support more sustainable materials; prioritization of a balanced fleet of renewable and low carbon energy projects, including energy storage and green hydrogen; prioritization of projects to support and increase supply chain resiliency, including ports and export-related projects; and improved disaster management and resiliency through encouraging adoption of more underground placement of lines and pipes; and a comprehensive approach to the protection of underground utilities.

Near-term initiatives should:

- Exchange best practices for sustainable procurement to incentivize action and next steps on lifecycle approaches. Maximizing the value of materials in use requires optimizing performance across the entire system and entire lifecycle;

as well as promoting product design and recycling infrastructure to encourage a value-retention and value-creation approach to secondary goods and waste;

- Promote investment in regional facilities to process secondary electronic goods at scale and facilitate the cross-border movement of feedstock and products for such facilities;
- Creating additional incentives for the application of regenerative and precision agriculture that support sustainability and climate goals;
- Promote the scaling up of infrastructure projects that would stop the leakage of plastics into the open seas;
- Promote more resilient infrastructures, from energy to digital, including regional approaches to establish greater connectivity to underserved communities, and to ensure consistent supply of energy, data, and other inputs, particularly to key manufacturing hubs; and
- Consider complementary policies and investments in power grid flexibility, stability, and resiliency to adapt to greater renewable energy penetration and new technology offerings and allow for improvements in the overall reliability of the electric systems, including optimization of transmission grid expansion plans and establishing a regulatory framework for energy storage that considers storage in long-term planning processes with specific targets and guidelines.

Energy Transition and Climate Change Mitigation

Addressing climate change and reducing carbon emissions, including through sustainable, reliable and affordable energy, is an urgent global and Indo-Pacific priority. Indo-Pacific countries will play a critical role in the global energy transition, as growing economies, as customers for global including U.S. clean energy products, and as hosts to their own clean energy technologies. The continuing legacy of Chinese coal technologies in many of these countries, for example, underscores the need for stronger U.S. cooperation with Indo-Pacific partners on energy transition policies, including rules on trade and regulatory cooperation. Some specific priorities for attention in this regard include:

Regulatory alignment on clean energy technologies. The pace of global energy innovation has accelerated as countries strive to meet their Paris Agreement goals. However, the global rollout of these technologies has been complicated by lagging regulatory processes in some countries. Additionally, some U.S. competitors, including the EU and China, have been aggressive in trying to promote the adoption of their clean energy models to the exclusion of others, disadvantaging U.S. businesses. Ensuring the greatest possible alignment of emerging clean energy technologies to facilitate US trade with the region should be a top IPEF priority, with a particular focus on renewable energy, batteries and storage, grid infrastructure, hydrogen, ammonia and carbon capture technologies.

Pilot projects and additional collaboration on decarbonization infrastructure. The U.S. is in tough competition with other energy transition technology suppliers like China that have a broader array of government finance options. Therefore, existing U.S. government resources should be more effectively marshalled to help support the adoption of energy transition technologies in Indo-Pacific countries. The USDFC has been active in recent months in India, for example, helping to finance the development of a major solar energy project in Tamil Nadu state. Similarly, the Biden administration has pledged assistance for cleaner energy infrastructure development in ASEAN. IPEF should include a process to identify and provide official financing for bankable energy transition projects in the region

Agreement to avoid localization mandates. Many countries have been tempted to use localization or domestic content mandates (both formal and informal) to shift patterns of comparative advantage in fast evolving environmental technologies. These policies harm exports of products made by U.S. workers and businesses, drive up production costs, and slow the dissemination of environmental technologies the world needs to meet its decarbonization goals. While unwinding existing localization and domestic content rules appears beyond the scope of IPEF, IPEF should include a commitment by participating countries not to impose new localization or domestic content mandates on clean energy and decarbonization technologies.

Cooperation on strategic minerals. One supply chain constraint that is especially consequential to the energy transition is access to strategic minerals such as rare earths, copper, lithium, and cobalt. Among the technologies that depend on these minerals are solar cells, batteries, other components for EVs, and wind turbines. It is estimated that global mining firms will have to raise the annual production of these minerals by 500% by 2030 to allow the energy transition to proceed. However, the United States and many other Indo-Pacific countries have extremely limited domestic production of these minerals. Meanwhile, China accounts for more than half of global rare earths production and 37% of reserves. (Brazil and Vietnam each account for about 18% of global reserves.) It is imprudent to be excessively reliant on any single source of a critical input for these or other important technologies. The United States and its partners in the Indo-Pacific Economic Framework should form a bespoke international task force to support mining and refining of strategic minerals to support geographic diversity of supply. This undertaking should include multilateral development banks and national development finance entities like the USDFC.

Environmental Goods Agreement (EGA). While efforts at the WTO to agree on terms of an EGA have stalled, efforts at APEC to set preferential terms for environmental goods are a natural jumping off point for an EGA in the IPEF context. While agreement on what constitutes an “environmental” good may be difficult to achieve, an early harvest approach with a nod to both supply chain resiliency and an appreciation for the importance of rules of origin in this context would be a good step forward. Governments could consider identifying a target list of existing environmental technologies with defined impact (i.e., clean water, waste management, energy storage) and focus on eliminating not only tariffs but non-tariff barriers to deployment and commercialization.

Promotion of transitional energy sources. An immediate switch to a zero-carbon future is neither practicable nor realistic for many economies in the Indo-Pacific. Such an approach also undervalues the role of transitional fuels like liquified natural gas (LNG) in the energy transition, especially as investments in gas today can be decarbonized in the future through the use of carbon capture and storage (CCS) and hydrogen fuel switching. as well as the comparative advantages of American businesses and their workers in offering LNG exports. The IPEF should recognize and support the role of transitional fuels as an important contribution to achieving a greened future.

In addition, recognizing that Environmental, Social, and Governance (ESG) issues are becoming increasingly important to global industries, the IPEF should seek to collaborate with business stakeholders in participating countries to promote transparent and globally coordinated ESG standards that will help to foster innovation and market-based solutions to these issues. The IPEF should also ensure officials provide the transition time and long-term regulatory certainty necessary to minimize potential harm to consumers, workers, businesses, and society more broadly.

Intellectual Property Capacity Building

The COVID-19 pandemic has made clear that countries around the world, including many in the Indo-Pacific region, remain ill-equipped to participate effectively in the global ecosystem for intellectual property (IP) development and technology transfer. Lacking the sufficiently strong IP standards that enable sustained resource allocation to high-risk investments in innovation and that underpin contractual licensing of related rights, these countries have largely been relegated to the sidelines as others advance technological solutions to COVID-19 and other socio-economic challenges. These structural shortcomings in their own systems have led such countries to inappropriately identify intellectual property rights and related trade commitments as a barrier to access to technology.

The findings of the U.S. Chamber International IP Index demonstrate a strong, positive correlation between the strength of IP standards and innovative output, as well as access to innovation, and quantify the enormous gap in IP performance between leading global innovators and the rest of the world. The rapid development of COVID-related vaccines and therapeutics during the pandemic provides a case study for the benefits of strong IP policy: technological leaps were achieved in those countries whose political, legal and commercial environments fostered sustained investment in the development of world-class scientific and technical capabilities; partnerships in the development and production of the new products that resulted were prevalent among and between governments, industries, and non-governmental organizations in those countries where property rights were sufficiently protected by rule of law to support contractual relationships.

This suggests that a critical goal of the Indo-Pacific Economic Framework should be to broaden global participation in ecosystems for innovation through IP capacity building. Previous efforts to build a global IP architecture via trade agreements have failed because IP commitments have been so consistently mis-represented as concessions bargained away to wealthy-country demandeurs in return for market access. The IPEF by contrast presents an invaluable opportunity to foster a de-politicized dialogue, whereby parties can consider the economic and commercial functions of IP policy absent the baggage of express trade commitments.

Technology Standards

As Commerce Secretary Raimondo has stated, collaboration on technology standards will be another area of focus for the IPEF. As a broad, cross-cutting, and commercially meaningful area, preserving a market-based approach to standards and promoting modern policies that ensure the most innovative and effective technology tools are allowed to thrive across borders are important focus areas for any U.S.-led economic initiatives in the region. Establishing common standards for procurement-based innovation and expanding on commitments embodied in the WTO's TBT Agreement to proscribe the use of standards as barriers to trade would both provide commercially significant benefits for American workers and companies.

The United States should seek to reinforce the importance of strong governance practices which advance fair, balanced, industry-led, and consensus-based processes in global standards bodies in order to prevent distortions such as undue control by any single firm or country. Additionally, the recognition of industry-led standards focused on interoperability between various digital systems would similarly serve to enhance U.S. national security by creating a more diverse and transparent ecosystem.

Export Controls

Export controls best achieve their intended purpose when balanced with practical commercial realities. With U.S. export controls being utilized more expansively by successive administrations as a way to respond to perceived global national security challenges, it is critical that U.S. policies and practices in this regard align with those of our main global and regional allies and partners.

Export controls should be targeted, multilateral, and narrowly applied to avoid creating a lose-lose outcome whereby U.S. businesses are compelled to forgo important export sales but those sensitive technologies end up being provided by our competitors anyway, defeating the national security objectives. This would be an especially untenable outcome with our Indo-Pacific partners, since these are among the countries most directly exposed to any perceived threat from enhanced Chinese capabilities — and should not be undermining U.S. export controls to benefit their own exporters. While much of the discussion of controlled technologies emanates from national security agencies, the economic impact on U.S. businesses is significant and undeniable. Furthermore, many of our Indo-Pacific partners do not have the resources or capabilities the U.S. has developed for assessing the threat posed by exports of certain technologies.

Complete and identical alignment of different countries' export control regimes is probably not feasible. However, IPEF should contain an agreed framework for member countries to consult on an ongoing basis on the commercial implications of the evolving export control regime for sensitive technologies in order to ensure the greatest possible coordination and alignment with our Indo-Pacific partners and to avoid unfair disadvantage to U.S. businesses.

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