



**American Association of the Indo-Pacific
Comments to the U.S. Federal Register: Docket No. ITA-2022-0001
Concerning the Indo-Pacific Economic Framework**

April 11, 2022

About AAIP

The American Association of the Indo-Pacific is a membership-led organization that works to strengthen American business and investment in the Indo-Pacific region. AAIP does this through policy initiatives, ongoing engagement with policymakers in Washington, D.C., and in the region, and close collaboration with other business associations. AAIP is legally registered in the United States as a 501c6 non-profit corporation.

AAIP membership is only held by U.S.-headquartered companies and business associations. It seeks to further U.S. business interests, specifically through its affiliate operations in the Indo-Pacific region. This means that rather than advocating only for U.S. exports to the region, AAIP can advocate for U.S. companies that have broader economic and business interests in the region through services, investment, and global value chains.

The Indo Pacific Economic Framework (IPEF) is an important initiative for the region to promote higher standards, collaboration, and partnerships in key markets. While the IPEF is not a traditional free trade agreement (FTA), it is an important first step for economic engagement.

The AAIP just launched a Build Back Better World (B3W) report (attached at the end of these comments) for the Indo Pacific region. The report includes suggestions for the region's developing nations to participate in B3W and the importance for U.S. businesses in the region, beneficiary countries, and regional USG priorities. We believe B3W and IPEF are complementary and allow for greater resonance and success if enacted together.

Our response to the Department of Commerce's request for comments in the Federal Register (Docket No. ITA-2022-0001) are below.

1. General negotiating objectives for the IPEF

AAIP fully supports the Biden administration's efforts in the Indo-Pacific region via the IPEF. Economies in the Indo-Pacific region are looking for clear and concrete ways to strengthen economic ties with the U.S. Fundamentally, governments in the region want better opportunities for their people, increased investment and competitiveness, greater trade connectivity, and help with scaling innovative solutions that "raise the tide" for all of their citizens.

Focused B3W infrastructure investments joining IPEF can be used as an incentive for partner economies to participate in the agreement and will have vital importance for host country beneficiaries with job creation, skills development, and productivity increases, as noted in our report.

High-income economies in the region joining IPEF can also use their local development banks and DFIs to crowd-in investment for low-income nations that are aggressively strengthening their standards to match ours and engage more proactively with trade opportunities with U.S. firms. Congress can be involved in this important initiative to allocate funding for a combined B3W/IPEF initiative (without market access) and catalyze high-income countries' allocations for regional B3W infrastructure initiatives. The high standard principles of B3W overlap with IPEF. Actions taken on climate security, health, technology (edge industries included), and gender empowerment are examples of U.S. firms' high standards and competitive strength.

By combining IPEF with B3W in the region, greater participation with member nations can be achieved, creating a larger block for trade facilitation, U.S. business development, and procurement opportunities for U.S. firms – which will be relevant to the USTR and Department of Commerce. There is also bi-partisan support for reinvigorated engagement with the Indo-Pacific, which will allow Congress to better engage with funding for this initiative. This funding can help create an Indo-Pacific B3W/IPEF Secretariat and an associated Advisory Council, and catalyze further investment for low-income infrastructure development by high-income Indo-Pacific nations already engaged and ready for this partnership.

Raising “the tide” for all citizens in the Indo-Pacific strengthens the U.S. positioning in the region, raises standards, and better resonates with local hearts and minds. As noted in the AAIP B3W report, this initiative will be very welcome in the region, shows the resolve of our engagement, and can be used as a tool for standards enforcement at the infrastructure level of FDI if developing nations don't meet our higher standards. Allowing low-income beneficiary nations time to reach our higher standards will also allow more nations to join the combined B3W/IPEF initiative, creating greater U.S. engagement and U.S. trade and investment opportunities with the Indo-Pacific. We believe the negotiations should aim for:

Clarity on Content: IPEF should clearly set out what topics the modules should cover and the provisions that must be included. For example, the IPEF should include new digital governance rules that foster innovation, facilitate digital trade, enable trusted data flows, incorporate digital inclusion for small businesses, and promote digital enablement and skilling in the economies of the Indo-Pacific region.

Consistency with the B3W: The B3W initiative announced in 2021 contains many of the same cross-cutting themes considered under IPEF. Consistency between the two initiatives is vital in not sending mixed messages to partner economies and using B3W to operationalize IPEF in the region.

High standards and inclusivity: Binding legal rules and standards are essential for all pillars, particularly in the trade module. Statements of principles or pledges to cooperate will not achieve the outcomes necessary to revitalize the Indo-Pacific region.

While not every country needs to participate in the negotiation of each module, any country that does participate should have to sign on to all commitments within that module to promote the harmonization of standards and ensure consistency in commitment, obligations, and synergies.

Not all countries in the Indo-Pacific will be able to meet IPEF standards immediately. IPEF negotiations should provide economies with scheduled phasing in for required legislative or regulatory reforms to take place, as was the case with Vietnam in the Trans-Pacific Partnership negotiations.

However, the framework agreement should move forward quickly, as should substantive commitments in the various IPEF modules.

Creating an enabling environment for private sector investment: The IPEF will not be able to liberalize trade and investment in a traditional sense. However, IPEF provides an opportunity to improve investment conditions via transparency, good regulatory practices, and competition policy.

2. Digital and emerging technologies-related issues

IPEF has the opportunity to utilize digital and emerging technologies to enhance the scale, scope, and speed of trade. This includes boosting export opportunities for small businesses, cross-border data flows, payment rails, edge technologies, and youth empowerment. Digital solutions can mitigate manufacturing and distribution bottlenecks and enable the digital delivery of services, such as telehealth.

Digital payment services are vital to this opportunity. IPEF should seek to create a level playing field for digital payment services within its economic framework. It should also support commitments to protect the free flow of data while ensuring regulatory access to data.

Digital infrastructure must also be recognized as a key element of any infrastructure agreement (see below) and governed by international standards and frameworks accordingly.

Barriers to digital trade – including data localization and other domestic regulatory requirements – should be addressed in the agreement going forward, as digital trade and infrastructure will continue to play an outsized role in regional trade.

Our suggestions for digital standards are as follows:

- Accept e-signatures (without associated paper-based requirements) and the use of interoperable authentication systems and secure digital identities.
- Apply non-discriminatory treatment to digital products.
- Prohibit restrictions on technology choice and encourage open digital architectures, with appropriate exceptions.
- Prohibit limits on cross-border data flows and requirements for the localization of computing facilities, with appropriate exceptions.
- Prohibit cryptography transfer requirements, with appropriate exceptions for law enforcement.
- Prohibit requirements to transfer source code or algorithms as a condition for market access.
- Adopt or maintain interoperable frameworks to protect personal information while supporting innovation.
- Promote a “reasonable care” approach to enhance safety, security, and welfare online.

- Mitigate the risk of cyberattacks and cyber theft by adopting common risk-based approaches and initiatives to address specific concerns, such as submarine cable disruptions.
- Coordinate the development of ethical and governance frameworks for AI and establish a dialogue on the impact of AI on the workforce and society, including worker retraining and talent creation in the AI sector.
- Promote the use of industry-led and internationally accepted standards to support digital trade, electronic payment services, fintech, and emerging technologies such as 5G, blockchain, and quantum computing.

3. Supply chain resilience-related issues

The COVID pandemic has underlined the fragility of global supply chains and their interconnectedness in the Indo-Pacific region. Supply chains are not assisted by the inconsistent and ad-hoc application of regulations. IPEF provides an opportunity to address technical barriers to trade across the region, improving supply chain resilience. U.S. companies that might be looking to invest in the region's manufacturing, and service U.S. markets with intermediate goods, need certainty. IPEF should provide a mechanism for resolving supply chain disruptions exacerbated by technical barriers.

In addition, supply chains for raw materials and critical minerals are coming under increasing pressure, which will have a bearing on the technology sector. IPEF should:

- Coordinate development finance projects to secure access to key raw materials and critical minerals and set joint sustainability and labor standards for such investments; and
- Cooperate on public-private partnerships and joint R&D investment in critical and emerging technologies, including semiconductors; 5G, 6G, and O-RAN telecommunications; electric vehicle batteries; and clean energy technologies.

4. Infrastructure-related issues

IPEF should provide an enabling environment for infrastructure strategies and opportunities to encourage funding via multilateral initiatives (such as B3W) or private sector investment. Alignment with B3W rules will ensure transparent project appraisal and support greater investment and service delivery levels in the absence of conventional liberalization.

The IPEF should include a mechanism for coordinating sources of co-investment and grant funding that can be applied to infrastructure projects. To the extent possible, this should mean commitments that any grants and loans will contain conditional budgets to support the training requirements of sub-national bodies and promote capacity-building in procurement.

More specifically, IPEF should:

- Establish government-to-government cooperation, public-private partnerships, and coordinated development financing to transform Indo-Pacific infrastructure into a model of clean energy transformation, including:
 - o Deploying and cooperating on green port infrastructure;

- Working to establish low- or zero-emission shipping corridors; and
- Modernizing power grids.
- Establish a public-private working group to develop “blended finance” models using concession capital to crowd-in private investment and scale up infrastructure financing.
- Coordinate technical assistance and development finance investments to address other physical and digital infrastructure needs throughout the Indo-Pacific region.

5. Clean energy-related issues / 6. Decarbonization-related issues

IPEF should retain a level of pragmatism on clean energy and carbon-related issues. Although there can and should be an ambition to ensure decarbonization, partner country energy needs should not be compromised. There should be a continued focus on assisting the region in transitioning the energy mix to cleaner sources, including gas-fired power and LNG.

More specifically, IPEF should:

- Collaborate, including through national laboratories and the Net-Zero World Initiative, on the development of technologies, investment strategies, and roadmaps that advance environmental sustainability goals and the objective of net zero emissions.
- Establish a public-private working group to develop standardized approaches to carbon accounting and facilitate digital technologies to support carbon accounting.
- Promote initiatives to decarbonize supply chains in sectors such as shipping and steel.

8. Anti-corruption-related issues

Although government procurement does not appear to be part of the IPEF, a focus on anti-corruption provides an opportunity to enhance transparency in project procurement and delivery with partners. Transparent contracts are those which clearly define key terms and conditions and are focused on delivering social and economic value alongside commercial returns. They provide for transitional arrangements upon completion, are less likely to be politicized, and provide better local regulatory certainty for investors; this aligns with the broader negotiating objective of providing a more enabling environment for investors. As noted above, aligning IPEF’s standards with pre-existing initiatives such as B3W or Blue Dot Network will provide greater consistency and certainty for investors.

9. Issues of particular relevance to micro, small, and medium-sized enterprises (MSMEs) that should be addressed in the negotiations

Micro, small, and medium-sized enterprises (MSMEs) should be included in the agreement. This can be enabled via technologies and digitalization. Technologies allow MSMEs to connect and transact with international buyers, providing language processing, and automating trade processes that might otherwise create barriers for MSMEs and prevent broader economic inclusion.

10. Other issues for consideration

For the IPEF to be successful, the inception, negotiation, and implementation phases will require significant capacity support.

AAIP will be an ideal partner for the U.S. government throughout these phases and is uniquely positioned as we:

- Have extensive representation across the Indo-Pacific region;
- Represent only U.S.-headquartered companies;
- Have "boots on the ground" understanding of U.S. business interests;
- Are registered in the United States as a 501c6 non-profit corporation.

AAIP is in a position to:

- Advocate for agreement among partner country stakeholders, specifically business partners, business groups, and other civil society stakeholders;
- Provide further technical input into negotiating processes across all pillars;
- Work as an implementation partner for aspects of the agreement, particularly in relation to training to support agreement utilization and other aspects such as licensing.

This additional support will be particularly critical for the affiliates of U.S.-based MSMEs as they seek to utilize the agreement, expand operations across the Indo-Pacific region, and navigate the regulatory landscape in multiple countries.