American Association of the Indo-Pacific

aaip | IPEF Taskforce

Enhancing Public-Private Cooperation in the IPEF

Discussion Paper

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INTRODUCTION

In today›s globalized economic landscape, the importance of fostering cooperation between governments and the private sector is more critical than ever. This report examines the joint efforts between U.S. businesses and the economies participating in the Indo-Pacific Economic Framework (IPEF), with a focus on the four IPEF pillars: trade facilitation, critical supply chain diversification, emissions reductions, and addressing taxation/corruption issues. By analyzing real-world examples and data, the report sheds light on the potential benefits that can arise from public-private partnerships, aimed at creating a strong and sustainable economic environment across IPEF member countries.

In order to optimize commercial impact and mutual benefits for IPEF economies, this report proposes policy initiatives in each area, underlining the potential for increased collaboration and synergy between governments and private sector stakeholders. By tackling major challenges and capitalizing on emerging opportunities, these initiatives aim to strengthen economic relationships, promote transparency, and lay a solid foundation for sustainable growth and shared prosperity.

The insights and recommendations presented in this report serve as a valuable resource for policymakers, business leaders, and stakeholders interested in exploring the potential of government-private sector collaboration in IPEF economies.

A key recommendation is convening a forum for cooperation, ensuring the leadership of business within this forum. This is vital to ensure the participation of business across all four pillars of the agreement going forward, ensuring the prosperity of the Indo-Pacific region.

PART 1: U.S. BUSINESS AND SOCIAL IMPACT PROGRAMS

U.S. businesses operating overseas are cognizant of the impact of their investments and operations in foreign markets. They are aware of the need to accompany these operations with social impact programs to gain a social license to operate and ensure the sustainability of their operations across the social, economic, and environmental spheres.

There is no universal framework that firms use when developing and implementing social impact programs. Businesses can develop their social impact programs according to any number of taxonomies and frameworks, including the UN Sustainable Development Goals (SDGs) and Principles for Responsible Investment (PRI).

Trade agreements generally do not include private sector provisions or requirements for corporate social responsibility (CSR) activities. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership's (CPTPP) environment chapter includes a 'soft' provision on encouraging businesses to adopt CSR frameworks into their operations, particularly as they relate to the environment. The IPEF, on the other hand, will have entire pillars devoted to supporting environmental and social objectives.

For the private sector, guidance on frameworks for developing, monitoring, and evaluating social impact frameworks that support broader IPEF objectives, development outcomes, and capacity building will be of high utility. Any guidance should be flexible, open, and voluntary rather than rigid and mandatory.

Firms will generally develop programs that are related to their core competency. Beverage manufacturers, for example, may deliver clean water programs, and the finance sector may develop financial inclusion programs. Digital service providers can provide upskilling programs that improve skills and encourage workforce participation (see case study below).

Developing suitable guidance for the IPEF context could be a capacity-building exercise in itself, and could ensure acceptability across the region's economies.

SUPPORTING DIGITAL UPSKILLING FOR WOMEN IN DEVELOPING COUNTRIES

The gender gap in the technology sector persists in the Asia-Pacific, where only 26 percent of data and AI professionals and 12 percent of cloud computing professionals are women. Microsoft and its partners introduced the Code; Without Barriers program, aimed at empowering female developers and fostering innovation that reflects the diverse society of the region.

In collaboration with 13 partner organizations across nine Asia-Pacific (APAC) countries, Microsoft launched the Code; Without Barriers program to address the gender gap in the region›s digital sectors. Partner organizations are from various sectors, including education, energy, financial services, the public sector, and technology, operating in Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, South Korea, Sri Lanka, and Bangladesh.

The program provides skilling and certification in cloud and AI technologies to boost digital talent in participating countries.

Code; Without Barriers collaborates with over 21 developer communities across APAC, reaching more than 407,000 developers in various fields, including data, AI, DevOps, Java, JavaScript, Python, and Women in Tech. Engagement activities include career fairs, hackathons, mentorship, and support from business leaders to nurture and develop female entrepreneurs.

The program has already made a notable impact on the gender gap in the APAC region. The program has piloted 18 Women in AI certification programs across eight APAC markets, training more than 480 women and certifying 203 developers. Microsoft has also hosted cloud skills challenges for over 7,617 developers in the region.

PART 2: TRADE

TRADE FACILITATION AND DIGITAL TRADE PROMOTION WITH GOVERNMENT SUPPORT

Streamlining customs procedures by encouraging private sector involvement is crucial for fostering an efficient flow of goods across international borders. A World Bank study revealed that a 1 percent reduction in trade costs results in a 0.9 percent increase in trade volumes, underscoring the potential influence of efficient customs procedures on global trade (World Bank, 2018). Additionally, the World Trade Organization (WTO) estimates that comprehensive implementation of the Trade Facilitation Agreement could slash global trade costs by an average of 14.3 percent, with developing countries reaping the most substantial benefits (WTO, 2015).

Collaborating with the private sector enables governments to gain valuable insights into prevailing challenges and collectively devise innovative solutions. Singapore›s TradeNet system exemplifies successful public-private cooperation, reducing customs clearance time by 25 percent and trade costs by 12 percent (World Customs Organization, 2016). Governments can further encourage private sector participation by offering financial support, tax breaks, and preferential treatment to companies contributing to trade facilitation initiatives.

Engaging in dialogue with private enterprises allows governments to better comprehend the challenges businesses face when navigating intricate regulations and customs processes. With government backing, private companies can collaborate to tackle these challenges, resulting in the development of best practices and the adoption of harmonized standards. Digital trade promotion represents another domain where public-private partnerships can be instrumental. According to a McKinsey Global Institute report, cross-border digital flows contributed to a 15 percent increase in global GDP between 2004 and 2014 (McKinsey Global Institute, 2016). The private sector can spearhead the adoption of digital trade policies, such as e-commerce regulations, cross-border data flow, and digital payment systems, all the while benefiting from government support to ensure harmonization and standardization. Governments play a pivotal role in establishing a regulatory framework that facilitates digital trade growth while maintaining security and inclusivity.

CASE STUDY: THE DIGITAL TRADE NETWORK

The Digital Trade Network (DTN) is a private sector initiative backed by the U.S. government aimed at promoting digital trade in East Asia and Southeast Asia. The DTN provides guidance and support to businesses navigating the complex landscape of digital trade regulations and helps them expand their markets across borders. Through collaboration with regional governments and private enterprises, the DTN has successfully facilitated trade and contributed to the growth of the digital economy in the region.

Supporting Digital Trade Regulations and Market Expansion

One of the primary challenges faced by businesses in the region is understanding and complying with digital trade regulations, which can differ significantly between countries. Through its team of legal and policy experts, the DTN assists businesses in deciphering complex regulatory frameworks and ensuring compliance. By offering in-depth knowledge of regional digital trade policies, the DTN enables companies to adapt their strategies and expand their operations across borders with confidence.

A notable example of the DTN's impact is the case of an e-commerce platform based in the Philippines, which sought to extend its reach to other Southeast Asian countries. The platform faced several regulatory challenges, including restrictions on cross-border data flows, varying consumer protection laws, and divergent taxation policies. With the support of the DTN, the company successfully navigated these obstacles and established a robust presence in Indonesia, Malaysia, and Thailand, significantly increasing its customer base and revenue.

Another success story involves a Singaporean fintech startup specializing in digital payment systems, which aimed to expand its services across East Asia. The DTN's guidance and expertise helped the company comply with varying financial regulations and licensing requirements in target markets such as South Korea and Japan. As a result, the startup was able to secure strategic partnerships with local financial institutions, greatly enhancing its market penetration and growth prospects.

Collaboration with Regional Governments

The DTN also works closely with regional governments to foster a more conducive environment for digital trade. By sharing best practices and facilitating dialogue, the DTN encourages the harmonization and standardization of digital trade policies. This collaboration has led to several successful outcomes, such as the establishment of bilateral agreements between the U.S. and Southeast Asian countries to promote cross-border data flows and the adoption of common data privacy standards.

PART 3: SUPPLY CHAINS

SUPPLY CHAIN DIVERSIFICATION AND UPSKILLING THROUGH PPPS

The escalating complexity and interconnectedness of global supply chains have underscored the need for diversification and resilience. Public-private partnerships (PPPs) hold the potential to significantly contribute to supply chain diversification and workforce upskilling in less developed economies. By incentivizing private companies to invest in these regions and fostering collaboration between businesses and local governments, PPPs can spur sustainable economic growth and cultivate local manufacturing sectors.

Incentivizing Private Investment in Less Developed Economies

One pivotal strategy for fostering supply chain diversification involves enticing private companies to invest in the development of manufacturing sectors in less developed economies. Governments can offer incentives for businesses to launch operations in these regions, thereby catalyzing the transfer of capital, technology, and expertise. Incentives can encompass tax breaks, subsidies, and streamlined regulatory processes for foreign direct investment.

Furthermore, governments can support infrastructure development in less developed economies, laying a solid foundation for expanding local manufacturing sectors. This backing can span improvements in transportation networks, energy infrastructure, and digital connectivity. By joining forces with private enterprises, governments can guarantee that infrastructure development projects align with industry-specific needs, bolstering efficiency and competitiveness.

Collaboration for Workforce Upskilling and Technology Transfer

Another crucial facet of supply chain diversification and economic development is the upskilling of local workforces. PPPs can enable collaboration between private companies and local governments to provide targeted training programs tailored to the manufacturing sector›s requirements. These programs can concentrate on areas such as advanced manufacturing techniques, digital technologies, and sustainable production practices.

Through these training initiatives, local workers can attain the skills needed to effectively contribute to the growth of the manufacturing sector, enhancing productivity and competitiveness. Moreover, upskilling programs can help curtail unemployment and underemployment, propelling broader economic development and social progress in less developed economies.

A study by the International Labour Organization (ILO) discovered that PPPs in skills development yielded positive outcomes, including increased employment rates, higher earnings, and improved labor market results (ILO, 2017).

CASE STUDY: INTEL›S INVESTMENT IN VIETNAM›S SEMICONDUCTOR MANUFACTURING SECTOR

In 2006, Intel announced its plans to invest 1 billion USD in a semiconductor assembly and test facility in Ho Chi Minh City, Vietnam. Representing one of the largest single FDI projects in the country, this investment was supported by the Vietnamese government, which provided a range of incentives, including tax breaks and streamlined regulatory processes. The government›s backing aimed to attract high-tech industries to Vietnam, fostering economic diversification and growth.

Job Creation and Technology Transfer

Intel›s investment in Vietnam has led to significant job creation in the region, with the facility employing over 4,000 people as of 2021. The company has also partnered with local universities and vocational training centers to develop a skilled workforce capable of supporting the advanced manufacturing processes required in semiconductor production. Through these initiatives, Intel has played a critical role in upskilling the local workforce and creating high-value employment opportunities in the country.

In addition to job creation, Intel›s investment has facilitated technology transfer and the development of local supply chain capabilities. The company has actively engaged with local suppliers and vendors, providing them with training and support to meet Intel›s stringent quality and performance standards. This engagement has not only helped build a robust local supply chain but also enabled Vietnamese suppliers to expand their operations and serve other multinational clients in the electronics industry.

Strengthening Supply Chain Resilience

Intel›s investment in Vietnam›s semiconductor manufacturing sector has contributed to the strengthening of the region›s supply chain resilience. By diversifying its manufacturing footprint, Intel has reduced its reliance on a single location, mitigating the risks associated with geopolitical tensions, natural disasters, and other disruptions. Furthermore, the development of a skilled workforce and strong local supplier base in Vietnam has enhanced the overall competitiveness of the country›s electronics industry, attracting additional foreign investment and fostering further growth.

PART 4: CLEAN ECONOMY

CLEAN ENERGY INVESTMENTS AND TECHNOLOGY SHARING

Governments can establish favorable conditions for private companies to invest in renewable energy projects, such as solar and wind power, by offering incentives and streamlined approval processes. Financial incentives, including tax breaks, subsidies, and low-interest loans, can substantially mitigate the costs and risks tied to renewable energy investments. Expedited approval processes can hasten project development and reduce bureaucratic obstacles, rendering clean energy projects more appealing to private companies.

A prime example of effective government facilitation of private investment in renewable energy is the United States› Production Tax Credit (PTC) and Investment Tax Credit (ITC) programs. These initiatives grant tax credits for wind and solar power projects, respectively. According to the U.S. Department of Energy, the PTC and ITC have propelled the installed wind power capacity in the United States from 6.7 GW in 2005 to 122 GW and the installed solar power capacity from 0.4 GW in 2005 to 97 GW in 2021.

Facilitating Technology Sharing and Best Practices

Public-private partnerships can also promote the sharing of clean energy technologies and best practices between the U.S. and partner countries. Governments can support this process by harmonizing regulations, safeguarding intellectual property rights, and nurturing international collaboration.

The Clean Energy Ministerial (CEM), a global forum dedicated to advancing clean energy policies and technologies, exemplifies government-backed collaboration. The CEM, comprising 28 countries and the European Commission, has facilitated the exchange of best practices and the advancement of clean energy technologies through initiatives such as the Advanced Power Plant Flexibility Campaign and the Global Lighting Challenge. According to the International Energy Agency (IEA), CEM initiatives have helped conserve over 5,000 TWh of electricity and avert 1.6 billion tons of CO2 emissions between 2010 and 2020.

CASE STUDY: GENERAL ELECTRIC AND THE PHU LAC WIND FARM

In 2015, General Electric (GE) and the Government of Vietnam embarked on a partnership to develop the Phu Lac Wind Farm, a 99-megawatt project situated in Binh Thuan province. The project aimed to bolster the country›s renewable energy capacity and contribute to Vietnam›s target of generating 21 percent of its electricity from renewable sources by 2030.

Clean Energy Investment and Technology Transfer

The Phu Lac Wind Farm marked a milestone in clean energy investment in Vietnam. The government›s support, in the form of financial incentives and streamlined approval processes, helped to attract GE›s investment in the project and accelerate its development. Since the completion of the Phu Lac Wind Farm in 2016, Vietnam›s wind power capacity has grown significantly, reaching over 700 MW by the end of 2021.

In addition to the investment, GE›s involvement in the Phu Lac Wind Farm facilitated technology transfer in the region. GE›s advanced wind turbine technology and expertise in project development have been instrumental in raising the standards of the local renewable energy industry. By partnering with GE, Vietnam gained access to cutting-edge technology and know-how that can be leveraged for future renewable energy projects.

Impact on the Region›s Clean Energy Landscape

The Phu Lac Wind Farm has had a lasting impact on the clean energy landscape in Vietnam and the broader region. As a result of this successful collaboration, Vietnam has attracted additional investments in renewable energy, with numerous wind and solar power projects currently under development. Furthermore, the project has demonstrated the potential for PPPs to facilitate clean energy adoption and drive sustainable development in less-developed economies.

PART 5: FAIR ECONOMY

PRIVATE SECTOR ENGAGEMENT IN TAX ADMINISTRATION TRANSPARENCY

Engaging private sector stakeholders in enhancing tax administration can lead to more efficient and transparent revenue collection systems. Governments can join forces with private sector stakeholders to pinpoint areas for improvement, adopt best practices, and utilize technological innovations for tax administration. This collaboration can give rise to a more streamlined and effective tax system, potentially increasing revenue collection and curbing tax evasion.

For example, the implementation of electronic invoicing (e-invoicing) in various countries, such as Chile, Mexico, and Italy, has showcased the advantages of private sector involvement in tax administration. According to the Organisation for Economic Co-operation and Development (OECD), e-invoicing adoption in these countries has resulted in considerable efficiency gains and a reduction in tax evasion, with Chile›s tax revenue growing by 10 percent between 2015 and 2020 following e-invoicing implementation.

Encouraging Transparency and Good Governance Measures

Private sector adherence to transparency and good governance measures is vital for fostering trust and nurturing a fair business environment. Governments can back the private sector in executing anti-corruption initiatives and international standards, such as the Extractive Industries Transparency Initiative (EITI).

The EITI is a global standard for transparency and accountability in the extractive industries that mandates member countries and participating companies to disclose information on payments, revenues, contracts, and ownership. As of 2021, 55 countries have adopted the EITI, with over 100 major oil, gas, and mining companies participating in the initiative. According to the EITI, this collaboration has led to the disclosure of more than 2.8 trillion USD in revenues from the extractive sector, contributing to heightened transparency, diminished corruption, and improved governance.

Embracing the EITI and similar transparency initiatives can yield significant economic benefits. A study by the Natural Resource Governance Institute (NRGI) discovered that EITI implementation is linked to a 1.2 percent decrease in the perceived corruption risk in the extractive sector, potentially increasing foreign direct investment and fostering a more stable business environment.

6. MOVING FORWARD

A key starting point for moving PPP projects and social impact programs forward would at first be the inclusion of a corporate social sustainability article within IPEF's Trade Pillar, which encourages public and private sector collaboration.

The article could, however, go beyond the scope of the article within the CPTPP and include both social and economic objectives.

In addition, the agreement's Clean Economy and Fair Economy pillars could include provisions that explicitly cover PPPs and follow similar frameworks that are currently in operation, such as the ASEAN Principles for PPP for Frameworks or the G7 B3World.
But to truly bolster public and private cooperation within IPEF, fostering dialogue between the public and private sectors is essential. This could take the form of a dialogue platform, offering a conducive environment for networking, sharing knowledge and experiences, and identifying potential PPP opportunities. The platform would encompass private partners, government agencies, and various other stakeholders.

This platform could double as an information exchange, review processes, and learning from collaborative projects. It could also formulate feasible and applicable cooperation guidelines and relevant technical documents. It would also aim to foster equitable participation among IPEF members.

Serving as a hub for information exchange, dissemination, voluntary compliance, and reporting/monitoring on PPPs within the IPEF, it could also focus on raising awareness, profiling countries based on their readiness for PPPs, sharing experiences and lessons learned, and identifying opportunities.

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