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## MEMORANDUM

FOR : The Directors  
Biodiversity Management Bureau  
Ecosystems Research and Development Bureau  
Environmental Management Bureau  
Forest Management Bureau  
Mines and Geoscience Bureau  
Climate Change Service  
Legal Affairs Service  
Foreign-Assisted and Special Projects Service

FROM : The OIC Director  
Policy and Planning Service

SUBJECT : **INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY (IPEF) PILLAR 2 (SUPPLY CHAINS) INTER-AGENCY MEETING**

DATE : 23 NOV 2022

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This refers to the letter dated 16 November 2022 of the Director Sandra Marie S. Recolizado of the Investment Policy and Planning Service of the Board of Investments (BOI), regarding the timeline of activities for agencies included in the Indo-Pacific Economic Framework for Prosperity (IPEF) Pillar 2 (Supply Chains).

In preparation for the 1<sup>st</sup> round of IPEF Negotiations in **Brisbane, Australia on 09-16 December 2022**, the BOI, as the Philippine Lead for Pillar 2 (Supply Chains), had sent invitation for an Inter-Agency Meeting on 29 November 2022. In addition, the table below shows the Inter-Agency Pillar 2 Work Programme.

Date	Activity
29 November 2022	Pillar 2 Inter-Agency Meeting
05 December 2022	Submission of input/comments from Inter-Agencies
09 December 2022	Pillar Inter-Agency Meeting (in Australia if needed)

To facilitate the discussions to the upcoming Pillar 2 Inter-Agency meeting, the BOI requested for initial comments/inputs on the attached non-papers of IPEF Partners. Please be informed that agencies may provide list of possible areas of cooperation or offensive interests which the Philippines may request under IPEF Pillar 2. As a starting point, the inter-agency may refer to various engagements with IPEF Partners, e.g., the Working Group on PH-US

Bilateral Strategic Dialogue (BSD), Trade and Investment Framework Agreement (TIFA), and US GSP, with the US. Inputs may include information on feedback/issues on IPEF markets (whether market access or non-tariff measures/barriers), current programs, areas of cooperation or Official Development Assistance (ODA), among others.

In this regard, to facilitate the consolidation and submission of comments to the BOI, we would appreciate receiving an advance copy of your comments/inputs on or before 25 November 2022 to [psddivision@gmail.com](mailto:psddivision@gmail.com) and/or [policy@denr.gov.ph](mailto:policy@denr.gov.ph).

For your information and appropriate action, please.

  
**MELINDA C. CAPISTRANO**

**URGENT AND CONFIDENTIAL**

16 November 2022

Please see Distribution List.

Dear Colleagues:

The Board of Investments (BOI), in its capacity as the Philippine lead for Pillar 2 (Supply Chains) of the Indo-Pacific Economic Framework for Prosperity (IPEF), would like to express its sincere gratitude to the inter-agency for the valuable inputs, support, and cooperation which lead to the finalization and endorsement of the IPEF Pillar 2 Ministerial Statement during the Ministerial Meeting on 09 September 2022 in Los Angeles, California.

Following this, the United States conducted a Conceptual Discussion on 18 October 2022 as part of its preparatory discussions to have a detailed exchange on IPEF partner's aims to achieve under Pillar 2. From these discussions, the US will prepare a zero-draft text which will be discussed on the Chief Negotiators Meeting that will be held on 09-16 December 2022 in Brisbane, Australia.

While BOI has yet to receive the Pillar 2 zero-draft text from US, several non-papers (see enclosed) were submitted by IPEF Partners, i.e., Australia, Singapore, and Japan, which outline proposed elements, projects, and areas of cooperation under Pillar 2. These non-papers will also be discussed in the IPEF negotiations in December 2022.

In preparation for the 1<sup>st</sup> Round of IPEF Negotiations in December 2022, BOI is pleased to share with the inter-agency the Pillar 2 Work Programme below:

Date	Activity
29 November (1500H-1700H)	Pillar 2 Inter-Agency Meeting
05 December	Submission of inputs/comments from IA
09 December TBC	Pillar 2 Inter-Agency Meeting ( <i>in AU if needed</i> )
10-15 December	1 <sup>st</sup> IPEF Negotiations, Australia

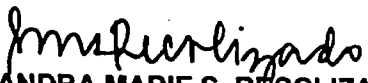
To facilitate discussions during the Pillar 2 inter-agency meeting on 29 November 2022, BOI encourages the inter-agency to provide initial inputs/comments on the attached non-papers of IPEF Partners. You may also wish to provide list of possible areas of cooperation or offensive interests which the Philippines may request under IPEF Pillar 2. As a starting point, the inter-agency may refer to various engagements with IPEF Partners, e.g., the Working Group on PH-US Bilateral Strategic Dialogue (BSD), Trade and Investment Framework Agreement (TIFA), and US GSP, with the US. Inputs may include information on feedback/issues on IPEF markets (whether market access or non-tariff measures/barriers), current programs, areas of cooperation or Official Development Assistance (ODA), among others. We would highly appreciate receiving the agencies' initial comments/inputs by **21 November 2022**.

The meeting invitation and zoom link for the inter-agency meeting will also be circulated in due course.

Should you have any questions/clarifications, please contact the PH IPEF Pillar 2 Secretariat through the following emails: Ms. Jollan Llaneza ([JMALLlaneza@boi.gov.ph](mailto:JMALLlaneza@boi.gov.ph)), Ms. Maribel De Leon ([MDDeleon@boi.gov.ph](mailto:MDDeleon@boi.gov.ph)) or International Relations Division ([boi-ird@boi.gov.ph](mailto:boi-ird@boi.gov.ph)).

The BOI looks forward to your continued support and cooperation.

Very truly yours,

  
**SANDRA MARIE S. RECOLIZADO**  
Director, Investments Policy and Planning Service

*Encl: a/s.*

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# MINISTERIAL STATEMENT FOR PILLAR II OF THE INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY

## Indo-Pacific Economic Framework for Prosperity (IPEF)

### Pillar II – Supply Chains

We, the Ministers of Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States, and Viet Nam, are committed to improving transparency, diversity, security, and sustainability in our supply chains to make them more resilient, robust, and well-integrated. We recognize the importance of and reaffirm our commitment to fair and open markets and the rules-based multilateral trading system with the WTO at its core. We recognize the need to ensure secure and resilient supply chains and to minimize disruptions and vulnerabilities, which may require evolving our public institutions and improving coordination with the private sector. Recognizing the different economic characteristics and capacity constraints of Members, we seek to coordinate crisis response measures and to expand cooperation to better prepare for, and mitigate the effects of, disruptions to better ensure business continuity and improve logistics and connectivity, particularly in critical sectors.

We intend to promote labor rights based on the ILO Declaration on Fundamental Principles and Rights at Work, which the Partners have adopted, support workforce development, promote private sector exchanges, and mobilize investments and technical cooperation, including to build the capabilities of micro, small, and medium enterprises (MSMEs), as part of our efforts to strengthen our supply chains and ensure a reliable supply of goods and related essential services for critical sectors. We are committed to working together in an open and inclusive manner, and we recognize the important role that local and other communities, women, and indigenous peoples, play in realizing our shared goals.

To achieve our collective goal of resilient supply chains that can anticipate, withstand, or rapidly recover from shocks and strengthen the competitiveness of our economies within the Indo-Pacific region, we intend to undertake the following. In all cases, we intend to work to minimize market distortions, protect confidential business information, promote regulatory compliance, respect market principles, and act consistently with our respective WTO obligations.

- *Establish Criteria for Critical Sectors and Goods.* We acknowledge that jointly establishing criteria to identify critical sectors and goods will facilitate cooperation among IPEF members in the event of a major supply chain disruption affecting one or more IPEF members; and can help prepare our governments to respond urgently and effectively. We intend to pursue provisions and initiatives, including but not limited to: establishing criteria to identify sectors critical to our national security, the health and safety of our citizens, and economic resilience through the prevention of significant or widespread disruptions to our economies; establishing criteria to identify key goods that fall within those sectors; and developing a process to identify the related raw material inputs, manufacturing, or processing capabilities, logistics facilitation, and storage needs.

- Increase Resiliency and Investment in Critical Sectors and Goods.* We acknowledge that supply chain resiliency may require strengthening the capacity and capability of industries to prepare for and recover quickly from unexpected disruptions. We also acknowledge the critical role of the private sector in ensuring well-functioning supply chains. We intend to pursue provisions and initiatives, including but not limited to: enabling the identification of sole sources or chokepoints within supply chains; strengthening our industries and supporting trade and investment in critical sectors; promoting and supporting investments to improve physical and digital infrastructure; supporting investment in supply chain resilience strategies; exploring tools and institutions to promote a diversity of sources across the region, which may include economic development programs, technical cooperation, and capacity building; promoting and supporting investment in advanced manufacturing techniques and other modernization efforts to strengthen existing and develop potential suppliers; and promoting more circular economies to help reduce the need to create new sources of goods.
- Establish an Information-Sharing and Crisis Response Mechanism.* We acknowledge that timely information sharing between governments and with private sector actors will promote earlier warning of supply chain disruptions and more efficient, proportionate, and effective responses. We intend to pursue provisions and initiatives, including but not limited to: establishing a mechanism for government-to-government coordination on supply chain vulnerabilities and disruptions, including response measures that would facilitate the efficient movement of goods and related essential services in critical sectors; outlining an information sharing process that encourages the use of technology to facilitate the secure exchange of data and accounts for confidentiality, regulatory compliance, and capacity considerations of individual governments; designating national coordination points, as appropriate, to manage information intake and crisis response in the event of supply chain vulnerabilities and disruptions; on an ongoing basis, identifying mitigation measures, sharing best practices and considering improvements to policies or processes, where appropriate; and engaging with relevant stakeholders to mitigate the impact of disruptions.
- Strengthen Supply Chain Logistics.* We recognize that strengthening logistics in supply chains, including land, air, waterway, maritime, shipping and port infrastructure, can have broad-based, positive effects by making our economies more efficient, resilient, and sustainable. Working closely with the private sector, we intend to pursue provisions and initiatives, including but not limited to: collecting and utilizing relevant data on supply chain logistics, while accounting for and protecting the confidentiality of business information; seeking to understand vulnerabilities; facilitating investments and technical cooperation to support improvements to supply chain logistics including infrastructure; maintaining border and transport links subject to our national laws; fostering the development of common frameworks to improve the resilience of supply chains; and considering ways to address existing or potential bottlenecks.
- Enhance the Role of Workers.* We recognize that skilled workers and employers who comply with national labor laws and promote labor rights based on the ILO Declaration on Fundamental Principles and Rights at Work, which the Partners have adopted, are critical to building supply chain resilience. We intend to pursue provisions and initiatives that invest in training and development opportunities necessary to ensure a sufficient number of skilled



workers in supply chains for critical sectors. We also intend to promote labor rights based on the ILO Declaration on Fundamental Principles and Rights at Work, which the Partners have adopted, to ensure that workers and communities share in the benefits of increased supply chain resilience.

- *Improve Supply Chain Transparency.* We recognize that transparency throughout our supply chains in critical sectors can improve visibility into risks and also promote respect for environmental, social, and corporate governance. We therefore intend to pursue provisions and initiatives, including but not limited to: facilitating the development of tools and measures to advance transparency across supply chains in critical sectors, without imposing unnecessary costs on MSMEs; and working with the private sector to address, alleviate, and mitigate risks.

We will advance these areas of cooperation in an expeditious and steadfast manner. We intend to assist Members to implement programs and goals through training, technical cooperation, and capacity building.

We look forward to working together to strengthen resilience in our global supply chains, especially in the critical sectors that underpin our economies, and ensure broadly shared economic growth for our workers, companies, and people.

## **IPEF Pillar II**

### **Ideas for establishing a supply chain Crisis Response Mechanism**

Informal Australian non-paper

A well-designed supply chain Crisis Response Mechanism could provide the bedrock for cooperation under IPEF Pillar II. It offers the opportunity to make tangible the membership's collective goal of resilient supply chains that can anticipate, withstand, or rapidly recover from shocks.

Australia proposes the **Crisis Response Mechanism** could comprise four distinct but interlocking commitments to:

1. monitor for supply chain disruptions (**commitment to monitor**);
2. promptly share information on potential and actual disruptions as they arise (**commitment to share**);
3. participate in collective planning and stress testing in anticipation of supply chain disruptions and crises (**commitment to prepare**); and
4. participate, as appropriate, in collective responses to supply chain disruptions and crises when they arise (**commitment to respond**).

Under each commitment, Participants could agree to a baseline standard that all member countries could meet. Some Participants could then build upon the mechanism's capability and scope, as outlined in the sections below, in subsequent phases of maturity.

The effectiveness of the Crisis Response Mechanism will in a large part depend on trust between Participants. As such, it is anticipated those who would take these commitments would do so voluntarily and in good faith, rather than as binding obligations. Commitments should be carefully designed for consistency with WTO obligations. The focus and scope of the Crisis Response Mechanism will to a significant extent be influenced by the work of Participants to establish criteria for critical sectors and goods.

An effective Crisis Response Mechanism would add significantly to the benefits available through IPEF Pillar II participation, by offering:

- exclusive access to a unique international network of information sharing on supply chain disruptions;
- membership of a structured forum for collective preparation for, and responses to, supply chain disruptions; and
- targeted supply chain resilience capacity building opportunities to better anticipate, withstand and recover from supply chain crises.

These ideas are set out in more detail on the following pages.

## 1. Commitment to monitor

Pillar II participants could agree to a **commitment to monitor for disruptions, delays or shortages in supply chains for critical goods**. Participants could, for example, commit to monitor for:

- potential changes to the volume or price of critical goods exports, or of supply chain components, raw materials or services that are essential to the production of critical goods;
- potential disruptions, delays or shortages to their imports of critical goods; and
- any other anticipated disruptions, delays or shortages in critical supply chains, including to air, sea and land freight transport, that are likely to significantly impact another IPEF member.

Participants would be **responsible for designing their own national monitoring systems** in line with the above elements.

As a baseline commitment, members could **establish a community of practice**. IPEF would assist countries to incubate their supply chain monitoring capability by establishing a community of practice where member countries share methodologies, frameworks, and approaches – countries that already have established supply chain functions would be well placed to lead this work. The community of practice would be accompanied by capacity-building as needed for developing country Participants, who could look to phase their monitoring capabilities in over time.

To facilitate monitoring solutions that will have an immediate impact and are economical to set up, in the first instance they should **focus on leveraging existing data** already collected by members (for example customs or merchandise trade data). Participants could focus on **work to merge disparate datasets** – for example, bringing together datasets on container freight rates, schedule reliability, commodity costs, etc. Participants could **establish consultative mechanisms for regular information exchange with the private sector** in respective jurisdictions.

This work could be augmented by **procuring off-the-shelf private sector supply chain monitoring capabilities** that use artificial intelligence and machine learning to monitor complex supply chain ecosystems in real-time and better predict disruptions. These solutions typically include sophisticated abilities to look deeper into supplier sub-tier relationships to gain a holistic view of potential vulnerabilities. The Pillar II membership could **explore options to jointly invest in access to such a platform**, customised according to the unique needs of the Participants.

Once the supply chain monitoring capabilities of the Pillar II Participants reach maturity, we could then expand the scope of work to **monitor for long-term supply chain vulnerabilities stemming from structural reliance on concentrated markets for the supply of critical goods**. This would help build visibility about geographic concentrations across critical supply chains and support the long-term goal of diversifying the IPEF region's critical supply chains.

## 2. Commitment to share

Pillar II participants could agree to a good faith **commitment to promptly share information about any potential and actual supply chain disruptions identified in the monitoring process**. As a baseline commitment, members could **designate a national contact point** which would form a network of designated Pillar II national contact points.

The commitment to share could be strengthened by **joint work to standardise types and formats of data collected across the Pillar II membership**, allowing Participants to better communicate about supply chain disruptions in common terms. Participants could work to promote the uptake of common data standards, for example by building on the *APEC Guidelines and Best Practices for the Adoption of Global Data Standards* to facilitate interoperability of logistics data across the membership.

As part of the commitment to share, Pillar II could also include minimum commitments to the **expansion of open data sharing**, particularly trade and customs data, to enable government and non-government sectors to better self-assess supply chain vulnerabilities. Participants could similarly agree to **share information on regulatory decisions** that would potentially impact another Participant's supply of critical goods. Participants could also explore options to **share or publish their forward government procurement schedules** for upcoming significant procurements of critical goods.

The commitment to share information at the government-to-government level within the Pillar II membership would be caveated by **appropriate exemptions**, such as the need to protect national security, privacy and commercial confidentiality.

### 3. Commitment to prepare

Pillar II participants could **agree to participate in stress testing and joint preparations for a range of critical supply chain disruption scenarios**. As a baseline commitment, Pillar II members could establish an expert IPEF Crisis Response Working Group with responsibility for developing sectoral-specific crisis response plans, in consultation with governments, industry, insurers, academia, unions and relevant NGOs.

#### *Stress testing*

The Working Group could **develop supply chain-wide stress tests in consultation with firms providing critical goods**, based on a range of scenarios and modelled loosely on that instituted in many countries in the aftermath of the 2008 Global Financial Crisis. These stress tests could be performed periodically to assess the resilience of the entire critical supply chain and involve participation by larger firms across the Pillar II membership. The results of the stress tests could be based on the data and modelling of participating firms, but subject to common guidelines and instructions as developed by the Working Group to ensure consistency and comparability.

In addition, Participants could explore options to better **incentivise companies operating in critical supply chains to undertake individual firm-level stress testing**, to account for their own idiosyncratic risks and unique business models. For example, Participants could **work with the insurance sector** to help ensure that firm-level supply chain stress testing is recognised in insurance markets, creating opportunities for firms undertaking such activities to potentially receive insurance discounts. This could include working with industry to streamline regulatory settings for the application of parametric insurance (where payouts are based on event parameters rather than economic loss) to supply chain disruptions.

#### *Sectoral-specific crisis response plans*

Informed by ongoing stress testing to identify vulnerabilities, the Working Group could **develop crisis response plans for identified critical supply chains**. The focus would be on developing both preparatory and response measures that strengthen Participants' ability to absorb supply chain shocks, but with sufficient flexibility to cater for a range of severe but plausible scenarios. Details could be developed in consultation with experts, and would be highly context-specific, but might include such options as:

- coordinated **temporary repurposing and conversion of production** across the Pillar II membership to address shortages in critical goods;
- **simplified custom duties and streamlined border processes** for critical goods, including accelerated efforts to remove non-tariff barriers and red tape for the import and export of effected critical goods;
- coordinated purchases and **joint procurement**, with a view to increasing Participants' bargaining power for purchasing critical goods on the global market;
- selective **regional stockpiling**, with an emphasis on supporting the development of data-driven inventory management to inform cost-effective decisions on access to storage and release of critical goods;
- short term measures for **sharing of critical goods** during emergencies;

- introduction of regulatory requirements or tax credits for **minimum stockholding obligations** for critical goods inventories;
- planning for, and facilitation of, **alternative maritime, rail and road routes** to alleviate transport disruptions;
- **shared access to shipping capacity** on existing routes, and for the loading / unloading of critical goods, during times of crises;
- national efforts to **prevent price gouging** or other predatory corporate behaviour in the provision of effected critical goods; and
- **public-private investments to address identified longer-term vulnerabilities** in the supply of critical goods.

The Working Group would be responsible for ensuring preparations remain up to date. Not all Participants would be expected to be involved in developing each crisis response plan – **participation would be on a voluntary, case-by-case basis**, depending on each Participant’s unique supply chain equities and the extent of their economic interests at hand.

Throughout all phases of the preparation process, the Working Group would be required to consider and seek to **minimise the potential distortionary impact of government intervention** on competition and markets for the supply of critical goods.

#### *Increasing industry transparency*

To support the preparation process, Participants could also **work with industry to increase the transparency of critical goods production data** in their jurisdictions, justified by these firms operating within sectors considered critical to public health, national security, the functioning of the national economy, etc. Depending on their national context, Participants could pursue voluntary initiatives (e.g. requests to industry for information) through to legal obligations requiring firms to report on the quantity and locations of their critical goods production, as well as their ratio of domestic production versus imports. Obligations could be scaled according to firm size / market share, to avoid becoming an excessive burden on smaller firms.

Participants could further **work with industry to map the Pillar II membership’s collective and individual country production capabilities** for each critical good, the extent of redundancy in production capacity and the scope to produce additional stocks in a crisis scenario.

#### *Virtual business-matching and information clearinghouse*

To accelerate firm-to-firm exchanges and information sharing across the Pillar II membership, Participants could consider establishing a **virtual IPEF marketplace to facilitate commercial transactions between manufacturers, suppliers, buyers and financiers in critical supply chains**. The platform could facilitate transparent business-to-business information sharing on supply and demand surges, as well as manufacturers’ excess or idle capacity, with this information then integrated into national supply chain monitoring capabilities. The platform could first be piloted (e.g. with a focus on one agreed critical supply chain) and later expanded if found to be useful and commercially viable.

#### 4. Commitment to respond

Participants could make a good faith **commitment to support and participate in Pillar-wide responses** to supply chain disruptions, as informed by crisis response plans.

**Any Participant could have standing to bring a supply chain concern to the Pillar II membership** for consideration, with the membership to **vote on whether the issue warrants activation of the relevant crisis response plan**. The IPEF Crisis Response Working Group could have overarching responsibility for implementation of crisis response plans, working closely with Participants and industry to adapt to flexibly adapt existing preparations to the situation at hand.

Participants could also agree to an overarching commitment to **not introduce unjustified unilateral measures** that could be reasonably expected to significantly affect another Participant's access to critical goods that are subject to a crisis response plan.

While the definition of "unjustified unilateral measures" could be subject to negotiation, this could include:

- **hoarding or indiscriminately stockpiling** of effected critical goods;
- **export controls** on effected critical goods; or
- **tariff increases** for effected critical goods.

A measure would **not be considered "unjustified"** where necessary for reasons of essential public interest (e.g. national security, health, biosecurity etc), maintaining a legitimate national stockpile or implementing a Pillar II sectoral response plan. This should be implemented to closely align with substantial existing WTO jurisprudence.

Once a Pillar II crisis response plan is activated, the **Pillar II national contact points could meet at an agreed regular interval** (e.g. once a fortnight) to support the work of the IPEF Crisis Response Working Group and facilitate smooth ongoing exchange of information.

## **Non-Paper on Opportunities to Demonstrate Tangible Benefits from the Indo-Pacific Economic Framework for Prosperity (IPEF)**

1 The Indo-Pacific Economic Framework for Prosperity (IPEF) affirms countries' commitment to a free, open, fair, inclusive, interconnected, resilient, secure, and prosperous region that has the potential to achieve sustainable and inclusive economic growth. As a forward-looking initiative, the IPEF presents an opportunity for us to go beyond the scope of a traditional FTA, and find new and creative ways to bring benefits to participating countries in all four pillars.

2 Unlike a traditional trade agreement, there are currently no plans to include market access commitments in the IPEF. Regardless, there is scope for IPEF participating countries to build a portfolio of pilots, use cases, and concrete projects to strengthen the IPEF's value proposition and demonstrate clear and tangible benefits for our workers, businesses, and communities.

3 This non-paper outlines suggestions for collaborative projects in key areas of cooperation, with a focus on the Trade and Supply Chain pillars (details at [Folio A](#)).

a) **Digital Economy (Pillars 1 and 2).** The digital economy is a large and growing source of growth and jobs. Helping MSMEs and workers participate in the digital economy will enable a broader segment of society to capture growth opportunities and bridge digital divides. IPEF partners can also develop high-standard rules and frameworks that foster an open, secure, and connected global digital trading environment. Initiatives of common interest could include:

- Enabling MSME digitalisation and digital skills development;
- Facilitating cross-border data flows and inter-operability of digital standards in areas such as e-payments, e-invoicing, and digital identities;
- Sharing of best practices and approaches in emerging areas such as AI governance.

b) **Trade Facilitation (Pillar 1).** Trade facilitation is one of the key areas in which the IPEF can concretely manifest tangible benefits in terms of smoother flows and reduced costs in trade for consumers and businesses across the board, especially for small and medium enterprises (SMEs). Predictable and efficient movement of goods across borders can be achieved through deeper cooperation among IPEF partners in trade and customs processes. Possible areas of cooperation could include:

- Enabling seamless trade by working together to deepen connectivity and interoperability between our trade systems; and
- Developing digital capabilities for trade processes and documentation.



WITHOUT PREJUDICE  
For discussion

- c) **Supply Chains (Pillar 2).** Given the complexity of global supply chains, countries are increasingly dependent on each other to secure their needs. The IPEF presents an opportunity for partners to work together to build trust, connectivity, and resilience in our supply chains. Possible collaboration could focus on establishing trust amongst IPEF partners; exploring new ways to enhance connectivity; minimise supply chain disruptions and hedge against future geopolitical stresses; and developing new systems and capabilities for supply chain resilience. These could include initiatives such as:
- Modelling a G2G crisis response mechanism to supply chain disruptions, based on existing good practices and initiatives;
  - Promoting smart manufacturing technology to support supply chain needs and improve attractiveness of manufacturing in the region, e.g. through information sharing sessions; and
  - Collaborating on digital frameworks to enable the collection, utilisation, and exchange of reliable data on supply chain logistics in a trusted and timely manner, e.g. technical proof of concept project on electronic bills of lading.
- d) **Capacity Building and Technical Assistance (CBTA) (all Pillars).** CBTA will be critical to support IPEF partners' efforts to meet commitments in the IPEF, and to support an inclusive, forward-looking, and positive agenda on economic cooperation in the IPEF. Collaboration in this area could include organising training programmes on issues such as trade facilitation; logistics and supply chain management; climate change and sustainability; and tax and anti-corruption.

4 Identified projects can serve as pathfinders in these areas. To generate momentum while maintaining inclusivity, these projects can be started by any number of like-minded IPEF partners in the first instance, while remaining open to subsequent involvement by other IPEF partners. We welcome ideas and suggestions from IPEF partners to further build on this.

\* \* \* \* \*

**Suggested projects**

Area	Scope	Description
Digital Economy	MSMEs Digitalisation and Workforce Development	<ul style="list-style-type: none"> <li>• Collaboration on best practices and approaches for helping MSMEs, digital skills frameworks and programmes for workforce development with an inclusive focus, in partnership with the tech sector.</li> </ul> <p><i>Examples of projects</i></p> <ul style="list-style-type: none"> <li>- Workshops on MSME digitalization; developing frameworks for digital skills</li> <li>- Partnership programmes to help entrepreneurs and workers acquire digital skills</li> <li>- Programmes to connect and develop women tech leaders across the region</li> </ul>
	Interoperability of Standards and Cross-border Data Flows	<ul style="list-style-type: none"> <li>• Foster technical interoperability and common standards between IPEF partners' adoption and implementation of digital payments, invoicing, and identities.</li> <li>• Collaboration and information sharing of data privacy regimes between IPEF partners.</li> </ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"> <li>- Workshops, roundtables, outreach programmes for IPEF partners interested in the APEC/Global Cross-Border Privacy Rules (CBPR) system, e.g. CBPR certification process; helping countries assess their participation in CBPR.</li> <li>- Workshops for IPEF partners interested in linkages of real-time payment systems (e.g. Singapore-Thailand linkage of Singapore's PayNow and Thailand's PromptPay real-time payment systems)</li> <li>- Workshops for IPEF partners interested in e-invoicing adoption (e.g. Singapore's InvoiceNow system which rides on PEPPOL international system which has also been adopted by AU, NZ, JP)</li> <li>- Explore use cases for the mutual recognition of digital identities such as for visa applications, college applications, and creation of bank accounts.</li> </ul>

WITHOUT PREJUDICE  
For discussion

<b>Digital Economy</b>	Cybersecurity	<ul style="list-style-type: none"> <li>• Cooperate and share information on digital security of products, including on the mutual recognition of labels for Internet of Things (IoT) consumer devices.</li> </ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"> <li>- <i>Knowledge exchange between cybersecurity agencies on regulatory best practices, e.g. schemes which enable consumers to identify IoT products with better cybersecurity specifications.</i></li> </ul>
	Emerging issues	<ul style="list-style-type: none"> <li>• Explore and share information on approaches towards AI governance/technologies.</li> </ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"> <li>- <i>Workshops on AI governance, e.g. on interoperable and industry-relevant standards for assessing trustworthiness of AI systems and managing AI-related risks to individuals, workers, organisations, and society.</i></li> </ul>
<b>Trade Facilitation</b>	Strengthening Connections	<ul style="list-style-type: none"> <li>• Enable seamless trade flows by deepening trade systems and customs connectivity.</li> </ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"> <li>- <i>Enhancing Authorised Economic Operator Mutual Recognition Agreements (AEO-MRAs).</i></li> </ul>
	Harnessing Digitalisation	<ul style="list-style-type: none"> <li>- Promote digitalisation of trade documentation and processes.</li> </ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"> <li>- <i>Pilot projects for exchange of electronic trade documents, e.g. electronic Sanitary and Phytosanitary (e-SPS) certification.</i></li> </ul>

WITHOUT PREJUDICE  
For discussion

<b>Supply Chains</b>	<b>Crisis Response Mechanism and Information Sharing</b>	<ul style="list-style-type: none"><li>• Reference risk management frameworks and guidelines from international organisations, such as International Civil Aviation Organisation (ICAO) for air transport, for benchmarks to allow swift recovery of operations related to supply chains.</li><li>• Exchange of information on supply chain disruptions, and government actions to improve visibility.</li></ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"><li>- <i>Proof-of-Concept project for a supply chain early warning system for selected critical goods.</i></li></ul>
	<b>Critical Sectors and Goods – Smart Manufacturing</b>	<ul style="list-style-type: none"><li>• Promote smart manufacturing technology to support supply chain needs and improve attractiveness of manufacturing in the region.</li></ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"><li>- <i>Information-sharing sessions on benchmarks and tools to help manufacturers in their digital transformation.</i></li></ul>
	<b>Supply Chain Logistics – Digital Frameworks</b>	<ul style="list-style-type: none"><li>• Collaborating on digital frameworks to enhance connectivity and interoperability among trade systems.</li></ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"><li>• <i>Technical proof of concept project on electronic transferrable records, such as electronic bills of lading (eBL) and workshops on adoption of laws for legal recognition of such records</i></li></ul>

WITHOUT PREJUDICE  
For discussion

<b>Capacity Building and Technical Assistance (CBTA)</b>	Capacity Building and Workforce Development	<ul style="list-style-type: none"><li>• Training programmes and people-to-people exchanges for sharing of knowledge, best practices and expertise.</li></ul> <p><i>Examples of projects:</i></p> <ul style="list-style-type: none"><li>- <i>Singapore offers the Singapore Cooperation Programme (SCP) for government officials on topics such as trade facilitation; dispute settlement; digital economy; industry 4.0; integrated logistics and supply chain management; and climate change and sustainability. It is also possible to work with other IPEF participating countries to curate customised courses of common interest.</i></li><li>- <i>The Singapore Tax Academy also offers training programmes on international tax.</i></li></ul>
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\* \* \* \* \*

(Non-Paper)

## Possible early harvest of Pillar 2 (supply chains)

※ This paper is to facilitate overall discussions for realization of cooperation “in an expeditious and steadfast manner” as mentioned in the IPEF Ministerial Statement. This paper does not prejudice any commitments of the Japanese government nor its official negotiating stance.

### 1. Scope of this paper

• This paper covers three paragraphs in the Ministerial Statement (underlined below)

1. Establish Criteria for Critical Sectors and Goods
2. Increase Resiliency and Investment in Critical Sectors and Goods
3. Establish an Information-Sharing and Crisis Response Mechanism
4. Strengthen Supply Chain Logistics
5. Enhance the Role of Workers
6. Improve Supply Chain Transparency

### 2. Way Forward

#### (1) Addressing the structural factor: dependence of consuming countries on supplier countries

• Consuming countries tend to depend on supplier countries (Ex. semiconductors, mineral resources).

Supplier countries tend to have little incentive to cooperate in information sharing. There may even be incentive to restrict supply to raise prices making most of the tight supply and demand situation.

⇒ In order to obtain active and wide participation from supplier countries and relevant industries, the following points are important:

- ① Creation of benefits for supplier countries and relevant industries
  - Sharing a list of companies capable of additional production during a time of crisis may broaden the customer base for those companies. These benefits will last even after the crisis.
  - Supporting initiatives by developed countries to promote investments in plants and equipment which can diversify the supply chain network will be an effective tool.
- ② No excessive obligations on supplier countries and relevant industries
  - Due attention to the sensitivity of corporate information such as price and inventory information in certain circumstances.

#### (2) Sharing expected benefits of the crisis response mechanism

- From the perspective of facilitating smooth cooperation from related supplier industries, sharing the expected benefits of the crisis response mechanism will be effective. Need to avoid the scenario that supplier industries imagine excessive obligations and hesitate to cooperate.

- Ideas for the expected benefits is as follows;

a) Promotion of matching in the time of a tight supply and demand balance

- Exchanging lists of companies that wish to purchase additional goods and lists of companies that can produce additional goods will expedite matching between countries under crisis.

- The effectiveness of exchange of lists depends on the scenario:

- ① Very high effectiveness in case of local shortages (Ex. A few IPEF members suddenly face shortages due to a natural disaster, etc.)

- ② Limited effectiveness in case of global or region-wide shortages (Ex. Natural gas and food shortages due to Russia's invasion of Ukraine; global semiconductor shortages; etc.)

⇒ Even in the limited effectiveness scenario, the following three benefits can be expected.

b) Aggregating voices among IPEF member countries to deliver messages in international context

- Ex. In case of product shortages that originate from a third country, it is more effective to request collectively.

c) Early identification and resolution of chokepoints

- Specifying a tiny choke point under chaos in an early stage can be a key to solve the supply and demand crisis. (Ex. We can recall the lockdowns in Malaysian semiconductor production bases)

d) Establishment of “information hubs” to alleviate confusion

- Ex. If individual companies such as ST Microelectronics in Malaysia approached the Malaysian government to relax the lockdown, their voice would not be heard. If, however, their requests were delivered through official channels such as the U.S. Embassy or U.S. Chamber of Commerce, it would increase the likelihood of appropriate action being taken, as the information would be delivered as a priority issue).

⇔ Also important to bear in mind that if we rely too much on “information hubs”, we might face information bottlenecks. (Ex. It is not realistic to centralize matching of individual company deals. It is important to pursue an appropriate balance by leaving matching of individual deals to companies. Limiting government actions to exchanging of lists of companies that wish to purchase additional products and companies that can produce additional products may work.)

### (3) Iteration of concrete and abstract

- Dilemma of participating countries: It might be easier to explain and also to understand a narrative if concrete goods are illustrated. However, it might be difficult to coordinate with the relevant authorities and industry associations at an early stage when the details of the mechanism have not been finalized.

⇒ To stimulate discussion, it might be a good idea to have a kind of brain storming session based on the premise that what a participating country says during negotiations, referring to specific examples, does not necessarily mean that it is officially reflecting the opinion of the relevant industry in that country.

(4) Crisis response mechanism may not need to be limited to critical sectors and goods

- It is difficult to predict what goods will be susceptible to the next disruption of supply (Ex. Urea shortage in South Korea could not be predicted).
- Establishing a cross-sectoral crisis response mechanism and applying the mechanism experimentally to about 5 sectors might be appropriate, in order to specify the necessary flow of information.



< categorizing actions in the Ministerial Statement into a matrix >

	Sector/goods specific	Cross-sectoral
Preventive Measures	<ul style="list-style-type: none"> <li>• <u>Establish criteria for critical sectors and goods</u></li> <li>• <u>Developing a process to identify</u> 1) the related raw material inputs, 2) manufacturing processing capabilities, 3) logistics facilitation, 4) storage needs</li> <li>• 1) <u>Identification of sole sources or chokepoints</u>, 2) strengthening of industries / <u>support of trade and investment in critical sectors</u> supply chain resilience strategies, and existing and develop suppliers, 3) promotion of diversification measures across the region including <u>technical cooperation and capacity building</u>, etc., 4) <u>promotion of circular economies</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Establish an Information-Sharing and Crisis Response Mechanism:</u></li> <li>• 1) Encouragement of the use of technology to facilitate <u>secure exchange of data</u>, 2) illustration of <u>information sharing process</u> of confidential documents, regulatory compliance, capability considerations of governments, 3) <u>designation of national coordination points</u></li> <li>• 1) Continuous <u>identification of mitigation measures</u>, 2) sharing of best practices and consideration of improvements of policies or processes, 3) engagement with relevant stakeholders.</li> </ul>
Crisis Response	<ul style="list-style-type: none"> <li>*<u>Crisis responses may not need to be limited to specific sectors/goods</u> (we cannot predict which sectors/goods will experience disruption)</li> <li>*We suggest <u>establishing a cross-sectoral crisis response mechanism and applying the mechanism experimentally to about 5 specific sectors</u> in order to specify the necessary flow of information.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Timely information sharing between government and private sectors</u> (promotion of appropriate function of early warning system and more efficient and effective responses)</li> <li>• <u>Facilitation of the efficient flow of goods and related services</u></li> </ul>

### 3. Conceptual idea of the Information Sharing and Crisis Response Mechanism

< Proposal for Preventive Measures >

#### (1) Identification of critical sectors and goods

- IPEF members will identify critical sectors and goods, and establish working groups\* (WGs) for each sector/good. \*We suggest not to assume participation from all IPEF members in every sector/good (=modular approach).

(Examples of Criteria)

- (i) Critical to national security, health and safety of citizens, prevention of significant or widespread supply disruptions from the point of view of economic resilience

- (ii) The majority of IPEF members participate in the WG  
(we may request IPEF members to specify an industry association in charge in order to participate in a WG)
- \* Starting with an abstract criterion with broad space and selecting about 5 sectors/goods to start with on a trial basis would be a practical approach.

## ( 2 ) Sector/goods specific preventive measures

- (i) Develop and share medium to long-term supply and demand outlooks of the sectors/goods concerned.
- (ii) Analyze 1) relevant raw material inputs, 2) manufacturing or processing capacities, 3) logistics facilitation, and 4) storage, and identify chokepoints and needs.
- (iii) Promote and support investments related to 1) decentralization of production sites that contribute to diversification of procurement and sale, 2) stockpiling, 3) logistics facilitation, 4) technical cooperation and capacity building, and 5) promotion and support of investments for circular economy and alternative materials.
- (iv) Establish emergency communication channels (both government responsible for critical sectors and goods, and relevant industry associations).

## ( 3 ) Cross-sectoral preventive measures

IPEF countries will establish communication channels for emergency.

### •Government to Government channels

- (i) Specify a national contact point that coordinate its domestic authorities
- (ii) Encourage use of technology to facilitate the secure exchange of data
- (iii) Establish an information sharing process that accounts for confidentiality, regulatory compliance, capability considerations of governments

### •Government to Business channels

- (i) Identify a department within the government to serve as a liaison to receive partner countries' information and requests
- (ii) Identify an information hub to aggregate opinions from companies operating in other IPEF countries  
(Ex. embassies, chambers of commerce)

•Participating members will promote and support investment in physical and digital infrastructure.

•Participating members will;

- (i) identify continuous mitigation measures,
- (ii) share best practices and consider process improvements etc., and
- (iii) engage with stakeholders.

< Proposal of the Crisis Response Mechanism >

( 4 ) Issuance of a “Declaration of Supply-Demand Emergency”

- A IPEF member (hereinafter referred to as “Declaring member”) may issue a “Declaration of Supply-Demand Emergency on a specified or non-specified good. (Ex. The US Government issues a Declaration on a shortage of semiconductors)
- Information in the Declaration of Supply-Demand Emergency
  - ① Tier 1 information (high priority)
    - (i) Specifications of the good in shortage (including standards required for importation)
    - (ii) Medium to long-term outlook for shortages (at least 3 months)
    - (iii) The cause of the shortage and the expected time required for resolution (if unknown, state as such)
  - ② Tier 2 information (if possible)
    - (iv) A list of companies (company names and contact information) that are willing to purchase the specified goods
    - (v) Measures taken by the Declaring member (Ex. relaxation of mandatory standards or omission of screening at the time of import, release of stockpiles, etc.)
    - (vi) Requests to other countries for measures that would lead to increased production (Ex. request from the US Government to identify factors leading to reduced supply/to relax lockdowns in Malaysia)
- The Declaring member will provide an update on information concerning (i), (ii) and (iii) at least once a month, and share it with other participating countries.
- When a Declaring member decides that the Declaration of Supply-Demand Emergency has been resolved, it will withdraw its Declaration of Supply-Demand Emergency to the other participating members.

( 5 ) Response to Issuance of a “Declaration of Supply-Demand Emergency”

- Members that receive a Declaration of Supply-Demand Emergency (hereinafter referred to as “Receiving members”) are expected to make an effort to submit the following information to the Declaring members as soon as possible (Ex. within approximately one week).
  - (i) List of companies capable of additional production (company names and contact information) \*Aggregation of voluntary offers to increase production
  - (ii) Projected additional production (recommended span of at least 3 months)
  - (iii) Measures to be taken by the Receiving member to increase production
  - (iv) Suggestions to the Declaring member

- The Receiving member is expected to endeavor to update and submit information on (i), (ii), (iii) and (iv) to the Declaring member on a regular basis (once a month is expected).

#### ( 6 ) Response to Global Shortage Scenarios

- Recipient countries may declare themselves to be a "Joint Declaring member " at any time during the period in which a member is issued if they themselves are also expected to experience a medium to long-term shortage. In such cases, the Joint Declaring member will provide the other participating countries with information (mandatory and optional) equivalent to (4) above on a regular basis.
- The Joint Declaring member may withdraw its Declaration to the other participating countries when it decides that the Declaration has been resolved.

#### ( 7 ) Improving transparency in introducing export restrictions

- It may be worth considering measures to improve transparency in introducing export restrictions.



Undersecretary for Policy, Planning and International Affairs <ouppia@denr.gov.ph>

4/1/22

## [URGENT AND CONFIDENTIAL] Work Programme of IPEF Pillar 2 (Supply Chains)

Maribel D. De Leon <MDDeleon@boi.gov.ph>

Wed, Nov 16, 2022 at 8:12 PM

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### Sent on behalf of Director Sandra Marie S. Recolizado

Dear Colleagues:

The Board of Investments (BOI), in its capacity as the Philippine lead for Pillar 2 (Supply Chains) of the Indo-Pacific Economic Framework for Prosperity (IPEF), would like to express its sincere gratitude to the inter-agency for the valuable inputs, support, and cooperation which lead to the finalization and

endorsement of the IPEF Pillar 2 Ministerial Statement during the Ministerial Meeting on 09 September 2022 in Los Angeles, California.

Following this, the United States conducted a Conceptual Discussion on 18 October 2022 as part of its preparatory discussions to have a detailed exchange on IPEF partner's aims to achieve under Pillar 2. From these discussions, the US will prepare a zero-draft text which will be discussed on the Chief Negotiators Meeting that will be held on 09-16 December 2022 in Brisbane, Australia.

While BOI has yet to receive the Pillar 2 zero-draft text from US, several non-papers (see enclosed) were submitted by IPEF Partners, i.e., Australia, Singapore, and Japan, which outline proposed elements, projects, and areas of cooperation under Pillar 2. These non-papers will also be discussed in the IPEF negotiations in December 2022.

In preparation for the 1<sup>st</sup> Round of IPEF Negotiations in December 2022, BOI is pleased to share with the inter-agency the Pillar 2 Work Programme below:

Time	Activity
<b>29 November (1500H-1700H)</b>	<b>Pillar 2 Inter-Agency Meeting</b>
05 December	Submission of inputs/comments from IA
09 December TBC	Pillar 2 Inter-Agency Meeting ( <i>in AU if needed</i> )
10-15 December	1 <sup>st</sup> IPEF Negotiations, Australia

To facilitate discussions during the Pillar 2 inter-agency meeting on 29 November 2022, BOI encourages the inter-agency to provide initial inputs/comments on the attached non-papers of IPEF Partners. You may also wish to provide list of possible areas of cooperation or offensive interests which the Philippines may request under IPEF Pillar 2. As a starting point, the inter-agency may refer to various engagements with IPEF Partners, e.g., the Working Group on PH-US Bilateral Strategic Dialogue (BSD), Trade and Investment Framework Agreement (TIFA), and US GSP, with the US. Inputs may include information on feedback/issues on IPEF markets (whether market access or non-tariff measures/barriers), current programs, areas of cooperation or Official Development Assistance (ODA), among others. We would highly appreciate receiving the agencies' initial comments/inputs **by 21 November 2022.**

The meeting invitation and zoom link for the inter-agency meeting will also be circulated in due course.

Should you have any questions/clarifications, please contact the PH IPEF Pillar 2 Secretariat through the following emails: Ms. Jollan Llana (JMALlana@boi.gov.ph), Ms. Maribel De Leon (MDDeleon@boi.gov.ph) or International Relations Division (boi-ird@boi.gov.ph).

The BOI looks forward to your continued support and cooperation.






Regards,  
Bel

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**5 attachments**

-  **LETTER\_20221116\_IA\_Work Programme of IPEF Pillar II signed.pdf**  
902K
-  **Annex A - IPEF Ministerial Statement - Pillar II (Supply Chains).pdf**  
3990K
-  **Annex B - IPEF Non-Paper on Pillar II - AU Proposal on Crisis Response Mechanism.pdf**  
132K
-  **Annex C - IPEF Non-Paper on Pillars I and II - SG Proposal on Cooperation.pdf**  
222K
-  **Annex D - JP\_NonPaper\_Possible\_Early\_Harvest\_of\_Pillar2.pdf**  
620K