

The Indo-Pacific Economic Framework for Prosperity (IPEF) Agreement Relating to Supply Chain Resilience (Summary)

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Background

- The U.S. led the launch of the IPEF and announced it at a summit meeting during President Biden's visit to Japan in May 2022.
- Negotiations on the "supply chain" area, one of the four areas under the IPEF, started at the IPEF ministerial meeting held in Los Angeles in September 2022.
- The substantial conclusion of the negotiations was announced at the IPEF ministerial meeting held in Detroit in May 2023, and it was the first concrete IPEF outcome.
- A signing ceremony was held at the IPEF ministerial meeting held in San Francisco in November 2023.
- The agreement will enter into force on February 24, 2024.

[Fourteen countries participated in the negotiations on the agreement: the U.S., Japan, Australia, New Zealand, the Republic of Korea, Indonesia, Singapore, Thailand, the Philippines, Viet Nam, Malaysia, Brunei Darussalam, India, and Fiji.]

Significance

- In the fast-growing Indo-Pacific region, the agreement will help Japan **to enhance the resilience of supply chains with like-minded countries in peacetime and emergency situations and to improve the international competitiveness of its industry.**
- This agreement is **the first multilateral agreement to stipulate specific collaboration procedures in the event of a supply chain disruption.**

Outline

The agreement stipulates the provisions mainly about the following initiatives.

- ✓ Facilitating cooperation to strengthen supply chains and promoting Parties' individual actions and regulatory transparency.
- ✓ Enhancing the role of workers in supply chains.
- ✓ Establishing new bodies concerning the agreement (IPEF Supply Chain Council, IPEF Supply Chain Crisis Response Network, IPEF Labor Rights Advisory Board, etc.).
- ✓ Addressing conflicts with workers' rights at individual facilities.
- ✓ Identifying critical sectors and key goods.
- ✓ Monitoring and addressing supply chain vulnerabilities.
- ✓ Responding supply chain disruptions.

Summary of Main Provisions of the IPEF Supply Chain Agreement

IPEF Supply Chain Council and identifying critical sectors or key goods by Parties

- Parties should **identify their critical sectors or key goods** in light of the impact of potential supply shortages, the level of dependency on single-source providers, etc.
- They should **develop action plans** providing recommendations to increase the resilience and competitiveness of critical sectors or key goods from among those **notified by at least three Parties**.
- An action plan should include recommendations to: **promote diversification of sources, relieve logistical bottlenecks, enhance connectivity, accelerate business matching with a particular emphasis on MSMEs, facilitate joint research and development, and minimize or remove impediments to trade.**

IPEF Supply Chain Crisis Response Network and addressing supply chain disruptions

- An **IPEF Supply Chain Crisis Response Network** should be established as a body serving as an **emergency communications channel during a supply chain disruption**.
- A Party may **request an emergency in-person or virtual meeting of the IPEF Supply Chain Crisis Response Network** in the event of a supply chain disruption.
- Upon its request for such emergency meeting, the Party should **share information on the impact and cause of the supply chain disruption as soon as practicable**.
- Each Party should **support another Party** in addressing a supply chain disruption to the extent possible, including: **sharing experiences in dealing with similar disruptions, encouraging the private sector to increase production, exploring and facilitating joint procurements and delivery of goods, and facilitating and identifying access to alternative shipping or air routes.**

IPEF Labor Rights Advisory Board and addressing conflicts with workers' rights at individual facilities

- An **IPEF Labor Rights Advisory Board** should be established as a body consisting of political, labor, and employment representatives of Parties. The Advisory Board should identify **any labor rights concerns that may pose a significant risk to supply chains, formulate recommendations** to address the risk, and **prepare and publish a report on labor rights**.
- A Party should establish a **mechanism** in which the Party will **receive an allegation of labor rights inconsistencies at a facility of a firm** (excluding those with 20 or fewer workers) **located in the territory of another Party**. The Party that has received the allegation (the notifying Party) should **make a notification to the Party in whose territory the subject facility is located** (the host Party). In response, the host Party that has received the allegation should **discuss it in accordance with its domestic laws and regulations** and then communicate the results of discussions to the notifying Party. Following this, the two Parties should **engage in dialogue to resolve the allegation**.
- If the host Party and the notifying Party do not reach a resolution within the predetermined period of time, a **subcommittee** of the government representatives of the Advisory Board should **disclose certain information** (excluding information that identifies a company or individual) and **develop proposals, etc. to encourage the Parties to pursue efforts toward a resolution of the allegation and address any negative effects.**