



Indo-Pacific Economic Framework Agreement (IPEF) Recommendations from the American Chemistry Council

The American Chemistry Council (ACC) welcomes the U.S. and other countries' intent to build closer economic ties with the fast-growing economies in the Indo-Pacific region. The IPEF has unique potential in advancing an economic agenda with the economies of the region that promotes free, fair, and open trade while enhancing supply chain resiliency and facilitating environmental sustainability. Strengthening trade, investment, and economic ties with the Indo-Pacific region will benefit Americans as well all IPEF economies. A high-standard, comprehensive agreement is the best way to advance our shared economic and strategic interests.

The U.S. chemical industry, with its significant and long-standing investments both in the United States and the Indo-Pacific region, can be an important bridge to ensuring meaningful progress in these discussions. In our previous submissions to the [Office of the United States Trade Representative](#) and the [Department of Commerce](#), ACC outlined general negotiating objectives, as well as some goals for specific IPEF chapters, to help set a course for discussions that would promote further opportunities for innovation and growth for U.S. chemistry production, exports, and workers. This paper complements those submissions with more detailed ideas of how the IPEF could expand market access and encourage greater investment in the United States and the Indo-Pacific region by increasing exports of more circular and sustainable technologies and expanding access to safer, sustainable practices that promote high-value job creation. While we offer these suggestions as ideas for further work, it is important that ACC and other similar stakeholders participate in ongoing developments and discussions as officials further craft potential IPEF outcomes. We welcome the U.S. and other IPEF economies' openness to further, transparent engagement. If the IPEF is to provide meaningful results, such outcomes will need industry expertise to make them pragmatic. The more transparent the operation of the IPEF negotiations, the more practical help we will be able to provide.

The U.S. chemical industry has a large and growing trade surplus and relies on free, fair, and open trade with IPEF economies. In fact, the chemical sector is the largest exporting segment of the United States, accounting for 10% of exported goods. Over 30% of the jobs provided by the U.S. chemical industry are export dependent. One of the keys to that success is a coordinated and convergent approach to chemicals management based on sound science and risk-based regulatory processes.

Good Regulatory Practices

Regulatory cooperation, a part of the Trade pillar of the IPEF negotiations, is a core component of expanding market access and increasing investment for chemical and plastic products in the U.S. and the Indo-Pacific region. Non-science, non-risk-based regulations are often used as a barrier to trade that harms U.S. businesses and exports and make us less resilient to supply chain changes or disruptions. As we are starting to see in several of the Indo-Pacific countries, divergent regulatory approaches can directly threaten valuable materials, material inputs, and trade, causing unintended consequences and commercial impacts across virtually every supply chain as well as greater dependence by such economies on approaches that are less sustainable for workers, human health and safety, and the environment.

A Good Regulatory Practices chapter should promote mutual acceptance of international standards and certification schemes for: chemical products; recycling of raw materials and essential goods; and direct internal coordination among IPEF government agencies to promote common approaches to these standards. Since chemicals are the building blocks of many products and technologies to promote greater supply chain resiliency and clean economy standards in the Indo-Pacific region, such coordination on chemical products will be especially important for the IPEF Agreement to have meaningful impacts.

In this area, the IPEF could build upon the work the U.S. chemical industry already does with countries in the Indo-Pacific region (such as through the ASEAN Regulatory Cooperation Project or “ARCP”) to promote an aligned and constructive approach to promoting sound science and risk-based principles for chemicals management. An appropriate agenda for the IPEF could be based on the success of that approach by including the following deliverables:

- **Developing consistent principles to existing inventories and approaches to chemical management**, using a risk-based approach to the assessment of chemical substances and chemical mixtures, especially those that are a priority for trade and supply chain resiliency. Principles that improve coordination and collaboration on chemical risk assessment and risk management methodologies, tools, and models, and on the development of specific chemical assessments should be highlighted.
- **Establishing clear and consistent risk assessment procedures that are based on sound science** and that do not threaten U.S. exports or supply chain resiliency. Early warning mechanisms for standards that may result in restrictions of the manufacture, import, or sale of key chemicals or materials before such standards are finalized should be encouraged.

- **Promoting the uniform adoption of the U.N. Global Harmonized System of Classification and Labeling of Chemicals (GHS)**, with a focus on supporting implementation in IPEF developing economies. This will not only help the longstanding efforts of the U.S. and other IPEF economies to harmonize the classification and labeling requirements for chemical substances but dissuade other economies adopting their own approaches to GHS implementation, which creates further divergences and market segmentation that negatively impact trade and supply chain resiliency for chemicals and downstream products.
- **Instituting greater cooperation on data sharing.** A request by one IPEF Party of another Party to share any available data or assessments on chemical substances, such as full data studies or robust data summaries, would particularly demonstrate the value of including regulatory cooperation in the IPEF agreement as well as build trust among regulators of the Parties with respect to sharing data and information.

Such deliverables would help spread and strengthen science and risk-based regulatory approaches while combatting discriminatory trade barriers, without undermining the ability of U.S. or other regulators to deliver smart, strong regulations at home. They could serve as an effective model to demonstrate the value of close regulatory cooperation to promote domestic economic growth and innovation and create new market and job opportunities. They will be especially fundamental to ensure a level playing field, especially for small businesses that need additional clarity and certainty related to regulatory compliance. Finally, they would help protect human health and safety, safeguard environmental innovation, cultivate resilient and strategically integrated global supply chains, and promote high value job creation, both in the United States and in the Indo-Pacific region.

Digital Economy

Another key chapter in the IPEF Trade pillar is on digital economy, which could also include digital and emerging technology issues. Investments in digital technology are one of the key ways U.S.-based chemical companies advance their manufacturing operations as well as better enhance the health and safety of our workforce. Digital trade generates data for regulatory compliance, technical innovation, workplace safety, and global customer management. It is why standards based on the free flow of data across borders are critical to chemical manufacturers.

For this reason, ACC would encourage the IPEF to include provisions that enable risk-based approaches to data privacy, ensure open cross-border data flows, and encourage global standards of cybersecurity requirements. Such provisions should prohibit data localization requirements, which act as a disincentive to investment and create obstacles for providing technical innovations to customers across the region. Promoting data flows essential for establishing and maintaining global value chains would strengthen chemical manufacturing while better serving local

customers across the Asia-Pacific region. It would also help encourage the adoption of standards for sharing digital information in supply chains that would enhance resilience and security while prohibiting unwarranted government restrictions on data flows and government involvement in network security.

Trade Facilitation

We are pleased to see that text-based discussions have already started on the Trade Facilitation chapter of the IPEF Trade pillar. IPEF provisions on trade facilitation should accelerate implementation of key provisions of the WTO Trade Facilitation Agreement (TFA) and go beyond the TFA to further streamline procedures and ease logistical impediments to the free flow of chemical and plastic products. Several ARCP projects and workstreams involving IPEF economies have already made progress toward these objectives and could be used as the basis for deliverables in this chapter or in a sectoral annex on chemicals.

In particular, expanding the exchange of customs declaration forms and e-Sanitary and Phytosanitary (e-SPS) Certificates, and creating dialogue forums between IPEF members (especially Australia, Japan, Korea, New Zealand, and the United States) could help further facilitate trade in the region and promote single windows and more electronic, automated systems for traders. Prohibitions on consular transactions and efforts to permanently adopt procedures during the COVID-19 pandemic that simplified and automated customs forms and other documentation requirements would be a simple way to expand beyond the TFA and build stronger customs cooperation in the Indo-Pacific region.

Clean Economy

The IPEF Clean Economy pillar could include provisions in many different chapters, such as environment and climate change, decarbonization, and clean energy. Such provisions should include or promote specific initiatives to accelerate the deployment of clean, low carbon products, and technologies that can help achieve common climate goals, including those that support the transition to a more circular economy and prevent pollution and environmental degradation. These would help IPEF economies, especially developing economies, obtain greater access to environmental technologies and solutions and help build more supply chains with countries having higher environmental standards. As the U.S. chemical industry has a distinct carbon efficiency compared to other major producing countries, the United States can be an especially crucial leader and bridge to ensuring progress in these discussions.

Deliverables should support a trade facilitative approach that fosters circularity and helps ensure the transition from waste products to commercial feedstock, thereby promoting significant economic activity and recovery both in the U.S. and the IPEF region. Encouraging greater investment in recycling technology, including the deployment of advanced recycling, would be

especially well suited to help address the environmental challenges of developing economies in the region. As many IPEF countries are already adopting national action plans on plastics, such deliverables would complement these plans by creating economic value for plastic waste (as feedstock) and spur investment and job creation in the Indo Pacific.

Provisions in this pillar could also promote principles, best practices, and technical assistance for the development of standards on:

- The recognition of post-consumer recyclates and pyrolysis oil as sustainable feedstock/raw materials;
- The development of recycled plastic standards;
- Common approaches to Extended Producer Responsibility (EPR) schemes;
- Efficient regulatory procedures to promote recycled content; and
- The deployment of recycling technology, including mechanical and advanced recycling.

Similarly, provisions for the environment and climate change chapter of the IPEF could include provisions that promote better coordination on carbon capture technology and carbon trade policy, such as by:

- Promoting investment in renewable energy (hydro, wind, solar, geothermal, and nuclear);
- Reforming the power distribution model to enable competition and easier access to renewable electricity;
- Investing in a regional power grid to improve resilience and market access to renewable energy; and
- Studying the potential of carbon capture and sequestration – and, if proven feasible, promoting assistance to develop the necessary infrastructure.

Some of these issues and their positive effects on facilitating circularity, reducing climate impacts, and promoting trade in environmental goods and services are currently being discussed in other fora in the region, such as the ARCP and the Asia-Pacific Economic Cooperation (APEC) workstreams. IPEF Deliverables in these areas would complement on-going discussions and help encourage further progress on WTO agenda items that support Trade and Environmental Sustainability. ACC participation would also help ensure that any national and regional approaches to sustainability (e.g., carbon border adjustments; extended producer

responsibility; recycling and circularity) are consistent with a rules-based trade system that does not diminish standards for human health, safety, or the environment.

Supply Chain Resiliency

IPEF economies have already begun to recognize the positive contribution of coordinated actions to mitigate and prevent future supply chain disruptions and secure critical sectors and key products. Work towards guiding principles, together with complementary and joint actions, could mitigate risks and advance the resilience of U.S./Indo-Pacific supply chains, while confirming our commitment to avoid unnecessary barriers to trade that negatively affect U.S. production or export opportunities.

Chemicals play a critical role in supply chains for many goods including semiconductors, power and telecommunication infrastructure, solar panels, rare earth magnets, and critical minerals. A secure and resilient supply of critical minerals is essential for the production of these goods. Other chemistries are also used in the manufacturing process that require expanded capacity to support continued growth. Such chemistries include, but are not limited to, P-Series Glycol Ethers, E-Series Glycol Ethers, Amines, and Oxo Solvents. These products are sold into several markets. Their availability, however, is often constrained because of strong demand and limited production, creating supply chain chokepoints. The IPEF could help to address such challenges.

As a start, we would encourage IPEF discussions to establish the following incentives as guiding principles and actions to produce chemistries crucial to the R&D and manufacturing of goods crucial to supply chains:

- Abundant sources of natural gas and natural gas liquids, the primary feedstocks and energy sources for manufacturing chemicals;
- Timely review and approval of new chemistries by IPEF regulatory agencies;
- Low cost imported intermediate inputs for chemicals production;
- Facilitation of high skilled labor;
- Access to worker training/retraining programs and strengthening of worker skills and safety knowledge;
- Strong protection of intellectual property rights, including trade secrets;
- Public-private partnerships for research and development of new low carbon, circular materials and technologies; and
- High standard protections for human health, safety, and the environment, including, where possible, increased transparency on product composition while protecting confidential trade secrets.

We would also encourage negotiations in this pillar to establish principles for each IPEF economy to work closely with regulatory and other agencies in their respective administrations to ensure that these incentives are implemented, such as by data sharing and developing consistent standards on chemicals used to produce these goods. For example, the impact of ongoing assessments on chemicals, such as those related to N-Methylpyrrolidone (NMP), Octamethylcyclotetra-siloxane (D4, 4,4'-(1-Methylethylidene)bis[2,6-dibromophenol] (TBBPA), Fluorinated Chemistries, Hydrofluorocarbons, and Phenol Isopropylated Phosphate (3:1) (PIP (3:1)), are crucial to the manufacturing, performance and safety of semiconductors. In addition, certain overly broad definitions of per- and polyfluoroalkyl substances (PFAS) and inadvertent restrictions on fluoropolymers would have a catastrophic impact on EV battery supply chains.

Finally, the IPEF offers a unique opportunity to develop guiding principles and actions to promote supply chains that provide concrete environmental and sustainable benefits and create new investment and economic value chains, including advancing worker skills. This pillar should emphasize work that explores the benefits of advanced recycling in promoting resilient supply chains and a circular economy, including ways to improve its uptake and availability through policies and regulations. Removing customs and other barriers to trade and investment in remediation and waste treatment and disposal services would help reduce the cost of cleaning up marine debris. Statements in support of non-discrimination in access to, and payment for, port services for foreign vessels engaged in clean-up, monitoring and research and removal of data localization requirements for the purpose of monitoring marine debris would also benefit these efforts, resulting in more resilient supply chains for the chemical sector and other downstream sectors which use such materials, including the automotive, aerospace, and renewable energy sectors.

Conclusion

With the right policies in place, the IPEF could help deploy innovative products of chemistry around the globe. These products help: protect our food supply; clean our air and water; make living conditions safer; and provide access to efficient and affordable energy sources and lifesaving medical treatments. While we recognize that partnerships with the IPEF economies may eventually require more comprehensive, rules-based, and binding commitments, we believe that our suggestions will increase prospects for resolving barriers to trade and investment, and spur innovation. Removing existing barriers and avoiding new ones will increase the number of workers who can benefit from more prosperous and interconnected commercial relationships in the region. ACC stands ready to serve as a source of information and experience in IPEF discussions to promote a more prosperous, resilient, and secure manufacturing industry. We are happy to provide even more specific ideas in these areas as negotiations progress.