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Sasakawa Peace Foundation USA

# Strengthening the U.S.- Japan Partnership in Asia

*The Promise of APEC*

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## Introduction

Soon, Japanese Prime Minister Yoshihide Suga will arrive in Washington DC as the first foreign leader to meet President Joe Biden in person since his inauguration. This summit meeting will follow the March 16 U.S.-Japan Security Consultative Committee (“2+2”) meeting between the American and Japanese Foreign and Defense Ministers in Tokyo. These two events coming so close together showcase the close partnership between the United States and Japan and the Biden Administration’s efforts to shore up ties with its close ally, Japan.

The U.S. President recognizes that the U.S.-Japan security alliance has served as the cornerstone of peace, security, and prosperity in the Asia-Pacific region for decades. He believes that it is in the United States’ own interest to work together with like-minded security partners for their mutual benefit. For its part, the Suga Government has enthusiastically welcomed U.S. efforts to reinvigorate its presence in the Indo-Pacific region.

Many other nations also appreciate the robust U.S. security presence in the region that the U.S.-Japan security alliance makes possible. However, these nations question whether U.S. commitment to the region goes beyond security matters to encompass actions to promote economic prosperity. The Biden Administration's reluctance to rejoin the region's most ambitious trade liberalization agreement, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), only reinforces these doubts.

In order to be taken seriously in Asia, the United States must recommit to active re-engagement in regional economic integration efforts even though U.S. domestic politics make rejoining CPTPP unlikely anytime soon. The United States and Japan, therefore, must look to other opportunities to work together with like-minded partners who seek to promote regional economic growth.

One such opportunity lies in reinvigorating APEC, the Asia-Pacific Economic Cooperation forum. APEC provides a unique platform for Japan and the United States to work together to shape new rules and strengthen norms governing international trade and investment and to build regional capacity to implement them. APEC remains a promising venue precisely because it groups the United States with other important economies around the Pacific Rim.

Founded in 1989 in Australia as an informal forum to promote regional economic integration, the member economies, including the United States, entered into a basic agreement – all participants would make efforts to liberalize regional trade and investment, while the more developed APEC members would help the less developed economies build capacity to benefit from regional economic growth. The forum received a major boost in 1993, when President Bill Clinton invited APEC leaders to Blake Island in Seattle, Washington, for the first APEC leaders meeting.

Over the decades of its history, APEC's non-binding approach to agreements among members has been both a strength and a weakness. While APEC is not a place to negotiate binding rules, the forum can serve as an "incubator" for new ideas. Since unanimity for pathfinder agreements is not required, like-minded economies can move forward with plurilateral efforts to implement new ideas voluntarily. In other words, a critical mass of APEC members can move forward together without being constrained by the least willing members.

APEC provides an ideal platform for the United States and Japan to work together to exercise strong leadership in a shared public-private partnership to promote economic integration and prosperity. They could partner with other regional leaders to take concrete steps to advance regional economic ties.

Two of APEC's great strengths are its "convening power" and its inclusion of both government and business representatives to work together to address shared challenges and build consensus on ways to promote sustainable economic prosperity. APEC's busy calendar of working-level and ministerial-level engagements provides a welcome opportunity for the United States and Japan to develop a regional consensus for shared actions.

Under the leadership of this year's host, New Zealand, APEC can serve as an important venue to advance the global trade liberalization agenda. New Zealand has prepared a work plan to sustain a resilient recovery from the global pandemic and many of its goals are congruent with those of Japan and the United States. New Zealand has proposed to reinvigorate regional trade liberalization efforts, address environmental challenges, and accelerate work to support the digital economy.

Another strength of APEC which is important for the United States and Japan is that the forum is one of the few international bodies that includes both China and Taiwan (known as Chinese Taipei in APEC settings) as full members. For the United States and Japan, APEC is an excellent venue to engage China because working together, the two economies can mobilize the support of other like-minded APEC partners to engage China in meaningful ways. Likewise, APEC members, including Japan, who are learning to live with and adapt to the U.S.-China competition, should welcome opportunities to participate with the United States in any APEC work that engages both superpowers to advance shared interests. Possibilities for collaboration with China in APEC include promoting resilience from natural disasters, protecting the environment, and combating climate change. China is an important global player on these issues, and the relevant APEC meetings could serve as a venue for the United States and Japan to engage China to develop ideas aiming toward agreements in these areas.

APEC is one of the few multilateral organizations where Taiwan enjoys full membership. APEC provides the only regular platform for the U.S. President and Secretary of State and the Japanese Prime and Foreign Ministers to directly engage senior Taiwan representatives. Japan shares the Biden Administration's goal to increase Taiwan's "international space" and APEC provides real opportunities to do so. APEC provides an ideal multilateral forum for Taiwan to engage its regional neighbors on a broad range of important topics precisely because it is already a full member. While undoubtedly, China will attempt to stifle Taiwan's participation in APEC, it will not succeed as long as the United States and Japan work together to resist these efforts.

The United States and Japan should work with Taiwan in APEC to strengthen regional capacity-building efforts. Taiwan's recent doubling of its contributions to APEC signaled its commitment to the forum's health, emergency preparedness, energy security, and trade facilitation platforms. It is active in committees across the board in APEC, engaging across the spectrum of the forum's activities.

Taiwan in partnership with the United States and Japan has already shown the capacity to provide meaningful technical assistance through the Global Cooperation and Training Framework (GCTF). Under the GCTF, Taiwan and the United States have co-sponsored workshops and training sessions on global health, preventing COVID-19-related crimes, protecting trade secrets and combating digital piracy, disaster prevention and mitigation, renewable energy, workforce development, artificial intelligence, women's empowerment, and cybersecurity. Japan has recently joined this capacity-building partnership and many APEC member economies including Canada, Malaysia, and the Philippines, have participated in these workshops. By bringing this work into the APEC context, the United States, Japan, and Taiwan could promote APEC's agenda with meaningful capacity-building work.

## A U.S.-Japan APEC Workplan

APEC with its strong government-business collaboration provides an ideal venue for the United States and Japan to achieve concrete results that promote the region's economic prosperity. Below are ideas on ways that the United States and Japan can strengthen and energize APEC processes, systems, structures, and tools to enhance economic growth.

### Health and Infection Diseases

Although each nation has taken different approaches to the COVID-19 pandemic, the region will not emerge from this crisis absent a global solution that creates the conditions for safe lifting of international travel restrictions and resumption of trade and investment flows. APEC could facilitate this process. For example, APEC could seek to establish best practices to facilitate travel of aircrews as they transport vaccines, medicines, and personal protective equipment. APEC could also promote a discussion on ways to facilitate essential movement of health personnel and businesspeople across borders while safeguarding against the spread of the virus.

APEC trade ministers could also build on G-20 trade ministers' commitments to limit the trade impact of emergency measures designed to tackle COVID-19. The APEC forum provides a venue for building a consensus on ways to facilitate trade in essential medical products including removal of export restrictions and reduction of tariffs on essential medical products and medicines. APEC could be a useful forum to build regional consensus for further work on these topics in the G-20 and the World Trade Organization.

The United States and Japan are already committed to strengthening capacity to address future health security threats in ASEAN. Japan is supporting a new ASEAN Centre for Public Health Emergencies and Emerging Diseases. The United States, through USAID, is supporting the creation of a Public Health Emergency Coordination System for ASEAN. The APEC Health Working Group could generate ideas and momentum to expand these efforts to mitigate the risk of a new pandemic. For example, APEC economies could consider coordination of their public medical stockpiles just as the United States coordinates with Japan, the EU, and Canada to manage our national petroleum stockpiles in the International Energy Agency. They could also promote diffusion of new technologies like telemedicine, encourage vaccination campaigns for other infectious diseases such as measles, and foster more medical and scientific exchanges among universities and research institutions. Taiwan has taken a step forward in this area with its ambitious APEC proposal on digital health or telemedicine. Taiwan's initiative could build capacity to help APEC economy healthcare sectors become nimbler in the face of current and future crises.

## Climate Change and the Environment

APEC could also serve as an important venue for the United States to work with other APEC economies to intensify efforts to protect the environment and address global climate change. Both the Biden Administration and the Suga Government have committed their countries to the ambitious target of achieving net-zero carbon emission by 2050. Both nations recognize that any meaningful multilateral action to mitigate the impact of climate change will require participation of China since it is the world's largest greenhouse gas emitter. The United States and Japan could work together to build upon APEC's existing program to foster renewable energies, reduce energy consumption, promote trade in environmental goods, collaborate on ocean and forest conservation, and help farming and fishing communities adapt to changing weather patterns.

## Digital Economy

In the Japan-U.S. Strategic Digital Economy Partnership, the two nations are working together to promote an open, interoperable, reliable, and secure digital economy. The United States and Japan could partner to promote these practices among willing APEC economies, particularly in the areas of rules governing privacy, security, and cross-border data flows. This work might ultimately lead to discussions of a regional digital economy provision into a negotiation among like-minded APEC economies.

The United States and Japan could also accelerate APEC's existing work in digitally-enabled trade facilitation. The APEC Alliance for Supply Chain Connectivity which brings together governments, development organizations, and the private sector should sustain its capacity-building work to help achieve the goal of a ten percent improvement in supply chain performance in terms of reduction of time, cost, and uncertainty in the region's supply chains. Digital systems have facilitated the movement of goods and services without in-person interactions, an important development in light of the COVID-19 pandemic. New Zealand has tabled proposals to facilitate these digital customs procedures that merit consideration.

The APEC Digital and Internet Economy Roadmap has already identified constraints that could be addressed to turn the COVID-19 pandemic into an opportunity by promoting common rules on cross-border data privacy rules, e-commerce, and emerging technologies. These constraints include lack of broadband access, restrictions on online payment systems, lack of digital identification systems, and restrictive services policies. APEC economies could expand cooperation with the private sector and other countries in the region to support high-quality digital connectivity projects drawing upon this existing work.

## Macroeconomic and Fiscal Policy Transparency and Financial Reforms

The APEC Finance Ministers Process (FMP) could serve as a venue for the United States and Japan to engage more actively with APEC members on policies to promote structural reforms in a post-pandemic environment. The United States and Japan should take advantage of the APEC FMP to sustain progress on

implementation of the APEC Connectivity Blueprint 2015-2025 which aims to enhance financial sector cross-border connectivity. The APEC FMP has already begun this work in 2020 under the leadership of Malaysia. The APEC Business Advisory Council (ABAC) process provides an excellent means to account for the views of the business community as APEC economies implement steps to accelerate recovery of the financial services sector after the pandemic.

Going forward the APEC FMP could also promote transparency by collecting and sharing information on each member's stimulus and long-term recovery packages. It could also promote a consensus on ways to strengthen the global financial safety net. The Finance Minister's Process could, for example, explore the extension of existing and establishment of new currency swap arrangements to mitigate currency outflows. Additionally, it could build consensus on better utilization of IMF financial resources at this critical time. Such international coordination and cooperation would help restore confidence to support future regional growth as the regional economy recovers from the impact of the COVID-19 pandemic.

## Travel

Tourism and business travel represent an important growth sector for economies around the Pacific Rim. APEC could facilitate information exchange and promote best practices among its members as they implement new policies to safely and gradually reopen their economies to international travel as the pandemic threat recedes. Although it will be difficult to reach a consensus due to the vastly differing situations among its member economies, APEC with its strong government-business linkages is an excellent forum for this discussion because policies on travel restrictions are best addressed cooperatively and in partnership among governments, businesses, and travelers. The travel and hospitality industry could share "best practices" to protect traveler and travel industry employee health. Governments could share information and develop a set of "best practices" or guidelines supported by medical evidence on preventive measures, vaccine campaigns, and disease surveillance measures to assist members in making decisions on steps to safely re-open their economies. Finally, governments and industries could also share ideas on government support for travel industry recovery. These discussions should help APEC economies restore travel and tourism linkages more quickly by learning from other member economies' "best practices" that are informed by sound public health considerations.

## Infrastructure

Overcoming infrastructure constraints to long-term growth is another challenge that could be addressed in APEC. The United States and Japan have already spent a great deal of effort to promote open, inclusive, transparent, economically viable, and environmentally and socially sustainable laws and regulations governing regional infrastructure finance and investment. We could work together in APEC to build upon the success of Japan's G-20 leadership in forming the Principles for Quality Infrastructure Investment. These principles aimed to establish common standards for financing and implementing sustainable infrastructure projects. For example, APEC could provide technical assistance to build recipient economies' capacity to independently evaluate proposed contracts and assess more broadly the financial and environmental impact of proposed infrastructure projects. The United States and Japan could work with Australia and others to gain member economy buy-in for existing work in the Infrastructure Transaction and Assistance Network and the Blue Dot Network. Taiwan has also expressed interest in working to promote these infrastructure capacity-building efforts in APEC.

## Energy

Japan-U.S. Strategic Energy Partnership is expanding cooperation with the private sector and third countries to support high-quality energy infrastructure. The APEC Energy Working Group provides an important forum for the two nations to expand this partnership in the region. This working group facilitates information and data exchanges, engages in joint research and development, and promotes open trade and investment. The United States and Japan could work together in this APEC Energy Working Group to build member capacity to strengthen domestic and regional energy security by providing technical assistance. They could also share regulatory "best practices" that would help APEC members implement structural reforms that will lower the carbon intensity of energy supply and use by facilitating the adoption of renewables and promoting adoption of energy-saving technologies.

## The APEC Opportunity

APEC presents a valuable opportunity for the United States to reenergize its involvement in the region's economic sphere. For Japan, APEC presents an opportunity to facilitate this process of U.S. re-engagement. As a first step, President Biden should take advantage of the annual APEC leaders meeting in

November 2021 to announce his vision for America's economic role in the region. Many APEC leaders will be eager to hear directly from President Biden about his plans to return to the region as a constructive participant at this summit meeting.

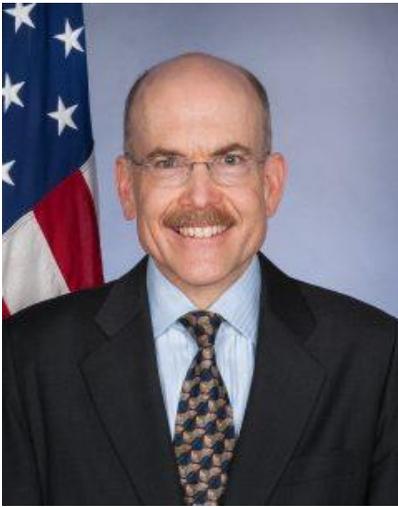
Second, the United States and Japan should work closely with Thailand, the 2022 APEC host economy, to shape the agenda as the APEC process moves from a virtual back to an in-person meeting format. This involves a firm American commitment to travel to the 2022 leaders and ministerial meetings, to engage actively in APEC work throughout the year, and to sustain the strong business-government linkages that form such a strong component of APEC's practical work.

Third, the United States and Japan should coordinate on offers to host the 2023 and 2024 APEC Economic Leaders Meetings, one nation following the other. There would be no better way to demonstrate our regional cooperation than by convening back-to-back APEC leaders' meetings in the United States and Japan. By offering to host the APEC 2023 and 2024 leaders' meetings, the two nations could seize a real opportunity to shape the APEC agenda, implement concrete steps to facilitate economic integration, and demonstrate our shared commitment to engage friends and partners in efforts to promote sustainable regional economic prosperity.

When President Biden greets Prime Minister Suga in Washington this month, they will discuss a range of challenges our nations face together. They will certainly address the economic policy component of our shared vision for a "Free and Open Indo-Pacific region." During this summit meeting, it is important for the United States and Japan to explore ways to take advantage of the APEC forum as a tool for advancing our shared interests. The Biden-Suga summit agenda must include discussions on ways for the United States and Japan to work together in APEC, in collaboration with other like-minded economies, to promote an open, rules-based regional order that will benefit the entire region.

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*Distinguished Senior Fellow (Non-Resident). Ambassador Zumwalt was the United States Ambassador to the Republic of Senegal and the Republic of Guinea Bissau from 2015 to January 2017. Previously, he was responsible for policy toward Japan and Korea as Deputy Assistant Secretary in the Bureau of East Asia Affairs. When the Great East Japan Earthquake and Tsunami struck Japan in 2011, Ambassador Zumwalt was serving as Deputy Chief of Mission at the U.S. Embassy in Tokyo, where he coordinated the United States' support for the Japanese Government's response to that crisis. During his 36-year Foreign Service career, Ambassador*

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