



New US-Japan Supply Chain Task Force Can Enhance Economic Cooperation in Southeast Asia

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On January 5, 2023, the Office of the United States Trade Representative (USTR) and Japan's Ministry of Economy, Trade, and Industry (METI) announced the launch of a new task force to promote human rights and international labor standards in global supply chains.¹ The task force, which was officially launched during METI Minister Yasutoshi Nishimura's visit to Washington last month, sets the stage for enhanced US-Japan cooperation in the field of business and human

¹ "United States and Japan Launch Task Force to Promote Human Rights and International Labor Standards in Supply Chains," Office of the United States Trade Representative, January 5, 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/january/united-states-and-japan-launch-task-force-promote-human-rights-and-international-labor-standards>.

rights—an area of growing importance to economic policymakers in both Japan and the United States.²

The establishment of the joint task force follows a number of high-profile announcements made by the Japanese government in this area over the past three years. In October 2020, Japan became only the second country in Asia to formally adopt a National Action Plan (NAP) on Business and Human Rights, a policy document that informs a government’s approach to responsible business conduct, and acts as a guide for domestic companies and their suppliers in adhering to emerging international standards.³ Most recently, in September 2022, METI unveiled a new set of voluntary guidelines for businesses called “Respecting Human Rights in Responsible Supply Chains,” which outline how Japanese companies can become more internationally competitive by conducting human rights due diligence (HRDD) that assists them in identifying and mitigating the human rights risks that may be present throughout their operations, such as forced labor.⁴

The METI guidelines were formulated after a government-commissioned survey found that more than 51 percent of Japanese businesses operating internationally expressed a desire for guidance in adhering to the United Nations Guiding Principles on Business and Human Rights (UNGPs), the most widely recognized international standards on responsible business conduct.⁵ The move also followed a poll conducted by the *Nikkei* which found that only 12 percent of Japanese companies actively screened for human rights risks within their operations, despite nearly 80 percent of those same companies viewing human rights violations as a growing reputational risk to their business.⁶

The Japanese government’s recent embrace of the business and human rights agenda is a highly strategic decision that holds many benefits. First, the formulation and promotion of guidelines in-line with international standards helps to boost the global competitiveness of Japanese companies

² METI, “Minister Nishimura Visits the United States of America,” January 2023, https://www.meti.go.jp/english/press/2023/0112_001.html.

³ MOFA, “National Action Plan on Business and Human Rights (2020-2025),” Oct. 2020, <https://www.mofa.go.jp/files/100173319.pdf>.

⁴ METI, “Release of Japan’s Guidelines on Respecting Human Rights in Responsible Supply Chains,” September 13, 2022, https://www.meti.go.jp/english/press/2022/0913_001.html.

⁵ METI, “Release on the Results from the Questionnaire Survey on the Status of Efforts on Human Rights in the Supply Chains of Japanese Companies,” November, 2022, https://www.meti.go.jp/english/press/2021/1130_002.html.

⁶ “Supply chain human rights abuses a blind spot for Japan: poll.” *Nikkei Asia*, June 29, 2021, <https://asia.nikkei.com/Business/Business-trends/Supply-chain-human-rights-abuses-a-blind-spot-for-Japan-poll>.

by reducing the growing political and reputational risks to their operations, especially as the United States grows increasingly concerned by the presence of forced labor and other labor abuses prevalent across global supply chains.

Of particular concern are the goods produced with the forced labor of Uyghurs and other ethnic minorities in China's Xinjiang region. Last year, the United States moved to implement a new law called the Uyghur Forced Labor Prevention Act (UFLPA), which officially banned all goods produced in the Xinjiang region from entering the United States under the 'rebuttable presumption' that all products produced in the region were produced with forced labor.⁷ The lack of available policy tools both in Japan and at the multilateral level to address the issue was at least part of the reason for the establishment of the new USTR-METI supply chain task force, according to media reports.⁸

Second, the promotion of the business and human rights agenda in Asia also helps Japan demonstrate its global leadership. In January 2023, Japan assumed the presidency of the Group of Seven (G7) countries on the heels of a recent commitment made by G7 leaders to eliminate forced labor from their supply chains and to eventually implement an "internationally accepted, binding standard for corporate due diligence."⁹ By promoting the sustainable development of emerging economies through the adoption of new standards on responsible business conduct, Prime Minister Fumio Kishida can not only raise Japan's profile as a global leader at this year's G7 Summit in Hiroshima, but also achieve one of his own foreign policy priorities — the advancement of his so-called "new capitalism" agenda.¹⁰

At a speech given at the Keidanren in June 2022, Gen Nakatani, Kishida's special adviser on human rights issues, noted that the Kishida administration's efforts to promote business and human

⁷ "Uyghur Forced Labor Prevention Act," U.S. Customs and Border Protection, October 25, 2022, <https://www.cbp.gov/trade/forced-labor/UFLPA>.

⁸ "Japan, U.S. to launch body to tackle human rights abuses," *The Yomiuri Shimbun*, January 5, 2023, <https://japannews.yomiuri.co.jp/politics/politics-government/20230105-81958/>.

⁹ Marti Flacks and Madeleine Sorgy, "Japan's Human Rights Guidelines for Companies Provide an Opportunity for Global Leadership," Center for Strategic and International Studies, May 19, 2022, <https://www.csis.org/analysis/japans-human-rights-guidelines-companies-provide-opportunity-global-leadership>.

¹⁰ "Prime Minister Kishida of Japan Outlines Vision for a New Form of Capitalism," World Economic Forum, January 18, 2022, <https://www.weforum.org/press/2022/01/prime-minister-kishida-of-japan-outlines-vision-for-a-new-form-of-capitalism/>.

rights standards in global supply chains was at least partially linked to its efforts to institute a “new form of capitalism” that uplifted all workers.¹¹ A recent essay penned by Keidanren Vice Chair Masaya Futamiya similarly laid out the case for using the new standards as an opportunity to build public trust, boost the international competitiveness of Japan, and to attract a strong pipeline of international talent to Japanese companies.¹²

For the United States, Japan’s embrace of the business and human rights agenda is welcomed, as it aligns well with the efforts of the Biden administration and US Trade Representative Katherine Tai to promote a “worker-centric” and “values-based” trade policy that protects and empowers workers across the globe.¹³ It also fits neatly into the so-called supply chain pillar of the new Indo-Pacific Economic Framework for Prosperity (IPEF) that the Biden administration is promoting to help develop new trade rules in the region. In the Ministerial Statement adopted by IPEF partners in Los Angeles last September, parties to IPEF’s supply chain pillar, including Japan, expressed their intent to increase supply chain resiliency by “promoting labor rights based on the ILO Declaration on Fundamental Principles and Rights at Work.”¹⁴

Among the planned activities of the new US-Japan supply chain task force are information exchanges on how to best implement human rights due diligence and assist companies to follow the UNGPs, discussions about enhanced bilateral coordination to eradicate forced labor from global supply chains, and consultations with stakeholders from civil society, academia, and industry to assess emerging operational and reputational risks for both American and Japanese businesses investing in emerging economies.¹⁵ Above all, the new task force and recent promulgation of other business and human rights initiatives that aim to improve the operating

¹¹ “Inception seminar outlines current and upcoming human rights due diligence for Japanese companies and their suppliers,” United Nations Development Programme, 18 July, 2022, <https://www.undp.org/asia-pacific/bizhumanrights/news/inception-seminar-outlines-current-and-upcoming-human-rights-due-diligence-japanese-companies-and-their-suppliers>.

¹² Masaya Futamiya, “Human Rights Issues for Business,” Keidanren, March 2022, https://www.keidanren.or.jp/en/journal/2022/03_kantougen.html.

¹³ “Fact Sheet: 2021 President’s Trade Agenda and 2020 Annual Report,” Office of the United States Trade Representative, 2021, <https://ustr.gov/sites/default/files/files/reports/2021/2021%20Trade%20Agenda/2021%20Trade%20Report%20Fact%20Sheet.pdf>.

¹⁴ The White House, “National Security Strategy of the United States of America,” October 12, 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

¹⁵ “Memorandum of Cooperation on the U.S. - Japan Task Force on the Promotion of Human Rights and International Labor Standards in Supply Chains,” Office of the United States Trade Representative, January 6, 2023, <https://ustr.gov/sites/default/files/2023-01/US-Japan%20MOC%20Text%20Task%20Force%20to%20Promote%20Human%20Rights%20and%20International%20Labor%20Standards%20in%20Supply%20Chains%20Jan%202023.pdf>.

environment for both Japanese and American companies in developing economies provide a unique opportunity for the allies to expand their bilateral economic cooperation in Southeast Asia – a key focus of both US and Japanese foreign policy over the next year.

Concurrent to marking the beginning of Japan's G7 presidency, January 2023 also marks the 50th anniversary of diplomatic relations between Japan and the Association of Southeast Asian Nations (ASEAN).¹⁶ To commemorate the occasion, the Kishida administration is formulating a number of new policy initiatives to spur sustainable economic growth across developing ASEAN economies. The "Asia-Japan Investing for the Future" initiative, officially unveiled in February 2022, for example, details Japan's plans to significantly expand the number of investment opportunities across the ASEAN region by transforming it into a hub for sustainable global supply chains that can attract greater Western investment.¹⁷ From that angle, Japan is well-positioned to promote emerging business and human rights standards across Southeast Asia, as the country remains a leading economic power in the region that hopes to maintain, and even expand, its strong existing ties with the ASEAN bloc.

To that end, Japan's Ambassador to ASEAN Masahiko Kiya, recently told the *Nikkei* in an exclusive interview that Japan hoped to upgrade its partnership with ASEAN in the coming months to a "comprehensive strategic partnership" in line with the United States and China.¹⁸ Kiya also alluded to the fact that Tokyo would re-double its efforts to expand its political and economic ties with Southeast Asian countries over the next year, most principally, to create tangible outcomes from the highly symbolic anniversary of its bilateral relationship with ASEAN.

The new US-Japan supply chain taskforce and the Japanese government's expanded embrace of the business and human rights agenda provides a further means by which Japan can cement its status as a high-quality donor of overseas development assistance, and a steward of the responsible

¹⁶ MOFA, "The 50th Year of ASEAN-Japan Cooperation and Friendship," December 22, 2022, https://www.mofa.go.jp/page23e_000631.html#:~:text=The%20year%202023%20marks%20the,made%20remarkable%20progress%20since%201973.

¹⁷ METI, "Asia-Japan Investing for the Future Initiative Announced," January 10, 2022, https://www.meti.go.jp/english/press/2022/0110_001.html.

¹⁸ Nana Shibata, "Japan weighs upgrade of ASEAN ties, following China, U.S.," *Nikkei Asia*, January 25, 2023, <https://asia.nikkei.com/Editor-s-Picks/Interview/Japan-weighs-upgrade-of-ASEAN-ties-following-China-U.S>.

economic development in ASEAN.¹⁹ In view of Japan’s recently revised National Security Strategy that redefines “security” to include economic security, it remains a strategic priority of the Japanese government over the next decade to expand investment opportunities and diversify supply chains in Southeast Asia to lessen both its and ASEAN countries’ heavy economic dependence on China.²⁰

For the United States too, Southeast Asia continues to grow in importance. The Biden administration’s National Security Strategy (NSS), released in October 2022, states that the United States hopes to actualize its vision of a ‘Free and Open Indo-Pacific’ by “seeking deeper bonds with Southeast Asian partners...that will expand its “regional, diplomatic, development, and economic engagement...”, further signaling the Biden administration’s willingness to economically engage Southeast Asian economies.²¹

The new taskforce and enhanced bilateral coordination on business and human rights provides ample opportunities for the allies to expand their economic footprint in ASEAN, and it can also be an impetus for expanded Western investment at a time when doubt over the quality of Chinese investments throughout the region continues to grow.²² New policy measures to achieve these goals, such as reforms to both countries’ NAPs, the implementation of new due diligence policies, and the addition of focal points on business and human rights issues within both METI, the National Security Secretariat, and their counterparts within the US government can all help to create more resilient and sustainable economies in Southeast Asia.

¹⁹ Cameron Hill, “Aid’s quiet achiever? An update on Japan’s development assistance,” Development Policy Centre, June 9, 2022, <https://devpolicy.org/an-update-on-japans-development-assistance-20220609/>.

²⁰ Kei Koga, “Japan’s Policy Toward ASEAN in 2023: Opportunities and Challenges.” Stimson Center, January 25, 2023, <https://www.stimson.org/2023/japans-policy-toward-asean-in-2023/>.

²¹ MOFA, “Ministerial Statement for Pillar II of the Indo-Pacific Economic Framework,” September 2022, <https://www.mofa.go.jp/files/100391689.pdf>.

²² Ryan Dube, “China’s Global Mega-Projects Are Falling Apart,” *The Wall Street Journal*, January 20, 2023, <https://www.wsj.com/articles/china-global-mega-projects-infrastructure-falling-apart-11674166180>.

The US-Japan NEXT Alliance Initiative is a forum for bilateral dialogue, networking, and the development of joint recommendations involving a wide range of policy and technical specialists (in and out of government) to stimulate new alliance connections across foreign, security, and technology policy areas. Established by Sasakawa Peace Foundation USA with support from the Nippon Foundation, the goal is to help improve the alliance and how it serves shared interests, preparing it for emerging challenges within an increasingly complex and dynamic geostrategic environment. Launched in 2021, the Initiative includes two overlapping lines of effort: 1) Foreign & Security Policy, and 2) Technology & Innovation Connections. The Initiative is led by Sr. Director James Schoff.
