

APEC summit 2023: The future of climate and trade policies in a world of geopolitical divides

Co-hosted by the Brookings Institution & the Japan Economic Foundation
November 13, 2023

EVENT SUMMARY

On November 13, 2023, the Center for East Asia Policy Studies (CEAP) at the Brookings Institution and the Japan Economic Foundation (JEF) co-hosted a public event titled “APEC summit 2023: The future of climate and trade policies in a world of geopolitical divides.”

This year’s Asia Pacific Economic Cooperation (APEC) summit, held in San Francisco the same week of this public event, hosted the leaders of 21 member economies to address several new challenges: Russia’s invasion of Ukraine has created upheaval in energy markets, U.S.-China tensions has stalled cooperation on climate change between two of the largest greenhouse gas emitters, and the weakening of the rules-based trading system has led to increased use of tariffs, technology restrictions, and other means of economic coercion that create complications for all economies.

CEAP and JEF convened a group of experts to assess the goals and potential outcomes of this year’s APEC summit and discuss whether APEC members could forge a path toward effective policies to sustain a green transition and preserve an open international economic system while building resilient supply chains. The first panel discussion focused on climate change and energy security, and the second panel addressed the international trading system and supply chain resilience.

The event began with the Chairman of the Japan Economic Foundation, Masakazu Toyoda, providing opening remarks, emphasizing the importance of collaboration in international economic affairs. Toyoda stressed that there is no single country which is not affected by the global challenges outlined above, and that we are observing a world where politics and economy are closely linked. He urged major global economies to meet at APEC and elsewhere to find the right direction to go forward, search for ways to ease the effects of climate change for developing economies while considering realistic energy sources, and maintain a world order that is “fair” in which governments play by the rules agreed upon internationally.

The first panel featured Jonathan Elkind (Senior Research Scholar, Center on Global Energy Policy, Columbia University), Jennifer Sklarew (Assistant Professor, Environmental Science & Policy Department, George Mason University), and Yukari Niwa Yamashita (Managing Director, Energy Data and Modelling Center, The Institute of Energy Economics, Japan), and was moderated by Samantha Gross (Director of the Energy Security and Climate Initiative & Fellow with Foreign Policy, Brookings Institution). The panelists discussed the importance of addressing climate change, energy security, and the need for a just transition to green technologies and policies in the energy sector.

The panelists emphasized the significance of regional and global collaboration, as well as the role of technology transfer and economic considerations in addressing critical mineral supply chain security.

One panelist contended that, in addition to overcoming issues of self-interest, there is a need for effective trading systems in order to successfully address climate change. This centrality of trade was demonstrated before in the adoption of past new technologies such as LEDs. It was also asserted that despite U.S.-China geopolitical tensions, no solution to climate change will work without China being part of the solution.

It was also highlighted that APEC has a long history of cooperation based upon agreements that are voluntary, non-binding, and consensus-based, and its coverage is uniquely vast. One expert argued that having a variety of platforms—APEC, the Indo-Pacific Economic Framework for Prosperity (IPEF), and other fora—with common members creates a multilayered framework that is important to ensure action is actually taken to address global challenges in energy and climate.

However, differences in energy and climate policy and resources have created divides between regions, economies, and even within countries. One such example is the increased need for critical minerals to create the batteries and motors required for worldwide electrification, when currently such minerals are unevenly distributed. Critical mineral refinery capacity in particular is concentrated in China, and so this situation is rapidly becoming an economic security concern for the U.S. and others. Additionally, the importance of fossil fuels during the transition period was emphasized, as was made clear during the energy crisis immediately after the invasion of Ukraine.

One speaker asserted that it is crucial to think beyond traditional engineering resilience or restoration of infrastructure and supply chains to their prior functionality after pandemic and geopolitical shocks. Three other aspects of resilience must be considered to ensure a just transition for both developing and developed economies to achieve APEC's energy and climate goals: ecological resilience, social resilience, and economic resilience. Improving energy efficiency and considerations for employees' rights were also discussed.

In the question-and-answer session with the audience, the panelists highlighted the importance of the role of the circular economy and integrating nature-based solutions and sustainable urban planning practices into modern energy and climate initiatives. The panel concluded with a discussion on the potential outcomes of the APEC summit and the importance of successful collaborations between major economic actors.

The second panel discussion focused on various aspects of international trade, including economic nationalism, digital trade and commerce, trade agreements, labor issues, and the role of multilateral organizations, including APEC and the World Trade Organization (WTO). It featured Kojiro Fujii (Partner, Nishimura & Asahi), Tsuyoshi Kawase (Professor, Faculty of Law, Department of Legal Studies of the Global Environment, Sophia University), Inu Manak (Fellow for Trade Policy, Council on Foreign Relations), and Mireya Solís (Director of the Center for East Asia Policy Studies & Philip Knight Chair in Japan Studies, Brookings Institution) and was moderated by Naoyuki Haraoka (Executive Managing Director, Japan Economic Foundation).

On U.S.-China competition and economic nationalism, one panelist highlighted the United States' focus on industrial policy based on national security through legislation, including the Inflation Reduction Act and the CHIPS and Science Act, and the fragmentation of the international trading system.

The impact of energy and security issues on international trade was also a key point of discussion among the experts. The panelists underscored the importance of maintaining a balance between liberalizing digital commerce and preserving state digital policy autonomy.

While previewing the upcoming APEC summit in San Francisco, the panelists stressed the need for the grouping to promote economic integration and serve as a platform for addressing challenging issues. APEC will be a prime opportunity for the United States—as host—to put forward a vision for economic engagement and messages on the themes of resilience and sustainability amid the threats of climate change, food insecurity, and the different shocks brought on by conflicts in Europe and the Middle East. The panelists also explored the potential for APEC to contribute to the restoration of a rules-based global economic system and the challenges and opportunities given the current geopolitical situation.

Beyond APEC, the speakers also examined the possibility of the United States rejoining the Trans-Pacific Partnership (TPP) and the importance of addressing labor adjustment and compensation for trade liberalization winners and losers. On IPEF, the experts considered the role and enforcement of labor rights in strengthening supply chains and the potential impact of the IPEF supply chain agreement on workers' rights.

In addition to labor issues, the speakers shared insights into the emerging convergence between national security and economic security in the context of digital trade. There was acknowledgement that the TPP was the first important attempt to establish norms on digital trade and created the framework, with slight variations, for the trade agreements that followed it. Regarding the present day, the experts discussed the implications of national security measures on data governance and underscored the need for a carefully calibrated approach to security exemptions in trade agreements.

Adding to the conversation on norms and standards, the group evaluated the possible accession of new members, including China, to the updated TPP, the Comprehensive and Progressive TPP (CPTPP). There was agreement that it is important to consider an applicant's track record and compliance with existing rules and standards before initiating the accession process.

During the question-and-answer session, the panelists were asked if they had any insights on the joint-lecture at Stanford University featuring South Korean President Yoon Suk-yeol and Japanese Prime Minister Kishida Fumio. One panelist viewed it as another opportunity for continued rapprochement and to discuss boosting supply chains in ammonia.

The event concluded with remarks from Mireya Solís, representing Brookings, thanking the panelists and audience for joining the event and JEF for co-hosting.