

26 April 2019

H. E. Roberto Ampuero

Chair, Meeting of APEC Ministers Responsible for Trade
Minister of Foreign Affairs
Chile

Dear Minister Ampuero:

On behalf of the APEC Business Advisory Council, I am pleased to submit our views on developments that impact on our shared goals of promoting sustainable and inclusive economic growth and prosperity in the region and offer our recommendations to achieve these goals.

The goals of sustainable and inclusive growth are only achievable through free and open markets for trade in goods, services and investment flows. We urge APEC Ministers to continue to support free and open trade and investment.

We believe that addressing the following key issues would achieve these goals:

World Trade Organization (WTO)

There is a pressing need to address the uncertainty arising from trade tensions and from concerns relating to current challenges confronting the rules-based multilateral trading system.

WTO rules enable businesses to operate with greater confidence and at lower cost in world markets by reducing protectionist barriers and behind-the-border distortions. Trade rules enforced through binding dispute settlement have to a large extent provided crucial certainty for business planning and investment. The WTO has also fostered economic growth and helped alleviate poverty around the world.

Business support for this system is unwavering. However, ABAC recognizes that the WTO system, and its predecessor the GATT, now nearly 70 years old, need reform to aspects of their judicial, rule-making and administrative functions, including to the dispute settlement system, transparency mechanisms, unfinished business from the Doha Round, new initiatives to better reflect 21st century business needs and models, non-tariff barriers and the development of new rules in specific areas by members willing to move ahead in those areas while consistent with WTO principles.

We urge APEC Ministers to engage constructively to support and reform the WTO, including to reflect evolving business needs and models. Absolute determination and constructive engagement should be APEC's commitment in this endeavor. Approaches must be consistent with WTO principles and should be undertaken with a view to serving as building blocks to consensus multilateral outcomes in the future.

Bogor Goals and APEC Post 2020 Vision

ABAC supports a continuation of the direction forged by the Bogor Goals of free and open trade and investment in the region by 2020. Moving forward, there is a need to recommit to achieve the Bogor Goals and acknowledge the changes that have occurred to our economies and our businesses in recent years.

ABAC Chile Secretariat

Chile-Pacific Foundation

Av Los Leones 382, Oficina 701, Santiago, Chile

Tel: (562) 2334 3200 Fax: (562) 2334 3201

E-mail: abacchair2019@funchilepacifico.cl

To that end, we recommend that APEC address the unfinished business of the Bogor Goals in a way that takes into account the opportunities of technology and new ways of doing business. This work should include: (i) a focus upon the needs of the digital economy including digital trade; (ii) the critical role of services sectors and the urgent need to reduce regulatory and other non-tariff barriers to trade; (iii) the need to foster an environment that promotes investment flows; and (iv) support for regional trade agreements that will deliver trade and investment opportunities as well as promote free and open trade.

Our work should ensure that these opportunities are accessible by all our economies, and by all businesses, and enable micro, small and medium enterprises (MSMEs) as well as women, people living in poverty, and people with disabilities to fully participate and prosper. Our goal is that trade benefits all our communities and that those benefits are well understood and recognized.

In that connection, we welcome the work underway to articulate an APEC Post-2020 Vision. We are eager to contribute further to the development of the Vision. ABAC's aspiration is for a dynamic, seamless, resilient, inclusive and sustainable "Asia-Pacific economic community", capable of and committed to improving equity and inclusion and ensuring non-discrimination.

We urge APEC economies to incorporate ABAC's ideas into the Post-2020 Vision, including the concept of the non-binding, voluntary "Asia-Pacific economic community", which can be expressed most importantly (but not exclusively) by a Free Trade Area of the Asia-Pacific (FTAAP), and by an interwoven supporting network of policies and principles developed collaboratively by APEC economies.

Free Trade Area of the Asia-Pacific

We reiterate our support for the FTAAP and the direction provided by Leaders in the Lima Declaration and we will develop an additional program of trade topics of specific importance to business for inclusion in an eventual FTAAP. The FTAAP pathway agreements (Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP) and Pacific Alliance) in recent years have provided progressive development of key trade issues and each could contribute to the development of FTAAP.

We urge Ministers to accelerate progress towards realizing FTAAP and instruct officials to move forward with implementation of the Lima Declaration work program.

Foreign Direct Investment (FDI)

While FDI is an important enabler of the digital economy, the investment policy landscape has not kept pace with advances in technology. New technologies such as artificial intelligence (AI), Big Data and cloud computing are accelerating the rise of global value chains making it easier than ever for MSMEs and entrepreneurs to reach global markets. There remain important policy challenges that impede business investment in the digital economy. As trade, investment and services are increasingly intertwined in a digital world, the presence of barriers to FDI in services remains an important constraint.

We call on APEC economies to reduce these barriers by supporting efforts to update domestic and international FDI rules to incorporate digital economy issues.

Internet and digital economy

APEC economies must take advantage of the opportunities offered by the internet and digital economy. ABAC welcomes the adoption of the Internet and Digital Economy Roadmap and calls for its expeditious implementation involving both the public and private sectors.

In this regard, we urge APEC to settle the procedural issues relating to the formation of the Digital Economy Steering Group quickly, so that the Group can proceed to develop the work program.

We support comprehensive and ambitious outcomes for setting rules for e-Commerce in the WTO, drawing from APEC's own work, and urge economies to accelerate efforts to achieve the

seamless facilitation of cross-border e-Commerce. We also urge the remaining APEC economies to join the WTO negotiations on trade-related aspects of e-commerce.

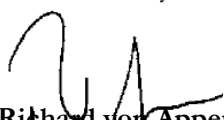
Services trade and investment

Services trade and investment continues to be of critical importance to APEC economic growth, providing significant opportunities for MSMEs.

In this regard, we call on APEC to press on with the speedy development of the APEC index on measuring the services regulatory environment, including expediting the budget approval for the pilot phase for the development of the index. We also recommend that APEC and ABAC enhance coordination and collaboration to strengthen the services agenda and push for progress in the implementation of the APEC Services Competitiveness Roadmap (ASCR), with focus on: (i) enhancing data and regulatory transparency, (ii) facilitating and promoting the growth of key enabling service sectors such as education, logistics and global distribution, environmental, tourism, and mutual recognition of qualifications of professionals, and (iii) the digitalization of services.

I look forward to discussing these recommendations with you in further detail at your meeting in Viña del Mar, Valparaiso in May.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R. von Appen', written over the printed name.

Richard von Appen
ABAC Chair 2019

Progress Report to APEC Ministers Responsible for Trade on Relevant ABAC Initiatives

1. **Supporting the multilateral trading system.** The WTO's multilateral trade rules have underpinned over 70 years of global prosperity and helped create dynamic opportunities for all, including developing economies. Key WTO principles including progressive market opening, fair competition and non-discrimination, economic development and the protection of the environment, have been embraced by APEC economies as we have deepened and strengthened regional economic integration. Our businesses and communities have benefited directly from the WTO. WTO rules enable businesses to operate with greater confidence and at lower cost in world markets. WTO members' commitments open up new opportunities by reducing protectionist barriers and behind-the-border distortions. Binding dispute settlement mechanisms enable trade disputes to be resolved effectively, and provide crucial certainty for business planning and investment.

Recommendation:

- Engage constructively to support and reform the WTO, including to reflect evolving business needs and models. Absolute determination and constructive engagement should be APEC's commitment in this endeavor. Approaches must be consistent with WTO principles and should be undertaken with a view to serving as building blocks to consensus multilateral outcomes in the future.

2. **Addressing protectionist policies.** ABAC is deeply concerned that protectionism and closed markets remain very real risks to the economic prosperity of our region. These conditions jeopardize APEC's long-established stability and prosperity by choking trade and investment flows and negatively impacting not just businesses but also consumers and our communities.

Recommendations:

- Continue to support free and open trade and investment and deepening regional economic integration, particularly given the imminence of the Bogor deadline and deliberation on a future vision for APEC, including by reducing tariffs, addressing non-tariff barriers to trade and supporting flows of cross-border investment and the development of value chains that enhance productivity and innovation around our region.
- Apply the APEC Cross-cutting Principles on Non-Tariff Measures and Non-Tariff Barriers in current and future policy and regulatory approaches, including in an eventual Free Trade Area of the Asia-Pacific (FTAAP), to help to unlock the benefits of trade for all, empower small businesses and entrepreneurs, with particular focus on women and other minority-owned businesses to be more successful across borders.

3. **Fostering a transparent, predictable and consistent regulatory framework for investments in digital infrastructure.** Digital technologies have transformed business models and international commerce. Over the last few decades, the adoption of information and communication technologies has given rise to global value chains (GVCs) allowing production across borders. More recently, the use of new technologies like artificial intelligence (AI), Big Data and cloud computing have accelerated the pace of GVCs bringing even more opportunities for micro, small and medium enterprises (MSMEs) and entrepreneurs to reach global markets.

However, there remain important policy challenges that impede business investment in the digital economy. As trade, investment and services are increasingly intertwined in a digital world, the presence of barriers to foreign direct investment (FDI) in services remains an important constraint. Further efforts need to be made to lower the costs and complexity for firms. There is a need for international cooperation to enable the free and secure flow of data while also addressing privacy concerns.

While there are important policy considerations involved in screening foreign investments, it is also important for investors to have transparency and predictability in the process. An approach to investment screening based on the principles of non-discrimination, transparency of policies, predictability of outcomes, proportionality of measures and accountability of implementing authorities is recommended.

Recommendations:

- Promote competitive, transparent, fair and non-discriminatory policy environment for investment in digital infrastructure and provide users broader options in the market.
- Foster innovation and commercialization of new technology in digital trade.
- Encourage international cooperation on defining common approaches to cross-border data flows including with respect to measures that address privacy, cybersecurity and consumer protection.
- Update domestic and international investment regimes from the analogue era to incorporate digital economy issues.
- Develop a Statement on Principles to guide the screening of foreign investment in APEC economies, akin to the example set by the Organization for Economic Cooperation and Development (OECD) Guidelines on Investment Policies relating to national security.

4. Strengthening the services agenda and pushing for urgent action in the implementation of the APEC Services Competitiveness Roadmap (ASCR). Services trade and investment is critically important to APEC economic growth. With the onset of the digital economy and Industry 4.0, not only is liberalization and facilitation of the services sector important, but the urgent transformation of the services sector must also occur to ensure manufacturing in APEC remains competitive. ABAC remains committed to, and prioritizes assisting APEC in, advancing the implementation of the ASCR to maximize the full potential of the services sector in generating income, employment and economic opportunities for APEC economies.

Recommendations:

- Support the successful implementation of the ASCR by (i) enhancing data and regulatory transparency on services trade; (ii) facilitating and promoting the growth of key enabling services sectors; and (iii) strengthening collaboration and coordination between public and private sectors to ensure that services policies and regulations are practical and relevant to businesses in the region.
- Develop the APEC index on measuring the service regulatory environment.
- Expand the APEC Trade Repository (TR) to include the APEC Services Trade Access Requirements (STAR) database to increase transparency and reliability of information on the regulatory requirements to offering services abroad for businesses. Alternatively, if a direct incorporation of the STAR Database into the APEC TR is not technically feasible, APEC should include in its work plan for the APEC TR enhancement efforts to start listing services policies and regulations for each APEC economy starting with the services sectors that will be covered in the pilot program for the development of the APEC index.
- Focus on the following services sectors of relevance to business in the implementation of the ASCR: logistics and global distribution, education, environment, tourism, mutual recognition of qualifications of professionals, and the digitalization of services trade.
- Strengthen communication and collaboration between public and private sectors through public-private dialogues (PPDs) to ensure that policies and regulations in implementing the ASCR are aligned with business needs and interests.

5. Progressing pathways to FTAAP. We are committed to free and open trade and removal of protectionist measures in the region as the best option to deliver sustainable and inclusive growth and prosperity to all our economies and lift our peoples to higher standards of living. While we recognize that it is a long-term vision, ABAC supports realization of FTAAP as a central element in achieving those goals.

ABAC is updating its own positions on substantive FTAAP elements, taking into consideration the increasing importance of the internet and digital economy and the significantly changed trade policy

environment since the Lima Declaration. Advances in innovative technology have evolved in every aspect of business, business models and ways of doing business have changed significantly and global trade and investment has become more complex and diversified. To respond to emerging demands and challenges in business, consistent trade and investment rules in relation to these next generation trade issues will be needed. APEC's work towards realization of FTAAP should be used as an opportunity to identify and address treatment of these issues. ABAC has examined a range of next generation trade issues in each of the pathway agreements, including their complementarity and opportunities for convergence. Our report has been presented for reference of APEC fora.

In addition to the WTO and FTAAP pathway agreements, ABAC recognizes the contribution of other regional initiatives and arrangements in supporting trade and investment liberalization and facilitation, and in working towards regional economic integration, including the ASEAN Economic Community, the United States, Mexico and Canada Agreement and the Eurasian Economic Union.

Recommendations:

- Implement the Lima Declaration and maintain momentum and work progressively towards the realization of FTAAP, taking into account the work done by ABAC on next generation trade and investment issues and other areas of priority to business.
- Encourage the CPTPP members to complete ratification and implementation in all 11 economies and interested new members to participate so that the benefits of this high-quality agreement can be extended in the region.
- Urge RCEP member economies to intensify efforts to conclude the negotiations in 2019. ABAC strongly supports the commitment to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement as soon as possible.
- Call for the prompt conclusion of the negotiations of the Pacific Alliance with the Associate States, maintaining a consistent level of ambition.

6. **Articulating a Vision for APEC.** ABAC urges APEC to accelerate the efforts to achieve free and open trade and investment in the region by our 2020 Bogor deadline. ABAC's aspiration for the Asia-Pacific for the decade ahead is to build on the Bogor Goals to achieve deeper, wider and stronger regional economic integration, to create a more prosperous, inclusive, innovative and sustainable 'Asia-Pacific economic community'. This 'community' concept would of course be non-binding, voluntary and consensus-based, consistent with APEC's longstanding approach.

Our aspiration is for a dynamic, seamless, resilient, innovative, inclusive and sustainable region in which economies are capable of and committed to improving equity and inclusion and ensuring non-discrimination. In practice, APEC economies would like to see the progressive elimination of extreme poverty, rising living standards, enhanced food security and significantly improved sustainability outcomes. These characteristics must be able to be sustained even in the face of economic volatility, technological change and environmental challenges. Our communities must enjoy greater access to both the opportunities and benefits arising from deeper integration.

ABAC is eager to contribute further to the development of the Vision, including by working closely with the APEC Vision Group, the Pacific Economic Cooperation Council (PECC), our own business communities and civil society, and directly with Ministers and Leaders.

Recommendation:

- Urge that APEC's new vision be for a non-binding, voluntary 'Asia-Pacific economic community' expressed through an eventual FTAAP, and by an interwoven supporting network of policies and principles developed collaboratively by APEC economies. The work program to achieve this should be collaborative, consultative and transparent, and should focus on comprehensive and inclusive outcomes.

7. **Harnessing the internet and digital economy.** ABAC calls on APEC economies to accelerate the implementation of the APEC Internet and Digital Economy Roadmap in a comprehensive and

balanced manner to fully leverage the opportunities offered by the internet and digital economy. We recommend that APEC economies commit to a policy framework of openness to promote digital innovation and foster the implementation of technological advances in all areas of human activity.

Data-driven products and services are easily rolled out across borders and reach new overseas markets. Therefore, the treatment and governance of personal data has become critical and indispensable to advance data-utilizing businesses. We recognize the importance of the APEC Cross-Border Privacy Rules System (CBPR), a voluntary mechanism based on self or co-regulation, and encourage adoption by interested economies.

ABAC has also demonstrated through a pilot trial with a Chilean exporter that trade information can flow seamlessly across different economies. Our vision is to foster a digitally dynamic APEC where every business is digitally-empowered, every worker digitally-skilled and every citizen is digitally-connected.

ABAC commends the launch of negotiations on Trade-Related Aspects of e-Commerce that has galvanized the participation of 76 WTO members. We urge APEC participating economies in those negotiations to support a comprehensive and ambitious outcome drawing from the work commenced under the APEC Cross-Border e-Commerce Facilitation Framework. Of importance to the success of WTO efforts is the need to address cross-cutting and emerging issues to enable e-commerce growth.

Recommendations:

- Build capacity to bridge the digital divide, apply emerging technologies and enhance digital readiness across different segments of society, including those residing in remote areas to promote their economic development and integration.
- Promote the regional interoperability of a risk-based security and privacy protection standard for free and secure flow of data and information across borders.
- Urge APEC to settle the procedural issues relating to the formation of the Digital Economy Steering Group quickly, so that the Group can proceed to develop the work program.
- Support comprehensive and ambitious outcomes for setting rules for e-Commerce in the WTO, drawing from APEC's own work, and accelerate efforts to achieve the seamless facilitation of cross-border e-Commerce; urge the remaining APEC economies to join the WTO negotiations on trade-related aspects of e-commerce; and urge APEC economies to maintain the WTO Moratorium on Customs Duties on Electronic Transmissions.
- Implement the five pillars identified in the APEC Cross-Border e-Commerce Facilitation Framework.
- Working with the private sector, urgently address the cross-cutting and emerging issues identified by ABAC looking at principles and recommendations on e-payments, border management, taxation, competition, the sharing economy, and digital security.

8. **Promoting MSME growth and success in trade and global value chains.** Fostering MSME growth is fundamental for improved prospects for the overall economy. Last year, ABAC commissioned the USC Marshall School of Business to explore challenges to MSME participation (including women-led MSME participation) in trade and GVCs. Challenges include: (i) regulations and trade barriers, (ii) private sector practices, (iii) skills, and (iv) adoption of digital technologies to facilitate their participation in GVCs. ABAC is pro-actively identifying ways to enhance MSMEs' opportunities through each of these dimensions, including, for example, reducing the regulatory burden and non-tariff barriers, providing tax incentives and broadening funding alternatives, fostering productivity and competitiveness through collaboration networks, and enabling disruptive business models to succeed and enhancing access to digital adoption.

The Marshall School report identified digital as a key enabler for MSMEs in trade and GVCs. ABAC is focusing on ways MSMEs can engage with the advent of new technologies and e-commerce as means to enable their further participation in GVCs by enhancing access to digitally-enabled platforms, e-commerce and mobile applications.

ABAC is working to establish an SMEs Global Value Chain Network (SG Network), an SME growth platform that would allow existing programs to fully leverage each other's resources and expertise. The SG Network will be launched during the 2019 APEC SME Summit.

ABAC looks to establish a B2B platform - MondeB2B Marketplace – to connect exporters, importers and business partners from the Asia-Pacific region that ensures secured transactions and business connections only with validated businesses, allowing MSMEs to globalize their businesses in a safe way. It is envisaged that the platform will initially work with BIMP-EAGA and eventually with APEC by the end of 2019.

Acknowledging that MSMEs become extremely vulnerable to potential business disputes when they venture into overseas markets, ABAC also commends, and commits to support, APEC efforts to develop Online Dispute Resolution platforms that provide MSMEs with fast, low-cost access to legal settlement in the event of cross-border business disputes.

Recommendations:

- Seek to enhance the ability of MSMEs to participate more successfully in trade and GVCs including by reducing trade barriers, building capacity and leveraging digital economy opportunities.
- Promote cyber security readiness to facilitate MSME participation in GVCs by creating an effective mechanism or framework to be shared by APEC economies that includes, but is not limited to, cybersecurity education, information sharing, consultancy, incident response and insurance for MSME.
- Expedite the development of a region-wide framework for online dispute resolution platforms to reduce the time it takes to resolve a dispute and legal costs for MSMEs.

9. **Strengthening the participation of women in the economy.** The gender divide is reflected among APEC economies through a female labor participation rate under 50%, limited access to finance and lack of equal opportunity, among a variety of other indicators in many fields. Not only does this stand as a social detriment but disadvantages and hinders economic growth and prosperity through underutilization of talent and skills.

ABAC is pleased to report that ABAC Women's Forum has attained some progress, particularly with APEC Women Connect 2019 and will now advance to set up APEC Women Connect Entrepreneurial Centers at more than 10 universities across the Asia-Pacific region. ABAC will also co-host the APEC Women Leadership Forum in Shanghai, China in May where concrete recommendations will be developed during the year to be shared at the appropriate platforms to showcase best practices for women's empowerment.

ABAC supports the establishment of the APEC Impact Fund which will focus on Sustainable Development Goals (SDG)-related projects, especially on the issue of women empowerment and improving equity among most disadvantaged group. The United Nations Development Program (UNDP) will act as an Advisor and will share its principles, standards, tools and expertise in impact measurement. Given the extensive opportunity for high impact investing and very supportive ecosystem, in its pilot stage, the Fund will be launched in Indonesia while at the same time devising a replicable fund structure for the region's most interesting impact investing market.

ABAC acknowledges the work that APEC Canada's Growing Business Partnership is pursuing in building the potential of women-led MSMEs in APEC economies to foster sustainable growth and poverty reduction through innovation and the digital economy. The APEC-Canada Growing Business Partnership offers best practices, tools, ideas, knowledge and critical connections derived from Canadian experience, tailored to the local markets of APEC economies, with a focus on Viet Nam, Indonesia, Philippines, and Peru. We call on Ministers to support these efforts.

Recommendation:

- Enhance women empowerment through focus on literacy and STEM, further developing entrepreneurship incentives, continuing to remove barriers to ownership and financing, and

enhancing infant care support, among others, as suggested by the APEC Women and the Economy Dashboard.

10. **Improving energy efficiency and the circular economy.** Considering the target and status quo of low-carbon development in the Asia-Pacific region and the world at large, improvement of efficiency in the use of all resources and accessibility is extremely urgent. Nowadays, energy waste is still common and severe in the Asia-Pacific region and the world. Many resources are inefficiently used, with inadequate efforts to reduce inputs, recycle outputs, or assume responsibility for resources to be used with the minimal impact on our environment. The task of more efficient use of energy and other resources is challenging and pressing.

Recommendations:

- Encourage all types of capital to be used to promote technological innovation in the field of energy use; eliminate policy barriers that hinder the improvement of energy efficiency; and gain ground in the specialization of energy efficiency management.
- Remove policy and industry barriers for the development of smart energy across the Asia-Pacific region, encourage and attract more capital, expertise and other production factors to contribute to the development of smart energy, vigorously push forward the informatization and sharing of the energy industry, promote the development of Energy Internet, Energy Big Data and Shared Economy.

11. **Tackling climate change.** Climate change is an urgent issue on a global scale. APEC economies are responsible, collectively, for almost 62% of global carbon dioxide (CO₂) and over 55% of total greenhouse gas emissions. The region is experiencing increasingly severe weather patterns and natural disasters, leading to significant damage to businesses and infrastructure in the region. Failure to develop climate change mitigation and adaptation strategies will result in more serious repercussions for the private sector. Climate change represents an urgent need, and therefore an opportunity, for technological solutions and innovation. Policy support should be provided to the business sector.

Recommendations:

- Continue to work toward the goals of i) doubling the share of renewables in the APEC energy mix by 2030, and ii) reducing 45% of energy intensity by 2035, as agreed by APEC Energy Ministers, in order to achieve the global goal of reducing greenhouse gas emissions as established by the Paris Climate Agreement.
- Explore greenhouse gas emissions reductions using policy tools (for example, carbon pricing, standards and voluntary agreements, among others) that are best suited for respective jurisdictions.
- Stimulate demand for goods with high energy efficiency and low carbon foot-print, especially energy intensive products, in order to secure expeditious transformation to a low-carbon economy. Relevant domestic policies can serve as efficient tools to achieve this objective.

12. **Promoting food security.** Increasing yields and production without jeopardizing the environment, including through the use of innovation and technology, will contribute to food security. Innovation and technology also have a positive impact on efficiently connecting farm to market. Well-functioning regional and global food trade that is free from market access barriers and distortions behind-the-border will also make an important contribution to food security.

Recommendations:

- Promote public-private partnerships and open innovation and technology platforms across the region in order to identify, develop and provide access to technologies and improve agro-industrial processes and the entire food and supply chain.
- Continue to advocate for the liberalization of food trade to contribute to food security.

13. **Promoting Smart Cities.** On top of the growth of total population, rapid urbanization makes cities major deciding factors of various parameters related to global sustainability. ABAC recognizes the

benefits of ICT technology for Smart Cities like 5G, cloud computing, big data, AI, virtual reality (VR) and advanced materials. ABAC also recognizes the benefits of the smooth data flow within the city and across cities. The interoperable framework is effective to encourage the wide and quick spread of best practices in the region.

Recommendation:

- Promote Smart City initiatives, including the sharing of best practices through public-private partnerships and APEC-wide capacity building events.

14. **Creating a regional data ecosystem for more inclusive finance.** Many business owners rely heavily on data to gain access to finance, while increasing amounts of data are being used by financial institutions as they progressively adopt machine learning and artificial intelligence. There is great potential in harnessing technology and data to expand MSMEs' access to finance for domestic and cross-border business, but this requires APEC to develop a shared vision of a future data ecosystem and to collaborate in achieving this. This vision should include developing the infrastructure to collect, store, share and use data that are rapidly increasing in volume and velocity, while ensuring data security and protecting privacy.

Recommendation:

- Provide a regional public-private platform to help member economies create a regional data ecosystem for inclusive financial services that can facilitate the wider collection, sharing and use of data, capacity building to develop strong data security and privacy regimes, and MSMEs' access to new privacy- and data security-enhancing technologies.

15. **Accelerating the digitalization of trade and supply chain finance.** Products and services of tomorrow will be increasingly digital in nature with multiple parties across economies providing key data inputs at various stages of the cycle. Trade and supply chain finance remains dependent to a large extent on paper-based and manual processes as a result of legal and regulatory frameworks around digital documents and lack standardization across the transaction initiation, evidencing of supplier performance and shipment and settlement stages.

Combining security and mitigation features of documentary trade with open account trade and the visibility of a distributed ledger mechanism will promote and support the emergence of new trade paradigms.

Recommendation:

- Undertake reforms to ensure that legal and regulatory frameworks around digital documents used in trade are interoperable across the region, such as by aligning laws with the UNCITRAL Model Law on Electronic Transferable Records, and support industry efforts to standardize market conventions and technology protocols.