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# **Regional Economic Integration**

### ***Reopening of borders for safe and seamless travel***

The reopening of borders is a prerequisite for the region's economic recovery. ABAC calls on APEC economies, in due course, to work collaboratively in developing a regionally consistent framework to enable the reopening of borders for safe and seamless travel, when possible. A framework that minimizes complexity, time, and costs for the safe resumption of travel will not only enable businesses to undertake travel for essential business activities and access specialized workers, but will also lead to the eventual recovery of the most badly affected sectors including tourism and hospitality.

ABAC recognizes that developing a consistent regional framework would be a huge undertaking that would require coordination and involvement from APEC authorities across multiple areas of responsibility including cross-border mobility, health, finance, trade, and tourism. Different economies are also at different stages of combating COVID-19. While not all economies would be ready to reopen their borders at the same time and speed, working to develop a regionally consistent framework would allow economies to reopen both safely and seamlessly, when it is possible to do so.

In developing such a framework, ABAC recommends adherence to the following principles:

- participation should be voluntary;
- the framework should be consistent with other global frameworks and initiatives by international organizations; and
- APEC should take into account the dynamic and evolving health and economic situation.

Annex A of this Report sets out ABAC's full Recommendations on Reopening Borders for Safe and Seamless Travel.

ABAC calls on APEC to:

1. **Develop in due course a voluntary framework** for renewed business and people interactions through:
  - a. adopting a risk management approach to managing international travel, negotiating air travel bubble arrangements, and opening up unilaterally to vaccinated travelers from low-risk jurisdictions when the domestic situation allows; and
  - b. agreeing an APEC-wide list of essential business activities and a list of pre-approved frequent business travelers and investors, as well as a regionally consistent framework for admitting skilled workers and essential service providers.
2. **Harmonize** travel regimes through the adoption of common or international standards for vaccine recognition, testing, and consistent quarantine protocols across economies, and establish a green lane framework for vaccinated travelers. APEC economies should also enable recognition of travelers' vaccination status using digital health certificates, based on an APEC-wide data privacy and security standard, working with the private sector and international organizations to ensure its interoperability.
3. **Create** a comprehensive digital repository of information on the APEC website containing all relevant travel and borders policies and restrictions of APEC economies, as well as vaccines, technical standards and travel passes that are recognized. APEC economies should also share experiences with safe travel initiatives and air travel bubble arrangements and build capacity on managing community spread and importation of COVID-19 cases.

- 4. Establish** a multi-disciplinary APEC task force across relevant areas of responsibility including cross-border mobility, health, finance, trade, and tourism, with the mandate, resources and funding to develop further the APEC framework on reopening borders.

#### **Support for the WTO and resisting protectionism**

Since the Global Financial Crisis, economic growth has been destabilized by a rising tide of protectionism, accelerated with the advent of the COVID-19 pandemic by new restrictions on medical supplies, food and other goods and services – some temporary, but many yet to be removed. According to World Trade Organization (WTO) analysis, G20 economies have put in place trade restrictive measures covering some US\$136 billion in goods trade since the start of the pandemic.<sup>1</sup> Global merchandise trade shrank by more than 8 percent in 2020, and impacts on many services sectors were even more severe, with travel services down 63 percent, transport down 19 percent and goods-related services trade falling 13 percent.<sup>2</sup>

Trade can and must be used as a force for good in overcoming the pandemic. By contrast, turning inwards on vaccines and essential supplies should have no place in our response. Export restrictions, tariffs and non-tariff measures on vaccines and on the inputs of goods and services needed to manufacture, distribute and administer them, as well as on essential medical supplies and services, work against good health outcomes and our ability to revitalize economic growth. Freeing up trade to enable quicker and wider rollouts of vaccination, including for the most vulnerable, should be a priority.

The multilateral trading system, with the WTO at its core, has underpinned decades of economic development and is a critical foundation for the future prosperity of the APEC region. APEC economies must work together to shape a strong, credible and relevant WTO.

The highest priority is for coordinated action on pandemic responses including free and open trade in vaccines and in an agreed list of essential medical supplies and services. Looking beyond the immediate crisis, ensuring that the WTO system continues to be relevant, effective and enforceable will be critical to economic rebuilding. To that end, APEC economies should work urgently to appoint a full slate of Appellate Body members and agree necessary reforms to the dispute settlement system. Boosting transparency in trade measures is also important to the integrity of the system going forward. APEC economies should also champion ambitious outcomes at the 12th WTO Ministerial Conference (MC12), including outcomes on fish subsidies and trade-distorting agriculture support, along with e-commerce and a range of other areas. APEC economies should also recognize that WTO-consistent plurilateral negotiations can contribute to good outcomes for the multilateral rules-based trading system, including in relation to the environment and climate change. Finally, APEC economies should champion greater engagement in WTO processes by the international business community, including ABAC. Our separate Statement of Support for the WTO at Annex B has further detail.

ABAC calls on APEC to:

- 5. Reject** all forms of protectionism and vaccine nationalism in responding to the pandemic.
- 6. Support** ambitious outcomes at MC12 that shore up a strong, credible and relevant multilateral rules-based trading system, including a strong and effective response to the pandemic; getting the WTO system fully operational again; and achieving concrete outcomes on WTO reforms, consistent with ABAC's Statement of Support for the WTO.
- 7. Champion** greater formal engagement by the international business community, including ABAC, in WTO processes.

<sup>1</sup> [https://www.wto.org/english/news\\_e/news21\\_e/report\\_trdev\\_jun21\\_e.pdf](https://www.wto.org/english/news_e/news21_e/report_trdev_jun21_e.pdf)

<sup>2</sup> [https://www.wto.org/english/news\\_e/pres21\\_e/pr876\\_e.htm](https://www.wto.org/english/news_e/pres21_e/pr876_e.htm)



### **Progress towards the Free Trade Area of the Asia-Pacific**

Achievement of the Free Trade Area of the Asia-Pacific (FTAAP) remains ABAC's preeminent priority for regional economic integration of the APEC region and at the heart of the full realization of the Putrajaya Vision. ABAC reaffirms its strong support for FTAAP to remain the organizing principle for an expedited journey towards free and open trade and investment in the region. An eventual FTAAP should address the needs of a dynamic global business environment as well as serve as a powerful foundation to build an open, dynamic, resilient and peaceful Asia-Pacific community – one that enables seamless economic activities for the benefit of all.

ABAC encourages APEC to redouble its work towards achieving FTAAP, playing a leading role as an incubator of ideas, providing leadership, creative thinking and important capacity building. To that end, APEC members should work together for the timely realization of FTAAP through the implementation of the Putrajaya Vision 2040, along with early harvest of concrete outcomes to advance ambitious, high-quality and comprehensive liberalization of trade and investment. In particular, progress should be prioritized in the areas where APEC has fallen short of achieving the Bogor Goals.

New business models and practices are fast emerging and will require new rules to be applied. APEC members should continue to learn from best practices in the pathway agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP). In the case of foreign direct investment (FDI), which will be critical for the economic recovery, regulations should be based on transparent and predictable rules, providing enhanced market access along with appropriate mechanisms for investment protection and dispute settlement. Model measures to facilitate investment could be developed, applying to all phases of life of an investment.

ABAC applauds the conclusion of the RCEP agreement last year by Leaders and Ministers from 15 economies, providing market access and other commitments on goods, services and investment. RCEP is a high-quality, comprehensive and mutually beneficial agreement, providing a new pathway for the eventual realization of FTAAP. ABAC encourages timely ratification and entry into force of the agreement and would welcome future accession by India and other economies. ABAC urges CPTPP economies to complete their domestic ratification processes and to support future accession to CPTPP by interested economies able to meet the agreement's high standards.

ABAC calls on APEC to:

- 8. Prioritize** areas for early progress towards an eventual FTAAP where APEC has fallen short of achieving the Bogor Goals including in relation to agriculture, non-tariff barriers, services, and investment.
- 9. Incorporate** business priorities focusing on next generation trade and investment issues to promote further liberalization and to enhance the resilience of global value chains.
- 10. Recommit** to achieving FTAAP by continuing to progress the negotiating pathways, including through future accessions, in order to deliver the expansion and convergence in the region of mutually agreed and coherent rules and high standards for trade in both goods and services as well as investment.

### **Services**

The impact of the pandemic on services industries has been devastating globally and many of those consequences will continue for some time to come. While some businesses and sectors (such as e-commerce, knowledge-intensive business services, health services and online entertainment) have been able to adapt to the disruption of the past 18 months, thanks to both their own agility and accelerated

digitalization, in other cases, trade in sectors such as travel, tourism and transport, creative services including live entertainment and performances, some professional services and enterprises operated by small businesses, all fell dramatically in this period.

The APEC Services Competitiveness Roadmap (ASCR) endorsed by Leaders in 2016 provided a mechanism to intensify efforts towards liberalization of trade in services sectors, complemented by domestic structural reform. Although progress has been made in overall liberalization of services trade, it is of considerable concern that there has been a failure to meet the ASCR targets to date and that the region has fallen further behind in terms of global competitiveness and trade flows. Given that there has been a structural shift to digitalization, it is particularly important that the ASCR remain relevant and adapt its 19 APEC-wide actions to reflect the current needs of business. Digitally-enabled and digitally-delivered services are significant in global trade and growing faster than trade in services overall. In 2018 (latest statistics available), digitally-delivered services exports amounted to US\$2.9 trillion, or 50 percent of global services exports<sup>3</sup>. The potential for further digitalization of services trade is significant. ABAC proposes a work program be developed for digital services, as distinct from e-commerce more broadly.

ABAC made a substantial contribution in the mid-term review of the ASCR this year, proposing 40 recommendations and eight new initiatives to provide clearer targeting and focus to APEC's efforts and accelerate liberalization of the region's services sectors<sup>4</sup>. Priority should be given to tangible and actionable outcomes in order to reduce restrictions on services industries and meet the ASCR targets.

ABAC calls on APEC to:

- 11. Build** on the 2020 Declaration on Facilitating the Movement of Essential Goods by also committing to a Declaration on Facilitating Essential Services as an appropriate and necessary policy response to the ongoing pandemic.
- 12. Move expeditiously** to enable economies to meet ASCR targets and address the significant restrictions still imposed on some services sectors, reviewing progress on a regular basis.
- 13. Take action** to liberalize trade in specific services which enable e-commerce for both goods and services, including information and computer services, transport, logistics, and financial services including e-payments, which are not already covered under any of the existing Roadmap action items, but which have strong growth potential in regional markets.

<sup>3</sup> HUNCTAD 2019 Digital Economy Report: Value Creation and Capture; Implications for Developing Countries, Geneva: [https://unctad.org/system/files/official-document/der2019\\_en.pdf](https://unctad.org/system/files/official-document/der2019_en.pdf)

<sup>4</sup> 2021 Mid-Term Review of the APEC Services Competitiveness Roadmap: Business Assessment of Outcomes and Recommended Roadmap Adjustments: [https://www2.abaonline.org/assets/ABAC\\_Contribution\\_to\\_MTR\\_ASCR.pdf](https://www2.abaonline.org/assets/ABAC_Contribution_to_MTR_ASCR.pdf)





An aerial photograph of a river delta, showing a complex network of teal-colored water channels and sandbars. The water flows from the top right towards the bottom left, branching out into numerous smaller channels. The sandbars are a light, sandy color, creating a stark contrast with the teal water. The overall scene is a dynamic and intricate natural pattern.

# **Sustainability**



### **Climate leadership**

ABAC is united in its belief that the challenges posed by anthropomorphic climate change are real and need an urgent, robust, multi-sector approach. Business has a key role to play alongside the public sector. ABAC therefore welcomes the inclusion of measures to address climate change in APEC's Putrajaya Vision to 2040.

To enhance the depth and quality of the discussion on climate change, ABAC has developed a set of foundation Climate Leadership Principles for Business. The intention is that these principles – attached as Annex C – will guide the development of climate-related business practices and policies, while demonstrating an ambitious level of commitment towards a low-carbon future. In addition, they can serve as a model for more robust action to address climate change to others, within and outside the APEC region. Just as importantly, it is hoped that these principles can demonstrate the seriousness which the business leaders gathered in ABAC attach to the need to address dangerous climate change and can serve as encouragement to APEC member economies.

ABAC's Climate Leadership Principles for Business aim to encourage businesses to take the lead in addressing climate change while recognizing the need for effective government action. Governments must determine overall climate policies, set achievable and verifiable reduction targets according to international obligations, and ensure the shifting of resources to low emissions usage. In addition, business relies on governments to implement appropriate carbon taxation and pricing regimes as part of a set of interconnected actions to support these policies.

ABAC calls for dialogue among APEC member economies about how to develop sound, mutually-reinforcing and WTO-consistent trade policy responses to climate change. In particular, ABAC emphasizes the desirability of coordinated policymaking, and of avoiding the development of unilateral approaches to these complex issues.

ABAC recognizes the critical role the financial sector will play in providing the significant capital

required to transition to net zero greenhouse gas (GHG) emissions by mid-century. This ranges from mobilizing capital to fund the transition and investing in low-carbon infrastructure to helping the public sector obtain a deeper understanding of the needs and realities of the market. It also requires cooperation among the financial industry, regulators and multilateral bodies to address fragmentation of policies and standards, develop common metrics, effective taxonomies, improvements in data and disclosure, and the scaling and catalyzing of sustainable activities to facilitate a just and fair transition. ABAC notes the importance of this work at the global level to underpin effective incentives for businesses to seize emission reduction opportunities and accelerate their decarbonization efforts.

ABAC calls on APEC to:

- 14. Note** that ABAC has adopted a set of Climate Leadership Principles recommending actions by businesses focusing on reduction, adaptation and just transition.

### **Renewable energy**

At their first meeting in 1993 and consistently since that time, APEC Economic Leaders acknowledged the role of renewable energy in securing sustainable growth and security for future generations. Approximately two-thirds of global anthropogenic GHG emissions are energy-related, and the APEC region accounts for about 60 percent of those global emissions. The APEC Energy Outlook to 2050, published in 2019 by the Asia Pacific Energy Research Centre, found that on current pathways, APEC economies will not meet their commitments made in the 2016 United Nations Framework Convention on Climate Change (Paris Agreement) and a major shift in energy policies across the region is needed to move towards carbon neutrality.

Building an environment that is conducive to investment and encourages trade in renewable energy and low emissions technologies is key to achieving carbon neutrality and energy resilience for all communities in the region. Trends even prior to the pandemic indicated a reduction in investment in renewable energy development

in some APEC economies. Investment in renewable energy projects would both support post-pandemic economic recovery while also assisting in meeting emissions reduction targets.

Many barriers to trade and investment in renewable energy and low emission technology remain. APEC should build consensus on approaches to the challenge of reducing emissions, through cooperation to promote trade and investment in renewable energy. Economies will transition to the adoption of renewable energies including by leveraging natural gas as a transition fuel, according to their domestic development objectives and resources, but the whole APEC region will benefit from addressing the challenges of reducing emissions, including sharing of technologies, best practices and successful business models.

ABAC has developed a list of key Elements for Inclusion in an APEC Framework to encourage Trade and Investment in Renewable Energy in the region. The list can be found at Annex D.

ABAC calls on APEC to:

- 15. Develop** an APEC Framework for Trade and Investment in Renewable Energy, to assist and encourage all APEC economies to achieve carbon neutrality and energy resilience through development of policies which will accelerate investment in and adoption of renewable energy and low emissions technologies.
- 16. Develop** suitable policy measures to best assist each economy to achieve low-carbon energy and eventual neutrality, promoting innovative technology development, enhancing energy resilience and continued sustainable economic growth, while acknowledging the vast differences between economies, in geographical constraints, and stages of development, including available infrastructure.

### **Food system**

Around the world, more than enough food is produced to feed the global population, but more than 690 million people still go hungry. After steadily declining for a decade, world

hunger is on the rise, affecting 8.9 percent of people globally, thanks to the disruption to food production, trade and incomes caused by the COVID-19 pandemic. APEC cannot achieve an open, dynamic, resilient and peaceful region without ensuring that all of its people have access to sufficient, safe, affordable and nutritious food, and that the food system functions in a way that contributes to their economic development and to sustainable livelihoods.

A range of actions are needed to achieve this goal, notably through the development and implementation of a new APEC Food Security Roadmap Towards 2030, to which ABAC has contributed. A whole-of-systems approach is needed, which places sustainability at its heart, which recognizes the interdependence of all elements of the food system, from production to processing to distribution to trade to consumption and which provides for the active participation of the private sector. Such a system must also take care to enable greater inclusion, including for women, small businesses and smallholder producers, and Indigenous producers, through capacity building, access to innovative technologies and public-private investment.

Given the complexity and vulnerability of the food system, and the ongoing effects of the pandemic, it is also important to create a digitally-enhanced and trade-friendly food system, in which robust digital infrastructure and interoperable, innovative technologies are readily accessible in order to increase the quantity, quality and sustainability of agricultural production, distribution and trade; and which supports well-functioning, open and predictable trade in food.

ABAC calls on APEC to:

- 17. Support** the implementation of a whole-of-system approach to food security, which has sustainability at its heart, and which takes the necessary actions to foster a digitally-enhanced and trade-friendly food system.
- 18. Ensure** that the role of the private sector is expanded and enabled in APEC fora related to food security, including the APEC Policy Partnership on Food Security.







**Inclusion**

### **Social and economic development towards inclusive growth**

ABAC is fully committed to promote economic growth in APEC economies, but also to engage actively to identify and promptly bridge the social gaps present today within our societies. ABAC encourages APEC to strengthen cooperation to promote social and economic development and more inclusive growth in the region.

In order to create awareness that this is a multi-dimensional endeavor, and to support future evidence-based interventions, ABAC proposes the development and adoption of an APEC Social and Economic Development Dashboard. The Dashboard would be a useful means to measure the social and economic progress of APEC economies and the achievement of the inclusion goals of the APEC Putrajaya Vision 2040. The indicators can help APEC economies identify their strengths and areas where progress is still needed to further promote inclusive growth and identify the best policy mechanisms, drawing on best practices and information from across the Asia-Pacific.

ABAC recommends that APEC should start working now on identifying key indicators for inclusion in the Dashboard, drawing on the work of international organizations, including the Social Progress Imperative<sup>5</sup>, the United Nations Development Program<sup>6</sup> and the Organization for Economic Cooperation and Development<sup>7</sup>, as outlined below:

- Access to nutrition, basic medical care and health services
- Access to clean water and sanitation
- Access to electricity and clean fuels
- Access to quality education
- Access to information and communications
- Environmental quality
- Quality of living standards
- Income and wealth equality
- Work and job quality
- Professional skills and training
- Work-life balance.

ABAC calls on APEC to:

19. **Engage** with the business community when making policies that impact or address social and economic growth. Businesses can support inclusive social development goals by creating good jobs, supporting access to critical goods and services, and investing in local communities.

### **Women and the economy**

ABAC has been, for decades, an active player in the campaign for gender equality, contributing to create a more enabling environment for women all around the APEC region through policy advocacy and business activities. Prior to the pandemic, it was estimated that improved gender equality had the potential to add US\$13 trillion to global gross domestic product (GDP) by 2030. Since then, women have been disproportionately impacted by the COVID-19 pandemic and the many improvements in their living and working conditions have been eroded, if not lost completely.

ABAC recognizes the urgency of providing equal opportunities to women, promoting their participation in economic activities and providing them with appropriate tools for personal growth and development, especially enhanced connectivity to the digital economy. Public support is critical for success, especially in terms of providing services such as affordable, quality, and easily available childcare; strong parental leave policies, where both male and female workers are supported and encouraged to utilize their leave; training and re-training and education programs that are created with a gender lens.

APEC has a key role to play through continuing implementation of the La Serena Roadmap for Women and Inclusive Growth. ABAC strongly recommends prioritization of the La Serena Targets to (i) have in place laws, policies and regulations that prohibit discrimination on the basis of sex in employment access, opportunities

<sup>5</sup> <https://www.socialprogress.org>

<sup>6</sup> <http://hdr.undp.org/en/2020-MPI>

<sup>7</sup> <https://www.oecd.org/statistics/measuring-well-being-and-progress.htm>

and conditions; and (ii) have in place non-discrimination laws, policies and regulations that provide equal access to capital and credit for both sexes.

ABAC calls on APEC to:

- 20. Strengthen** existing support mechanisms that will help women successfully navigate the “with COVID” world, where combining working from home and family responsibilities will be part of life. APEC economies should recognize these “new normal” dynamics requiring both public and private sectors to expand and enhance existing support instruments available for women.
- 21. Promote** women’s participation in the digital economy by providing appropriate digital infrastructure including internet access and targeted digital skills training. Granting women better access to online training, e-government services and cross-border e-commerce among others, will be critical for their personal and business growth and the region’s economic recovery.
- 22. Undertake** profound structural reform that facilitates greater gender inclusion. The implementation of La Serena Roadmap is an important opportunity for empowering women through access to capital and markets; increasing labor force participation; improving access to leadership; supporting science, technology, engineering and mathematics (STEM) education; and systematic data collection and analysis.

### **Indigenous people**

More than 270 million Indigenous people live across the Asia-Pacific region.<sup>8</sup> Many of them have been disproportionately affected by the pandemic across health, social and economic fronts. Indigenous business leaders have shared aspirations to build resilience into their communities and to grow the contribution that they can make to their local economies.

Indigenous people want to be able to access fair opportunities to trade and to diversify the sectors in which they operate to achieve the well-being, resilience and economic security of their communities.

ABAC welcomes the attention that APEC is giving to Indigenous people in 2021 and believes that engaging Indigenous business leaders as part of ABAC’s agenda will help make our work more inclusive, relevant, and representative. This year, ABAC held the first ever ABAC Indigenous Business Leaders’ Dialogue bringing together over 90 Indigenous business participants from eight APEC economies. The aim of the Dialogue was to stimulate discussion about the inclusion of Indigenous people in the region’s trade and economic frameworks. The Dialogue resulted in the adoption by participants of a Statement of Priorities for Indigenous businesses across APEC which ABAC has agreed should be included in Annex E of this Report.

ABAC calls on APEC to:

- 23. Note** the Statement of Priorities agreed by Indigenous Business Leaders.
- 24. Continue to** develop Indigenous economic inclusion in APEC to ensure Indigenous peoples participate fully in APEC structures, working in partnership with the Indigenous business sector.
- 25. Explore** how Indigenous business could benefit from existing multilateral trade rules and how the provisions of pathway agreements to FTAAP and other model trade provisions can be structured to reflect the needs of Indigenous business.

### **Building MSME capabilities**

The case for taking action to support micro, small and medium enterprises (MSMEs) has always been strong. They represent more than 97 percent of all enterprises in the APEC region and provide over half of the employment in the

<sup>8</sup> United Nations Global Compact. Indigenous Peoples: <https://www.unglobalcompact.org/what-is-gc/our-work/social/indigenous-people> & The World Bank (1 October 2020). Indigenous Peoples: <https://www.worldbank.org/en/topic/indigenouspeoples>



region. But the need is now even more urgent. These companies have been hit hardest by the COVID-19 pandemic and face a disrupted – and indeed, transformed – operating environment. ABAC accordingly urges APEC economies to prioritize efforts to equip MSMEs with both the skills and the enabling environment that the current situation demands.

In response to the pandemic, many economies have put in place support mechanisms for MSMEs. Many of these have addressed financing and employment support. This is certainly critical, but in ABAC's view there has not been sufficient focus on digital empowerment, nor on systemic barriers to entrepreneurship. At the same time, the evolving and highly variable impacts of COVID-19 on MSMEs are not well understood. Targeted APEC-wide research could help policymakers to identify best practices and tailor their interventions more effectively. Bringing a "well-being" lens to the design of support mechanisms can also help to underpin future resilience.

In this context ABAC reviewed existing APEC support tools. The APEC MSME Marketplace was introduced in 2015 to provide a portal for MSMEs to access relevant information and resources. Unfortunately, the portal is not well-maintained, contains out of date information that could in fact be misleading for MSMEs and has little active promotion. The portal would be more effective if it were placed in the APEC Trade Repository and was actively managed, updated and promoted. This would require the support of all economies but could fit well with the proposed recommendation in the Digital section for a "one stop shop" for digital support for MSMEs.

ABAC's research<sup>9</sup> makes plain that one of the most impactful immediate actions to help MSMEs would be to ensure that payments are timely. In effect, policymakers and large companies commonly 'borrow' from MSMEs through imposing extended terms for payment for goods and services rendered. This creates a spectrum of problems for MSMEs around cashflow and business planning, through to job loss and bankruptcy. This is at odds with creating a resilient small-business economy in the post-COVID world. Economies have different policies in place – or in many cases, no policy at all.

ABAC calls on APEC to:

- 26. Conduct** targeted research to identify best practices in support mechanisms for MSMEs, including in relation to digital empowerment and systemic barriers to entrepreneurship, and for disadvantaged groups including women-led and Indigenous businesses.
- 27. Merge** the APEC MSME Marketplace with the APEC Trade Repository and combine the elements of the proposed "one stop shop" digital platform to enable MSMEs to access relevant information as well as the best of digital education and advice (refer to recommendation 29 below).
- 28. Commit** to timely payment policies for all government purchases and encourage the broader business community to make the same commitment.

<sup>9</sup> Improving Resiliency of MSMEs: [https://www2.abaonline.org/assets/MSME\\_payment\\_terms.pdf](https://www2.abaonline.org/assets/MSME_payment_terms.pdf)









**Digital**

### **Creating an enabling environment for more digital MSMEs**

Leveraging digital technologies will be central to our efforts to rebuild APEC economies to be resilient, inclusive and prosperous. One of the highest priorities is in fostering MSME digital literacy, skills and capabilities, including supporting a strong digital mindset and leadership culture in these firms. ABAC recommends that a platform be established to enable MSMEs to access the best the region has to offer in terms of digital programs and resources. This 'one stop shop' could be associated with whatever might replace the existing APEC MSME Marketplace, but would need to be significantly better resourced, maintained and promoted, with active public-private efforts in all economies to raise awareness and accessibility to MSMEs.

MSMEs also need ready access to digital tools and a wider enabling environment. In particular, interoperable e-invoicing would support the resilience, competitiveness and agility of small businesses across the region. This requires action on both standards and legal/regulatory settings to enable interoperability. Other practical steps, such as a permanent shift to electronic trade documentation, recognition of e-signatures and more coherent and business-friendly tax treatment of low-value e-commerce shipments, would likewise help enable MSMEs for greater success in cross-border trade.

ABAC calls on APEC to:

**29. Develop**, resource and promote a new 'one stop shop' digital platform to enable MSMEs to access the best of digital education and advice; and for businesses including the active startup ecosystem to connect and access trade and investment opportunities.

**30. Champion** the adoption of interoperable e-invoicing and support the use of digital trade documentation, e-signatures and business-friendly tax and duties on low-value e-commerce shipments.

### **Interoperability of digital systems for trade and supply chain connectivity**

Responses to the COVID-19 pandemic have accelerated the expansion of the digital economy, but the speed of this transformation has outpaced the regulatory response. Many regulations are no longer fit-for-purpose. Despite the clear need for a secure digital trade and supply chain connectivity system, there are still gaps across the region that prevent end-to-end digitalization. APEC should address these gaps to foster the interoperability of existing digital systems especially in relation to authorization, authentication, systems integrity, and global scope. Regular collaboration with ABAC and the private sector will assist in this effort, building on the Public-Private Dialogue that ABAC held in July involving the Chair of the APEC Digital Economy Steering Group and others. APEC should prioritize work in four areas:

- (i) APEC Internet and Digital Economy Roadmap (AIDER):** ABAC notes that progress has been slow in critical areas such as infrastructure development, universal broadband access, cybersecurity, and cross-border data flows. APEC must accelerate implementation, prioritizing action in the areas of greatest impact for business, including digital trade facilitation and interoperability.
- (ii) Electronic and digital signatures (e-signatures):** E-signatures are fundamental to the expansion of e-commerce, digitally-enabled trade, and digital finance. Broader uptake across APEC has the potential to significantly expedite both domestic and cross-border transactions, resulting in lower costs, reduced barriers to entry for MSMEs, and increased trade. APEC should put in place the enabling environment for greater recognition and use.
- (iii) Global Data Standards (GDS):** ABAC has welcomed the recognition by APEC Leaders and Ministers that wider use of GDS can improve supply chain performance and visibility, enabling greater interoperability and supply chain integrity across the region. This has only become more important

with the increasing digitalization of trade and greater use of e-commerce, but many economies lag in the uptake of this technology, and approaches are often bilateral rather than regional. APEC should encourage a regional implementation approach.

**(iv) Data governance:** A report commissioned by ABAC in 2020 showed that concerns over privacy are one of the top reasons that regulators restrict data flows. While it is important to protect privacy, regulations may not always be effective, and can in any case limit cross-border data flows, particularly where approaches in different economies are not interoperable. This may act as a brake on economic growth. By contrast, the voluntary APEC Cross-Border Privacy Rules (CBPR) system enables MSME compliance while reducing cross-border costs, supporting trade expansion. However, the uptake of the CBPR system remains limited.

ABAC calls on APEC to:

- 31. Direct** officials to accelerate the implementation of the AIDER in areas of greatest impact for business, informed by stronger and more regular collaboration with ABAC and the private sector.
- 32. Establish** interoperable paperless trade systems across the region, based on consistent definitions for greater legal certainty and regulatory coherence.
- 33. Establish** an enabling ecosystem for the recognition, adoption and use of e-signatures including regulatory/legal acceptance in every economy and provide the educational and financial tools for their uptake by businesses.
- 34. Develop** a regional implementation plan for a suite of Global Data Standards in digital systems and accelerate deployment building on enhanced collaboration, including with business.

**35. Encourage** voluntary uptake of the CBPR system, supported by enhanced dialogue with business on the impact of any new regulations.

**36. Prioritize** effective cybersecurity including for the software of digital trade platforms and the adoption of international and/or interoperable standards as appropriate.

### **Supporting emerging technologies**

To remain competitive in the global economy, APEC must continue to support the responsible development and use of emerging technologies. An enabling environment for new technologies such as artificial intelligence (AI) and health technologies has the potential to boost productivity, can contribute to overcoming the pandemic, and could also help to protect against future shocks and solve intractable problems such as climate change.

AI offers immense potential to accelerate social, economic, and technological development. AI stands to improve decision-making processes, replace the human labor required for otherwise complex, arduous or even abstract tasks, and allow us to anticipate future challenges and opportunities. If equipped with the ability to make better, more efficient, and informed decisions, businesses would be more competitive, ultimately increasing the efficiency of markets and capital allocation. Even the slightest improvements over conventional capital allocation models would result in an advantage to economic development throughout the region.

Understanding this, three focus areas should be prioritized for AI: creating an enabling regional AI ecosystem; leveraging regional hubs; and supporting greater trust.

ABAC commissioned research this year into a comparison of the AI environment across the region, building on our 2020 report *Artificial Intelligence in APEC*.<sup>10</sup> The research found that AI has the potential to advance

<sup>10</sup> Artificial Intelligence in APEC: Progress, Preparedness and Priorities: [https://www2.abaconline.org/assets/AI\\_Report\\_2021.pdf](https://www2.abaconline.org/assets/AI_Report_2021.pdf)



economic opportunities by enhancing business competitiveness and market efficiency. However, action is needed on business preparedness, a supportive policy and regulatory landscape, and increased opportunities for collaboration (including with academic institutions and business bodies) to achieve greater uptake, increased investment and the development of more innovative sector-specific applications. This collaborative approach could also help to establish a more harmonized regulatory approach and a more inclusive ecosystem, bringing economies together and potentially bridging capacity gaps.

The research likewise found that AI ecosystems in APEC member economies vary widely in their level of maturity, policy support and local knowledge. APEC should foster AI hubs as sources not just of innovation and research, but also for diffusion and commercialization of AI technologies throughout the region.

The research highlighted the importance of trust in AI, and the need to address risks in relation to the processing of personal data in AI systems. Existing mechanisms, including the CBPR, do not adequately address this concern.

ABAC has also focused this year on health technologies in the region. APEC health systems are under pressure and require urgent attention – not least in response to the pandemic. Transforming healthcare systems through investments in digital health technologies offer a potential solution to both alleviate current constraints and build resiliency against future shocks. Advancements in health-tech have paved the way to breakthroughs in bio-medical research and improved treatments, increasing

longevity and improving health outcomes overall. Moreover, telemedicine solutions can address the medical divide. However, optimizing the uptake of health technologies requires a more enabling environment including more investment and a coherent and interoperable approach to regulation.

ABAC calls on APEC to:

**37. Create** a regional multistakeholder forum within APEC to discuss and collaborate on AI governance, policies, regulatory frameworks and standards, including on a sector-specific basis; seek to mainstream AI across existing APEC working groups; and develop a framework for the responsible processing of personal data by AI systems.

**38. Establish** a more enabling environment for innovative health technologies including fostering greater investment for research and development; supporting digital literacy and skills in health education and training; prioritizing equity to ensure that traditionally marginalized populations are represented and protected against systemic discrimination; establishing a regulatory framework for the safe, secure access to disaggregated medical data for analysis; provide patients control of their medical data for use in their care; and fostering the interoperability of digital health technologies and systems domestically and, where relevant, internationally through the utilization of common and open standards.







# Economy



### **Post-COVID recovery**

In 2020, APEC GDP declined by 1.9 percent overall, in spite of the economic turnaround towards the end of the year. It is encouraging that regional growth in 2021 is projected to reach 6.3 percent as pent-up demand is unleashed. Even so many of the challenges confronting APEC economies continue with little respite in sight. The COVID-19 pandemic is far from over and will remain so for as long as delivery of vaccines remains slow and access inequitable, particularly for some in our communities.

While promising in some sectors, the recovery has been highly uneven across economies and industries, most particularly the services sectors as noted above. Lockdowns and other measures have had ripple effects across global supply chains in sectors like pharmaceuticals, personal protective equipment and food, amongst others.

### **Structural reform**

There is urgent need for structural reform efforts that address the immediate challenge of recovering from the COVID-19 pandemic as well as medium-term challenges in responding to technological transformation and climate change. The challenges facing the APEC region have increased significantly over the last decade, with geopolitical instability, nationalism, rising inequality and supply chain disruption accelerating even before the emergence of the COVID-19 pandemic. Significant structural reforms are required to support the economic recovery and address the impacts of these disruptive forces, including issues of competition policy, financial and labor market access, infrastructure, digital governance and delivery of basic services.

ABAC welcomes the unprecedented levels of targeted support payments made by APEC economies to citizens and businesses to protect livelihoods and assist in keeping them solvent through the pandemic. It is essential that APEC economies continue to support vulnerable populations. However, the combination of large

fiscal expenditure and subdued economic growth requires careful attention to fiscal balances, public sector debt and inflation, and early recognition and response to any new economic crisis.

### **Disaster risk management**

APEC is the world's most exposed region in terms of natural disasters and climate risks. The devastating impacts of the pandemic, especially on the most vulnerable and MSMEs, have again highlighted the importance of coordination and collaboration to ensure that health and economic responses and recovery are both resilient and inclusive. This has underscored the importance of public-private engagement and the need for an all-of-systems approach to addressing disasters.

ABAC calls on APEC to:

- 39. Continue** targeted stimulus business support measures to address the shortfall in demand and enable recovery from the impact of the pandemic for as long as needed. Economies should also introduce innovative reforms in personal insolvency regimes to accelerate fresh starts for entrepreneurs whose businesses failed or are failing as a result of the COVID pandemic.
- 40. Promote** a holistic approach to structural reforms that prioritize inclusion and sustainability whilst addressing the emerging and interrelated challenges of technological transformation and climate change.
- 41. Coordinate** domestic fiscal stimulus measures at the regional level to support economic recovery and be prepared to adapt them swiftly when required to prevent another financial crisis. In the process of providing stimulus that is needed in the short term, APEC economies should recognize the risks to financial stability presented by the debt overhang in both developed and developing economies, as well as inflation in major economies.

**42. Strengthen** integration of disaster risks in fiscal planning and develop contingency recovery plans for ready implementation, including ensuring adequate budget allocation.

**43. Address** fragmentation and capacity constraints in the implementation of disaster risk reduction, response, and recovery programs, adopting an all-of-APEC and all-of-systems approach to disaster and pandemic responses, with strong public-private engagement, including the affected communities.





A blue-tinted photograph of a mountain landscape. The scene is viewed through a translucent plastic sheet that is draped over the top and sides, creating a slightly distorted and layered effect. In the background, a mountain range is visible, with a valley in the middle ground containing a river or stream. The foreground shows a textured, possibly rocky or sandy surface. The overall mood is serene and somewhat ethereal due to the monochromatic color scheme and the plastic overlay.

# Annexes

# Annex A

## Recommendations on Reopening Borders for Safe and Seamless Travel

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### Introduction

There is an urgent and critical need for APEC economies in due course to develop a coherent framework for the safe and seamless reopening of borders. Results from our recent Survey on Travel and Borders conducted from April to June 2021,<sup>1</sup> reflected that travel restrictions put in place to contain the spread of COVID-19 have greatly affected businesses and people connectivity, and impacted lives and livelihoods especially in the tourism, hospitality, aviation, and related sectors. It also shows that disparate, rapidly changing, and uncoordinated travel rules and restrictions across economies have added unnecessary complexities, costs, and time spent for business travelers. As COVID-19 is likely to become endemic, we need to learn to live with the virus and find ways to continue business and people interactions.

### *Principles for a regionally consistent framework to reopen safely and seamlessly*

While developing a consistent regional framework is the top wish of business travelers, ABAC recognizes that this may be a huge undertaking. Different economies are at different stages of combating COVID-19, with differing domestic situations including access to available and approved vaccines, risk tolerance levels, and healthcare capacities. Not all economies would be ready to reopen their borders at the same time and speed. Nevertheless, working on a regionally consistent framework in accordance with international standards would allow economies to do so when it is safe.

ABAC recommends that this framework be voluntary, compatible with other existing initiatives and frameworks, and take into account the dynamic and evolving health and economic situation. Bilateral agreements within APEC, such as the Australia – New Zealand and the Singapore – Hong Kong, China air travel bubble arrangements, and other safe travel initiatives can also serve as pathfinders and useful reference points for the regional framework. APEC can also organize pilots for the deployment of a regional digital health certificate amongst these economies.

### Priorities & Recommendations

#### *Priority 1 – Continuation of business and people interactions*

The global cessation of cross-border travel is not sustainable in the long run. As governments deploy alternative control measures at their borders, such as testing, contact tracing, and quarantine, and more people get vaccinated globally, the risk of cross-border import and transmission will correspondingly be reduced. A risk management approach that is consistent with the World Health Organization (WHO) and International Civil Aviation Organization (ICAO)'s guidelines would allow economies to balance the need to control the spread of COVID-19 against the economic and social needs for travel to resume. Some APEC economies have done so by negotiating air travel bubble agreements and opening up unilaterally to vaccinated travelers from low-risk jurisdictions.

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<sup>1</sup> ABAC 2021 Survey on Travel and Borders: <https://tinyurl.com/ABAC-Travel-and-Borders-survey>

To manage risks arising from international travel, APEC economies should consider adopting a common system to classify different risk levels among travel destinations relative to the risk within its own borders. This would enable economies to make clear and predictable decisions on border policies.

Despite the big shift towards online business and interactions, there is still a need for businesses to connect with overseas clients, partners, and investors physically. APEC economies should work on and publish a list of essential business activities which would facilitate cross-border travel, and consider agreeing on a pre-approved list of frequent senior business travelers and investors with regional or global responsibilities. Such persons would be trusted to limit their potential exposure and tested regularly for each trip without needing to undergo quarantine for each leg of their travel. In addition, the movement of skilled workers across borders is essential to fulfilling certain key parts of business operations such as maintenance of specialized equipment or provision of medical services.

#### **Recommendations:**

- 1.1 Adopt a risk management approach to reopen borders by negotiating air travel bubble arrangements and opening up to vaccinated travelers or other low-risk jurisdictions when their domestic situation allows.
- 1.2 Implement a system to monitor and manage the risk arising from international travel by classifying travel destinations into high, medium, or low risk categories.
- 1.3 Develop a regionally consistent framework for admitting skilled workers and each individual economy's list of essential service providers and needed skilled workers.
- 1.4 Develop an agreed list of essential business activities and a list of pre-approved frequent business travelers and investors who would face less stringent measures.

#### ***Priority 2 – Harmonization of travel regime and green lanes, including an additional set of health protocols for vaccinated travelers where local circumstances permit***

The dynamic situation and new COVID-19 variants emerging have forced governments to frequently change their travel measures according to their own assessments. This has resulted in widely differing and disjointed regulations across the region, as well as duplicative testing, unnecessary costs, and time spent in quarantine for business travelers. Having a regionally consistent framework would avoid a “spaghetti bowl” of rules and facilitate economies to reopen their borders safely and seamlessly when they are ready to do so.

Economies should consider allowing vaccinated travelers to face no or less stringent restrictions, such as testing in place of quarantine, where the local circumstances permit. When deciding which vaccine would entitle travelers to these privileges, economies should base their decision on internationally recognized science, ideally the WHO's approval list, and not be influenced by political or economic considerations. Economies should then make their lists publicly available; for instance, Thailand has announced the acceptance of WHO approved vaccines and those approved by the Ministry of Health for the Phuket Tourism Sandbox.<sup>2</sup>

To enable digital health certificates to be consistently recognized across borders, APEC economies should (i) agree on not requiring vaccination as a pre-condition for travel; (ii) agree on an APEC-wide data privacy and security standard for digital health certificates; (iii) set validity standards on key areas necessary for the functioning of digital health certificates by identifying acceptable tests and testing procedures, vaccines approved, parameters for recovery certification, and periods of validity for vaccines, recovery, and test results; and (iv) certify domestic testing and vaccination facilities and provide unique digital signature keys for certificate disbursement.

<sup>2</sup> Thailand endorses specific COVID-19 vaccines for foreign tourists: <https://www.straitstimes.com/asia/se-asia/thailand-endorses-specific-covid-19-vaccines-for-foreign-tourists>



To provide assurances to immigration authorities and facilitate border processes, an interoperable system that holds verifiable and tamper-proof information on testing and vaccine status is needed. ABAC urges APEC economies to work with both private sector solution providers and relevant international organizations, so that existing digital health certificates of different technical approaches are interoperable. APEC could also consider leveraging on its experience in developing the APEC Business Travel Card (ABTC) and its available structure for a framework or system to facilitate travel in the post-COVID-19 world.

#### **Recommendations:**

- 2.1 Adopt common or international standards for testing, and consistent quarantine protocols across APEC economies.
- 2.2 Allow green lanes for vaccinated travelers, ideally based on WHO's approved vaccines list, where local circumstances permit.
- 2.3 Enable recognition of travelers' vaccination status using digital health certificates, based on an APEC-wide data privacy and security standard, working with private sector and international organizations to ensure their interoperability.
- 2.4 Leverage on APEC's experience in developing the ABTC for a framework or system to facilitate travel in the post-COVID-19 world.

#### ***Priority 3 – Knowledge sharing and exchange of information***

As the COVID-19 situation and resulting border measures continue to evolve, APEC should harvest the low-hanging fruit of building an online portal for economies to publish up-to-date travel-related information, particularly for essential and needed workers, to help businesses better plan for their travel and hiring needs. This would also make it easier to compare the data schema, format, and systems that economies are using, help spur discussions on mutual recognition, and encourage the adoption of existing standards and protocols.

While vaccines are key to controlling the pandemic and resuming business activities, they

are unlikely to be a cure-all. APEC should see vaccines as just one tool in the toolkit to be used alongside testing, contact tracing, quarantine and social distancing measures, and the consistent exchange of information and sharing of knowledge would allow economies to learn from best practices on managing community spread and the importation of COVID-19 cases. This will allow the safe and seamless reopening of borders.

#### **Recommendations:**

- 3.1 Create a comprehensive digital repository of information containing all relevant travel and borders policies and restrictions of APEC economies, as well as vaccines, technical standards and travel passes that they recognize and/or have created.
- 3.2 Share experiences with safe travel initiatives and air travel bubble arrangements and build capacity on managing community spread and importation of COVID-19 cases.

#### ***Priority 4 – Establishment of an APEC task force***

A regionally consistent framework for the reopening of borders would require coordination and involvement of APEC fora and sub-fora across relevant areas of responsibility including cross-border mobility, health, finance, trade, and tourism. Establishing a special forum with the mandate to investigate issues arising from developing such a framework would initiate work on developing existing bilateral air travel bubble arrangements into a regionally consistent framework. The task force would act as a central coordinator of existing APEC working groups, such as the Business Mobility Group and/or the Tourism Working Group, and engage technology, business, and civil society sectors through a public consultation process.

#### **Recommendations:**

- 4.1 Establish a multi-disciplinary APEC task force across relevant areas of responsibility including cross-border mobility, health, finance, trade and tourism, with the mandate to explore developing a voluntary APEC framework on reopening borders.

# Annex B

## Statement of Support for the WTO

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The APEC Business Advisory Council strongly supports the multilateral rules-based trading system, with the World Trade Organization (WTO) at its heart. For decades, the WTO system has helped to advance international cooperation for the common good. It now has a key role to play in our response to the COVID-19 pandemic – both in overcoming health challenges and in bolstering economic recovery.

ABAC warmly welcomes the appointment of Dr. Ngozi Okonjo-Iweala as the Director-General of the WTO. There are also encouraging signs of renewed engagement across the WTO membership. Now is the time to act. Concerted, constructive and collaborative engagement from all WTO members is needed to face down global challenges. APEC can, and should, lead in this effort.

**ABAC calls on APEC economies to work together to shape a strong, credible and relevant WTO, one that responds effectively to the pandemic, fosters economic rebuilding and reflects evolving business needs and models.**

To that end, APEC's priorities should be:

1. Coordinating closely on a strong and effective response to the pandemic;
2. Getting the WTO system fully operational again; and
3. Achieving concrete outcomes on necessary reforms to WTO rules and processes.

### **1. 'Pandemic trade policy': Coordinating a strong and effective response to COVID-19**

Trade should not be seen as a problem in tackling the pandemic – but rather, as central to the solution. Free and open trade in vaccines and in an agreed list of essential medical supplies and services will be crucial to overcoming COVID-19 for economies individually and collectively. We should avert the impulse towards economic nationalism, and instead support the functioning of global value chains and open markets. We must also recognize the needs of the most vulnerable. ABAC urges APEC economies to support existing initiatives in the WTO such as the Trade and Health Initiative, and to lead a new initiative in the WTO to achieve:

- an immediate standstill on export restrictions on vaccines and on an agreed list of essential medical supplies and essential services, with a view to removing all such restrictions as soon as possible<sup>1</sup>;
- the permanent elimination of import tariffs and non-tariff barriers on those same products;
- addressing barriers to movement of essential personnel in times of crisis; and
- new reporting and monitoring mechanisms for trade in vaccines and medical supplies.

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<sup>1</sup> The agreed list should include medical equipment, medicines, active pharmaceutical ingredients, basic hygiene products and equipment, inputs to vaccine supply chains such as adjuvants, vials and syringes, and vaccines themselves.





## 2. *Getting the WTO system fully operational again*

Ensuring that the WTO system continues to be relevant, effective and enforceable will be critical to economic rebuilding. ABAC calls on APEC economies to work urgently to:

- appoint a full slate of **WTO Appellate Body members**, and agree necessary reforms; and
- build trust through enhanced efficiency and transparency on **all COVID response measures** by establishing a monitoring and notification mechanism.

## 3. *Achieving concrete outcomes on necessary reforms to WTO rules and processes*

APEC economies should champion reforms to ensure that WTO rules better reflect modern business and societal concerns, and contribute more fully to supporting productivity, innovation, growth, resilience, inclusion and sustainability. Looking ahead to outcomes from the 12th WTO Ministerial Conference, ABAC calls on APEC economies to:

- commit to **enhanced transparency** including through full and timely adherence to existing obligations and improvements to those mechanisms as needed, including for COVID response measures as noted above;
- support ambitious outcomes on the trade-related aspects of **e-commerce**, and seek agreement to a **permanent moratorium on Customs duties on electronic transmissions**;
- support improvements to rules for the **domestic regulation of services**, and the eventual revival of negotiations on trade in services;
- champion the urgent elimination of **fish subsidies** that contribute to illegal, unregulated and unreported fishing; the elimination of inefficient **fossil fuel subsidies**;
- the development of a sectoral initiative to liberalize trade in an agreed list of **environmental goods and services**, expanding on the existing APEC Environmental Goods List, recognizing that this could enhance progress to a low-carbon economy and lay the groundwork for negotiations on rules for trade measures to address climate change that are WTO-consistent, necessary, proportionate, non-discriminatory, transparent, predictable and least-trade restrictive; to that end, ABAC encourages participation in the new joint initiative on Trade and Environmental Sustainability;
- pursue substantial and meaningful reductions in trade-distorting agriculture support;
- support negotiations on **investment facilitation** for development and other initiatives that encourage more inclusive participation in trade, including by **MSMEs**;
- help close the **gender gap** by supporting initiatives for women's greater participation in trade, including championing a roadmap for a Women's Economic Empowerment Initiative which would entail a standstill on current relevant laws and regulations and further binding commitments to prohibit the discrimination between men and women with respect to rights of ownership and entrepreneurship for women-owned businesses;
- take a fresh look at the rules on **subsidies** (both industrial and agricultural), consistent with fundamental WTO principles for fair and non-discriminatory trade, including a meaningful cut in trade-distorting domestic support for agriculture; and
- recognize that '**plurilateral**' negotiations, including on the topics above, can contribute to good outcomes for the system overall, provided that they are consistent with WTO principles and are designed to serve as building blocks to future multilateral outcomes.

Finally, to support both transparency and the responsiveness of the system, APEC should champion a greater engagement by the **international business community**, including ABAC, in WTO processes by establishing a formal structure for private sector representation and business inputs to inform WTO policymaking.

# Annex C

## Climate Leadership Principles for Business

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ABAC members, meeting on 3 August 2021, agreed a set of Climate Leadership Principles both to guide its own climate response and to encourage businesses in the Asia-Pacific region to adopt practices to address climate change at the enterprise level.

We offer these principles as useful guidelines for adoption by businesses within the Asia-Pacific region<sup>1</sup> and we commit ourselves to continue to exchange best practice for implementing these principles in APEC economies.

### **Reduction**

1. In order to begin a transition to a low-carbon region, businesses should play their part by:
  - a. Measuring, monitoring, and reporting individual businesses' greenhouse gas footprint, and have this independently verified, at both gross and net levels, taking into account transparent use of verified offsets in the near term;
  - b. Adopting reduction targets grounded in science that will deliver substantial emissions reductions; and
  - c. Properly resourcing decoupling from fossil fuels, supporting the generation of, and trade and investment in, clean renewable energy, as well as the uptake of other new technologies and environmentally-friendly goods and services.

### **Adaptation**

2. Businesses should support behavioral and technological adaptation to support our communities to deal with the forecast effects of climate change by:
  - a. Undertaking effective climate change risk assessment and proactive management, both in company and within the value chain and logistics and publicly disclosing this;
  - b. Recognizing that responsible "Environmental, social and governance" (ESG) investments along with funding for climate change mitigation and adaptation is an investment in the future; and
  - c. Championing technological advancements that support a low-carbon economy and enhance the effectiveness of digitalization.

### **Just Transition**

3. Businesses should consider wide climate impacts and seek a sustainable and equitable transition for parts of our economy and society, within the framework for open and rules-based trade by:
  - a. Building a just transition which is fair, equitable and inclusive and acknowledges those most affected by our changing climate;
  - b. Challenging polarization – welcoming a wide range of information sources in decision making and an inclusive approach; and

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<sup>1</sup> ABAC acknowledges the work of the New Zealand Climate Leaders' Coalition and the Sustainable Finance Development Network.



- c. Involving communities including youth and indigenous people, seeking their feedback in decision making – ensuring that future generations have the same rights as the present generation to natural and cultural benefit.

### **Climate Leadership Assumptions**

Three assumptions underpin the development of ABAC's Climate Leadership Principles and the responses that individual businesses should accordingly make in addressing climate change:

#### ***Collaboration***

1. To address the challenge to the future sustainability of our communities and the planet as a whole, business leaders should undertake to work inclusively and collaboratively, rather than competitively:

Three high-level considerations support this assumption:

- a. Cooperation – we can only make progress on climate if everyone is on board – community, government and business, including the financial sector. Business has a role to lead where politics fails on climate, and in particular, share and deploy best available corporate practice for greater impact.
- b. Climate action culture – to ensure that our organizations' culture, key documents, and decisions reflect and align with these Climate Leadership Principles. Business needs to lead by example.
- c. Expand climate leadership reach – build business momentum, bring more on board, within our communities, with key stakeholders.

#### ***Natural Ecosystems Approach***

2. We acknowledge that our businesses operate within, not separate from, our surrounding ecosystems.

Three high-level considerations support this assumption:

- a. Acknowledge the interrelatedness of all ecological, social and economic processes.
- b. Promote design for a sustainable systems and/or circular economy approach, that considers whole of life emissions, and product stewardship throughout a product's life cycle.
- c. Understand business impacts on community, biodiversity and vulnerable ecosystems.

#### ***Iterative Process***

3. We understand our approach to climate requires constant review, adaptation and a commitment to being led by science-based data.

Three high-level considerations support this assumption:

- a. Incorporate climate considerations into all areas of business operations and be willing to review progress often.
- b. Commitment to being science based – respond to developments in data at the international, regional and economy level, with an aim of using the best available evidence and data.
- c. Recognize that addressing climate change requires constant learning, flexibility, and challenges our predisposition towards the status quo.

# Annex D

## Elements for Framework for Trade and Investment in Renewable Energy

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### *Trade and Investment Principles*

- **World Trade Organization:** APEC economies should continue to abide by and strengthen their support for the fundamental principles which together form the foundation of the multilateral trading system overseen by the World Trade Organization (WTO) and must continue to meet their obligations and commitments pursuant to the WTO agreements.
- **International, Regional and Free Trade Agreements:** It is acknowledged that APEC economies have entered into a range of international agreements aimed at liberalizing, facilitating, harmonizing and regulating trade between member economies, including bilateral and regional agreements, which create rights and obligations that may affect trade and investment in renewable energy in the region.
- **Non-Tariff Measures:** APEC economies have agreed to take action to reduce the incidence of non-tariff measures (NTMs), including non-tariff barriers (NTBs), noting the costs and burden that they impose on trade in the region. The principles adopted (which closely align with those proposed by ABAC) are applicable to trade and investment in renewable energy.
- **Investment:** In 1994, APEC Leaders endorsed the APEC Non-Binding Investment Principles, which were revised in 2011. These principles are applicable to building an investment environment conducive to development of trade and investment in renewable energies in the region.
- **Inclusion:** Trade and investment in renewable energy in the APEC region should take into consideration principles of inclusive development for all APEC economies and for marginalized and underrepresented groups with untapped potential and ensure that benefits are shared on an equitable and non-discriminatory basis. APEC Leaders in 2020 resolved to navigate recovery of the region along a path of strong, balanced, inclusive, sustainable, innovative and secure economic growth.
- **Climate Leadership:** ABAC is promoting Climate Leadership Principles as a means to galvanize business and government support for actions to address dangerous climate change. The Principles are based on the need for Adaptation, Mitigation and Just Transition. The move to renewable energy is an important part of mitigation efforts towards a lower carbon future. Similarly, renewable energy has a role to play in the just transition that is required to effect this change, which includes taking account of the interests of stakeholders including MSMEs, youth, women and Indigenous peoples.



## **Renewable Energy**

### **APEC-wide actions**

- APEC economies should work collaboratively to create an attractive environment for investment in renewable energy, including investment policy and facilitation, competition and trade policy, financial access and regulatory quality and adoption of a region-wide Environmental, Social and Governance (ESG) taxonomy.
- APEC economies should focus on deepening measures which will contribute to the mobilization of domestic and foreign investment flows specifically aimed at financing investment in renewable energies and in the development of regional energy markets. This should include intensified collaboration in the Advisory Group on APEC Financial System Capacity Building with international organizations and business.
- Subject to meeting health priorities, APEC economies and international finance institutions should frame their policy responses to the COVID-19 pandemic in ways that are consistent with domestic climate change objectives, including furthering the mobilization of capital for promoting renewable energy and innovation.
- APEC should renew its collaboration with the Organization for Economic Cooperation and Development (OECD) to facilitate creation of this investment environment.
  - APEC should extend work with the OECD on the APEC-OECD Integrated Checklist on Regulatory Reform, to develop guidelines that specifically focus on aligning investment guidelines and the mobilization of investment and innovation in renewable energy.
  - APEC economies should work to implement the OECD Policy Guidance for Investment in Clean Energy Infrastructure, which builds on the OECD Policy Framework for Investment. APEC should utilize the Framework as a tool kit, providing policy advice and capacity building within the region.
- APEC should review its Non-Binding Investment Principles with a view to ensuring they align with its climate and renewable energy policies, encourage peer reviews of economies' policies and support adjustment and reforms through capacity building initiatives.
- APEC economies should encourage investors to have a better understanding of the climate risk attached to investment, including possible adoption of the Task Force on Climate-related Financial Disclosures framework on climate-related financial disclosure.
- APEC economies should consider voluntary carbon footprint disclosure as one possible investment criterion and a key FDI quality indicator and ESG factor to align investments with the Paris Agreement goals.
- APEC economies should consider developing market-based cross-border solutions such as international green certificate systems to increase investment in renewable energy, boost generation and contribute to overall reduction of emissions in the region.
- APEC economies should reduce or eliminate tariffs and non-tariff measures affecting trade and investment in renewable energy in the region, including adopting regulatory harmonization to facilitate trade in renewable energy and associated goods and services.
- APEC economies should commit to updating and expanding the Environmental Goods List agreed by APEC Leaders at Vladivostok in 2012 (which limits tariffs to no more than 5 percent on 54 goods used to protect the environment), to include new and emerging renewable energy technologies and industries.
- APEC economies should coordinate to identify measures to support technological cooperation, regulatory harmonization and skills transfer on energy resilience projects across the region.

- APEC economies should seek to develop markets beyond and within their borders to create both the demand for and supply of viable renewable energy export trade.
- APEC economies should adopt recommendations of the APEC Environmental Services Action Plan Final Review, including:
  - APEC should agree upon a definition for environmental services.
  - APEC should categorize barriers to trade in environmental services.
  - APEC should assess the costs and benefits of liberalization of environmental services and encourage cooperation and avoidance of protection measures.
  - APEC should provide frameworks for regulatory review particularly in relation to approval and licencing measures.
  - APEC economies should avoid local content measures, and when they are used, ensure transparency.
- APEC economies should consider the impact of potential Carbon Border Adjustment Mechanisms on trade in goods into the EU and US, which could have implications for trade and investment in APEC economies, especially but not limited to the effects on commodities and materials with a low-carbon footprint verified by independent certified agencies.
- APEC economies should consider development of an APEC hydrogen certification system based on carbon content.
- APEC economies should consider creation of sustainability labels and/or separate customs codes for low-carbon commodities.
- Recognizing the long-term investment implications of energy projects, the magnitude of investments required and the need to ensure stability and security for such investments, APEC economies should commit to utilize transparent and expeditious dispute settlement processes.

- APEC economies should investigate a mechanism for regional cooperation in developing a voluntary scheme or a carbon credits trading scheme which could accommodate the different circumstances of each economy and contribute as a region to overall reduction in global greenhouse gas emissions.

#### **APEC economy actions**

- APEC economies have different approaches and pathways of transition to decarbonization.
- APEC economies should work with their business sectors to identify and prioritize opportunities which present positive outcomes for both the environment and trade growth.
- APEC economies should ensure strong alignment between their vision for climate change action and private enterprise objectives to encourage investor confidence in renewable energy projects.
- Relevant government agencies should review investment policies to:
  - positively influence investment decision making by all investors based on principles of transparency, investment protection and non-discrimination;
  - ensure that competition policy favors innovation, encourages new investment and transmits investment benefits widely in society;
  - strengthen financial markets to enhance access to finance, deepen financial inclusiveness and encourage opportunities for both domestic and foreign investors in renewable energy sectors;
  - enforce regulatory quality and integrity as vital aspects of public governance and critical in building confidence of investors, domestic and foreign; and
  - collaborate with regional partners in strengthening regional financial, economic and social cooperation and



encourage public-private partnerships in investment in renewable energy and innovation.

- APEC economies should support enhancing access to affordable energy, energy security and energy resilience through the APEC Energy Resiliency Principle so that all economies in the region can benefit from designing high-quality and resilient energy infrastructure, procuring and using low-carbon and recyclable materials, if possible.
- APEC economies should explore the adoption of small-system, project-based renewable energy solutions, such as micro-grid technology, to enhance energy resilience and access to sustainable and affordable energy for all communities.
- APEC economies should consider adopting policies and implementing regulatory reforms which will encourage innovation, prioritize investment in research and development and enhance uptake of low-carbon emission technologies.
- APEC economies should engage with international development institutions to enable harmonization with international standards and best practice for trade and investment in renewable energies.
- APEC economies should support capacity building initiatives, technology transfer and sharing and the development of human resources in higher education facilities, business and financial institutions, aimed at broadening opportunities for investment in renewable energy and innovation.
- APEC economies should adopt voluntary measures such as:
  - identifying and addressing issues in supply chains for renewable energy trade, such as for green hydrogen and green ammonia;
  - identifying and addressing issues in supply chains for renewable energy generation-related goods and services;
  - adopting compatible certification for green hydrogen and green ammonia products promoting cross-border applicability; and
  - technical cooperation on domestic energy transitions to renewable energy, including transition of assets that can only use fossil fuel to assets that can use renewable energy.
- APEC economies should adopt structural reforms to assist the transition of sectors and enterprises adversely impacted by climate-related changes to trade and investment.

# Annex E

## Indigenous Business Leaders' Statement of Priorities

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### *Promoting Indigenous Business Inclusion Across APEC Member Economies*

#### **Preamble**

1. We, Indigenous Business Leaders from APEC economies, met virtually on 7 July NZT to discuss our vision for expanding our involvement in trade and business and building our communities. We are grateful to ABAC for this opportunity and for making this Statement of Priorities available to APEC Economic Leaders.
2. In meeting together for the first time in this way, we have been mindful of the 245 million Indigenous people living in the APEC region and that we carry their hopes and aspirations for the future, building on the legacy handed down to them by their ancestors. We are mindful also that, while economic development across Indigenous economies is significantly varied, many of the challenges and barriers Indigenous businesses face are shared and arise from both historical and contemporary structural inequities. Notwithstanding these challenges, Indigenous peoples have maintained their knowledge systems and enhanced their know-how in ways that could significantly benefit the APEC region's commitment to build back better and fairer after the COVID-19 pandemic. An inherent commitment to inclusion, sustainability and prosperity for all peoples positions Indigenous businesses well to enrich and help shape a new regional economic recovery.

#### **Recommendations**

3. As APEC adopts an Implementation Plan for the Putrajaya Vision to 2040, we Indigenous Business Leaders urge APEC Economic Leaders to:
  - a. Accord priority to developing Indigenous Economic Inclusion in APEC to ensure Indigenous peoples participate fully in the APEC work program and have access to the resources necessary for the well-being and economic security of their communities – urban, rural and remote – as well as participate in the shaping of region's future economic story.
  - b. Work in partnership with the Indigenous Business sector to stimulate and incentivize Indigenous business growth and scalability for greater involvement in trade and economic cooperation and to improve cross-border collaboration.
  - c. Identify and address the infrastructure needs of rural and remote Indigenous communities including expanding the internet and digital infrastructure to improve access to the digital economy and cross-border e-commerce.





- d. Expand the range of data collected relevant to the needs of the Indigenous Business sector within the APEC economies as well as supporting and recognizing the role of free, prior and informed consent in the collection, use and storing of Indigenous people's business and economic data.
    - e. Explore how Indigenous economies could benefit from existing multilateral trade rules and how the provisions of pathway agreements to the Free Trade Area of the Asia-Pacific (FTAAP) can be structured to reflect the needs of Indigenous business.
4. We look forward to future opportunities to gather and exchange views as Indigenous people from across the region and we undertake to continue to work cooperatively with ABAC and APEC to this end.