

ABAC STATEMENT ON FTAAP

Achievement of the Free Trade Area of the Asia-Pacific (FTAAP) remains ABAC's preeminent trade and economic priority and is an important part of the APEC Putrajaya Vision 2040. ABAC welcomes the priority given in 2022 to a refreshed APEC conversation on FTAAP.

FTAAP can be seen both as a destination and a journey. As a destination, it is informed by the vision of deeper regional economic integration serving as the foundation for an open, dynamic, resilient, prosperous, and peaceful Asia-Pacific community. As a journey, FTAAP needs to respond to the dynamic and evolving global business environment. Above all, we recall the 2014 FTAAP Beijing Roadmap and the 2016 Leaders' Lima Declaration affirmations that the eventual FTAAP should be high quality, comprehensive and incorporate and address next-generation trade and investment issues.

The Vision

ABAC sees a number of priorities for the achievement of FTAAP.

First, ABAC urges APEC to seek the convergence of high-quality approaches to trade and investment. This should be based on the completion of a detailed examination of existing pathway free trade agreements in the region that has been underway for some time. This examination should include next generation trade and investment issues as well as the mechanisms in place for dispute resolution, along with regular assessments of any shortcomings or implementation challenges that may have emerged.

With regard to the pathways, ABAC encourages all remaining members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and of the Regional Comprehensive Economic Partnership (RCEP) to ratify and implement these agreements as soon as possible, recognizing the contribution they make to sustainable and inclusive prosperity in the APEC region. ABAC further recommends that members aim to improve the agreements over time and encourage economies which can meet the high standards of the agreements to join.

Second, ABAC emphasizes the importance of developing rules for smooth, secure, trusted, interoperable and inclusive cross-border e-commerce/digital trade, recognizing the contribution of the pathway agreements and dedicated high-quality digital agreements.

Third, enabling more inclusive participation in trade, including e-commerce/digital trade, by underserved groups such as micro, small and medium-size enterprises (MSMEs), women, Indigenous Peoples, and other groups with untapped economic potential will also be an essential element of the eventual FTAAP. ABAC believes that a successor initiative to the Boracay Action Agenda to Globalize MSMEs is needed. This will be critical to enable those groups – and our economies as a whole – to realize the full opportunities of deeper integration.

Fourth, the region faces a heightened risk of natural disasters as a result of global warming, with severe negative implications for supply chains, sustainability, inclusion and prosperity. The climate change response must be a critical element in FTAAP. The current pathway agreements do not fully respond to this need. We encourage APEC economies to develop rigorous, strategic and practical responses informed by the ABAC Climate Leadership Principles, including in relation to trade and investment, and within the framework of trade agreements.

To achieve FTAAP, APEC economies should:

- build on and improve the quality of pathway trade agreements and other regional economic integration undertakings in the region by pursuing convergence around the approaches that work best in these agreements and by addressing any implementation issues or other shortcomings that may have emerged through regular assessment;
- encourage remaining CPTPP and RCEP members to ratify and implement the agreements, while encouraging new entrants which can meet the high standards of these agreements;
- develop by consensus high-quality rules in new areas including digital trade and other next generation trade and investment issues drawing, where appropriate, from the pathway agreements and dedicated, high quality digital agreements;
- enable economic inclusion and expand economic benefits by actively reducing barriers and building the capacity of MSMEs, women-led businesses, and those of other underserved groups in global supply chains and trade; and
- advance trade policy approaches to respond more effectively to climate change informed by the ABAC Climate Leadership Principles, including in relation to trade and investment, and within the framework of trade agreements.

The Journey

Businesses and communities cannot afford to wait twenty years for the full realization of FTAAP. Progress towards an eventual FTAAP should be made through a process of gradual accretion of smaller elements that serve as building blocks for the evolving trade and investment architecture. These elements may not necessarily be implemented by all APEC economies in the same way and over the same timeframe, but efforts should be made to ensure that overall approaches are coherent and seek to optimize both the benefits to business and the early achievement of improvements to inclusion and sustainability.

ABAC accordingly proposes that APEC agree to develop detailed **multi-year work programs** on five urgent business community priorities. This work should commence in 2023, with a review of progress in 2026 and a review of objectives in 2031. Work programs should seek to develop concrete outcomes that could be implemented expeditiously, and which will result in tangible improvements for business. APEC can consider identifying a lead economy to coordinate and drive each work program; similarly, ABAC representatives can also be identified to convey ABAC's inputs.

Early priorities could be identified across the full range of FTAAP elements, but we identify five specific proposals below. We underscore that these proposals represent only a small number of ABAC's goals for FTAAP. ABAC has consistently called for ambitious outcomes across the FTAAP agenda, in areas that go well beyond these early priorities.

- i. **Digitalization:** Recognizing the key enabling role that digital technologies can play in growth, productivity, inclusion and innovation, we call for early work on achieving greater interoperability in digital trade, including for safe and secure cross-border data flows, digital identities, e-signatures, e-invoicing and e-payments, and on reducing restrictions on the services that support e-commerce.
- ii. **Inclusion:** Recognizing that the pandemic has gravely jeopardized our progress towards greater inclusion, we call for prioritization of programs and initiatives to build capability and improve participation in trade and investment, including digital trade, by women, MSMEs, Indigenous communities and other groups with untapped economic potential.

- iii. **Sustainability:** Noting the strong potential synergies between open trade and good sustainability outcomes, we call for early work to facilitate trade in environmental goods and services, expanding on APEC's current list of environmental goods and adding services; and to develop a framework for trade and investment in renewable energy.

- iv. **Trade and investment:** Recalling the Beijing Roadmap and Lima Declaration, and conscious of the need to pull every lever to support economic rebuilding, we call for early work, in collaboration with ABAC, on non-tariff measures (NTMs) that have an adverse impact on trade, to identify such measures and develop mechanisms that can address them, with reference to relevant high-quality elements of pathway agreements as well as the APEC Cross-Cutting Principles on Non-Tariff Measures.

- v. **Trade response to the pandemic:** Noting the severe impacts of the pandemic on trade flows in the region, and conscious of ongoing downside risks to growth, we call for focused work to enhance the functioning of supply chains, including through universal adoption of paperless trade, interoperable digital single windows and greater regulatory transparency.