

28 April 2022

**H. E. Jurin Laksanawisit**

Chair, Meeting of APEC Ministers Responsible for Trade  
Deputy Prime Minister & Minister of Commerce  
Thailand

Excellency:

We write to you at a time when the world economy is facing a series of grave challenges that have adversely impacted our very ability to achieve sustainable, inclusive and resilient growth that is central to the APEC Putrajaya Vision 2040. This is of deep concern. We are committed to contributing to the comprehensive and balanced implementation of the APEC Putrajaya Vision 2040, including through the Aotearoa Plan of Action (APA). The current challenges demand decisive, deliberate action, both to deepen the economic integration of our region, build resilience against future shocks, and to better equip our businesses, including the smallest, to achieve sustainable, dynamic and inclusive growth. We outline our key priorities below, and in greater detail in our accompanying Report and annexes.

***Deepening economic integration***

1. **Building preparedness against future pandemic shocks.** As economies start to recover and rebuild the global economy, we cannot rule out the emergence of another global disease pandemic. In this regard, ABAC reiterates its call for APEC to lead a sectoral initiative eliminating restrictions on an agreed list of essential medical goods and services.<sup>1</sup>
2. **Realizing the path to FTAAP.** Economic integration in the Asia-Pacific region has never been more critical. It is a catalyst for immediate economic recovery and for the longer-term growth of the region. We welcome the focus given this year to the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings. Free and open trade in the Asia-Pacific region paired with policies that expand economic opportunity will bring sustainable and inclusive growth and prosperity to all economies in the region. FTAAP can be seen both as a destination and a journey. As a destination, it serves as the foundation for the Putrajaya Vision's open, dynamic, resilient, prosperous, and peaceful Asia-Pacific community. As a journey, FTAAP must respond to the evolving global business environment; business cannot afford to wait twenty years for progress. APEC should prioritize meaningful actions, aligned with the APEC Putrajaya Vision 2040 and the Aotearoa Plan of Action. Our FTAAP Statement (attached as an Annex to our Report) sets out our thinking in greater detail.
3. **Supporting the WTO and advocacy for the rules-based multilateral trading system.** We reiterate our strong support for the rules-based multilateral trading system, with the World Trade Organization (WTO) at its heart. As Ministers prepare for the 12<sup>th</sup> WTO Ministerial Conference, we welcome some promising progress on the pandemic response, but recognize that much more remains to be done. In our WTO Statement (attached as an Annex to our Report), we call on Ministers to work closely together on urgent priorities, including an effective and transparent pandemic response, restoring the WTO dispute settlement function, and achieving the necessary reforms to ensure that the WTO remains relevant to changing trade and business practices, including through plurilateral negotiations that can serve as building blocks to multilateral outcomes.

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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.

4. **Strengthening services trade.** We believe that regional growth, especially in the services sector, will primarily come from innovation. This will need to be supported by building economies and policies for the future, including reducing restrictions on trade in services; strengthening ecosystems and environments that foster innovation to the fullest; and fostering continued synergies and collaboration between the public and private sectors. We call on Ministers to accelerate the implementation of the APEC Services Competitiveness Roadmap (ASCR) to bring APEC closer to its objectives by 2025 and to consider new initiatives, particularly on digital services and services that support e-commerce, essential services (including services that support the movement of essential goods), health services, and environmental services.
5. **Reopening borders for safe and seamless travel.** Closer to home, it remains crucial that we continue to make efforts to improve regional coherence as borders reopen and travel resumes. APEC can develop interoperable digital solutions to enable the efficient and reliable verification of health declarations and other entry requirements, and provide easy access to information on travel and border policies and restrictions of APEC economies.

### *Equipping businesses for sustainable, dynamic and inclusive growth*

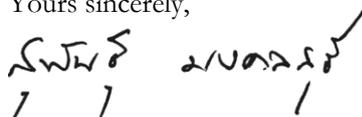
6. **Addressing climate change, food and energy security through trade.** The grave challenges we face also remind us of the importance of energy and food security. It is imperative to make rapid progress towards achieving carbon neutrality and sustainable, productive and undistorted food systems especially in a time of rising energy and food prices.

Trade and economic measures and actions to protect the environment can and must be mutually supportive. Of greatest priority in the short term are trade measures that will incentivize the transition to more sustainable lower-carbon goods and services and energy use, including the liberalization of trade in environmental goods and services, the elimination of environmentally-harmful subsidies, and the development of a framework for trade and investment in renewable energy and low emissions technologies. APEC policymakers and the business community should seek to develop sound, WTO-consistent trade policy responses to address challenges in areas of climate change, renewable energy, and food security, drawing on ABAC's Climate Leadership Principles.

7. **Advancing digital governance.** Our rapidly digitalizing economy is dependent on smooth, secure, trusted, interoperable and inclusive cross border e-commerce/digital trade. To remain globally competitive, we must advance cybersecurity and improve our data infrastructure. Recognizing the pathway agreements to FTAAP and contribution of dedicated high-quality digital agreements, we encourage Ministers to foster collaboration and capacity building in the region through the voluntary APEC Cross-Border Privacy Rules System (CBPR) and initiatives such as the Digital Economy Partnership Agreement (DEPA), the Singapore-Australia Digital Economy Agreement (SADEA) and the US-Japan Digital Trade Agreement.
8. **Enhancing MSME participation in international markets.** The persistence of COVID-19 disruptions is disproportionately impacting micro, small and medium-sized enterprises (MSMEs), women entrepreneurs, Indigenous Peoples, youth and other groups. Digital tools offer the potential for them to flourish despite these challenges. We urge Ministers to promote the digital transformation of MSMEs through improving their digital literacy and awareness of digital solutions, including for data protection and cybersecurity; and to facilitate their access via digitalization to international markets, global value chains and to supply chain finance.

We look forward to discussing the above recommendations in greater detail with you when we meet in Bangkok in May.

Yours sincerely,



**Supant Mongkolsuthree**  
ABAC Chair 2022

**APEC Business Advisory Council**  
**Report to APEC Ministers Responsible for Trade**

**Deepening regional economic integration**

*Realizing the Path to the Free Trade Area of the Asia-Pacific*

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 believes that free and open trade in the Asia-Pacific region and the elimination of protectionist measures will bring sustainable and inclusive growth and prosperity to all economies in the region thus improving people's standard of living.

FTAAP can be seen both as a destination and a journey. As a destination, it serves as the foundation for the open, dynamic, resilient, prosperous, and peaceful Asia-Pacific community that the Putrajaya Vision sets out. As a journey, FTAAP must respond to the evolving global business environment. Business cannot afford to wait twenty years for progress: we believe that it should be possible to achieve priority outcomes in a range of areas including trade facilitation, effective response to the pandemic, widespread adoption of digitalization, promoting inclusion, and sustainability, aligned with the Aotearoa Plan of Action (APA).

ABAC urges APEC to seek convergence of high-quality approaches to trade and investment, based on existing pathway free trade agreements in the region which can contribute to the vision of a high-standard and ambitious FTAAP. In this regard, FTAAP needs to address next generation trade and investment issues, enable economic inclusion of micro, small and medium enterprises (MSMEs), women-led businesses and other underserved groups, and include trade policy responses to climate change, building on ABAC's Climate Leadership Principles.

ABAC welcomes the Regional Comprehensive Economic Partnership Agreement (RCEP) that came into force on 1 January 2022. ABAC encourages all members of RCEP and, separately, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to ratify and implement both agreements as a matter of priority. These agreements cover a wide range trade and investment issues and contribute to the development of free and open markets within the APEC region. ABAC hopes that more economies will join these agreements, and encourages an ongoing process to raise the quality of both agreements over time.

In short, ABAC urges APEC to:

1. Seek convergence of high-quality approaches to trade and investment, informed by the completion of detailed examination of existing pathway free trade agreements, including mechanisms for dispute resolution through regular surveys on the problems, issues and implementation status.
2. Encourage member economies of CPTPP and RCEP to swiftly ratify and implement the agreements, while encouraging new entrant economies that can meet the high standards of these agreements.
3. Develop by consensus high-quality rules in new areas including digital trade drawing, where appropriate, from dedicated, high-quality digital agreements.
4. Develop work programs to achieve priority outcomes that would result in tangible commercial benefits.

Our Statement on FTAAP (attached in Annex I) further elaborates on this thinking.

### Supporting the World Trade Organization and advocacy for the rules-based multilateral trading system

Business continues to emphasize the importance of a rules-based multilateral trading system, with the World Trade Organization (WTO) at its heart, in effectively responding to the current challenges confronting the region and the world economy. Underscoring that achieving outcomes for the common good is the responsibility of *all* WTO Members, individually and collectively, ABAC calls on APEC Ministers at the upcoming 12<sup>th</sup> WTO Ministerial Conference (MC12) to:

5. Work closely together on an effective and transparent pandemic response.
6. Work towards an agreement on the Joint Initiative on E-commerce and seek agreement to make permanent the WTO Moratorium on Customs Duties on Electronic Transmissions.
7. Restore the WTO dispute settlement system to full operation by appointing a full slate of WTO Appellate Body members, and agreeing on necessary reforms.
8. Achieve concrete outcomes on reforms necessary to ensure that WTO rules are updated to complete the unfinished business from the Doha agenda, and also to better reflect current business concerns, and support productivity, innovation, growth, resilience, inclusion and sustainability.
9. Champion broader and deeper business engagement in WTO processes, including by ABAC.

Our Statement on the WTO (attached in Annex II) sets out our recommendations in greater detail.

### Strengthening services trade

ABAC believes that regional growth, especially in the services sector, will primarily come from innovation. This will need to be supported by building economies and policies for the future, including reducing barriers to services trade; strengthening ecosystems and environments that foster innovation to the fullest; and fostering continued synergies and collaboration between the public and private sectors. APEC needs to accelerate the implementation of the APEC Services Competitiveness Roadmap (ASCR) to bring APEC closer to its objectives by 2025. In addition, ABAC urges APEC to consider new initiatives, particularly on digital services and services that support e-commerce; essential services (including those that support the movement of essential goods); health services; and environmental services. ABAC recommends that APEC:

10. Urge economies already fully covered in the Organization for Economic Cooperation and Development (OECD) Services Trade Restrictiveness Index (STRI) to participate in the Pilot APEC Index this year, in order to target full participation at the earliest possible time in an appropriate manner.
11. Focus on developing entrepreneurial innovation ecosystems to facilitate the uptake by MSMEs of digital technologies, as part of integrating MSME digitalization and services innovation.
12. Facilitate cross-border delivery of digitally-enabled and digitally-delivered services to optimize the potential for the digitalization of services trade.

### Reopening of borders for safe and seamless travel

As ABAC underscored in its Report to Leaders last year, reopening borders for safe travel relies heavily on the interoperability of health passes. Across the APEC region, interoperable digital solutions are needed to efficiently and reliably verify digital and non-digital vaccine/testing credentials across multiple formats and standards. ABAC recognizes the difficulty in verifying different standards credibly and manual verification is time consuming and prone to errors. Therefore, to empower scalable and safe travel, digital solutions with high level of automation and built-in security and privacy protection will be required.

APEC economies should take this opportunity to establish interoperable solutions that can digitalize health declarations and other entry requirements through an agile modular system that can easily add, replace, and adjust verification requirements for a post COVID-19 world. These solutions would allow economies to incorporate entry rules digitally, allow adjustments whenever needed, and the verification results would incorporate the updated rules, thereby significantly simplifying border agencies' workflow. With such solutions, economies would not need prolonged border shutdown if another pandemic occurs. ABAC encourages the advancement of the implementation of the APEC Connectivity Blueprint to

further improve physical, institutional and people-to-people connectivity. ABAC recommends that APEC:

13. Develop interoperable digital solutions that allow efficient and reliable verification of health declarations and other entry requirements, such as vaccine/testing credentials, across multiple formats and standards.
14. Create a comprehensive information portal on all relevant travel and border policies and restrictions of APEC economies.
15. Promote a regionally coherent framework for safe and seamless travel and harmonization of travel regimes through the adoption of common or international standards.

## **Equipping business for sustainable, dynamic and inclusive growth**

### *Addressing climate change*

All indicators show that it is critical to act now to avert climate catastrophe. Drawing on the ABAC Climate Leadership Principles, urgent action is needed on three fronts: the reduction and mitigation of emissions; measures to support adaptation to a changing climate; and attention to just transitions. One concrete action that can be taken in the short term is the development of trade measures that will incentivize the transition to more sustainable, low-carbon goods and services and energy use. Trade liberalization is a potentially powerful tool for drastically reducing carbon footprint throughout the entire value chain down to the finished product, including by lowering prices for climate-friendly goods and services, and also for fostering innovation.

Trade measures and actions to protect the environment, including from harmful climate change, can and must be mutually supportive. Coherent approaches should be prioritized in multilateral, regional and bilateral trade agreements. Such commitments must be consistent with WTO rules and principles including the principle of non-discrimination.

ABAC accordingly reiterates its call for APEC to:

16. Liberalize trade in an agreed list of environmental goods and services; address environmentally-harmful subsidies, including urgent elimination of harmful fisheries subsidies, inefficient fossil fuel subsidies, and substantial and meaningful reductions in distorting domestic support on agriculture.
17. Take an active, timely multi-sector approach to climate change response involving policymakers and business, galvanized by the 2021 ABAC Climate Leadership Principles of Reduction/Mitigation, Adaptation and Just Transitions. These Principles should also inform work by APEC economies on the development of sound, mutually-reinforcing and WTO-consistent trade policy responses to climate change.
18. Encourage participation in the initiative on Trade and Environmental Sustainability Structured Discussions (TESSD) in the WTO, noting that 11 APEC economies are already participants.

### *Advancing energy transition towards low-carbon in APEC*

Following the 26th United Nations Framework Convention on Climate Change (COP26), the movement towards reaching carbon neutrality has been further strengthened. Though carbon neutral goals have been set, implementation is only at an early stage. Economies will need to formulate ambitious and realistic energy transitions that also take account of the need for economic growth and energy resilience and decarbonization (including renewable energy, nuclear power, natural gas, Carbon Capture Usage and Storage (CCUS), hydrogen/ammonia, energy conservation technology, etc.) in each economy.

ABAC recognizes the critical role that trade and investment in renewable energy and low emissions technologies continue to play in encouraging energy transition and carbon neutrality and in enabling APEC economies to meet their climate change commitments. As a matter of priority, ABAC urges the development of a framework of actions to remove remaining obstacles and support trade and investment in renewable energy and low emissions technologies in the Asia-Pacific region while recognizing the importance of gas as a transition fuel.

ABAC recommends that APEC:

19. Ensure that trade and investment arrangements encourage and facilitate realistic energy transitions in all APEC economies, acknowledging the circumstances existing in each individual APEC economy and their possible decarbonization options in formulating and executing plans to achieve carbon neutrality, and harmonize CCUS policies to accelerate adoption.
20. Develop a framework to support trade and investment in renewable energy and low emissions technologies as a priority.

#### *Fostering a sustainable and resilient food system*

Food security remains a significant concern for APEC economies, facing the challenges of climate change, demographic growth, rapid transformation of food consumption patterns, uneven economic growth, and ongoing distortions in the global trading system. Although digital and other innovative technologies hold great promise in mitigating food insecurity throughout the food chain from production to distribution to trade to consumption, the region also faces technological capability and awareness gaps.

These challenges indicate a clear set of priorities for ABAC in the establishment of a resilient APEC food system. ABAC notes that the priorities listed below resonate strongly with APEC's Food Security Roadmap 2030, which aims to ensure a fair, transparent, productive, sustainable and resilient APEC food system, and reduce food loss and waste. In particular, ABAC welcomes the inclusion in the Food Security Roadmap of the proposed Food Security Digital Plan.

ABAC recommends that APEC:

21. Explore potential application of the bio-circular-green (BCG) economy model, and support development of an ambitious digital food strategy through the APEC Food Security Digital Plan which prioritizes region-wide enablement and interoperability, throughout the food value chain.
22. Continue to champion reforms to the food and agriculture trading system, including the elimination of harmful fisheries subsidies, a meaningful reduction in trade-distorting domestic support on agriculture, and completing the unfinished business of the Bogor Goals by reducing tariffs and non-tariff barriers to food and agriculture trade.

#### *Strengthening the foundations for digital trade through data utilization and sharing*

Data is the lifeblood of our increasingly digitalized and digitalizing economy. The rapid and exponential growth in data<sup>2</sup> combined with growing capacity to extract value from it through emerging technologies such as artificial intelligence and machine learning for various applications promises to spur innovation, increase trade, maximize the potential of digital health, and create jobs. The persistent and increasing barriers to the free and trusted flow of data across borders stands in the way of an open, connected, and more prosperous future for our region. These barriers pose significant risks for economies including the reduction of trade, lowered productivity, and increased prices for products, services, and industries reliant on data.<sup>3</sup>

APEC must chart a different path for the region that is anchored on the principle of interoperability while promoting digital trade/e-commerce as well as ensuring cybersecurity in the least trade restrictive manner possible.

ABAC has commissioned research this year that will consider the potential benefits of data sharing and will explore how a data sharing framework across APEC could unlock value creation across various industries and increase trade. The research will also explore how the development of trust marks could facilitate increased trust and consumer confidence as well as encourage uptake of the voluntary APEC Cross-Border Privacy Rules System (CBPR).

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<sup>2</sup> The global datasphere, or the amount of data created, captured, and replicated in any given year, is expected to be [175 zettabytes by 2025](#), and [572 zettabytes by 2030](#). A zettabyte is equivalent to 1 trillion gigabytes or 1 billion terabytes.

<sup>3</sup> [Information Technology & Innovation Foundation, 2021](#)

It is important to ensure that the APEC region has the capacity to readily access, exchange, store, analyze, and secure the data that people, businesses, and devices will produce. This will require strengthened digital physical infrastructure such as broadband and computing infrastructure, 5G, data centers, and cloud computing facilities.

ABAC encourages APEC to:

23. Promote the adoption and recognition of e-signatures and digital signatures which enhances business continuity and reduces transaction costs.
24. Develop CBPR-compliant data protection trust marks<sup>4</sup> and encourage the uptake of the voluntary CBPR system by business to maintain digital trade.

#### *Enhancing inclusion through participation in international markets*

The pandemic has accelerated the digital transformation of MSMEs and created a business environment that incentivizes entrepreneurs to adopt digital solutions and technological innovations to stay relevant in this new digital era. Unfortunately, challenges such as low digital literacy, lack of access to quality internet infrastructures, and the lack of digital skills continue to persist throughout the APEC region and have stunted the growth prospects of many MSMEs. More broadly, the digital operating environment is increasingly complex, with divergent and restrictive rules in many markets.

Driving economic and social recovery of MSMEs, especially those that are led by entrepreneurs from underrepresented and underserved groups, is vital towards ensuring the continued economic growth of APEC economies. In this regard, ABAC aims to identify best practices that underrepresented and underserved MSMEs can adopt to enhance their digitization capabilities, women's economic empowerment and gender equality efforts, youth mobilization, the economic development of Indigenous peoples, as well as governance and sustainability standards. These best practices also aim to help MSMEs overcome constraints related to lack of productive capacities and economic diversification for long-term resilient, inclusive, and balanced growth.

ABAC recommends that APEC:

25. Facilitate the engagement of MSMEs, especially those that are operating in underserved communities, in international trade by tackling existing technical barriers, streamlining and digitalizing customs procedures, promoting simplified regimes for smaller scale operations, incentivizing the creation of export clusters, and providing technical and marketing support.
26. Encourage APEC economies to build the digital market infrastructure for supply chain finance to provide MSMEs with more opportunities to expand operations into regional and global trade.
27. Ensure that the 11 pillars of the APEC Internet and Digital Economy Roadmap (AIDER) are implemented in a manner that narrows the digital divide by holding regular consultations between APEC officials and representatives of MSMEs and other groups with the potential to make greater contributions to economic growth in the region.
28. Engage with ABAC and the private sector to better integrate the underserved and underrepresented MSMEs, including women, Indigenous and youth-led businesses into regional and global value chains.

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<sup>4</sup> Development of local trust marks can also begin by adopting industry standard trust marks