

Executive Summary

Following is a summary of the recommendations contained in this report:

Promoting speedy and sustained recovery

Implementing macroeconomic, fiscal, and monetary policies to hasten recovery: As economies move towards recovering from the impact of COVID-19, they face a new threat of persistent high inflation. Monetary policy should focus on keeping inflation under control, and fiscal policy should head off a wage-price spiral over the short term, such as through targeted support and cash transfers to the most vulnerable.

ABAC's recommendations are made against the backdrop of conflict and a deeply concerning global economic outlook. A series of grave challenges – geopolitical, economic and environmental – are confronting the region and contributing to food and energy insecurity. The ongoing effects of the pandemic, the disruptions in global supply chains and mounting inflationary pressures have also impaired the APEC region's ability to achieve the Putrajaya Vision. ABAC remains fully supportive of inclusive economic integration and policy efforts to that end.

Trade response to the COVID-19 pandemic and accessibility to vaccines: COVID-19 has killed more than 14.9¹ million people globally and continues to threaten our communities. To achieve health goals, APEC should leverage trade by removing export restrictions, tariffs, and non-tariff measures on essential medical goods and services. APEC should also continue to champion the universal availability of vaccines to make them more accessible and affordable, particularly in developing economies, such as through the

COVID-19 Vaccines Global Access (COVAX) initiative.

Reopening borders through more regionally coherent approaches to travel: Despite many economies reopening borders for travel, there remain differences in travel policies, vaccination certificate systems, standards and definitions across economies. APEC economies should leverage this opportunity to upgrade the border infrastructure digitally through public and private sector collaborations to ensure interoperability between various systems and streamline current regional travel standards and practices, while providing the option for legacy-friendly interface. These tools will prepare APEC for future pandemics and crises, ensuring that borders are kept open during times of challenges, minimizing disruptions to families, businesses and livelihoods.

Regaining the Momentum for Sustainable, Inclusive and Resilient Growth

Advancing sustainability

Fostering a sustainable and resilient food system: The region is in the midst of an unprecedented crisis. Soaring global food prices and disruptions in agri-food supply chains are reversing years of development gains and undermining APEC's food security and safety goals. ABAC calls for multilateral and bilateral cooperation on food assistance and food security; redoubled efforts to facilitate trade and refraining from export prohibitions and restrictions. ABAC urges the prompt implementation of the new APEC Food Security Roadmap Towards 2030, and places strong emphasis on the development and implementation of the Food Security Digital

1 WHO Global Excess Deaths Associated with COVID-19, January 2020-December 2021: <https://www.who.int/data/stories/global-excess-deaths-associated-with-covid-19-january-2020-december-2021>



Plan, to support adoption of new technologies in agricultural production, distribution and trade; and the adoption of a Bio-Circular-Green (BCG) Economy Model and regenerative agricultural practices. Ensuring that the private sector can play a meaningful role in the APEC Policy Partnership on Food Security will also be important going forward.

Promoting an effective response to climate change: The APEC region is especially vulnerable to the impacts of changing climate. ABAC's Climate Leadership Principles of Reduction/Mitigation, Adaptation and Just Transitions can help frame the development of strategies, policies and operational practices to respond to climate change. Trade and investment can play a key role, including through increasing access to practical tools, accelerating innovation and leveraging market mechanisms for carbon. ABAC calls on APEC economies to work together to develop sound, mutually-reinforcing, World Trade Organization (WTO)-consistent and inclusive trade policy responses to climate change; create an enabling environment for the decarbonization of energy-intensive sectors; and incentivize banks to boost green finance internationally and domestically. ABAC encourages participation by all APEC economies in the initiative on Trade and Environmental Sustainability Structured Discussions (TESSD) in the WTO. ABAC has included an illustrative matrix in Annex A which shows how APEC could use the climate lens to shape its future work.

Advancing energy transition towards low carbon economy: The setting of carbon neutral targets is gaining universal recognition though implementation is only at an early stage. ABAC urges APEC economies to formulate ambitious and realistic energy transitions that consider the need for economic growth and energy resilience and decarbonization in each economy. ABAC calls for the development of an APEC Roadmap for Trade and Investment in Renewable Energy (Annex B) to encourage innovation and stimulate

investments in renewable energy and low carbon emissions technologies.

Financing the transition to sustainability: To mobilize financing for sustainable transition in the region, ABAC urges APEC to provide a platform for member economies to collaborate in developing interoperable environmental, social and governance (ESG) taxonomies and carbon emissions trading markets, improving disclosure, enabling the financing of sustainable infrastructure and incentivizing micro, small and medium enterprises (MSMEs) to align their operations with sustainable goals.

Enhancing sustainable practices of MSMEs: In view of the importance of MSMEs in world economic growth and the particular challenges they face in light of climate change, it is of utmost importance to develop measures to support their success. Many of the measures implemented seek to address the traditional challenges faced by these enterprises, such as: access to financing, continuous training, integration into value chains and support in the internationalization process. However, the current crises provide the opportunity to generate new value and greater competitiveness in these enterprises through the development and adoption of sustainable practices.

Deepening regional economic integration

Realizing the path to the Free Trade Area of the Asia-Pacific (FTAAP): Achievement of FTAAP, including through high-standard and comprehensive regional pathways, remains ABAC's preeminent trade and economic priority and is central to the APEC Putrajaya Vision 2040. ABAC welcomes the consensus on making progress on the FTAAP that was evident at the APEC Ministers Responsible for Trade (MRT) Meeting in May. ABAC believes that FTAAP must respond to the evolving global business environment. Our business communities cannot wait twenty years for progress. ABAC stands ready to support early implementation of the multi-year work program

outcomes. The ABAC Statement on FTAAP (Annex C) has further details.

Supporting the WTO and advocacy for the rules-based multilateral trading system: ABAC reaffirms support for a rules-based, non-discriminatory, open, and transparent multilateral trading system with the WTO at its heart. ABAC welcomes the successful 12th Ministerial Conference (MC12) in Geneva in June and applauds the set of decisions made on fisheries subsidies, food security and the World Food Program, and progress in a range of 'Joint Initiatives'. ABAC believes that more ambitious and concrete outcomes on several important areas, including agriculture and broader WTO reforms, should be developed for MC13. As a matter of urgency, a fully functioning WTO dispute settlement system, including the Appellate Body and necessary reforms, must be reinstated. The ABAC Statement on the WTO (Annex D) sets out detailed recommendations.

Strengthening services trade: Innovation will be the primary driver of regional growth in the services sector. Forward-looking policies and economic growth strategies, including by reducing barriers to services trade; strengthening ecosystems and environments; and leveraging synergies and collaboration between the public and private sectors are critical. ABAC calls on APEC economies to accelerate the implementation of the APEC Services Competitiveness Roadmap (ASCR) 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.

Fostering an enabling environment through digitalization

Expanding vital physical infrastructure to accelerate digitalization: With the advent of the digital-first economy, digital technology is now at the core of all production, operations, and

consumption. ABAC urges APEC economies to develop a more targeted policy and financing agenda to build and execute digital master plans, facilitate public and private investment in frontier technologies, enhance digital network coverage, and expedite industry cloud adoption.

Establishing foundational digital infrastructure to secure digitalization: Cybersecurity and digital identities are key elements of the foundational digital infrastructure in the APEC region, without which it would be impossible to build a thriving and inclusive digital economy. A coherent and integrated cybersecurity approach is critical for building the necessary infrastructure and talent to safeguard progress and innovation. Digital identities have the potential to transform the way economies, businesses and individuals function by making it easier to engage and access services in a more efficient, secure and privacy-enhancing manner. ABAC calls on APEC to establish a shared regional platform for cybersecurity that would coordinate action and investment on cybersecurity. It urges APEC economies to work together to enable cross-border interoperability of digital identities.

Strengthening regional data infrastructure to facilitate value creation, digital trade, and cross-border data flows: The exponential growth in data combined with growing capacity to extract from it through emerging technologies promises to spur innovation, increase trade, maximize the potential of digital health and create jobs. To unlock the enormous data enabled value creation opportunities, ABAC highlights the need for a data sharing framework founded on security, open standards, and trust.

Promoting the digital transformation of MSMEs: The pandemic has accelerated the digital transformation of MSMEs. APEC can create a more enabling environment, especially for women, Indigenous peoples, youth and other underserved/underrepresented groups, by leveraging public-private partnerships and



capacity building to accelerate digital skills development.

Fragmentation in digital policies especially hurts MSMEs that lack the resources to navigate the ever-changing digital laws and regulations adopted by APEC economies. ABAC highlights the importance of greater transparency of digital policies and regulations adopted by APEC economies which will help to address the information asymmetry, and promote best practices in digital policymaking. MSMEs need to be included in the formulation of digital policies.

Building the digital market infrastructure for supply chain finance: Digitalization is particularly impactful in trade and supply chain finance. It is facilitating access to finance for MSMEs, such as second and third-tier suppliers, for which traditional credit underwriting have proven to be very difficult at the earlier stages of the order-to-payment cycle. Automation is making it feasible to process credit transactions at lower cost, enabling smaller loan sizes to be

economically viable for lenders, and low-value letters of credit to be viable for bankers.

Building an enabling ecosystem for digital finance is critical for financial inclusion and a dynamic MSME sector. APEC should build the digital market infrastructure for MSME supply chain finance, promote the development of interoperable open data systems, and coordinate efforts to develop central bank digital currencies to ensure their future interoperability and effectiveness in promoting cross-border transactions.

Pursuing the twin goals of fiscal consolidation and use of fiscal instruments to support structural reforms to advance inclusive digitalization and sustainability. Policies enabling markets to play a greater role in financing growth will be necessary to sustain our region's recovery.