

# Table of Contents

<b>I. Introduction</b>	<b>18</b>
<b>II. Promoting Speedy and Sustained Recovery</b>	<b>18</b>
A. Implementing macroeconomic, fiscal and monetary policies to hasten recovery	18
B. Trade response to the COVID-19 pandemic and accessibility to vaccines	19
C. Reopening borders through more regionally coherent approaches to travel	19
<b>III. Regaining the Momentum for Sustainable, Inclusive and Resilient Growth</b>	<b>20</b>
A. Advancing sustainability	20
• Fostering a sustainable and resilient food system	20
• Promoting an effective response to climate change	21
• Advancing energy transition towards low carbon economy	22
• Financing the transition to sustainability	24
• Enhancing sustainable practices of MSMEs	25
B. Deepening regional economic integration	25
• Realizing the path to the Free Trade Area of the Asia-Pacific	25
• Supporting the WTO and advocacy for the rules-based multilateral trading system	26
• Strengthening services trade	27
C. Fostering an enabling environment through digitalization	27
• Expanding vital physical infrastructure to accelerate digitalization	27
• Establishing foundational digital infrastructure	28
• Strengthening regional data infrastructure to facilitate value creation, digital trade, and cross-border data flows	29
• Promoting the digital transformation of MSMEs	29
• Enhancing the digital capabilities of underrepresented and underserved MSMEs	30
• Building the digital market infrastructure for supply chain resilience	31
<b>Annexes</b>	
A. A unified framework for carbon neutrality: APEC and ABAC workstreams mapped on Climate Change Principles	35
B. The Trade and Investment in Renewable Energy and Low Carbon Emissions Technologies Roadmap Towards 2030	37
C. ABAC Statement on the Free Trade Area of the Asia-Pacific	43
D. ABAC Statement on the World Trade Organization	47
E. The APEC Business Advisory Council	49

# Main Report



## Introduction

The global economic outlook remains unprecedented and deeply concerning. A series of grave challenges - some geopolitical, some economic - and some arising from the effects of the pandemic and from the disruptions in global supply chains, have impaired the APEC region's ability to achieve speedy and sustained recovery and to maintain the momentum for sustainable, inclusive and resilient growth.

The business community recognizes that this is a time of great disruption, and presents an opportunity for APEC to demonstrate its collaborative nature. Now more than ever APEC needs strong decision making and bold actions.

ABAC's theme for 2022 is 'Embrace. Engage. Enable.' In this report, ABAC outlines recommendations aimed at:

- Promoting speedy and sustained recovery
- Regaining the momentum for sustainable, inclusive and resilient growth
  - Advancing sustainability
  - Deepening regional economic integration
  - Fostering an enabling environment through digitalization

## Promoting Speedy and Sustained Recovery

### ***A. Implementing macroeconomic, fiscal and monetary policies to hasten recovery***

Asia-Pacific economies are facing record levels of public and private debt, constrained fiscal space, hugely expanded central bank balance sheets and the return of inflation. Developing economies are emerging from the pandemic with significant weaknesses, threatened by further capital outflows due to rising interest rates in developed economies, economic weaknesses in their export markets, and surging energy prices.

Risks are growing as global imbalances increase, heightened volatility plague various market segments, asset price bubbles expand in certain market segments, and the world enters a new period of fragmentation.

Geopolitical conflicts are seriously exacerbating inflationary pressures and causing acute shortages in key commodities. They are likely to have long-term damaging impact on the global economy, the global economic and financial system, and the prospects for achieving the regional integration goals of APEC.

For the moment, the macroeconomic policy response needs to focus on stabilizing inflation as the key priority to prevent it from becoming entrenched. Short-term, fiscal policies can provide support to smooth price shocks. Medium and long-term, governments need to pursue fiscal consolidation and use fiscal space innovatively to meet key objectives including sustainability, inclusive digitalization and addressing inequality.

### **Recommendations:**

1. Focus on preventing inflation from becoming entrenched as the immediate and key priority. Developed economies should use monetary policy to anchor inflation expectations, supported by fiscal policy to smooth price shocks, such as through cash transfers and targeted support to head off a potential wage-price spiral.
2. In the medium and long-term, pursue fiscal consolidation and debt reduction, while using innovative fiscal instruments, such as carbon taxes, to finance digital innovation, green investment, global emissions reduction and support for low-income consumers.
3. Provide regional platforms for collaboration, coordination and capacity building, to focus on advancing structural reforms that promote sustainable transition, inclusive digitalization and resilience.

## **B. Trade response to the COVID-19 pandemic and accessibility to vaccines**

COVID-19 has killed more than 14.9<sup>1</sup> million people globally, and disabled many millions more. The pandemic has highlighted that trade can and must be used as a force for good in overcoming the health crisis and its devastating economic and social impacts. Health goals cannot be achieved without seamless trade. Export restrictions, tariffs, and non-tariff measures on essential medical goods and services work against this response and recovery. Remaining export restrictions adopted by governments in response to shortages at the early stages of the pandemic should be eliminated.

Despite broad agreement on the negative consequences of vaccine inequity, access to vaccines in developed economies is far greater than in developing economies. While less than 20 percent of people in developing economies have received at least one vaccine dose<sup>2</sup>, developed economies, with vaccination rates of between 70 to 90 percent, are starting to regain a sense of normalcy. COVID-19 infections, deaths and disruptions fall most heavily on already marginalized informal workers, women, and small businesses, and push them into poverty across the region, and especially in developing economies.

### **Recommendations:**

4. Remove export restrictions and import barriers on COVID-19 vaccines, therapeutics, medical devices, and their inputs, as well as essential services needed to manufacture, distribute, and administer them.
5. Adopt an APEC Declaration on Facilitating Trade in Essential Services to build on the Declaration on Trade in Essential Goods (2020) and encourage all APEC economies to implement its provisions as soon as possible.

6. Contribute and support expanded efforts to equitably distribute vaccines regionally and globally such as the COVID-19 Vaccines Global Access (COVAX) initiative.

## **C. Reopening borders through more regionally coherent approaches to travel**

The COVID-19 pandemic provides an opportunity for economies to apply lessons learned to address future pandemics and crises, ensuring that borders are safely kept open during times of challenges, minimizing disruptions to families, businesses, and livelihoods. While welcoming the progress made by APEC, ABAC urges the development of a framework to achieve safe and seamless cross-border travel on a regional scale, align different policies and practices, as well as strengthen data security and technology to create a user-friendly experience, from both the traveler and regulator point of view.

As a result of differences in standards (EU, ICAO, WHO, and the SMART Health Card), vaccination certificate systems, and definitions, travelers and businesses are faced with increased complexities and costs.

### **Recommendations:**

7. Promote alignment of current regional travel standards and practices to reduce the complexities and costs caused by differences in travel policies, vaccination certificate systems, standards, and definitions.
8. Collaborate with the private sector on a pilot scheme to develop digitally-interoperable travel portals for pre-travel collection, assessment and authorization of travelers' COVID-19-related information.

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>

2 COVID-19 Vaccinations: <https://ourworldindata.org/covid-vaccinations>



9. Leverage the APEC Business Travel Card (ABTC) system to enable interoperability between various vaccination certificate systems, with an option for a legacy-friendly interface.

## Regaining the Momentum for Sustainable, Inclusive and Resilient Growth

### A. Advancing sustainability

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

The world is currently facing a severe food crisis. The COVID-19 pandemic has taken a heavy toll on a food system already heavily distorted by decades of barriers to trade and distorting subsidies, and facing disproportionate impacts from climate change. The World Bank's Food Commodity Price Index peaked in March this year at more than 80% higher than two years ago. According to the International Food Policy Research Institute, as of the end of June, 18 economies have implemented food export bans on 31 products, and a further five economies have imposed restrictive export licensing on six products.

This growing food insecurity is not only reversing years of development gains, but also threatening the achievement of the United Nations (UN) Sustainable Development Goals (SDGs) by 2030, and more broadly, undermining progress towards APEC's goals of a resilient, sustainable and inclusive region.

APEC economies must act to confront both the short-term food crisis and the longer-term prospects for food security in the region.

In the short term, ABAC urges APEC economies to meet their commitments in the World Trade Organization (WTO) Ministerial Declaration on the Emergency Response to Food Insecurity, to recognize that trade, along with domestic

production, plays a vital role in improving global food security, and commit to facilitate food trade, refrain from export prohibitions and restrictions which have debilitating effects on regional food security, and ensure that any emergency measures minimize trade disruptions to the extent possible.

Regional action should complement ongoing work in the WTO to reform the global agriculture trading system and support the UN and other international organizations, including the World Food Program and the Food and Agriculture Organization, with a mandate to address food assistance, food safety and food security. ABAC welcomes and encourages constructive and responsible efforts to address these challenges and promote inclusive, safe, sustainable agriculture, innovation and open trade.

In the longer term, ABAC calls on APEC to help ensure people in the region have stable access to sufficient, safe, affordable and nutritious food to meet their dietary needs and food preferences, and to reach the goal set out in the APEC Food Security Roadmap Towards 2030, which envisions a resilient and sustainable food system underpinned by digitalization and innovation. This will help transform the food system, in a way that is anchored around resiliency, sustainability, digital innovation, inclusivity and open markets and trade.

Within the Roadmap, ABAC places a strong emphasis on the development and implementation of the Food Security Digital Plan, to support the adoption of new technologies in agricultural production, distribution and trade; on innovation, including promoting innovative food processing approaches for nutritious 'future food'; and on sustainability, including the adoption of a Bio-Circular-Green (BCG) Economy Model and regenerative practices. ABAC also emphasizes the need for meaningful reform to distorting agriculture subsidies and non-tariff barriers to help ensure an open and predictable trade in food.

These measures could help cushion the impact of the current crisis on economies in the region – for example, by facilitating more seamless trade – but equally important, will foster a sustainable and resilient food system in the Asia-Pacific region in the longer term. It is critical to implement the new Food Security Roadmap as quickly as possible.

Enhanced strategic engagement and collaboration between the public and private sector, including under the auspices of the APEC Policy Partnership on Food Security (PPFS), are essential to this. ABAC is eager to see the completion of a comprehensive review of the functioning of PPFS, as agreed by all APEC economies in paragraph 18(b) of the Food Security Roadmap. This is fundamental to ensuring that there is a meaningful partnership with the private sector.

#### **Recommendations:**

10. Take all possible steps, working with international agencies with a mandate on food security, to avert a worsening of the current food crisis, including by facilitating trade, using digital technologies where possible, refraining from export prohibitions and restrictions.
11. Fully develop and implement the Food Security Digital Plan envisaged in the Roadmap, including adoption of new technology and innovation throughout the food value chain, as well as for smart farming, use of Global Data Standards within a regional framework, and leveraging big data, artificial intelligence and other innovative digital technologies.
12. Adopt the BCG Economy Model and promote innovative food processing production and support development of innovative proteins.
13. Work to eliminate distortions in global markets, including the reduction and progressive removal of non-tariff barriers and meaningful reductions in distorting subsidies to agriculture.
14. Increase efforts on monitoring and enforcement of intellectual property protection, food safety systems and product labelling.
15. Enable cross-border collaboration among all parts of the food ecosystem, including policymakers, food producers, distributors and traders and the academic community.
16. Implement the new APEC Food Security Roadmap Towards 2030, including undertaking a comprehensive review of the Terms of Reference for PPFS to enable a meaningful, effective partnership with the private sector.

#### ***Promoting an effective response to climate change***

APEC's geography and demography make the region especially vulnerable to the impacts of a changing climate, threatening our collective and inclusive prosperity. Anthropomorphic climate change is one of the greatest challenges of our age, and demands a concerted, collaborative response. Achieving an effective transition to a low carbon economy will be central to the implementation of the Aotearoa Plan of Action, and must be a critical element of the Free Trade Area of the Asia-Pacific (FTAAP). The climate change response should be a consideration in all areas of APEC's work.

Business can lead this effort alongside policymakers. ABAC's Climate Leadership Principles of Reduction/Mitigation, Adaptation and Just Transitions are a lens through which we can consider *all* areas of our work towards the Putrajaya Vision 2040 under the Aotearoa Plan of Action – especially as we face accelerating climate impacts, a grave energy crisis, and serious threats to global food security. ABAC has included an illustrative matrix in Annex A which shows how APEC could use the climate lens to shape its future work.

Businesses also need an enabling environment, including appropriate carbon taxation and pricing measures as part of a set of interconnected



actions, and a supportive ecosystem for green financing.

Policy-makers and businesses need to ensure that the transition is “just” and does not leave anyone behind, maximizing the benefits of climate action while mitigating harms to underserved groups, workers, communities and economies. In particular, women, Indigenous and local communities are disproportionately impacted by climate change, including through climate change-driven displacement, threats to food security, increased poverty and social tensions.

APEC should take a leading role in developing trade policies, practices and rules that mitigate the impacts of climate change through adaptation, and ensuring that the transition to a low carbon economy is inclusive and fair. Trade and investment can increase access to practical tools, accelerate innovation to drive industrial-scale adaptation, and leverage market mechanisms for carbon. APEC economies must work together to develop sound, mutually-reinforcing, WTO-consistent and inclusive trade policy responses. Unilateral action may not be effective in terms of environment impact, and risks an unlevel playing field and disguised protectionism.

### **Recommendations:**

17. Develop sound, mutually-reinforcing, WTO-consistent and inclusive trade policy responses, in bilateral, plurilateral and multilateral settings. Short-term priorities should include trade measures that will incentivize the transition to more sustainable goods and services and energy use, including the liberalization of trade in environmental goods and services; the elimination of environmentally-harmful subsidies, including inefficient fossil fuel subsidies. ABAC encourages participation by all APEC economies in the initiative on Trade and Environmental Sustainability Structured Discussions (TESSD) in the WTO.
18. Create an enabling environment for decarbonization of energy-intensive sectors by incentivizing investment in greenhouse gas (GHG) emissions reduction projects, supporting development of domestic and international carbon markets, promoting regional and global demand for low carbon industrial products and energy, and consistent GHG emissions measurement and reporting requirements.
19. Incentivize banks to boost green finance internationally and domestically through consistent fiscal policies, capital requirements and disclosure standards, stimulating business initiatives aimed at investing in carbon-cutting projects through the APEC region and increase governmental funding for this purpose.

### ***Advancing energy transition towards low carbon economy***

The world is now facing a grave energy crisis, which ABAC strongly hopes will be settled as soon as possible. It remains critical to move toward achieving carbon neutrality, recognizing that the current situation may add to the challenges of the transition.

The setting of carbon neutral targets is gaining universal recognition though implementation is only at an early stage. The transition towards low carbon energy has become more pressing.

APEC economies will be a major factor in future energy demand and increased carbon dioxide (CO<sub>2</sub>) emissions, but are also in different stages of development and have diverse geographical constraints. The shift towards capital-intensive energy systems is a complex issue for those economies which lack financial depth while energy-intensive sectors play an important role in their gross domestic product (GDP) structure. These economies face particular challenges in the transition around maintaining economic growth and energy resilience.

ABAC urges support for a survey to be conducted by each APEC economy on a voluntary basis that can serve as a reference for policymakers with the aim of carbon neutrality. Specifically, the survey should include each economy's (a) energy demand and supply (including the composition of electric power sources and self-sufficiency rate), (b) energy supply stability, including the electric power infrastructure and electric power systems development and maintenance situation, (c) various energy costs, including renewable energy, taking into consideration geographical characteristics (potential for the introduction of renewable energy), (d) stability in the supply of strategic minerals needed to expand the introduction of electric vehicles and renewable energy, and (e) future forecasts of (a) – (d) based on the actual economic development situation. By conducting this survey, it will be possible to establish different starting points for each economy to create plans aimed at carbon neutrality by considering the diversity of the APEC economies while also giving heed to economic growth and energy resilience.

In formulating and executing plans to achieve carbon neutrality, each APEC economy will need to explore all decarbonization options (including renewable energy; natural gas; biomass; nuclear power; carbon capture, utilization and storage (CCUS)/carbon recycling; and hydrogen/ammonia) and the promotion of the use of energy conservation technologies and encourage energy transitions based on their own conditions. A cooperative regional initiative should be established to support region-wide transition.

In addition, it will be valuable to share decarbonization technology and information about transition pathways within the APEC region. In particular, ABAC urges economies to consider what kind of support will be needed for vulnerable micro, small and medium enterprises (MSMEs) in this regard and develop the necessary capacity building support to promote decarbonization among APEC economies.

The efforts of private sector companies will also be indispensable for achieving carbon neutrality, both in implementing the Climate Leadership Principles throughout their business models, and in developing innovative new approaches. Financial support from financial institutions will be essential in spurring the efforts of private companies. Taking into account the diversity of the APEC economies, and in order to promote all efforts toward low carbonization and decarbonization, ABAC calls for the expansion of financial support systems to bolster the energy transitions of private companies in the APEC region.

The shift to a sustainable energy system with high share of renewables will help meet climate goals and contribute to decarbonization efforts. Creating an environment that is conducive to trade and investment in renewable energy sources can be an important contributor to this effort. This transition implies increased innovation and investment be executed through new business models, government policies and market designs, including cross-regionally.

#### **Recommendations:**

20. Reaffirm commitment to promote trade and investment in renewable energy and low emissions technologies, and develop an APEC Roadmap for Trade and Investment in Renewable Energy based on the draft in Annex B.
21. Urge each economy to examine the current state of their energy situation based on energy supply and demand, energy supply stability, strategic mineral supply stability, energy costs, economic development status and future forecasts to create a basis for common discussions.
22. Encourage 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. These decarbonization options could include renewable energy, nuclear power, natural gas, biomass, CCUS/carbon recycling, hydrogen/ammonia, and energy conservation technology, among others.

23. Share decarbonization technology and information on transition pathways within the APEC region. In particular, consider the decarbonization needs of MSMEs and provide capacity building for decarbonization.
24. Promote the expansion of financial support systems to bolster decarbonization efforts in each APEC economy taking into account the diversity of APEC economies.
25. Adopt policies and regulatory framework to encourage innovation and stimulate investments in renewable energy sources and low carbon emissions technologies, thus creating the base for market-based solutions' development like green certificates, etc.
26. Strongly discourage inefficient state subsidies or supported financing of fossil fuel power generation.

### ***Financing the transition to sustainability***

Between 2022 and 2040, an estimated US\$30 trillion will be needed to bridge the infrastructure gap in the region. In the context of achieving SDGs, more private sector financing for sustainable infrastructure will be needed. Meeting this need will require making projects bankable and addressing impediments to environmental, social and governance (ESG) financing, using existing tools and delivery mechanisms, such as those being provided by the Global Infrastructure Hub, the Finance to Accelerate the Sustainable Transition-Infrastructure (FAST-Infra) initiative, Infra Asia and SOURCE.

Carbon emissions trading schemes (ETSs) can greatly improve the economic efficiency of emissions reduction. The region can benefit from the implementation of Article 6 of the Paris Agreement that envisions international transfer of carbon emission rights and connecting ETSs of multiple economies. There are challenges to the development of ETSs, including different views among economies and the lack of a common carbon accounting system, but there are useful lessons that economies can learn from each other to overcome these challenges.

### **Recommendations:**

27. Provide a platform leveraging existing Finance Ministers' Process (FMP) policy initiatives to promote the wider uptake by member economies of existing tools and delivery mechanisms for generating standardized data and developing a robust pipeline of sustainable infrastructure projects in the region.
28. Incorporate the development of member economies' ETSs in their work program, with a view to promoting consensus on the responsibilities of developed and developing economies as enshrined in the principles of the United Nations Framework Convention on Climate Change as a foundation for regional cooperation among ETSs. Leveraging expertise in international organizations and existing policy initiatives under the FMP, this undertaking could be designed to (a) assist member economies in improving market infrastructure, developing institutions and enhancing regulatory capacity and (b) serve as a regular exchange mechanism among ETSs in the region as a foundation for global collaboration in capacity building, policy guidance and technical training. Supporting the emergence and growth of voluntary carbon markets can also facilitate the development of ETSs.

### ***Enhancing sustainable practices of MSMEs***

MSMEs are important to global economic growth. It is imperative to develop measures to support their success. Economies have sought to address the many challenges faced by these enterprises through measures, including access to financing, continuous training, integration into value chains and support in the internationalization process. The current crisis provides the opportunity to generate new value and greater competitiveness in these enterprises through enhanced digitization and the development or adoption of sustainable practices. Such transformation would be consistent with a growing trend in business to integrate practices to minimize environmental impact and generate greater inclusion, which can also help to generate a price advantage and attract greater investment for MSMEs. Above all, economies will need to take Just Transitions approaches that incorporate the needs of MSMEs.

#### **Recommendations:**

29. Identify and promote measures to level working and development conditions, in order to generate greater access to education and training resources. In addition, there should be a constant and transparent communication on sustainability issues in order to foster the creation of environmentally-responsible operational and logistical processes. These efforts can be coordinated with the private sector to promote awareness and integration of existing sustainable corporate practices within large companies.
30. Establish greater opportunities for integration into the global value chain and sustainability activities for underrepresented MSMEs established in remote or rural areas, through synergies between public and private sector organizations to generate spaces for communication and development of strategies that enable the adoption of sustainability and inclusion practices.
31. Facilitate the integration of MSMEs into regional sustainable chains, minimizing existing barriers to the proper integration and implementation of sustainable practices. Identify the scale of production and operations of these enterprises, in order to manage measures appropriate to their development processes and environments.
32. Provide a platform for bringing together various public and private financial sector stakeholders to collaborate in designing an ecosystem approach to financing sustainable transition of MSMEs, share successful experiences and identify strategies to scale them up. This undertaking could leverage expertise in international organizations and existing policy initiatives under the FMP.

### **B. Deepening regional economic integration**

#### ***Realizing the path to the Free Trade Area of the Asia-Pacific***

Achievement of FTAAP remains ABAC's preeminent trade and economic priority and is central to the APEC Putrajaya Vision 2040. Free and open trade in the Asia-Pacific region and the elimination of protectionist measures is an important step in bringing sustainable and inclusive growth and prosperity to all economies in the region. ABAC welcomes the consensus on making progress on the FTAAP that was evident at the APEC Ministers Responsible for Trade (MRT) Meeting.

ABAC is encouraged by the broad support for the multi-year work program covering the priority issues identified in the Statement on FTAAP, prepared for the MRT meeting. FTAAP must respond to the evolving global business environment. Our business communities cannot wait twenty years for progress and ABAC stands ready to support early implementation of the multi-year work program outcomes. The ABAC Statement on FTAAP at Annex C has further details.



ABAC welcomes the entry into force of the Regional Comprehensive Economic Partnership Agreement (RCEP). ABAC urges APEC to seek convergence on high-quality approaches to trade and investment, based on existing pathway free trade agreements in the region such as RCEP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which can contribute to the achievement of FTAAP. In this regard, FTAAP needs to address next generation trade and investment issues, enable economic inclusion of MSMEs, women-led businesses and other underserved groups, including Indigenous communities, and integrate ambitious WTO-consistent trade policy responses to climate change, building on ABAC's Climate Leadership Principles.

#### **Recommendations:**

33. 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.
34. 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.
35. Develop high-quality rules in new areas including digital trade and e-commerce drawing, where appropriate, from dedicated, high-quality digital agreements.
36. Prioritize action on multi-year work programs to achieve priority outcomes that result in tangible commercial benefits.

#### ***Supporting the WTO and advocacy for the rules-based multilateral trading system***

Trade is the driving force for economic growth and job creation. It has and continues to be

instrumental in overcoming the pandemic challenges and contributing to sustainable development goals, thus securing prosperity and wellbeing for all. ABAC remains committed to supporting the multilateral rules-based trading system, with the WTO at its core. ABAC recognizes that a rules-based, transparent, and non-discriminatory multilateral trading system can deliver global prosperity and is the best defense against protectionism in all its forms. ABAC therefore underscores again, the importance of having a well-functioning WTO, one that is credible, relevant and fit-for-purpose, reflecting evolving business needs and models.

ABAC welcomes the successful 12th Ministerial Conference (MC12) in Geneva in June. The outcomes have made a credible contribution to progress on important global issues of food security, sustainability and digital trade. However, as foreshadowed in our WTO Statement (Annex D), ABAC wanted to see more ambitious and meaningful outcomes on agriculture, a permanent moratorium on customs duties on electronic transmissions, and reforms to transparency and other WTO rules and processes. Most urgently, ABAC also wanted to see the reinstatement of a fully functional, reformed WTO dispute settlement system, recognizing that a predictable, enforceable and effective WTO rule is crucial for businesses to operate with greater confidence and certainty.

As economies look ahead to the next ministerial conference, MC13, ABAC urges concerted and early work towards reaching consensus there on more ambitious outcomes on agriculture, WTO reforms and other areas of unfinished business. ABAC also calls on APEC economies to work with determination to reach high-quality, WTO-consistent outcomes in Joint Initiatives that support digital trade and e-commerce, inclusion and sustainability.

#### **Recommendations:**

37. Implement the decisions agreed at the 12th Ministerial Conference in Geneva in June and

work towards consensus at MC13 on areas of unfinished business, including agriculture and broader WTO reform.

38. Support the urgent appointment of a full slate of WTO Appellate Body members and necessary reforms to the dispute settlement system.
39. Support Joint Initiatives and other plurilateral efforts to liberalize trade in a way that complements and supports efforts towards global liberalization efforts under the WTO in an inclusive and transparent manner.
40. Champion broader and deeper business engagement in WTO processes, including by ABAC.

### ***Strengthening services trade***

Innovation and increased services trade will be the primary driver of regional growth. Forward-looking policies and economic growth strategies, including by reducing barriers to services trade; strengthening ecosystems and environments that foster innovation; and leveraging synergies and collaboration between the public and private sectors are critical. 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.

### **Recommendations:**

41. 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 achieve full participation at the earliest possible time.

42. Facilitate cross-border delivery of digitally-enabled and digitally-delivered services and address barriers to the digital ecosystem, including privacy rules, data localization, and cybersecurity, to optimize the potential for digitalization of services trade.
43. Minimize barriers to the movement of people to maximize opportunities for services firms to acquire skilled workers and allow the exchange of talents that could uplift the overall competitiveness in global markets.
44. Support an enabling environment through digitalization with strong emphasis on upgrading talent skill sets and adapting them to the requirements of the services-based digital economy.

### **C. Fostering an enabling environment through digitalization**

#### ***Expanding vital physical infrastructure to accelerate digitalization***

While foundational digital infrastructure enables interoperable solutions and seamless digital services to reach more people and businesses at lower cost and greater convenience, physical infrastructure is an enabler of connectivity through 5G, broadband, and data centers.

The advent of the digital-first economy (DFE) – where businesses, consumers, and governments favor ‘digital-first’ experiences – is revolutionizing production processes, business operations, and consumer behavior. This is driving the proliferation of data, increasing investments in artificial intelligence (AI) solutions and growing demand for sustainable technologies. Central to the DFE is gigabit broadband infrastructure which would allow ubiquitous computing delivered by quantum cloud, the proliferation of autonomous systems powered by renewable energy and the exponential growth of data. Leveraging appropriate data governance models, these advances will create economic opportunities leading to economic growth, resiliency and competitiveness.



Building a DFE would improve GDP growth, create new business models, promote digital resiliency, increase digital inclusivity and support sustainability. However, without the necessary physical infrastructure to support this, the APEC region risks failing the full implementation of the APEC Internet and Digital Economy Roadmap (AIDER) and lagging in global trends, standards and economic benefits.

### **Recommendations:**

45. Build and execute digital master plans, including digital infrastructure and sustainable development targets, with appropriate measurement mechanisms.
46. Enhance digital network coverage with gigabit-level full fiber and 5G connections, and ensure inclusive and reliable access for all.
47. Expand information and communication technology (ICT) growth by encouraging public and private investment in frontier technologies, as well as investment in digital education and cultivating new talent pools.
48. Expedite public and private sector cloud adoption, including cloud-first policies, to accelerate vertical industry digitalization.

### ***Establishing foundational digital infrastructure***

Foundational digital infrastructure refers to essential systems that allow different users, different solutions and different devices to seamlessly interact with one another. Digital identity and cybersecurity are essential components.

ABAC believes that an aligned and integrated cybersecurity approach in APEC is critical for building the necessary infrastructure and talent to ensure that digitalization and innovation continue to drive economic growth. Going forward, technologies like 5G and cloud computing will be essential to advancing economic productivity but will also need to be

cybersecure. The nature of cybersecurity is such that no one economy or entity can protect itself alone. MSMEs are particularly vulnerable as they often lack the skills in-house to tackle cyber challenges and would thus benefit from access to cyber protected platforms for e-commerce and payment mechanisms. The decentralized nature of digital technologies means an economy's digital success is increasingly dependent on the security and resilience of networks located beyond its borders and jurisdiction.

Digital identities are a key element of the foundational digital infrastructure in the APEC region and have the potential to transform the way economies, businesses and individuals function by making it easier to access services in a more efficient, secure and privacy-enhancing manner. Digital identities can serve as a building block towards financial inclusion for unbanked individuals and for MSMEs, along with facilitating better access to government and other services such as education and healthcare, and enabling many other kinds of economic, civic, and social activity, including in business, supply chains and trade, by reducing red tape and increasing integrity, efficiency and traceability of transactions. It has been estimated that extending full digital identity coverage could unlock economic value equivalent to between 3 to 13 percent of GDP in 2030: for the APEC region, that could be worth as much as \$6.9 trillion.

To realize this potential, digital identity systems must be secure, privacy-enhancing, user-centric and interoperable within and across economies – recognizing that economies and businesses may have different legal and technical approaches to digital identities driven by nuanced policy goals. Economies should seek to ensure that digital identities include strong privacy protections and cybersecurity by design, including through innovative technologies, and within a policy and legal framework that enhances trust in the digital economy. Policymakers will need to dedicate resources to raising awareness of the benefits and opportunities of digital identities.

Recent digital agreements, including the Digital Economy Partnership Agreement (DEPA) and the Singapore-Australia Digital Economy Agreement (SADEA), have sought to accelerate the development of interoperable digital identities across borders, including through sharing of best practices on policy, implementation and adoption, and through enhanced cooperation on technical standards, protection under respective legal frameworks including through mutual recognition, and support for the development of international frameworks in this area. These approaches can offer a useful example for APEC economies more broadly.

#### **Recommendations:**

49. Establish a collaborative mechanism for cybersecurity that would coordinate regional actions such as capacity building, talent development, regulatory coordination and alignment, information sharing, and MSME support.
50. Establish digital identity systems within economies that integrate strong privacy and cybersecurity elements and have in mind potential future cross-border interoperability as well as an enabling business environment, working with the private sector.
51. Work collaboratively across economies and together with the private sector to enable cross-border interoperability of digital identities, exploring technical interoperability and international standards, as well as the mutual recognition of credentials within digital identity systems for specific use cases.

#### ***Strengthening regional data infrastructure to facilitate value creation, digital trade, and cross-border data flows***

The rapid and exponential growth in data<sup>3</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. To unlock the enormous data-enabled value creation opportunities, APEC economies need a data sharing framework founded on security, open standards and trust.

#### **Recommendations:**

52. Adopt open data policies subject to legitimate public policy exceptions, including privacy protection legislations or cybersecurity concerns, provided that such measures do not discriminate or act as a disguised restriction on trade.
53. Build awareness of the importance of secure data sharing and utilization at the economy and regional level through campaigns.
54. Encourage organizations to build a secure data sharing culture by appointing data stewards responsible to oversee data management, protection and utilization.
55. Develop data protection trust marks compliant with the Cross-Border Privacy Rules system (CBPR) and, where economies may already participate in CBPR, encourage the uptake of the voluntary CBPR by business to maintain digital trust and trade.
56. Advance value creation of real-world health data through AI and establish a coordinated regulatory approach for safe, secure cross-border flows of disaggregated health data for analysis.

#### ***Promoting the digital transformation of MSMEs***

The pandemic has created a business environment that increasingly encourages entrepreneurs to adopt digital solutions and technological innovations to remain relevant in an increasingly digital world. MSMEs which were

<sup>3</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.



able to make the digital shift were more resilient throughout the pandemic and remain more resilient to future shocks. Barriers to digitalization such as low digital literacy, lack of access to quality internet infrastructures, lack of digital skills, and increasingly complex digital operating environment, and divergent and restrictive regulatory settings and trade rules persist throughout the APEC region and continue to stunt the growth prospects of many MSMEs.

### **Recommendations:**

57. Foster MSME uptake of digital technologies by leveraging public-private partnerships to accelerate digital skills development. This includes monitoring and propagating cutting-edge best practices across APEC.
58. Ensure coherence and transparency in the development of digital trade rules that prioritize simplicity and interoperability, and based on international standards, where applicable, to reduce the compliance burden on MSMEs and to enable them to take full advantage of the digital opportunity to internationalize and participate in global value chains.
59. Promote the adoption of logistics, fulfillment, and e-commerce platforms that MSMEs can leverage for scalable international growth.
60. Ensure that the 11 pillars of AIDER are implemented to narrow the digital divide. This could be enabled by a standing MSME panel to act as a sounding board for APEC officials implementing AIDER.
61. Build on existing APEC work on good regulatory practices to promote greater transparency, stakeholder consultation and due process in developing and adopting digital policies across APEC economies.

### ***Enhancing the digital capabilities of underrepresented and underserved MSMEs***

Driving economic and social recovery of MSMEs led by members of underrepresented and underserved groups is vital to ensuring the continued economic growth of APEC economies. In this regard, ABAC has identified best practices for adoption by MSMEs to enhance their digitization capabilities, contribute to women's economic empowerment, youth mobilization, the economic development of Indigenous peoples, as well as development of 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.

### **Recommendations:**

62. Facilitate the engagement of MSMEs in international trade, especially those that are led by members of underserved communities, by tackling existing trade and other technical barriers, streamlining and digitalizing customs procedures and other business and trade facilitating measures such as e-signatures and e-invoicing, promoting simplified regimes for smaller scale operations, incentivizing the creation of export clusters, and providing technical and marketing support.
63. Leverage resources provided by the private sector to better integrate the underserved and underrepresented MSMEs, including those led by women, Indigenous peoples, and youth, into regional and global value chains.
64. Support women's contributions and innovation in meeting post-pandemic challenges, particularly in technology, medicine and

health-related fields, through greater participation in science, technology, engineering and mathematics (STEM) fields of employment, research and education, noting that increasing women's participation in STEM is one of the 2016-2030 APEC Education Strategy goals.

65. In partnership with the private sector, develop and support comprehensive tailored capacity building and digital skilling programs such as in e-commerce, digital marketing, payment platforms, logistics, online safety and cybersecurity to equip MSMEs with the necessary skills to navigate the post-pandemic business environment and set them up for success.
66. Focus on developing tailored entrepreneurial innovation ecosystems to facilitate the uptake by MSMEs of digital technologies, as part of integrating MSME digitalization and services innovation.

### ***Building the digital market infrastructure for supply chain resilience***

Digitalization of trade and supply chain finance services 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.

E-invoicing, digital identities, and e-KYC are key foundations for digital supply chain finance, along with acceptance of other digital versions of contracts and removing unnecessary requirements for paper documentation. Distributed ledger technology enables economies to retain their own

systems governing trade, while providing a transparent and trusted system that enables cross-border supplier and distributor financing. Governments should create open ecosystems that encourage collaboration in responsible data sharing and move away from supporting data silos that could constrain competition and innovation, despite the potential for short-term benefits.

### **Recommendations:**

67. Introduce interoperable e-invoices throughout the region's economies and establish the supporting infrastructure for its use in collaboration with market participants and other stakeholders providing finance and technology solutions.
68. Assist member economies in accelerating the development of key pillars of the foundational digital infrastructure, including a trusted digital ID system, enabling financial services data ecosystems, and interoperable payment systems for digitalized transactions and operations.
69. Facilitate regional cooperation to promote interoperability of member economies' digital supply chain platforms, particularly through joint undertakings to develop interoperable standards for digital invoices and legal frameworks around the use of digital documents and linkages among domestic digital market infrastructure such as business clearing houses.





An aerial photograph of a busy port at sunset. In the foreground, a large container ship is docked at a pier, with its deck covered in colorful shipping containers and yellow gantry cranes. The water is a deep blue-green, reflecting the warm light of the setting sun. In the background, a dense city skyline with numerous skyscrapers is visible across the water. The word "Annexes" is overlaid in white text in the center of the image.

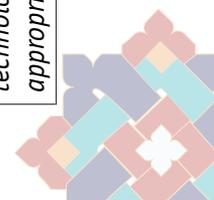
# Annexes



# A unified framework for carbon neutrality: APEC and ABAC workstreams mapped on Climate Change Principles

## Annex A

Putrajaya Vision's Aotearoa Plan of Action: Economic Drivers	Reduction/Mitigation <i>Focus on reduction and transition pathways; reduction technologies</i>	Adaptation <i>Tools and technologies for the transition to a low carbon economy</i>	Just/Fair Transitions <i>Fair outcomes in an open, rules-based trading system</i>
<p><b>Trade and Investment</b> <i>Free, fair, open, non-discriminatory, transparent and predictable trade and investment environment; support the WTO; advance the Bogor Goals including through FTAAP; seamless connectivity</i></p>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• FTA/WTO rules for climate change responses including Carbon Border Adjustment Mechanisms (CBAMs)</li> <li>• WTO Plurilaterals (TESSD, fossil fuel subsidies, distorting agriculture subsidies)</li> <li>• Trade in environmental goods and services (emissions reductions in goods &amp; services)</li> <li>• Financial support system for the promotion of decarbonization</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Trade in environmental goods &amp; services</li> <li>• Trade in digital &amp; innovative low carbon goods and services</li> <li>• Framework for Trade &amp; Investment in Renewable Energy (ABAC)</li> <li>• WTO Plurilateral (TESSD)</li> <li>• FTAAP (sustainability &amp; services)</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• “Fair” trade rules to address carbon at the border</li> <li>• Food Security Roadmap (inclusion)</li> <li>• Work on “Just Transitions” for Women, Indigenous etc. (ABAC)</li> <li>• WTO Plurilaterals on Trade &amp; Gender, MSMEs</li> <li>• FTAAP (Inclusion)</li> </ul>
<p><b>Innovation and Digitalization</b> <i>Structural reforms and sound economic policies; enabling digital economy and innovation; strong digital infrastructure</i></p>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Financing the transition to sustainability</li> <li>• Emissions Trading Schemes and CBAMs</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Data sharing, interoperable and enabling regulatory environment</li> <li>• Enabling physical infrastructure for digital connectivity (5G, Cloud etc.)</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Digital Identities to support inclusion and verified credentials e.g. for ESG/sustainability</li> <li>• Speedy and sustained recovery</li> </ul>
<p><b>Strong, Balanced, Secure, Sustainable and Inclusive Growth</b> <i>Quality growth; skills; address environmental challenges including climate change (exchange best practices and build capacity: structural reform; trade; finance; infrastructure; technology and carbon pricing, if appropriate; energy security)</i></p>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Enhancing sustainable practices of MSMEs</li> <li>• Climate change workstream proper (reduction/mitigation work)</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Digital Market Infrastructure for Supply Chain Finance</li> <li>• Food Security Roadmap (sustainable agriculture, including Bio-Circular-Green models, Digital Food Plan, other elements of adaptation)</li> </ul>	<p><b>Focus – APEC/ABAC workstreams:</b></p> <ul style="list-style-type: none"> <li>• Promoting MSME digital transformation</li> <li>• Capacity building for MSME, women, Indigenous and other underserved groups’ economic inclusion</li> </ul>





# Annex B

## The Trade and Investment in Renewable Energy and Low Carbon Emissions Technologies Roadmap Towards 2030

*Addressing the existential challenges of climate change by lowering carbon emissions through increased transition to renewable energies and low carbon technologies, to ensure a safer future for the APEC region.*

### Introduction

1. We acknowledge that reduction of carbon emissions is essential to urgently address the existential challenge of climate change. As a group, we recognize that we must act collectively and collaboratively to make a substantial change in energy policies to move towards carbon neutrality and to meet our commitments under the United Nations Framework Convention on Climate Change (UNFCCC) (Paris Agreement).
2. Since 1993, APEC Leaders have acknowledged the role of renewable energy in securing sustainable growth and security for future generations. In 2020, APEC Leaders agreed on the APEC Putrajaya Vision 2040 to “promote economic policies, cooperation and growth which support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet.”
3. Renewable energy is produced using natural resources that are constantly replenished and never run out. Just as there are many natural sources of energy, there are many renewable energy technologies. We recognize that greater deployment of renewable energy and low-emissions technologies is required for the region to meet its emissions reduction goals.
4. Trade and investment in renewable energy can accelerate the sharing of technological innovations, support the development of domestic renewable energy industries and reduce the costs of meeting emissions reduction targets. Removing trade barriers and creating and strengthening the investment environment in the region, to support and encourage adoption and transition to renewable energy by us all, is essential to reaching our goals.
5. APEC Leaders in 2020 resolved to navigate the recovery of the region along a path of strong, balanced, inclusive, sustainable, innovative and secure economic growth. APEC economies now have the opportunity to frame their economic recoveries from the impact of the pandemic to accelerate the transition to renewable energy sources.
6. This Roadmap will provide guidance and opportunities for APEC economies to learn from the experience of each other in charting their own courses for transition to a low carbon economy future.

### The Roadmap

This Roadmap builds on APEC’s previous extensive work in addressing energy security and the transition to renewable energy sources, including information sharing and capacity building.



Acknowledging that each APEC economy will find its own pathway to achieve a low carbon future, and will make the transition to the adoption of renewable energies according to their domestic development objectives and resources, the whole APEC region will benefit from consensus on addressing the challenges of reducing emissions and promoting trade and investment in renewable energy, including sharing of technologies, best practices and business models to encourage the realization of this goal.

The Roadmap builds upon the trade and investment principles which are the foundation of the World Trade Organization, on the international, regional and free trade agreements aimed at liberalizing, facilitating, harmonizing and regulating trade between member economies, creating rights and obligations that may affect trade and investment in renewable energy in the region. It also builds upon the APEC Cross-Cutting Principles on Non-Tariff Measures (NTMs) which address the costs and burden that NTMs impose on trade, the APEC Non-Binding Investment Principles, the APEC Energy Resiliency Principle, the APEC Business Advisory Council (ABAC) Climate Leadership Principles and principles of sustainable and inclusive development.

## Action Areas

### 1. *Creating an Enabling Investment Environment*

We recognize that creating an environment that is conducive to investment is critical to enabling renewable energy industries and development of low emissions technologies. Enhancing trade in these industries and technologies will lead to greater uptake of renewable energy and accelerate progress towards achievement of UNFCCC and its Paris Agreement targets.

To create this enabling environment, we are committed to:

- 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;
- focus on deepening measures which will contribute to the mobilization of domestic and foreign investment flows specifically aimed at financing investment in renewable energy sources and in the development of regional energy markets, including intensified collaboration in the Advisory Group on APEC Financial System Capacity Building initiatives with international organizations and business;
- frame our 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 sources and innovation; and
- renew collaboration with the Organization for Economic Cooperation and Development (OECD) to facilitate creation of this investment environment, including:
  - extending 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; and
  - working to implement the OECD Policy Guidance for Investment in Clean Energy Infrastructure, which builds on the OECD Policy Framework for Investment and utilizing the Framework as a tool kit, providing policy advice and capacity building within the region.

We acknowledge that there must be alignment between investment policy and decision making and climate change objectives. To that end, we agree to:

- review the Non-Binding Investment Principles with a view to ensuring they align with climate and renewable energy policies, encourage peer reviews of economies' policies and support adjustment and reforms through capacity building initiatives; and
- encourage investors to gain a better understanding of the climate risk attached to investment, including possible adoption of the Taskforce on Climate-related Financial Disclosures (TCFD) framework on climate-related financial disclosure.

## 2. Encouraging Trade

Encouraging trade in renewable energies and low emissions technologies can accelerate the sharing of innovation and support development of our domestic industries, assisting us in meeting our carbon emissions reduction targets. To create an enabling trade environment, we are committed to:

- reducing or eliminating 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;
- updating and expanding the APEC List of Environmental Goods and developing a non-binding reference list as directed by APEC Ministers Responsible for Trade in 2021, to include new and emerging renewable energy technologies and industries;
- adopting measures to identify and address issues in supply chains for renewable energy trade, such as for green hydrogen and green ammonia, and for renewable energy generation-related goods and services; and
- developing markets within and beyond our borders to create both the demand for and supply of viable renewable energy export trade.

## 3. Services

Strengthening and supporting our services industries is essential to support and facilitate all trade and investment, including in renewable energy sources and low emissions technologies. To that end, and noting the APEC definition of environmentally-related services agreed in 2021, we are committed to:

- implementing the Reference List of Environmental and Environmentally-Related Services agreed in 2021; and
- adopting recommendations of the APEC Environmental Services Action Plan Final Review, including:
  - categorizing barriers to trade in environmental services;
  - assessing the costs and benefits of liberalization of environmental services, and encouraging cooperation and avoidance of protection measures;
  - providing frameworks for regulatory review particularly in relation to approval and licensing measures; and
  - avoiding local content measures, and when they are used, ensure transparency.

## 4. Technical Cooperation, Capacity Building and Engagement with Business

We know that we are stronger when we work together, and greater progress will be achieved in a shorter timeframe if we share knowledge and capabilities. The impacts of climate change are not contained by borders and we are all affected by the prevailing conditions of the environment in our region. In the spirit of a shared endeavor, as a group we will:

- coordinate to identify measures to support technological cooperation, regulatory harmonization and skills transfer on domestic energy transition and resilience projects across the region;



- ensure strong alignment between our vision for climate change action and private enterprise objectives, to encourage investor confidence in renewable energy projects, and work with business sectors to identify and prioritize opportunities which present positive outcomes for both the environment and trade; and
- 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.

### *5. Energy Security, Resilience and Access*

We acknowledge that each APEC economy will have its own pathway to meet its Paris Agreement commitments and transition to a carbon neutral future. Essential to those decisions will be ensuring energy security, resilience and access, and the domestic development objectives and resources available to each economy. Noting this, we commit to:

- enhancing access to affordable energy, energy security and energy resilience through the APEC Energy Resiliency Principle and Energy Access Initiative so that all economies in the region can benefit from clean diversified energy access solutions and designing high-quality and resilient energy infrastructure, procuring and using low carbon and recyclable materials, if possible; and
- exploring 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.

### *6. Measuring the Carbon Footprint*

If we are to reduce and eliminate carbon emissions, there is a need to identify and measure carbon content in products and services we trade and utilize. We acknowledge the sensitivity inherent in initiatives to do this, but agree to consider:

- voluntary carbon footprint disclosure as one possible investment criterion and a key foreign direct investment (FDI) quality indicator and ESG factor to align investments with the UNFCCC and its Paris Agreement goals;
- 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;
- development and utilization of hydrogen energy based on each economy's own conditions and promote cross-border applicability;
- the impact of Carbon Border Adjustment Mechanisms on trade in goods into the EU, 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; and
- creation of sustainability labels and/or separate customs codes for low carbon commodities.

### *7. Structural Reforms*

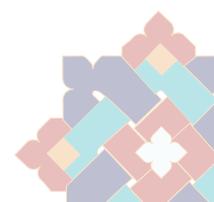
Real progress will not happen without significant structural reform in all APEC economies. Regulatory reform, adoption of international standards and development or adoption of appropriate dispute settlement mechanisms are all essential to create the secure and stable environment which will encourage and support significant, large-scale, long-term investment and trade in renewable energies and low emissions technologies. We agree to:

- 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 industries;
- enforce regulatory quality and integrity as vital aspects of public governance and building confidence of investors, domestic and foreign;
- commit to utilize transparent and expeditious dispute settlement processes;
- 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 achieve the UNFCCC and its Paris Agreement goals;
- collaborate with regional partners in strengthening regional financial, economic and social cooperation and encourage public-private partnerships (PPPs) in investment in renewable energy and innovation;
- consider adopting policies and implementing regulatory reforms which will encourage innovation, prioritize investment in research and development and enhance uptake of low carbon emissions technologies;
- engage with international development institutions to enable harmonization with international standards and best practice for trade and investment in renewable energy sources; and
- adopt structural reforms to assist the transition of sectors and enterprises adversely affected by climate-related changes to trade and investment.

## Targets

We will strive to ensure that the APEC region makes progress towards creating a trade and investment environment conducive to transition to a carbon neutral future. We encourage APEC economies to share their experiences, best practices and success stories in creating this enabling environment, through the reporting mechanism provided by this Roadmap and capacity building activities. By 2030, we will endeavor to:

- act collaboratively to reduce carbon emissions across the APEC region;
- reduce or eliminate all tariffs and non-tariff barriers on trade and investment in renewable energy and low emissions technologies;
- develop markets within and beyond our borders to create both supply and demand for renewable energy and low emissions technologies;
- encourage capacity building, knowledge sharing, and skills development initiatives to enhance opportunities to meet our carbon emissions reduction goals;
- aim to identify and measure carbon content in products and services that we trade and utilize;
- review policies to ensure decision making is based on principles of transparency, investment enhancement and non-discrimination;
- ensure that competition policy favors innovation, encourages new investment and shares the benefits of investment widely in society; and
- work towards adopting relevant international standards to enhance opportunities for trade and interoperability of technologies.



## Implementation

We assign Senior Officials with overall responsibility for monitoring and evaluating progress under the Roadmap. We encourage close collaboration with all APEC fora, and in particular, the APEC business community through ABAC, and other relevant stakeholders.

Economies have undertaken to develop an implementation plan for each action area which identifies specific voluntary actions and initiatives reflecting their own prioritization, objectives and circumstances in their own economies.

To encourage action in our economies and to assist in tracking progress towards carbon neutral targets, we recommend periodic standardized measurement be utilized, such as monitoring the renewable energy share in total energy consumption and the level of foreign direct investment to support renewable energy production.

### SHARING EXPERIENCES:

Measures adopted to encourage trade and investment in renewable energy and low emissions technologies and to meet the Roadmap targets:

YEAR	ECONOMY	ACTION AREA	INITIATIVE	COMMENTS
2022	Australia			
	Brunei Darussalam			
	Canada			
	Chile			
	China			
	Hong Kong, China			
	Indonesia			
	Japan			
	Korea			
	Malaysia			
	Mexico			
	New Zealand			
	Papua New Guinea			
	Peru			
	Philippines			
	Russian Federation			
	Singapore			
	Chinese Taipei			
	Thailand			
	United States			
	Viet Nam			

# Annex C

## ABAC Statement on 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 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

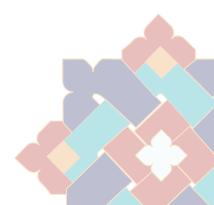
Businesses and communities cannot afford to wait twenty years for the full realization of FTAAP. Progress towards an eventual FTAAP should be made through a process of gradual accretion of smaller elements that serve as building blocks for the evolving trade and investment architecture. These elements 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.





# Annex D

## ABAC Statement on the World Trade Organization

The rules-based multilateral trading system, with the World Trade Organization (WTO) at its heart, is critical to an effective response to the global challenges that the world economy faces, including the COVID-19 pandemic, supply chain disruptions, climate change, geopolitical tensions and other disruptive forces. A well-functioning WTO is the vital foundation for sustained, sustainable and inclusive prosperity.

The APEC Business Advisory Council (ABAC) strongly supports an ambitious outcome at the Twelfth Ministerial Conference (MC12) and urges the meeting be held without further postponement.

Achieving this outcome is the responsibility of all WTO Members, individually and collectively.

**We call on APEC Ministers to work together to shape an MC12 outcome that enables a strong, credible and relevant WTO, one that provides a secure foundation for the rules-based multilateral trading system, that responds effectively to the pandemic, fosters a robust return to growth, and reflects evolving business needs and models.**

Specifically, ABAC calls on APEC Ministers to show leadership in achieving:

### 1. An effective response to pandemic challenges

Since the emergence of COVID-19, ABAC has advocated trade solutions to pandemic problems. In particular, undistorted, open and well-functioning markets are needed to meet the evolving health and economic challenges. We call for:

- support for the Trade and Health Initiative and other focused actions to address vaccine equity;
- the removal of export restrictions, import tariffs and non-tariff barriers on vaccines and their inputs, and on an agreed list<sup>1</sup> of essential medical supplies and services;
- minimization of barriers to facilitate the movement of essential personnel across borders in times of crisis; and
- new and effective reporting and monitoring mechanisms for all trade-related pandemic responses, including measures on vaccines and essential medical supplies and services, as well as on the subsidies aimed at supporting economic recovery.

### 2. Full operation of all parts of the WTO system

Ensuring that the WTO system continues to be relevant, effective and enforceable will be critical to economic rebuilding. We call for:

- urgent action to appoint a full slate of WTO Appellate Body members, and agreement on necessary reforms.

---

<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.



### 3. Necessary reforms to WTO rules and processes

WTO rules need to reflect modern business needs and support greater productivity, resilience, inclusion and sustainability. For both the credibility of the system, and in order to achieve better outcomes for our communities, we call on APEC Ministers to work together to secure the following priorities at MC12:

- **enhanced transparency** in WTO Members' trade policies and measures including in new areas such as e-commerce;
- agreement to the urgent elimination of harmful **fisheries subsidies**;
- ambitious work program on agriculture including substantial and meaningful reductions in **trade-distorting agriculture domestic support**;
- support for ambitious, commercially-meaningful outcomes on the trade-related aspects of **e-commerce** that build on existing WTO agreements and frameworks including the conclusion of Joint Initiative on E-commerce negotiations by the end of 2022;
- seek agreement to a **permanent moratorium on customs duties on electronic transmissions**;
- a fresh look at the rules on **subsidies**, industrial as well as agricultural, consistent with fundamental WTO principles for fair and non-discriminatory trade;
- early conclusion of an Investment Facilitation for Development Agreement within the WTO Framework;
- support for ongoing work on a range of environmental initiatives, including a sectoral initiative to liberalize trade in an agreed list of **environmental goods and services**; the new joint initiative on Trade and Environmental Sustainability Structural Discussions, including trade responses to climate change; and the elimination of inefficient **fossil fuel subsidies**; and
- support for initiatives that enable more inclusive participation in trade by **MSMEs** and women, including support for the work of the Informal Working Group on Trade and Gender as well as of the Informal Working Group on MSMEs.

ABAC urges APEC Ministers to formally recognize that '**plurilateral**' initiatives can make an important contribution 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, and in fact can deliver commercially-meaningful outcomes for business. ABAC also urges that economies which have yet to do so to implement fully their commitments under the WTO Trade Facilitation Agreement.

In that connection, we welcome the conclusion of the negotiations in the Joint Initiative on **Services Domestic Regulation** that was agreed by a group of WTO Members last December, which will make a significant contribution to growth in services trade, productivity and business resilience – and also to greater gender equality and women's economic empowerment. We urge all APEC economies to adopt the new disciplines that have been agreed by the group, to support APEC's own ongoing work under the APEC Services Competitiveness Roadmap.

Finally, ABAC maintains that a broader and deeper formal engagement with the **international business community**, including ABAC, will support better WTO policymaking, and APEC Ministers should champion this in Geneva.