

11 May 2021

Hon. Damien O'Connor

Chair, Meeting of APEC Ministers Responsible for Trade
Minister for Trade and Export Growth
New Zealand

Dear Minister,

You and your colleagues are meeting at a decisive moment. The economic recovery from COVID-19 risks being derailed by the ongoing threat posed by the virus, vaccine nationalism and a general retreat from open markets. Other challenges abound including accelerating climate change, the continuing exclusion of too many in society and the impacts of rapid and disruptive technological change.

The APEC Business Advisory Council (ABAC) believes that trade and regional economic integration can be a powerful force for good in overcoming our collective challenges. There is no question that it will take serious, concerted action from APEC – but we have a very real opportunity to come through this period of turbulence stronger than before.

Our highest priority must be the pandemic: both using trade to support the production and distribution of the medical supplies and vaccines we need and realizing the imperative of vaccination as a means to reopen borders safely.

Movement of essential medical supplies, vaccines, inputs and related services across borders unimpeded by tariffs, non-tariff barriers or export restrictions, is the only way that any of us will be safe from COVID-19 – or the next pandemic. Quite simply, turning inwards is bad medicine. APEC should agree a sectoral initiative for freeing up trade in an agreed list of essential medical supplies, vaccines and essential services, and champion the same in the WTO.

On the second point, there are significant challenges in uptake of vaccines within the region. APEC must take action to support quicker and wider roll-outs of vaccination as a matter of urgency. In particular, APEC should champion and implement a set of principles including around universal availability of vaccines, equitable access domestically and globally, such as through the COVID-19 Vaccines Global Access (COVAX) initiative, needs-based prioritization, and verifiable and mutually-recognizable documentation.

The coherent reopening of borders will be key to economic rebuilding and will assist in smoothing out a likely uneven recovery. Similarly, policies and frameworks that support more resilient and better-connected supply chains will help keep trade flowing, as will tackling the raft of new non-tariff measures that have emerged in response to the pandemic and pursuing greater interoperability in digital trade. A number of important elements in this effort are outlined further in the attached report.

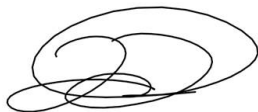
That said, we cannot “build back better” – or indeed, at all – if we do not stand on the solid foundation of the multilateral trading system with the WTO at its core. Our separate Statement (attached as Annex A to our report) underscores the imperative for APEC to work together to shape a strong, credible and relevant WTO, one that reflects evolving business needs, including in the digital space and boosts the decarbonization of economies. The latter will complement ABAC’s efforts to show leadership in climate change, in the transition to renewable energy, in supporting the elimination of inefficient fossil fuel subsidies and through an initiative to free up trade in environmental goods and services.

Longer term, the Free Trade Area of the Asia-Pacific (FTAAP) must remain the organizing principle for regional economic integration: it is both a journey that responds to the dynamic global business environment as well as a destination for achieving concrete outcomes. To that end, APEC should actively seek to harvest FTAAP elements as soon as they are ripe, prioritizing those that make a meaningful difference to business. Equally APEC must ensure that our measure of success in every area must be greater inclusion, whether for Indigenous peoples, women, micro-, small and medium-sized enterprises and others.

All of these elements are, of course, fully coherent with the Putrajaya Vision. It goes without saying that ABAC wants to see the Vision fully and ambitiously realized. But we cannot afford to wait twenty years for this. APEC’s goal must be for a ‘living’ implementation process, one that builds towards an open, seamless, dynamic, resilient, inclusive and sustainable APEC economic community. ABAC pledges its full support to working with you to help make these aspirations a reality.

The accompanying report sets out our considered views in these and other areas under our theme of “People, Place and Prosperity / Tāngata, Taiao me te Taurikura” related to your agenda. We are grateful for the opportunity to engage with you in a dialogue on these important issues. My colleagues and I urge you to be bold, forward-looking and to take the decisive action required at this time to move the APEC economy from crisis management to recovery.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and curves, positioned above the printed name.

Rachel Taulelei
ABAC Chair 2021

APEC BUSINESS ADVISORY COUNCIL

REPORT TO APEC MINISTERS RESPONSIBLE FOR TRADE MAY 2021

“PEOPLE, PLACE AND PROSPERITY – TĀNGATA, TAIAO ME TE TAURIKURA”

This report sets out the views and recommendations of the APEC Business Advisory Council (ABAC) relevant to the agenda of APEC Ministers Responsible for Trade (MRT), meeting in June 2021.

Regional Economic Integration

Multifaceted approach in the battle against COVID-19

A multifaceted approach is required in the battle against COVID-19. While vaccines are key to controlling the pandemic and resuming business activities, they are unlikely to be a cure-all and should be seen as just one tool in the toolkit – not least because there are significant disparities in vaccination rates globally and within APEC. Having a multitiered strategy, which, beyond vaccination, includes testing, contact tracing, quarantine, and social distancing measures, is the most effective and practical approach for our region. ABAC commends the role of business in this context. Businesses can contribute to the production and distribution of vaccines and related equipment, build vaccine confidence through the facilitation of information flow, communicating about the safety and benefits of the vaccine, as well as incentivizing and making it easier for employees to get vaccinated.

ABAC urges APEC economies to:

1. **Take action** to support quicker and wider vaccination as a matter of urgency;
2. **Champion and implement** a set of principles including around universal vaccine availability, equitable access, needs-based prioritization, and verifiable documentation in the form of “vaccine passports”;
3. **Consider** contributing to equitable distribution of vaccines regionally and globally such as the COVID-19 Vaccines Global Access (COVAX) initiative;
4. **Coordinate** closely on a strong, effective response to the pandemic through an initiative in APEC to remove both export restrictions and import barriers on vaccines and their inputs, and on an agreed list of essential medical supplies¹ and services (and champion the same in the WTO – see below);
5. **Adopt** an APEC Declaration on Facilitating Trade in Essential Services to match the Declaration on Trade in Essential Goods (2020) and encourage all APEC economies to implement its provisions as soon as possible.

Reopening of borders for safe and seamless travel

ABAC urges greater public-private sector collaboration and coordination among APEC economies in developing a consistent regional framework for the safe and seamless reopening of borders. The reopening of borders in a less costly and cumbersome manner will not only enable

¹ 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.

businesses to resume travel necessary for managing their overseas operations and concluding important transactions but will also serve to stimulate demand in and revitalize badly affected sectors such as travel, tourism, and hospitality. Recognizing that different economies are at different stages of managing their domestic situation and vaccination drives, having a framework in place would avoid a “noodle bowl of rules” that can result in unnecessary costs, complexity, and time spent in quarantine for business travelers. ABAC will submit further its detailed recommendations in its annual Report to Leaders, but believes that APEC should:

6. **Look to adopt** common or international standards for testing, and consistent quarantine protocols across economies to avoid duplicative testing and unnecessary quarantine;
7. **Develop** an interoperable, tamper-proof digital health passport (with appropriate privacy safeguards) recognized across all APEC economies;
8. **Facilitate** business travel through an agreed list of essential business activities and a list of pre-approved frequent business travelers and investors who would face less stringent measures.

Support for WTO and resisting protectionism/vaccine nationalism

ABAC strongly supports the rules-based multilateral trading system, with the World Trade Organization (WTO) at its heart. The WTO has a key role to play in our response to the COVID-19 pandemic – both in overcoming health challenges and in bolstering economic recovery. ABAC calls on APEC economies to work together to shape a strong, credible and relevant WTO. Our accompanying Statement on the WTO (refer Annex A) sets out our detailed recommendations, but in sum, ABAC recommends that APEC:

9. **Coordinate** closely on a strong, effective response to the pandemic – supporting existing initiatives such as the WTO Trade and Health Initiative, and leading a new initiative to address both export restrictions and import barriers on vaccines and on an agreed list of essential medical supplies² and services (building on a similar initiative within APEC, as noted above);
10. **Support** the adoption of policies and frameworks that enable more resilient, better-connected and more sustainable supply chains;
11. **Address** the new non-tariff barriers that have emerged in response to the pandemic;
12. **Work** to make the WTO system fully operational again, including by appointing a full slate of WTO Appellate Body members and agreeing necessary reforms, and by establishing a new monitoring and notification mechanism on COVID-19 responses;
13. **Achieve** concrete outcomes on necessary reforms, including transparency and to substantive rules and commitments, to ensure that WTO rules better reflect modern business and social concerns, and to support productivity, innovation, growth, resilience, inclusion and sustainability;
14. **Champion** greater formal engagement by the international business community, including ABAC, in WTO processes.

Progress towards Free Trade Area of the Asia-Pacific (FTAAP)

ABAC applauds the acknowledgement, in the APEC Putrajaya Vision 2040, of the importance of advancing FTAAP. In ABAC’s view, FTAAP should remain the organizing principle to expedite the journey towards free and open trade and investment that addresses a dynamic global business environment, including the urgent necessity of a robust response to COVID-19, the unfinished

² 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.

agenda of the Bogor Goals, and to align the convergence of advancing negotiating pathways³. As well as a journey, FTAAP is also the ultimate destination, serving as a powerful foundation to build an open, dynamic, resilient and peaceful Asia-Pacific economic community – one that enables seamless economic activity for the benefit of all. ABAC recommends that APEC:

15. **Prioritize** for early progress the areas where APEC has fallen short of achieving the Bogor Goals including in relation to agriculture, non-tariff barriers, services and investment;
16. **Incorporate** business priorities focusing on Next Generation Trade and Investment issues to address the continuously evolving business environment;
17. **Continue to progress** the FTAAP negotiating pathways to deliver convergence to regionally coherent rules and standards.

Services Trade

The impact of the pandemic on services industries has been devastating globally. While some businesses and sectors (such as e-commerce, knowledge-intensive business services, health services and online entertainment) were able to adapt to the disruption of the past year, thanks to both their own agility and accelerated digitalization, in other cases, trade in sectors such as travel, tourism and transport, creative services including live entertainment and performances, some professional services and enterprises operated by small businesses, all fell dramatically in 2020. Many businesses which are still operational will take years to recover. ABAC urges APEC economies to provide targeted, proportionate, transparent and temporary assistance to those sectors hardest hit.

The APEC Services Competitiveness Roadmap (ASCR) endorsed by Leaders in 2016 provided a mechanism to intensify efforts towards liberalization of trade in services sectors, in complement to domestic structural reform. ABAC will make a substantial contribution in the mid-term review of the ASCR this year. Although progress has been made in overall liberalization of services trade, it is concerning that there has been a failure to meet the ASCR targets. Given there has been a structural shift to digitalization, it is particularly important that the ASCR remain relevant and adapt its 19 APEC-wide actions to reflect the current needs of business.

ABAC recommends that APEC:

18. **Encourage** all economies to adopt pandemic policy responses which:
 - a. provide targeted, proportionate, transparent and temporary fiscal and monetary support measures, and longer-term structural reforms to those services sectors severely impacted by the pandemic; and
 - b. enhance mutual recognition of qualifications for essential services;
19. **Move expeditiously** to prioritize actions that will enable economies to meet the ASCR targets and address the significant restrictions still imposed on some services sectors.

³ These include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance.

Sustainability

Trade and the environment/Climate Change

ABAC believes that trade policy and actions to protect the environment, including measures to address harmful climate change, can and should be mutually supportive. This requires policymakers to include commitments to protect the environment and address environmental challenges not only in domestic policy settings but also in multilateral, regional and bilateral free trade agreements. Such commitments need to comply with WTO rules and core principles including the principle of non-discrimination. In 2021, APEC should take the opportunity to expand further the list of environmental goods subject to tariff liberalization and to develop an accompanying list of environmental services; and to commit to implementing liberalizing outcomes as a priority. APEC should also commit to the elimination of environmentally harmful subsidies in the areas of inefficient fossil fuels, fisheries and trade-distorting support for agriculture.

In relation to climate change, ABAC believes that the challenges posed by anthropomorphic climate change are real and need an urgent, robust, multi-sector approach. Business has a key role to play alongside governments. ABAC is working to develop a set of Climate Leadership Principles which can be used to galvanize business support and encourage more robust action on the part of APEC economies towards a low carbon future. ABAC welcomes the acknowledgment of the need to address climate change in the APEC Putrajaya Vision 2040.

ABAC calls for dialogue among APEC member economies about how to develop sound, mutually-reinforcing and WTO-consistent trade policy responses to climate change. In particular, ABAC emphasizes the desirability of coordinated policymaking, and of avoiding the development of unilateral approaches to these complex issues. We encourage participation by all APEC economies in the joint initiative on Trade and Environmental Sustainability in the WTO.

ABAC recommends that APEC:

20. **Establish** dialogue within APEC on WTO-consistent trade policy responses to climate change and **prioritize** the development of model trade and the environment commitments which can be included in regional FTAs and FTAAP;
21. **Agree** to expand the APEC list of environmental goods subject to tariff liberalization⁴ and develop an accompanying list of environmental goods and services, including new and emerging renewable energy technologies (as outlined further below), and commit to implement these as a matter of priority;
22. **Commit** to eliminating environmentally harmful subsidies in the areas of inefficient fossil fuels, fisheries and trade-distorting support for agriculture;
23. **Include** in the Implementation Plan for the Putrajaya Vision 2040 specific milestones and deliverables in relation to climate change.

Renewable Energy

The APEC Energy Outlook to 2050, published in 2019 by the Asia Pacific Energy Research Centre (APEREC), found that on current pathways, APEC economies will not meet their commitments

⁴ The Environmental Goods List was agreed by APEC in Vladivostok in 2012 and limits tariffs to no more than 5 percent on 54 goods used to protect the environment.

made in the 2016 United Nations Framework Convention on Climate Change (Paris Agreement) and a major shift in energy policies across the region is needed to move towards carbon neutrality.

Building an environment that is conducive to investment and encourages trade in renewable energy and low emissions technologies is key to achieving carbon neutrality and energy resilience for all communities in the region. Trends even prior to the pandemic indicated a reduction in investment in renewable energy development in some APEC economies. Investment in renewable energy projects could both support post-pandemic economic recovery while also assisting in meeting emissions reduction targets.

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

ABAC recommends that APEC:

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

APEC Food System

Food security is a core concern for ABAC. The APEC region cannot achieve its goals for more sustainable, inclusive and resilient growth unless everyone in the region has access to sufficient, safe, nutritious and affordable food, and unless food producers (including smallholders and indigenous producers) have the opportunity for sustainable livelihoods, including through trade. In short, well-functioning, digitally-enabled and trade-friendly food systems are critical.

2021 is a key year for food security: against the backdrop of disrupted food production, distribution and trade arising from the pandemic, APEC is in the process of designing a new Roadmap for Food Security to 2030 and this will be an important deliverable this year. Later in the year, APEC economies will also take part in other international processes, including the UN Food Systems Summit and the WTO Ministerial Conference. These are all opportunities to affirm our shared priorities for the region's food system. ABAC recommends that APEC:

26. **Strengthen** public-private collaboration in sharing best practices for food systems through the APEC Policy Partnership on Food Security (PPFS);
27. **Optimize** the use of digital technologies throughout the food system, including by encouraging innovation in agriculture digital technology and models; increasing standardization of data on agriculture; and supporting digitalization and interoperability in trade flows (such as promoting electronic phytosanitary certificates and upgrading digital 'single window' capabilities);

28. **Champion** the reduction of distortions in food systems by completing the unfinished business of the Bogor Goals for free and open trade including in respect of food and agriculture, and by supporting a meaningful cut in trade-distorting agriculture subsidies (including those with an environmentally-harmful impact) in the WTO;
29. **Support** the adoption of a ‘whole-of-systems’ approach that achieves a sustainable, inclusive, trade-friendly and digitally-enabled food system in the region;
30. **Ensure** that the new APEC Food Security Roadmap to 2030 and APEC’s inputs into other international processes, including the UN Food Systems Summit and WTO Ministerial Conference, reflect these core priorities.

Inclusion

Women and Trade

Women have been disproportionately impacted by the economic and social effects of the COVID-19 pandemic. According to the UN, the global health and economic crisis has increased women’s unemployment and underemployment, widened the gender pay gap and increased the burden of childcare and other domestic responsibilities. This points to a need to increase support for women to participate in trade and in other economic activity, including in relation to the forthcoming WTO Ministerial Conference (MC12). This in turn will contribute to the region’s efforts to revitalize economic growth post-pandemic, and will support collective efforts to further advance the UN Sustainable Development Goals. In a study⁵ conducted before the pandemic, it was estimated that greater global gender equality could add \$12 trillion to global GDP by 2025; by contrast, it has been estimated that it will take 268 years to close the economic gender gap at the current rate of progress.

ABAC recommends that APEC:

31. **Support** greater participation by women-led firms in cross-border e-commerce, equipping them with skills including training on digital platforms, business skills and trade requirements, in order to overcome challenges and vulnerabilities in physical engagement in border processes;
32. **Cut** the red tape around border procedures for MSMEs engaged in trade, using digital Single Windows and other processes to encourage women to engage into international trade and reduce the associated costs and entry barriers;
33. **Pursue** further trade liberalization including the reduction of tariffs and non-tariff barriers, especially in sectors where women (including women-led MSMEs) are predominant, including services sectors, to open up further opportunities for women in trade;
34. **Promote** a fair and inclusive financial system that supports female entrepreneurs’ access to working capital, letters of credit and all the financial instruments that give support to international trade, requiring impartial access to credit and financial literacy;
35. **Commit** to championing a roadmap for a Women’s Economic Empowerment Initiative for agreement at the WTO Ministerial which would entail a standstill on current laws and regulations and further binding commitments in WTO disciplines to prohibit the discrimination between men and women with respect to the rights of ownership and entrepreneurship for women-owned businesses.

⁵https://www.mckinsey.com/~media/mckinsey/featured%20insights/employment%20and%20growth/how%20advancing%20womens%20equality%20can%20add%2012%20trillion%20to%20global%20growth/mgi%20power%20of%20parity_full%20Report_september%202015.pdf

Indigenous people and trade

More than 270 million Indigenous people live across the Asia Pacific region.⁶ Many of them have been disproportionately affected by the pandemic across health, social and economic fronts. Indigenous business leaders share aspirations to grow their contribution to their economies. Indigenous people want to be able to access fair opportunities to trade and to diversify the sectors in which they operate to achieve the wellbeing, resilience and economic security of their communities.

ABAC welcomes the attention that APEC is giving to Indigenous people in 2021 and believes that engaging Indigenous business leaders as part of ABAC's agenda will help make its work more inclusive, relevant, and representative. It is proposed to hold an Indigenous Business Leaders' Dialogue in July 2021 bringing together Indigenous business participants from ABAC member economies. Its purpose will be to stimulate dialogue about Indigenous trade and economic policy inclusion in the region with the possibility of incorporating a Statement of Priorities for Indigenous businesses across member economies as an annex in the ABAC 2021 Report to APEC Economic Leaders.

ABAC recommends that APEC:

36. **Develop** a focus on the needs and aspirations of Indigenous people in regard to their full inclusion in international trade, creating opportunities to listen to the experiences of Indigenous people;
37. **Develop** further thinking about how Indigenous people can share in the benefits from regional economic integration.

Digital

Interoperability of digital systems for trade and supply-chain connectivity

The needs and benefits of digital systems for trade and supply chain connectivity, such as enhanced integrity of supply chains and the prevention of tampering, have been recognized in the region for some time. However, across the region there are still gaps in the end-to-end digitalization of processes and the ecosystem overall. These gaps should be addressed, alongside giving due focus to the interoperability of already-digitalized systems across the region's economies, including in respect of authorization, authentication, systems integrity and global scope. ABAC warmly welcomed the 2017 APEC Internet and Digital Economy Roadmap (AIDER) but is concerned that little progress has been made in its implementation. ABAC urges APEC to accelerate progress in the AIDER work program, prioritizing action in the areas of greatest impact for business, including digital trade facilitation and interoperability.

⁶ United Nations Global Compact. Indigenous Peoples. Accessed 02 February 2021 online at: <https://www.unglobalcompact.org/what-is-gc/our-work/social/indigenous-people> & The World Bank (1 October 2020). Indigenous Peoples. Accessed 02 February 2021 online at: <https://www.worldbank.org/en/topic/indigenouspeoples>

ABAC recommends that APEC:

38. **Foster** a legal framework across APEC economies to enable greater interoperability of systems to authenticate digital documents and digital identities as a basis for making broader digital systems across borders interoperable;
39. **Foster** a regional deployment program of various Global Data Standards (GDS) in digital systems⁷ as a basis for traceability, risk assessment, and facilitation of smooth trade process, building on information sharing between ABAC and APEC policymakers and enhanced dialogue among APEC Customs agencies.

Enabling MSMEs for digital trade

Micro, small and medium-sized enterprises (MSMEs) – a group that constitutes, on average, over 97 percent of businesses across APEC – have been among the hardest hit by the pandemic. MSMEs that were able to digitalize have been more resilient through this challenging period, but many MSMEs have lagged behind on the curve of digital adoption because of a lack of digital awareness and skills, and due to challenges in the digital ecosystem. ABAC recommends that APEC:

40. **Support** the development of digital skills and capabilities of MSMEs in every economy, potentially through greater regional collaboration on relevant resources for MSMEs;
41. **Foster** a more enabling regulatory and commercial environment for the greater uptake by MSMEs of digital tools and technologies such as e-invoicing and other financial tools, cloud computing and e-commerce channels.

Economy

Trade related macro-economic issues

The COVID-19 pandemic has caused unprecedented shocks to all our economies, and further exacerbated issues of inequality and economic vulnerability in many communities. Restarting the engines for growth requires sustained attention from policymakers – particularly in light of the fact that the pandemic is not yet over and not all APEC economies are at the same point in addressing its impact.

ABAC reiterates the importance of a free, open, fair, non-discriminatory, transparent, predictable, and inclusive trade and investment environment to continue to drive the economic recovery from COVID-19. Structural reforms are needed to help optimize the environment for trade and investment, in particular those that complete the unfinished work of the Bogor Goals in respect of trade in services, agriculture and investment; improve digital infrastructure and enhance cross-border labor mobility, the functioning of financial markets and competition, and boost the ease of doing business, particularly for micro-, small and medium-sized enterprises. These efforts would complement the priorities noted earlier around ensuring that there are no impediments to the rebuilding of cross border supply chains, and reopening borders as soon as possible for ongoing trade and investment. In the medium term, structural reforms efforts must also address cross-border challenges in responding to technological evolution and climate change, including transition to a low carbon economy.

⁷ Such systems include GS1 for products and locations, ISO VIN for vehicles, ISO BIC for containers, WCO Data Model 3 for Single Trade Window, as well as others.

ABAC recommends that APEC:

42. **Encourage** APEC economies to prioritize structural reforms that support a more open and inclusive trade and investment environment.

APEC Putrajaya Vision

Last November, APEC Leaders proclaimed the APEC Putrajaya Vision for an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations. ABAC welcomes the Vision and wants to see it fully and ambitiously realized. We are committed to working with Leaders, Ministers and policymakers in the process of designing and implementing an ambitious Implementation Plan. The Plan should have specific, measurable targets and a bias towards action that sees an ‘early harvest’ of outcomes starting this year. Fully realized, the Implementation Plan should enable ABAC’s aspiration for a “seamless” APEC economy, in which it should be possible for any individual or business – large or small – to connect and find success with equal ease anywhere in our region. This is the best way to help ensure that the Asia-Pacific remains the world’s most dynamic, resilient, inclusive and sustainable economic community.

ABAC recommends that APEC:

43. **Agree** that the Implementation Plan should be ambitious, biased towards action and early deliverables, and help achieve a seamless, dynamic, resilient, inclusive and sustainable economic community.

ANNEX A

ABAC STATEMENT ON THE WORLD TRADE ORGANIZATION (WTO) MAY 2021

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

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

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

To that end, APEC's priorities should be:

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

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

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

- an immediate standstill on export restrictions on vaccines and on an agreed list of essential medical supplies and services, with a view to removing all such restrictions as soon as possible⁸
- the permanent elimination of import tariffs and non-tariff barriers on those same products
- addressing barriers to movement of essential personnel in times of crisis; and
- new reporting and monitoring mechanisms for trade in vaccines and medical supplies

2. Getting the WTO system fully operational again

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

⁸ 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.

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

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

APEC economies should champion reforms to ensure that WTO rules better reflect modern business and societal concerns, and contribute more fully to supporting productivity, innovation, growth, resilience, inclusion and sustainability. Looking ahead to outcomes from MC12, ABAC calls on APEC economies to:

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

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

APEC Business Advisory Council
May 2021