

30 April 2024

The Honorable Elizabeth Galdo Marin

Chair, Meeting of APEC Ministers Responsible for Trade
Minister of Foreign Trade and Tourism
Peru

Dear Minister Galdo,

We write as the global economic dynamic shifts towards protectionism, unilateralism and fragmentation. The IMF estimates that this shift could shrink the global economy by at least 7 percent, with the harshest impacts on the poorest economies. We must not allow the longstanding consensus on the value of open markets and non-discrimination to fray. ABAC calls on APEC to urgently renew its active support for economic integration through the recommendations below.

Strengthening Global Trade Architecture. The WTO is uniquely placed to create the global rulebook needed to sustain prosperity, to tackle the climate crisis and food insecurity, and to unleash inclusive digitalization, but only if WTO Members allow it to do so. The Thirteenth Ministerial Conference (MC13) fell short of this benchmark in important areas. We urge Ministers to redouble their efforts for MC14 and address dispute settlement reform, as recommended in our attached WTO Statement.

We are particularly concerned at the prospect that the WTO E-Commerce Moratorium may end. This would create corrosive uncertainty for business and potentially impose high compliance costs on vulnerable micro, small and medium enterprises (MSMEs) and economies, undermining inclusive growth. We call on APEC Ministers to work together to establish a permanent Moratorium, while importantly also building the capacity of developing economies to use alternative mechanisms to support their fiscal needs.

Revitalizing the Strategy Towards FTAAP. The Free Trade Area of the Asia-Pacific (FTAAP) is indispensable for prosperous, inclusive, sustainable, and resilient economies. We must construct FTAAP both from the “top down” and the “bottom up”. On the former, high-quality pathway free trade agreements should be fully utilized, expanded, and upgraded to deepen benefits and confidence in economic integration, complemented by recent initiatives on digital, sustainable, and inclusive trade. At the same time, APEC must build FTAAP from the “bottom up”, via the achievement of specific initiatives such as those set out below and in our attached FTAAP Statement.

Advancing Digital Trade. A coherent and interoperable environment is vital for trusted and inclusive digital trade. APEC should work to drive interoperability in policies, regulations and standards, and through trade agreements, in areas of the greatest importance to business including trusted data flows, and e-payments. Recognizing the potential of trade in digitally-deliverable services to support inclusive growth, APEC should establish a “New Services Agenda” to enable and build capacity for such trade. On artificial intelligence (AI), policymakers should prioritize multi-stakeholder efforts to understand the technology, and to develop good governance frameworks for bold and responsible use of AI consistent with the UN framework.

Bolstering Supply Chains. Open, efficient, resilient, and interconnected supply chains underpin trade and investment in the Asia-Pacific region. APEC can enhance regional supply chains by more actively consulting businesses on supply chain policies and refraining from introducing policy interventions and measures that can trigger disruption and distort trade and investment flows.

Paperless trade and digital trade finance facilitation will also be critical. APEC should support the rapid and region-wide adoption of these tools. To that end, APEC economies should align domestic laws with the relevant international model law, enhance digital infrastructure, and support digital literacy and skills, in collaboration with supply chain actors. In support of these efforts, policymakers could look to innovative regional initiatives, including ABAC's Digital Trade Connect Network. APEC must also promote initiatives such as deep-tier supply chain financing that enable MSMEs to participate in global trade.


Creating an Enabling Investment Environment. APEC must not overlook investment, which serves as a key engine of growth. APEC should prioritize investment facilitation as well as risk reduction and mitigation measures. Additionally, APEC should champion the integration of the WTO Investment Facilitation for Development Agreement into the WTO rulebook.

Establishing a Greener Trade Framework. Trade can drive the transition to a low-carbon economy. APEC should develop a Greener Trade Framework to identify, liberalize, and facilitate the uptake of key trade and financing tools for the climate fight, such as environmental goods and services; coherent legal, regulatory, and environmental standards for supply chains and cross-border carbon markets; enabling trade in renewable energy and eliminating inefficient fossil fuel subsidies.

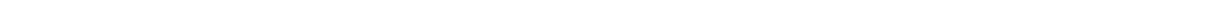
Empowering women in trade. ABAC applauds the inaugural meeting to be held between APEC Ministers Responsible for Trade and Ministers for Women. The persistent exclusion of women, including Indigenous women, from trade represents a significant missed opportunity for prosperity. APEC must dismantle structural biases and, where needed, provide tailored capacity building and other support. Women face particular disadvantages in accessing venture capital. APEC economies should support them and collaborate with the private sector to embrace diversity in business practices. Women are underrepresented in green and digital trade. APEC must support women's education and jobs in STEM and AI skills.

Despite the challenges we face, APEC economies can achieve a resilient future through collective action and a renewed commitment to our founding goals, especially free trade. We look forward to discussing these recommendations in Arequipa and to working together for our shared vision.

Yours sincerely,



Julia Torreblanca
ABAC Chair 2024



ABAC STATEMENT ON THE WTO

Now, more than ever, the world needs a credible, relevant, and effective multilateral trading system, with the World Trade Organization (WTO) at its core. In this era of global challenges, the APEC Business Advisory Council (ABAC) recognizes that the WTO is instrumental in fostering prosperity, peace, stability, economic security, and equitable opportunities for all. We welcome the accession of two new members, Timor Leste and Comoros, as affirmation of this.

The global landscape is rapidly evolving, and so too must the WTO. The organization is uniquely positioned to develop the essential tools to combat pressing global risks such as trade distorting practices, rising unilateralism, climate change and food insecurity. But there is no WTO without its Members. Its effectiveness depends upon the unwavering support and commitment of us all.

A disappointing outcome is in prospect for the 13th WTO Ministerial Conference (MC13) in Abu Dhabi. Instead, we urge APEC Ministers Responsible for Trade to work together to drive ambitious results. In particular, we call on APEC Ministers:

- To seek agreement on a permanent Moratorium on Customs Duties on Electronic Transmissions, in order to prevent the creation of new trade barriers in the digital economy which is so vital to growth, inclusion and sustainability in our interconnected communities. New tariffs would hit the most vulnerable the hardest, and work against economic development;
- To seek the immediate reinstatement of the Appellate Body and agreement to necessary reforms to the WTO's dispute settlement system, without which the WTO architecture of commitments, obligations and mutually beneficial opportunities is in jeopardy;
- To pursue meaningful reforms in agriculture and fisheries, including the substantial reduction and elimination of trade-distorting agriculture subsidies, the urgent ratification of the Fish Subsidies Agreement, and the conclusion of the Agreement's second phase, in order to avert the wanton destruction of the global commons and ensure fair competition and food security for all.

We also call on APEC Ministers to champion open plurilateral agreements, including the Joint Statement Initiatives. These initiatives provide pragmatic and innovative solutions to critical challenges. Three-quarters of the WTO's membership are participants. Attempts to derail these efforts undermine our shared goals of global development and prosperity. In particular, we urge APEC Ministers:

- To support full endorsement of the Investment Facilitation for Development Agreement and its integration into the WTO legal framework, which promises to unlock development, prosperity and sustainability in our region;
- To champion a package of substantive outcomes on E-Commerce this year, to enable economies to leverage the full benefits of the digital age, facilitate trusted cross-border data flows, mitigate the digital divide, and counter regulatory fragmentation; and
- To support initiatives that seek to enable trade effectively to address sustainability, including responding to climate change, the most urgent threat to humanity.

It is time for APEC economies to act decisively to support ambitious outcomes at MC13. Collectively, we can advance a trade environment that not only nurtures economic growth but is also responsive to the demands of our societies and the planet. This should be our legacy.

APEC Business Advisory Council
February 2024

**ABAC Statement on FTAAP 2024:
Unlocking the full potential of our region through deeper economic integration**

The APEC Business Advisory Council (ABAC) remains strongly committed to the full realization of the Free Trade Area of the Asia Pacific (FTAAP). While we represent diverse business perspectives within and across the 21 APEC economies, we share a common ambition: to unlock the full potential of our people and our region through deeper economic integration, open markets and non-discrimination. Bringing our economies closer together has never been more urgently needed than in the face of rising protectionism and economic fragmentation. FTAAP is not an end in itself, but rather is a vehicle to create a more prosperous, inclusive, sustainable, peaceful, stable and resilient region.

Achieving this goal requires two converging strategies: first, seeking to build FTAAP from the top down through high-quality trade agreements, and second, in parallel, also building incrementally from the bottom up through specific initiatives to benefit our businesses and communities in the shorter term.

Building from the top down

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance serve as foundational infrastructure for FTAAP, complemented by other high-quality regional free trade agreements. In addition, recent sectoral initiatives, especially those addressing the twin transformations in the digital and green economies along with inclusion, offer innovative solutions to current challenges which are not fully addressed in existing agreements. These integration mechanisms are crucial for dismantling trade barriers, aligning standards, ensuring trade rules are relevant, enhancing interconnectivity, and above all, for building trust and confidence in economic integration in our region.

- Participants in these agreements should work towards full implementation and effective utilization, including by sharing knowledge and best practices on uptake; monitoring and analyzing the utilization of the agreements, including through greater use of secretariat functions and improved transparency of committees' activities; continuous improvement through updating and expansion; and strengthening confidence in the agreements' rules and commitments through the use of dispute settlement, where necessary.

Building from the bottom up

We must catalyze progress through the incremental achievement of tangible deliverables. These should be in areas of interest to business, and which also support our broader goals of prosperity, inclusion and sustainability. ABAC has identified the following five priorities for 2024:

1) A more coherent and interoperable approach to cross-border digital trade

With the advent of technology and the increased use of the internet and data analytics, digital trade is increasingly important for businesses and economies. Virtually all trade is digital or digitally-enabled. Beyond e-commerce and other kinds of digitally-ordered trade such as streaming services and telemedicine, many businesses, including micro, small and medium-sized businesses (MSMEs) also use digitally-enabled processes such as e-invoicing, e-payments, digital identities, the cross-border flow of data, cybersecurity, and artificial intelligence (AI). A coherent operating environment is vital for trusted and inclusive digital trade, and to fully harness technology's potential to spark business innovation, improve accessibility of goods and services to underserved populations, and improve cost and process efficiencies.

- APEC should work to drive interoperability in policies, regulations and standards, and through trade agreements within the APEC region. As part of this effort, APEC policymakers should consult with business and other stakeholders to identify core principles and the most important digital trade provisions to enable digital trade.
- APEC should agree a permanent moratorium on the imposition of tariffs on electronic transmissions, and promote free and trusted cross-border data flows to provide regulatory certainty and unlock inclusive opportunities.

Cross-border paperless trade is a critical facilitator for all kinds of trade, including goods trade. It enhances efficiency, reduces costs, and improves supply chain visibility, resilience, inclusiveness and sustainability.

- APEC should support a conducive legal environment for cross-border paperless trade by aligning domestic laws with the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Transferable Records (MLETR), and collaborating with key supply chain enablers, such as banks and shippers, to develop and adopt the necessary and available digital infrastructure and frameworks.

AI offers substantial opportunities, but must also be developed and used in a way that is responsible, inclusive and trustworthy. Both domestic governance and trade agreements are important in this regard. Trade agreements can help to provide greater clarity, structure and confidence on the adoption of international AI standards, including on safety, and the continued application of intellectual property rights including copyright, operation of trade secret protections, approaches to data regulation, privacy, security, content and misinformation, cross-border data flows and competition policy.

- APEC should participate in international cooperation efforts to establish shared principles and develop governance frameworks for AI.

2) A New Services Agenda

Trade in digitally-deliverable services is outpacing all other kinds of trade, and offers the potential to create significant new opportunities for groups with untapped economic potential including MSMEs, women, Indigenous entrepreneurs and others. However, this type of trade increasingly faces regulatory and other non-tariff barriers, and there are also capacity and infrastructure impediments to engagement by such businesses.

- APEC should develop a ‘New Services Agenda’ for digitally-deliverable services.

3) A ‘Greener Trade Policy’ to leverage trade for better environmental outcomes

Trade can drive the transition to a green economy, but we cannot fully leverage this potential without the right enabling environment. It would help catalyze progress to develop a ‘Greener Trade Policy’ framework to identify, liberalize and facilitate uptake of key trade tools, based on a set of principles for good green economy governance. These principles should include as core concepts that trade responses to climate change should at a minimum be non-discriminatory; trade-enabling or, as appropriate, least-trade-distorting; transparent; not unnecessarily complex or costly; and based on robust scientific and technical evidence, and international standards where these exist.

Issues of importance to business include the development of more coherent, transparent and science-based international carbon accounting standards and labelling requirements; interoperable voluntary carbon markets, greening supply chains; enabling policy settings for green financing; liberalization of tariff and non-tariff barriers to trade in environmental goods and services; and a framework for trade and investment in renewable energy. APEC economies should also refrain from green protectionism,

creating harmful distortions to competition and inclusion, even while aiming to safeguard the environment.

- APEC policymakers should develop a ‘Greener Trade Policy Framework’ which enables and encourages the use of trade in the climate response.

4) Women’s access to venture capital for trade

Despite the commitment of APEC economies in the Putrajaya Vision to fostering quality growth that brings palpable benefits to all, many groups, including MSMEs, women, Indigenous entrepreneurs and others, in both the informal and formal sectors of the economy across the region, continue to face significant inequality, underpinned by longstanding structural disadvantages. This prevents the full realization of the human and economic potential of our region.

Action is needed across many aspects of legal, regulatory and policy domains to achieve greater equity, but in the near term, one priority must be to address the obstacles and biases which operate to exclude women-led enterprises from access to venture capital funding. Growth and innovation are hindered by women’s continued disadvantage in access to funding. APEC should share best practices, adopt programs to provide grants to women-led businesses, complemented by support for mentorship, building financial literacy and business confidence, and implement policies to encourage venture capital funds to diversify and be more inclusive, both in their own businesses and in their lending practices.

5) Strengthen supply chain cooperation to enable greater resilience

Open, efficient, resilient, and interconnected supply chains underpin trade and investment in the Asia-Pacific region. Maintaining the openness, and enhancing the depth, efficiency, stability, connectivity and resilience of supply chains, are crucial for promoting trade and investment in the Asia-Pacific region. However, supply chain arrangements can only be sustainable if they make business sense, a lesson underscored by some of the unintended consequences of government interventions in supply chains in recent years.

- APEC should commit to more actively consulting businesses on supply chain policies, and should refrain from introducing policy interventions inconsistent with the WTO rules and measures that can trigger disruption and distort trade and investment flows. The set of principles on non-tariff barriers developed by ABAC in 2017 provides a good basis for identifying such measures.
- APEC policymakers should also explore ways to expand business-to-business cooperation on supply chains by leveraging various platforms and tools to strengthen resilience.

ABAC calls on APEC policymakers to take action on these five initiatives as building blocks towards the eventual FTAAP. APEC should monitor and prioritize progress towards their achievement in the period ahead.