

## **ABAC Report to APEC Economic Leaders**

### **Regional Economic Integration**

#### ***Building the Free Trade Area of the Asia-Pacific***

The Free Trade Area of the Asia-Pacific (FTAAP) is the best way to unlock the full potential of our people and our economies, by countering fragmentation and creating new opportunities for all. ABAC calls on APEC to build FTAAP from the top down through high-quality trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance, as well as innovative recent sectoral initiatives on digital trade, sustainability and inclusion. In parallel, APEC should build FTAAP incrementally from the bottom up through specific deliverables that will benefit businesses and communities in the shorter term, such as those recommended later in this Report on paperless trade, supply chains, women's access to venture capital, a Greener Trade Framework and a New Services Agenda. Together, the Pathway agreements and initiatives are crucial for dismantling trade barriers, achieving regulatory coherence, aligning standards, enhancing interconnectivity, building trust, and ensuring that all can share in the benefits of deeper economic integration. Annex A elaborates ABAC's 2024 Statement on FTAAP.

#### **Recommendations:**

- Actively pursue deeper integration through parallel top-down and bottom-up approaches.
- For those economies participating in high-quality regional trade agreements, work towards their full implementation and effective utilization, including by sharing knowledge and best practices on systems and implementation methods; monitoring and analyzing the utilization of the agreements, including through greater use of secretariat functions and improved transparency of committees' activities; pursue continuous improvement through updating and expansion; and strengthen confidence in the agreements' rules and commitments through the use of dispute settlement functions of such agreements where necessary.
- Encourage new entrants into these high-quality regional trade agreements.
- Collect, publish and analyze data on the utilization of regional trade agreements.
- Champion short-term initiatives to help build FTAAP from the bottom up, including ABAC's recommended actions on paperless trade, supply chains, women's access to venture capital, a Greener Trade Framework and a New Services Agenda.

#### ***Championing a strong and relevant World Trade Organization***

WTO Members working together can create the enforceable global trade rulebook that all economies need to sustain prosperity while also tackling the climate crisis and food insecurity, unlocking coherent digitalization, pushing back against protectionism, and fostering inclusion. However, much remains to be done to refine and update existing rules. ABAC urges APEC to

show leadership in this critical work, including this year on dispute settlement, and at the next WTO Ministerial Conference in 2026 on the outcomes identified in the ABAC 2024 Statement on the WTO (Annex B). It is also of deep concern that the continuation of the WTO E-Commerce Moratorium is not assured. Its termination 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. ABAC warmly welcomes the E-Commerce Agreement negotiated by a large group of WTO members, including the permanent prohibition it includes on tariffs on digital goods and services, and urge its ratification, integration into the WTO rulebook and the expansion of its membership.

**Recommendations:**

- Work to reinstate a fully functioning, effective dispute settlement system in 2024.
- Lead efforts to make meaningful progress at the next WTO Ministerial Conference in 2026, as advocated in the ABAC Statement on the WTO.
- Champion plurilateral initiatives and their full legal integration into the WTO rulebook or WTO members' schedules of commitments as appropriate, including the initiatives on the domestic regulation of services and the Investment Facilitation for Development.
- With regard to the new E-Commerce Agreement, those economies that are participants should quickly ratify the agreement; and all economies should support its full legal integration into the WTO rulebook, and seek to become signatories to it.
- Work together to establish a permanent Moratorium in the WTO more broadly on tariffs on electronic transmissions.

***Promoting women entrepreneurs' access to venture capital financing***

Women entrepreneurs face substantial disadvantage in accessing venture capital for their businesses. Programs to support women and foster an environment conducive to women's engagement in trade and entrepreneurship, addressing in-built biases in lending practices, and leveraging women's untapped economic potential through the creation of a level playing field for all, will reap substantial economic rewards and opportunities for growth for the region.

**Recommendations:**

- Establish programs which promote women-led enterprises' access to venture capital financing.
- Encourage financial service providers and investors to support gender responsive solutions to the significant underrepresentation of women having access to finance.
- Collaborate with the private sector to encourage diversity in business practices and address in-built biases in lending practices.
- Foster an enabling environment for women entrepreneurs through concrete steps that may include, among others, legislative and gender-disaggregated disclosure measures, as appropriate for each market.

***Supporting open, stable and resilient supply chains***

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. Furthermore, supply chain arrangements can only be sustainable if they make business sense. Recognizing this, ABAC encourages APEC economies to seek to examine, and where necessary, establish principles governing supply chain measures so that they have the least trade

and investment-distorting impact. Business can offer important insights into this work and should be engaged in any relevant policy discussions.

### **Recommendations:**

- Take account of the following principles in developing supply chain policies:
  - Keep supply chains open, as recommended by ABAC in 2023.
  - Reaffirm commitments to transparent and non-discriminatory policy and build in additional consultation with businesses prior to introducing measures that may disrupt the sourcing, production, cross-border transportation, distribution and delivery of goods.
  - Notify any such measures in advance to support business planning, limit any measures to as narrow a scope as possible, and ensure consistency with WTO rules.
  - Ensure that any measures, including domestic regulations, do not seek to distort trade and investment and offer significant facilitation and predictability so tangible benefits can be factored into commercial considerations.
  - Ensure that any subsidies with the effect of influencing how supply chains are designed are WTO-consistent and in line with Base Erosion and Profit Shifting (BEPS) Pillar 2.

### ***Advancing coherent digital trade and a New Services Agenda***

A coherent and interoperable environment is vital for trusted and inclusive digital trade. ABAC calls on APEC to work deliberately to pursue interoperability in policies, regulations and standards, and through trade agreements. Priority should be given to the areas of the greatest importance to business including trusted and secure data flows, e-payments and digital trade facilitation, identified in close consultation with business communities. In addition, recognizing the significant potential of trade in digitally-deliverable services to have a multiplier effect on inclusive growth, APEC should also establish a “New Services Agenda”. This could seek to remove barriers to trade in digitally-delivered services, pursue regulatory coherence and facilitation, and build capacity, particularly for groups with untapped economic potential including MSMEs, women entrepreneurs and Indigenous businesses.

### **Recommendations:**

- Actively work to support coherent and interoperable approaches to digital trade in the region, including through trade policies and rules, standards and regulations.
- Establish a “New Services Agenda” to remove barriers and facilitate trade in digitally-delivered services, and build the capacity of groups with untapped economic potential, including MSMEs, women entrepreneurs and Indigenous businesses, to participate successfully in such trade.

### ***Supporting good governance of artificial intelligence through trade rules***

The world is currently grappling with the need to establish appropriate governance guardrails around the responsible and inclusive development and use of artificial intelligence (AI) which encourages development and innovation of all economies, while mitigating the possibilities for misuse. A digital world will require effective, collaborative, cross-border governance solutions, including voluntary international cooperation initiatives and domestic models, and with existing and new trade and digital economy agreements also playing a pivotal role. There is a need to find a regulatory balance between protection and potential, and a need for the global community to

work together to build an appropriate and coherent regulatory environment. It is essential that the private sector be included in finding that right balance. One significant contribution which trade and digital agreements can make to AI governance is their binding nature, providing certainty and possible redress for infringements. Discussing, developing and establishing appropriate and flexible frameworks and standards, especially as they relate to cross-border trade, will be imperative. Ensuring that provisions are flexible for rapidly evolving and changing technology, and supporting development of a better understanding of AI design, including the quality of data, and uses and impacts of AI, must be central to future undertakings.

**Recommendation:**

- Consider the potential role of new trade and digital economy agreements in supporting agreed international undertakings and tackling new frontier AI issues.

***Accelerating the adoption of paperless trade***

Global trade of physical goods remains largely paper-based and process intensive, with up to 4 billion paper documents circulating at any one time.<sup>1</sup> Fewer than 1% of trade documents are fully digitalized. Despite its clear benefits, there has been slow uptake of digital trade solutions, particularly by MSMEs, due to a mix of factors, including unfamiliarity with technology, high initial costs, and a lack of domestic legal recognition or acceptance of digital documents. There are potentially significant network effects with more widespread adoption. The region has not yet reached the tipping point for this. Annex C of this Report sets out ABAC's detailed findings and full recommendations on Accelerating Regional Adoption of Cross-Border Paperless Trade. ABAC calls on APEC economies to intensify their efforts for the universal adoption of paperless trade.

**Recommendations:**

- Accelerate the legal recognition of documents, records, and signatures in line with the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Transferable Records (MLETR) to enhance business confidence in using digital documents.
- Promote broader industry adoption of digital documents by implementing freely accessible government digital infrastructure, such as National Single Windows and digitalizing regulatory documents and certificates, to build the critical mass needed to overcome early adoption challenges.
- Collaborate with key supply chain stakeholders, including banks and shipping companies, to develop digital systems and digitalize their trade processes, to encourage companies along the supply chain to follow suit.
- Provide fiscal incentives to encourage companies to digitize and digitalize internal business processes, including trade processes, to offset initial investment costs of digitalization.
- Partner with the private sector and trade associations, to enhance capacity building efforts and empower businesses to embrace digital transformation.

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<sup>1</sup> <https://iccwbo.org/news-publications/policies-reports/standards-toolkit-for-cross-border-paperless-trade/#anchor-download>

### ***Building interoperable deep-tier digital supply chain finance platforms***

The development of interoperable digital platforms in all economies joining the Digital Trade Connect Network (DTCN) is key to the acceleration of progress toward end-to-end trade digitalization. The experience of certain APEC economies underscores the importance of prioritizing the standardization of trade documents, coordination of regulatory and legal frameworks to ensure interoperability across jurisdictions, and strong participation from key stakeholders to create initial take-up leading to wider adoption. However, it is also important to develop the digital infrastructure for deep-tier supply chain finance to enable the benefits from end-to-end digitalization of trade to cascade down the layers of the domestic supply chains to the micro- and smaller suppliers.

#### **Recommendations:**

- Develop interoperable deep-tier digital supply chain finance platforms and accelerate end-to-end digital trade connectivity in all member economies. Those participating in the DTCN should adopt the Common Principles for Interoperable Deep-Tier Digital Supply Chain Finance.
- Collaborate across-the-board to develop the movable asset finance ecosystem and foster a common understanding and convergence of standards, definitions and legal frameworks around technology, data and electronic transferable records. Utilize key strategies, including building block and platform-based approaches, win-win collaboration, analysis of MSMEs' needs, fostering financial innovation and incentivizing adoption.

### ***Creating an enabling investment environment through investment facilitation***

Global foreign direct investment (FDI) is stagnating due to economic uncertainties and structural adjustments following recent shocks. This has led to fragmented FDI with asymmetric relocation risks, with protectionism and unilateralism driving uneven investment landscapes. Meanwhile, the rise of green technologies, sustainability initiatives, the digital economy, and services is reshaping investor priorities and offering new sustainable investment opportunities. Thus, a new FDI policy environment is emerging as economies revise strategies to attract and retain FDI. Amid these shifts, prioritizing investment facilitation within APEC is crucial.

#### **Recommendations:**

- Prioritize the implementation of investment facilitation measures, including those that enhance transparency and predictability, streamline administrative processes, and strengthen government-investor dialogue to cultivate a more conducive environment for sustainable economic growth and recovery.
- Promote the development of an APEC roadmap for a renewed Investment Facilitation agenda. This could include, among others, revising the APEC Investment Facilitation Action Plan and the APEC Non-Binding Investment Principles to adapt to the evolving global environment.
- Champion the integration of the WTO Investment Facilitation for Development Agreement into the WTO rulebook.

### ***Improving the ABTC scheme to facilitate business and investment***

The APEC Business Travel Card (ABTC) is one of APEC's most impactful initiatives, simplifying entry requirements and improving business travel and facilitating investment within the APEC

region. ABAC conducted a survey focused on cardholders' experience to identify the main challenges and opportunities for improving the ABTC scheme. The survey yielded insightful findings, particularly related to the visibility of benefits, the process for obtaining and renewing the card, and its digital usage.

**Recommendations:**

- Implement mechanisms to expedite the application and issuance process of the ABTC and reduce waiting times. This could be achieved by improving information flow among responsible institutions, ensuring real-time data exchange, and establishing standardized procedures to streamline processing and enhance the user experience.
- Expand the implementation of virtual ABTC and promote visibility of the ABTC benefits.

***Modernizing tax systems in the era of the digital economy***

As virtual transactions rise, tax administrations face revenue collection challenges. Implementing international mechanisms like the Organization for Economic Cooperation and Development (OECD)'s BEPS initiative poses compliance and data management difficulties for multinational enterprises (MNEs). While tax authorities are adapting to facilitate revenue collection, MNEs may encounter more costs, potentially leading to more controversies. To prevent revenue loss, economies need to cooperate and adopt collaborative tax compliance approaches, like the International Compliance Assurance Program . Local tax collaboration agreements can also help reduce tax leakage and optimize resources. Modernizing tax systems to keep up with the digital economy is essential, requiring strong measures to protect taxpayer data and privacy.

**Recommendations:**

- Establish a consistent set of compliance and reporting requirements that align with a common approach in transitioning to digital tax administration, without overburdening enterprises.
- Consider a collaborative approach to tax compliance as part of broader efforts to enhance international tax cooperation and reduce the risks of tax avoidance and evasion in a globalized economy.
- Strengthen data security and privacy within tax systems, including updates to cybersecurity frameworks, data encryption, access controls, and privacy legislation.

## Human Development

### *Mobilizing pension funds for growth*

Pension funds manage large amounts of capital that can be mobilized to finance growth. However, enabling them to expand and diversify investment in private markets (including real estate, infrastructure, private equity and private debt) and small- and mid-cap companies will require addressing obstacles arising from various supply- and demand-side factors. These include structural and operational factors affecting investment decisions in large asset owners and the shortage of skilled investment professionals in many economies. Recognizing the varying levels of market development across the region, such an initiative needs to rely on a strategy that encourages the more mature economies to accelerate reforms while at the same time building capacity in the less developed economies to follow in this path.

#### **Recommendations:**

- Launch an Inclusive Long-Term Investment Pathfinder Initiative to encourage more mature member economies to introduce reforms enabling pension funds to expand investment in private markets and small- and mid-cap companies and support less developed economies in building capacity to undertake these reforms in the future. This initiative can focus on the following components:
  - Policy reforms to improve corporate governance and reforming the asset management sector and asset ownership
  - Development and sharing of Best Practices for Emerging Manager Programs
  - Convening key policy, industry and multilateral stakeholders to collaborate in advancing the initiative

### *Facilitating data sharing in digital health*

The 2024 ABAC-funded research report *Health Data Sharing* (Annex D) finds that the social and economic benefit of health data sharing is worth at least 2.5% or more of global GDP and yet is 97% under-utilized. Health data sharing raises important policy issues, including data quality, privacy, inconsistent standards, overly restrictive or non-harmonized regulations, lack of ethical considerations, and insufficient governance and financing for implementation of change.

#### **Recommendations:**

- Align on a common technical standard for data formats, identification numbers, and interlinks following an international protocol for health data sharing like Health Level Seven (HL7), and aim higher for centralized, accessible, and usable repositories.
- Harmonize governance of opt-out models and ethical and privacy protocols.
- Form official health data sharing offices within each economy, complete with training, use case collection, and value capture, including down to a citizen level.
- Right-size health data sharing investments in domestic strategies, expand capability upskilling, and include private sector expertise.

### ***Building a digital trust enabled workforce***

APEC economies should focus on reinforcing a supportive and conducive policy environment with respect to enhancing the trust and confidence in the digital economy. Raising the competencies of the workforce is essential to develop a skilled digital trust workforce. This is an area in which APEC governments must work with industry to help them attract, recruit, train and develop a workforce that meets the needs and demands of an increasingly complex digital landscape.

#### **Recommendations:**

- Support lifelong learning and professional development through government-sponsored upskilling and reskilling programs.
- Provide incentives to employers in the form of tax rebates or subsidies for employers who invest in the training and development of existing workers.
- Establish continuous learning platforms to promote online learning that culminate into recognized, accredited certifications that are practical tools of upgrading for existing workers.
- Establish public-private partnerships with private sector companies to create internships, apprenticeships, cross-border and on-the-job training opportunities in digital trust related fields.
- Ensure educational curriculum is updated and kept aligned with the current and future needs of the job market in collaboration with academia and industry.
- Establish a domestic skills or talent development framework that sets a longer-term vision for workforce and businesses on the economy's direction/next stage of growth.

### ***Empowering the health workforce with artificial intelligence***

Ageing societies, the risk of infectious diseases like COVID-19, and the rise of chronic non-communicable diseases and mental illness are among the most pressing health challenges in APEC economies. Demographics and epidemiology are constantly evolving. In the 21st century, the goal is on improving healthy life expectancy in order to maximize quality of life and productivity. New solutions to challenges through digital health innovation have the potential to transform healthcare systems while reducing costs and promoting health equity, especially among underserved and vulnerable populations.

#### **Recommendations:**

- Empower the workforce to work on AI in digital health through programs that enable the gaining of practical knowledge and skills.
- Collaborate with the private sector to harmonize existing domestic regulatory frameworks on the approval process for Software as a Medical Device (SaMD) to ensure safety, streamline workflows, and improve software and device effectiveness.

### ***Addressing the implications of artificial intelligence for workers and skills development***

It will be critical that APEC economies develop strategies to harness the positive impact of artificial (AI) for industries and economies, while addressing potential risks for workers. AI promises long term productivity gains; however, there is uncertainty about whether AI will help address or exacerbate the digital divide. The transition could involve significant job displacement and income



distribution changes, making it essential that policy responses promote the equitable and ethical integration of AI, train the next generation of workers, and protect and retrain those currently at risk. The policy responses should be comprehensive, including basic education, to ensure students and teachers are properly equipped for the future.

### **Recommendations:**

- Develop policies that support continuous learning, reskilling, upskilling and provide safety nets for displaced workers.
- Modernize education systems to integrate AI and computer science into school curricula to promote computational thinking and digital literacy.
- Promote lifelong learning ecosystems and encourage partnerships between educational institutions and industry.
- Establish guidelines for ethical AI use, ensuring AI applications are transparent, fair and respect data privacy.
- Facilitate industry designed capacity building training for MSMEs.
- Improve digital infrastructure to support AI adoption.
- Assist MSMEs and women-led businesses to access new markets through the utilization of AI applications, such as multilingual translation.

### ***Ensuring women's access to the green economy***

As the region faces whole of economy shifts across industries to create an ambitious new green economy and to meet our Paris Agreement commitments, there is also a green shift in the labor force. The International Finance Corporation predicts that there will be 213 million new jobs in climate businesses around the globe by 2030. Women's significant underrepresentation in essential green, digital and science, technology, engineering and mathematics (STEM) education and careers will substantially impact their ability to access those opportunities and contribute to the transition. There is now an opportunity to address gender disparities and structural barriers in the workforce and meet the demand for a labor force capable of accelerating the transition. ABAC urges APEC economies to take up that opportunity.

### **Recommendations:**

- Prioritize the enhancement of education and training systems to provide widespread access to green, STEM, and digital skills training, reskilling and upskilling opportunities.
- Incorporate gender targets in domestic green transition plans.
- Improve data collection on gender employment and remuneration.
- Work with employers to create an inclusive workplace environment, establish care policies and benefits, offer flexible working arrangements, combat harassment, ensure equitable access to upskilling programs and promote women into leadership roles.

### ***Transitioning to the formal economy, including through digitalization and access to finance***

The informal sector represents a significant part of the economy and total employment in many APEC economies. The sector represents an unreached, untapped, and unregulated portion of the economy with huge potential benefits if formalized, as informal workers and businesses struggle to access conventional financial services, social security, and the protection of the judicial system. Digital trust can play a crucial role in promoting the formalization of economies by fostering economic integration, enhancing economic representation, and driving economic growth and

resilience. Digital tools can act as enablers to support the transition from the informal to the formal sector for MSMEs by simplifying bureaucratic processes, increasing access to financing, and expanding their market reach. Robust e-government services, digital wallets and e-commerce are showing positive impacts on bringing businesses into the formal economy as well as improving transparency. However, for these incentives to be effective, APEC economies must reduce the barriers to accessing and using digital tools. Continued efforts are also required to put in place key enablers, such as the digital and data infrastructure as well as legal and regulatory frameworks that promote inclusive digital financial services.

**Recommendations:**

- Enhance digitally-delivered public services to simplify business registration and taxation to make it easier to do business and join the formal economy.
- Bridge the digital divide by investing in digital infrastructure, lower the cost of internet access, and invest in digital capacity building programs and resources for MSMEs, with a focus on micro-enterprises and underrepresented groups.
- Provide targeted incentives to make formalization more attractive to MSMEs, including e-commerce initiatives to expand market reach, digital payments for financial inclusion, and government e-procurement platforms.
- Incorporate digital financial inclusion for the informal economy in future APEC workstreams to help implement the proposed APEC Roadmap to Promote the Transition to the Formal and Global Economy.
- Develop policies to remove key barriers to wider MSMEs' participation in digital trade finance platforms.

## Sustainability

### *Securing food sustainability and advancing responsible natural resource management*

The COVID-19 pandemic and global uncertainties have underscored the need for focused action to establish a sustainable, secure, resilient and inclusive regional food system which supports equitable access to adequate, safe, nutritious and affordable food for all. Solving food insecurity in the APEC region and globally requires a cross-regional and whole-of-society approach. ABAC encourages APEC to work to close existing gaps in the food system and ensure greater resiliency throughout the APEC region. In particular, coherent approaches to regulatory standards for agri-food technologies and good data governance are needed to foster innovation, interconnectedness, sustainability, food safety, and consumer protection. Resilient supply chains are also essential; ABAC's Supply Chain Resilience Toolkit provides a suite of actions to enable this, and the adoption of paperless trade through the region would similarly support efficient and lower-cost food trade, helping to match supply with demand more effectively.

#### **Recommendations:**

- Establish coherent standards for agri-food technology to foster sustainable innovation.
- Expand market access and facilitate trade and supply chains, including through the full implementation of the WTO Fisheries Subsidies Agreement and the conclusion of its second stage, the elimination of trade-distorting agriculture domestic support, ensuring free and unimpeded flows of agricultural goods and services, including through further reductions in agriculture tariffs, the elimination of non-tariff barriers and adoption of paperless trade.
- Revitalize public-private partnerships for effective approaches to food security, including by ensuring that the review of the terms of reference of the Policy Partnership on Food Security enables a genuine partnership, complemented by the exchange of industry best practices and cross-border research collaborations.

### *Fostering circular economy practices and effective waste management*

With water consumption and pollution being among the most pressing environmental issues of the textile and apparel industry and other sectors, it is crucial to take note of how circular economy practices and effective waste management can help mitigate the problem. Currently, circular solutions are making inroads into the textile industry primarily through the adoption of water-saving technologies and methods aimed at reducing freshwater input. Additionally, there is a growing emphasis on enhancing water recycling rates and minimizing waste generation throughout the process. Likewise, it must be acknowledged that circular water practices within major industries also help reduce fresh-water consumption and its pollution. However, to establish a viable circular water economy, various obstacles must be addressed, including regulatory, institutional, behavioral, and technical barriers. Reducing costs is imperative to make these solutions economically feasible.

#### **Recommendations:**

- Revise regulatory and institutional frameworks to support, incentivize and facilitate the transition into a circular water economy.
- Strengthen ties among manufacturers, policymakers, and non-governmental organizations to address challenges in implementing the circular water economy.

### ***Promoting just, ambitious, and realistic energy transitions***

As APEC economies work toward a low-carbon future, "realistic energy transitions" that respect economies' diverse economic circumstances and decarbonization pathways and seriously consider actual energy security and supply stability situations are essential. Among other causes of increasing demand for energy, the expected impact of digitalization and generative AI could mean that a very rapid transformation of energy infrastructure could lead to supply disruptions and heavy economic burdens thereby depriving economies the ability to promote further necessary low-carbon investments. At the same time, efforts should be ambitious and consistent with ABAC's Climate Leadership Principles of Reduction, Adaptation and Just Transitions. In the context of efforts to reduce carbon emissions and promote the development and uptake of renewable energy, it may be preferable to reconfigure and replace energy infrastructure in stages tailored to each economy's actual situation and strike a balance between achieving climate goals, ensuring stable energy supply and security, and ensuring a Just Transition for all. APEC should also promote reforms to enable the use of a wider range of issues, including intellectual property, to finance sustainable innovations.

#### **Recommendations:**

- Continue to pursue emissions reductions, including through the urgent elimination of inefficient fossil fuel subsidies.
- Further promote and expand the development, use and trade in renewable energy, other forms of green investment and related infrastructure development, including through a Roadmap for Trade and Investment in Renewable Energy.
- Promote low-carbon investment to minimize CO2 emissions from fossil fuels which economies rely on in the short-term and still be consistent with their low-carbon roadmaps. Various advanced clean technologies such as hydrogen and ammonia usage, carbon capture utilization and storage, carbon recycling, biomass, renewables, nuclear and energy-saving technology in social infrastructure need to be actively deployed.
- Expand transition finance options including measures to address currency risk, supported by international cooperation and the development of low-carbon roadmaps, to increase low-carbon investment and realize realistic energy transition.
- Promote reforms to enable the use of a wider range of issues, including intellectual property, to finance sustainable innovations.

### **Promoting convergence of sustainability disclosure requirements**

Recognizing the rapid acceleration of implementation of mandatory sustainability disclosure requirements in APEC economies, enhanced cooperation is needed to harmonize these disclosure requirements across jurisdictions in the region. Currently, there are inconsistencies between the entities that are required to report, the timelines for reporting, and the topics required for disclosure. This fragmentation in reporting requirements undermines the integrity and comparability of reporting across jurisdictions – creating potential opportunities for corruption and greenwashing. Additionally, the increased cost and complexity of compliance will disadvantage small and medium enterprises while diverting resources away from actual sustainability initiatives. Despite these differences, convergence is emerging amongst APEC economies in certain areas, including prioritization of reporting on climate, limiting disclosure requirements to listed companies, and focusing reporting on financial materiality. ABAC encourages APEC economies considering mandatory disclosure to support these policy trends to promote the continued convergence of requirements in the region.

## **Recommendations:**

- Create opportunities to support the development of the sustainability disclosure ecosystem in APEC economies, including through capacity building activities with regulators, reporters (particularly MSMEs), and assurance providers.
- Establish a platform for regional public-private consultation and cooperation on sustainability reporting, to promote regional and global convergence between sustainability disclosure frameworks across different jurisdictions.
- Increase cooperation with other leading intergovernmental forums active in this area, including the United Nations, G20, International Organization of Securities Commissions, OECD, among others.
- Collaborate with ABAC to produce clear guidance on mechanisms for building interoperability and convergence between domestic and international frameworks, including by prioritizing climate reporting and granting equivalence to sustainability reports that comply with globally-recognized standards.

### ***Establishing a Greener Trade Framework***

Trade is essential for achieving climate and sustainability goals, but realizing its potential requires cooperation among APEC economies on global environmental challenges. No single economy can achieve these goals alone. ABAC recommends establishing a Greener Trade Framework, based on WTO-consistent principles, to effectively leverage trade in addressing the climate challenge. A region-wide, principles-based framework would support the transition to low-carbon, nature-positive, and inclusive economies. It would unlock commercial opportunities in sustainable supply chains, environmental goods and services, renewable energy, and clean technology, benefiting people, prosperity, and the planet. The framework should reflect ABAC's Climate Leadership Principles of Reduction, Adaptation, and Just Transitions, promote the ambitions of the APEC Trade and Investment in Renewable Energy Roadmap proposed by ABAC, and should aim to avoid all forms of green protectionism.

## **Recommendation:**

- Establish a coherent Greener Trade Framework, based on a set of WTO-consistent principles and reflecting ABAC's Climate Leadership Principles of Reduction, Adaptation and Just Transitions, to effectively leverage trade in addressing the climate challenge and avoid all forms of green protectionism.

### ***Promoting interoperable voluntary carbon markets***

Voluntary carbon markets (VCMs) can play a very important role in mobilizing sustainable finance if interoperable markets exist where buyers and investors can trust the integrity of carbon credits. This would require addressing a number of complex challenges. Various elements of interoperability, including principles, best practices, labels, quality assessments, registries and methodologies already exist, and several initiatives have been started that could help in this effort. A series of discussions hosted by ABAC this year indicated significant interest among public, private and international stakeholders in collaborating to help accelerate the development of interoperable VCMs in the region through an Asia-Pacific Network of Interoperable Voluntary Carbon Markets.

## **Recommendations:**

- Collaborate with ABAC and the Asia-Pacific Financial Forum Sustainable Finance Development Network, the private sector and relevant international organizations to explore feasible and non-discriminatory ways of developing an Asia-Pacific Network of Interoperable Voluntary Carbon Markets through a regional pathfinder initiative.
- As an initial step, hold discussions to develop a work plan for identifying key obstacles to the cross-border trading of voluntary carbon credits among jurisdictions and how they can be addressed.

### ***Advancing sustainable growth for the electric vehicle supply chain***

The increasing popularity and widespread use of electric vehicles (EVs) bring many opportunities, making it an attractive investment proposition, supporting both economic growth and the transition to a sustainable low-carbon economy. Projections show a significant rise in EV sales, jumping from 10.5 million units in 2022 to an impressive 27 million by 2026. This shift to EVs marks a crucial change in the car industry. However, trade in EVs, EV components and inputs, and related services, are increasingly facing trade barriers. More investment is needed to strengthen EV supply chains.

## **Recommendations:**

- Ensure fair trade conditions and reduce trade frictions through the elimination of tariffs, non-tariff barriers and other discriminatory trade policies to facilitate the seamless movement of goods and services related to the production of EVs.
- Support the development of international standards to simplify compliance and reduce costs.
- Promote investment in EV infrastructure and critical mineral supply chains, and encourage sustainable mining practices.

### ***Enhancing natural disaster risk preparedness in the Asia-Pacific region***

The Asia-Pacific region is the world's most exposed region to disasters and climate risks. It accounted for over 80% of economic losses and more than 40% of the victims reported globally from 2000 to 2019. In 2022, over 140 disaster events occurred in the Asia-Pacific region – affecting more than 64 million people, and bringing economic damage estimated to be over \$57 billion. In the latest World Risk Index 2023, five in the top ten most at-risk are APEC economies, among the 193 economies covered. Moreover, 16 APEC economies belong to the upper quintile and have a very high disaster risk score, which measures not only the exposure to risks, but also the vulnerability, particularly the coping ability to minimize damage, and adaptability to mitigate avoid future adverse impact. The impact of the increasing frequency, magnitude, and scope of natural disasters calls for an equally intensified concerted and collective action, as well as more innovative and targeted solutions. Addressing climate risk requires not only an all-of-APEC but all-of-society approach, especially those from the vulnerable groups and where public-private partnership is critically important.

## **Recommendations:**

- Promote innovative solutions such as disaster risk insurance, especially in developing economies.
- Facilitate knowledge exchange between best-prepared economies and those most at risk.