

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

### **I. Introduction**

This is a pivotal moment in history, with unprecedented challenges requiring bold responses. The world faces the greatest health crisis in a hundred years and also the greatest economic crisis since the 1930s.

The International Monetary Fund has described the COVID-19 pandemic and its consequences as “A crisis like no other, an uncertain recovery”. Global growth is now projected to contract by 4.9%, 1.9 points below earlier forecasts. The APEC Policy Support Unit forecasts economic growth in the APEC region to decline by 3.7%, down from its initial forecast of 2.7%. The World Trade Organization (WTO) had earlier forecast the volume of world merchandise trade to contract by between 13% - 32% in 2020; more recent predictions suggest that the contraction may be at the less pessimistic end of this scale, but globally the recovery now seems likely to be an L-shaped recovery over a long period, rather than a quicker V-shaped rebound. Notably, these forecasts come with a higher-than-usual degree of uncertainty, contingent as they are on actions to be taken by economies responding to the pandemic.

Under the theme “Integration, Innovation, Inclusion: Moving Towards Economic Recovery and Resilience”, ABAC’s 2020 work program focused on addressing the needs of regional recovery and building greater resilience for future shocks. In this report, ABAC recommends actions which APEC economies should take to accelerate economic recovery and advance our shared goals of sustainable and inclusive economic growth and prosperity in the Asia-Pacific region. It builds on the ABAC COVID-19 Report previously submitted to APEC Economic Leaders and Ministers which focused on the response to the immediate impact of the pandemic and laying the groundwork for recovery.

### **II. Integration**

Regional economic integration and the pursuit of free and open trade and investment remain the most effective vehicles to enable the APEC region to weather the current crisis and to place our economies onto the path for economic recovery. APEC’s adherence to open markets has been largely responsible for the rapid economic growth and dynamism enjoyed by the region over the past three decades, lifting millions out of poverty and leading to a dramatic increase in prosperity. Continued support for the multilateral trading system; realizing the Free Trade Area of the Asia-Pacific (FTAAP) and progressing pathway agreements; and strengthening services trade and investment, particularly promoting the recovery of the tourism sector, will assist in achieving faster economic recovery. It is also important to continue to implement the APEC Connectivity Blueprint 2015-2025.

## **A. Supporting the multilateral trading system**

Trade and investment must be at the heart of global economic rebuilding. The Great Depression of the 1930s and the Global Financial Crisis of 2008-2009 have shown that declining trade, worsened by protectionism, exacerbates the depth and duration of economic contraction. On the other hand, trade based on WTO principles of openness, non-discrimination, predictability and transparency can help to revitalize growth, including for the most vulnerable groups and economies. The global rules-based trading system, with the WTO at its heart, can help to reduce the distortions that undermine comparative advantage, to create the opportunities for all to share in the benefits of trade, to foster well-functioning markets that enable food security, and to discipline the policies that work against sustainability.

ABAC recognizes that the WTO must remain credible, relevant and fit-for-purpose. This is crucial to reflect evolving business needs and models, and will help to rebuild business and investor confidence. To that end, ABAC calls on APEC economies to reaffirm their support for the WTO in the strongest terms and for necessary reforms as set out below. (ABAC's WTO Statement conveyed to APEC Ministers Responsible for Trade at their meeting in July is included as an attachment to this Report.)

### **Recommendations:**

- Reform WTO rules to enable better responses to crises, drawing on the lessons of COVID-19, including by committing to the permanent elimination of tariffs and non-tariff barriers on a sectoral basis covering an agreed list of essential medical supplies and basic hygiene products; committing to measures to ensure that supply chains are resilient; facilitating the movement of essential personnel in times of crisis; supporting trade in food and agriculture; and enhancing transparency in the trade and investment environment.
- Work to strengthen the multilateral rules-based trading system, including by:
  - Resolving the unfinished business from the Doha Round, including the elimination of 'fisheries subsidies' as quickly as possible; a meaningful cut in trade-distorting domestic support in agriculture; and improvements to the domestic regulation of services.
  - Enabling the WTO dispute settlement to operate to its fullest extent, by engaging constructively to implement necessary reforms to the Appellate Body (recognizing that some economies have joined the Multi-Party Interim Appeal Arbitration Arrangement as a temporary option to settle appeals) and supporting the urgent appointment of a full slate to the WTO Appellate Body.
  - Support initiatives to reflect the evolution of trade, including committing to enhanced transparency; driving agreement on substantive outcomes in the WTO negotiations on e-commerce; seeking agreement to a permanent moratorium on Customs duties on electronic transmissions; advancing work on investment facilitation; supporting the initiative to eliminate inefficient fossil fuel subsidies; supporting other initiatives to encourage more inclusive participation in trade; and encouraging greater involvement of the international business community in WTO processes.
- Ensure that all of these outcomes are consistent with WTO principles and are designed with a view to serving as building blocks to multilateral outcomes in the future.

## **B. Realizing FTAAP and progressing pathways**

Developing and realizing FTAAP in a post COVID-19 world has taken on greater significance as a priority for APEC to promote substantial regional economic integration. The Lima Declaration envisages an eventual FTAAP as high quality, comprehensive liberalization of trade and investment including incorporating next generation trade and investment issues. Recovery from the pandemic will require transformational changes to our business practices and related rules of trade and investment, including those next generation issues. Achieving FTAAP and our efforts towards pandemic rebuilding are accordingly mutually reinforcing and indeed have become more urgent as we look to accommodate new business models and practices and to support sustainable and inclusive growth for all market participants, including micro, small and medium enterprises (MSMEs), women and start-ups.

ABAC has continued to contribute work to develop next generation trade and investment issues, taking into consideration work already underway with existing pathways. In 2020, ABAC completed a research project on Competition Policy, comparing and analyzing competition chapters of different pathway agreements and free trade agreements (FTAs), from a business perspective, to assist in establishing priorities for inclusion in FTAAP.

ABAC supports continued progress of pathway agreements (Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP) and Pacific Alliance (PA)) to contribute towards realization of FTAAP and to reinforce economic recovery from the impact of COVID-19. ABAC welcomes the progress made by RCEP participating economies and their commitment to conclude an agreement within 2020, achieving a high-quality, comprehensive and mutually-beneficial agreement and creating a pathway to the eventual realization of FTAAP. RCEP will assist in providing a stable and predictable economic environment to support the much-needed recovery of trade and investment in the region. ABAC encourages CPTPP partners to complete ratification processes in the remaining four economies and to expand membership in the agreement so that it could further contribute to economic recovery and address next generation trade and investment issues. ABAC appreciates the progress of the Pacific Alliance negotiations with a number of APEC economies and the continuous work on the development of a shared working agenda between the Pacific Alliance Business Council and ABAC, contributing to deeper regional economic integration.

ABAC also acknowledges the contributions of the ASEAN Economic Community and the Eurasian Economic Union and other agreements to regional cooperation and economic development, and in their potential future role in assisting in the recovery of the region following the pandemic.

### **Recommendations:**

- Encourage the advancement of pathway agreements to contribute to progress with the realization of FTAAP, and to economic recovery from the impact of the COVID-19 pandemic. ABAC encourages RCEP members to complete the agreement within 2020, CPTPP to complete remaining ratification processes and to expand the agreement to include new members, and PA to deepen its integration process, so that economies in the region will have access to the opportunities provided by these high-quality and comprehensive agreements to assist in their economic recovery from COVID-19.
- Find consensus and promote work towards eventual realization of FTAAP, advancing regional economic integration by liberalization of trade and investment and incorporating

emerging next generation issues faced by business, including the transformational challenges posed by the pandemic.

**C. Strengthening the services industries and promoting recovery of the tourism sector in the APEC region through a consistent, safe, seamless and risk-based border management and reopening**

ABAC strongly supports implementation of the APEC Services Competitiveness Roadmap, and is committed to encouraging support for services industries and recognition of their importance as key enablers of trade and investment in the Asia-Pacific region. We acknowledge the central role of the services sector - such as logistics, financial, legal and information and communication technology (ICT) services - in facilitating trade in essential medical supplies and basic necessities during the COVID-19 pandemic. The importance of people in the delivery of services, and the critical need to enable movement of essential workers around the region during the pandemic has also been acknowledged. Development of policies to facilitate that movement are now more important than ever before.

Among major industries, the travel, tourism, and hospitality sector on a global level, has been one of the most severely impacted by the COVID-19 pandemic. It was the first to suffer and will probably be among the last to recover, with devastating consequences for all APEC economies.

The travel, tourism, and hospitality sector employs 57.5 million people in the APEC region and contributes US\$1.5 trillion to global gross domestic product (GDP), accounting for 3.8 % of the region's employment and 2.9% of GDP. There are 470 international airports in APEC economies, facilitating business and leisure travel. The scale of the industry's contribution to the economy makes it an important driver of growth for the region. Many MSMEs and employees in the tourism ecosystem are seriously affected by the drop in demand as a result of the COVID-19 pandemic. The United Nations World Tourism Organization projected scenarios in which international travel arrivals could drop 60% – 80% in 2020 depending on when border restrictions are lifted. This puts 100 – 120 million jobs at risks and a reduction of US\$910 billion – US\$1.2 trillion in exports. The World Tourism and Travel Council estimated that the travel and tourism impact of COVID-19 is five times the impact of the 2008 Global Financial Crisis.

While the current priority is to bring the pandemic under control and manage the health crisis, economies are facing an urgent need to restart travel and cross-border economic activities. Safe and seamless border management is critical in doing so. Re-establishing trusted travel will facilitate ongoing work on integrating the region through people-to-people exchanges, official and business travel, and ultimately the recovery of the tourism sector. In a recent Oliver Wyman Traveller Survey, 60% of travellers indicate they are waiting for the World Health Organization and governments to lift restrictions before they travel post-COVID-19. These barriers include inadequate testing and tracing, quarantine measures, blanket anti-travel advisories, limited adoption of global health and safety protocols, and limited coordination across government and between public and private sectors.

Some APEC economies have resumed travel for essential business and official purposes through bilateral arrangements. These include the Reciprocal Green Lane between China and Singapore, Malaysia and Singapore, Korea and Singapore and others involving APEC economies (at least in one direction) such as Australia, China, Japan, Korea, New Zealand, Thailand, and Viet Nam. These arrangements are likely to have their own border crossing policies and guidelines.

Consistent, practical and agreed rules among APEC economies will be important. They will benefit the region as a whole by avoiding development of fragmented policies and procedures that will result in confusion and uncertainty for international travel in the longer term.

ABAC recognizes that the COVID-19 pandemic is first and foremost a health crisis and takes guidance from medical and health officials on the safety protocols required for reopening borders. As economies are at different stages of managing the pandemic and some are facing the second or third wave, it may be too early to settle on principles and guidelines at this stage. It is, however, important for public-private sector collaboration and coordination among economies so that the development of safety protocols reflect both health and business considerations and are also harmonized and standardized across economies as they reopen their borders. ABAC supports the work of the APEC Tourism Working Group (TWG) in exploring the best solutions to conform to the new normal within the tourism industry, such as strengthening the resiliency of tourism and enhancing information flow, and stands ready to work closely with TWG.

### **Recommendations:**

- Support the services industries through the continued implementation of the APEC Services Competitiveness Roadmap, including by progressing the development of the APEC Index for Measuring the Regulatory Environment in Services Trade, advancing the Environmental Services Action Plan and Manufacturing Services Action Plan and enhancing the mutual recognition of professional qualifications across the region.
- Work collaboratively and coordinate with the private sector towards consistent, practical and agreed rules for the harmonization and standardization of safety protocols across the region for the reopening of borders.

### **III. Innovation**

The COVID-19 pandemic has placed in stark relief the importance of robust digital connectivity to promote economic participation and drive inclusive growth through the digital economy. Connectivity includes not only the physical infrastructure assets that form the backbone of the digital economy, but also regulatory regimes and support mechanisms that enable society to maximize the benefits of the transition to a digital economy.

Societies are responding to the pandemic by shifting their essential daily activities online where possible, including work, education, shopping, medical assistance and interactions with government. As this trend continues, disparities in broadband internet access are set to exacerbate the digital divide along geographic and socio-economic lines. This holds true both within and between APEC economies. Seizing the opportunity and enhancing cooperation on digital connectivity, including through the implementation of the APEC Internet and Digital Economy Roadmap, will support and create new drivers for future and more inclusive economic growth.

The private sector has accelerated the drive towards digitalization as companies seek innovative solutions to doing business in a ‘contactless economy’ which will require collective digital connectivity using emerging ICT technologies as the supporting infrastructure. To ensure the balanced development of the digital economy, it is critical that governments work together to develop mechanisms that enable the implementation of appropriate regulations at a pace that meets the demands of consumers and business.

## **A. Promoting the development of physical digital infrastructure**

The 53% of the world that is connected to the internet has benefitted immensely from the continuity of daily life enabled by digital connectivity. To realize remote access such as telehealth, remote education and digital government, digital authentication technologies and platform are essential, in addition to broadband and secure connectivity.

### **Recommendations:**

- Foster the development of more secure, accessible and affordable digital infrastructure for all.
- Provide support measures to expand internet access and access to devices.
- Encourage telecom operators to consider strategic approaches to network planning and construction that will promote greater accessibility while ensuring data protection from cyber threats during the current pandemic and in preparation for similar challenges in the future.
- Promote digital inclusion and bridge the digital divide by increasing investments in ICT infrastructure for the underserved population and adopting enabling policies such as universal service fund subsidies to promote connections for all.
- Adopt policies to simplify site acquisition processes to provide operators more site resources thereby speeding up deployment and strengthening existing infrastructure backbones.
- Promote digital authentication technologies and platforms to ensure better confidence in digital service delivery.
- Remove unnecessary regulatory restrictions on the supply of telecom network equipment and related products and services to enable telecom operators and their services suppliers to freely choose the supporting technologies of their networks and related products and services.

## **B. Developing digital regulations to promote growth and economic integration**

Along with the development of physical infrastructure for the digital economy, governments should adopt regulations that enable businesses and consumers to leverage the benefits of digital connectivity. Considering the cross-border nature of economic relationships, regulations should be implemented in a way that promotes interoperability among economies to prevent digital policies and regulations from becoming new barriers to trade.

Within APEC, cross-border data flows are transforming international trade, creating new opportunities for participation in the global economy. Use of data and digital technologies such as artificial intelligence (AI) should also drive increased productivity and economic growth. APEC has already recognized the importance of the digital economy, including in the 2017 APEC Leaders Declaration which called on APEC economies to work together to release the potential of the internet and the digital economy. APEC has developed an Internet and Digital Economy Roadmap and APEC Cross-Border E-commerce Facilitation Framework and in 2018, APEC established the Digital Economy Steering Group.

Despite the elevation of digital issues within APEC, cross-border data flows are increasingly being restricted within the APEC region. Data flow restrictions in APEC have grown from one such

regulation in 1988 to 73 in 2020. There has been a particularly large increase in the number of regulations over 2013-2019, from 23 regulations restricting cross-border data flows in 2013 to 71 such regulations in 2019, an increase of over 300%.

In APEC, the restrictions on cross-border data flows are in pursuit of a range of regulatory goals, in particular privacy, security, competition (which covers restrictions aimed at helping a domestic industry), internet access and control and financial regulation and law enforcement. Privacy is by far the main reason for data flow restrictions in APEC, accounting for over 40% of regulation. Internet access and control is the second most salient reason for restricting data flows, accounting for 22%, followed closely by financial regulation at 20%, security at 11% and competition at 2%.

These restrictions may be intended to address of a range of legitimate regulatory goals, in particular privacy, security, financial regulation and law enforcement. It is therefore appropriate that mechanisms for data sharing and access address concerns over the above issues to allow data access by regulators and law enforcement and that objectives should be met in the least trade-restrictive manner possible. APEC should take concrete steps to fully implement the Internet and Digital Economy Roadmap, including to develop policies to address these goals without unnecessarily impeding cross-border data flows.

### **Recommendations:**

- Take urgent action to develop a workplan to fully implement the APEC Internet and Digital Economy Roadmap to promote digital interoperability and connectivity.
- Promote a more open, non-discriminatory and robust enabling regulatory environment for digital transformation.
- Develop two key streams of work in consultation with ABAC:
  - (a) Build trust in cross-border data flows

The first work stream should aim to support domestic implementation of regulation that can build trust in cross-border data flows, addressing the regulatory drivers to restrict data flows where it undermines achievement of legitimate domestic regulatory goals. Initially, the focus should be on privacy, consumer protection and cybersecurity. As part of this agenda, APEC should consult with ABAC to:

- Minimize regulatory heterogeneity by striving to develop APEC-wide standards in privacy, consumer protection and cybersecurity (or use existing international standards where relevant) that can be a basis for domestic regulation. The APEC Privacy Framework provides a model for how this could be done.
- Provide support to economies that wish to align domestic regulation with international standards in areas affecting cross-border data flows.
- Expand work on good regulatory practice to include cross-border data flows by encouraging a regulatory impact assessment for each new regulation that includes the impact on cross-border data flows.
- Encourage transparency by publishing in advance regulations directly or indirectly affecting data flows, explaining the rationale for the regulation, agreeing to consider alternatives that achieve the regulatory goal and are less restrictive on data flows, providing all interested parties with opportunities to comment on proposed regulations and publishing reasons for the final approach taken.

- Expand existing work in APEC on developing and improving coordination mechanisms across policy agencies to also account for data.

(b) Expand international regulatory cooperation to develop interoperability mechanisms

This second work stream is aimed at regulatory cooperation and development of interoperability mechanisms that can enable cross-border data flows while addressing domestic concerns such as privacy, security, consumer protection and law enforcement/regulators' access to data. Progress here will be facilitated by developments in the first work stream as APEC economies implement domestic regulation based on international standards or regulate in ways that minimizes unnecessary regulatory heterogeneity within APEC. To support this work, APEC should consult with ABAC to:

- Update existing interoperability mechanisms that enable personal data to flow across borders while respecting different privacy laws amongst APEC economies. This could involve updating the APEC Privacy Framework to reconcile differences with other international frameworks.
- Include in FTAs elements on privacy regulation that are based on agreed principles to enable transfers of personal data.
- Consider developing an interoperability mechanism to address unnecessary restrictions on data flows put in place for reasons of cybersecurity and consumer protection. This could build on existing models with mechanisms for oversight and enforcement to ensure businesses comply with the underlying standards.
- Develop mechanisms that allow law enforcement and regulators to access data that resides outside their borders while respecting the sovereignty and jurisdiction of each economy.
- Engage with the private sector to build trust that commitments to access data for law enforcement or regulatory purposes will work in practice. As a start, APEC could develop financial data sharing and access principles agreed to by economies and the private sector. These principles could then form the basis for Memorandums of Understanding between APEC regulators and the private sector institutions holding the data.
- Encourage more economies to recognize and adopt the APEC Cross-Border Privacy Rules System, a voluntary mechanism based on self or co-regulation, to facilitate cross-border data flows in the region.

**C. Facilitating data flow in marine logistics**

More than 90% of global trade is conducted by sea. As all APEC economies face the Pacific Ocean, this portion of trade is even more significant for APEC economies. Marine transport involves multiple players including ports, government authorities, ships, ship operators, ship-owners, cargo owners, among others. The process is complicated and includes import and export applications, duties, quarantine, and tracking. The shipping industry has been highly dependent on various mini-ecosystems. An integrated system or interoperability among systems is essential to expedite the total process.

As new methodologies, particularly Blockchain-based distributed ledger systems develop, it is likely multiple groups or consortiums will be created and co-exist. These consortiums share a common requirement to be effective, that is for each economy to have a single-window platform for governmental agencies and local organizations.

Key Performance Indicators (KPIs) for logistics include speed, reliability, and cost. Digitalization of processes will contribute to improving these KPIs. Systems are more effective if they interoperate with each other. Although a global system environment is being prepared by private companies, government-driven systems are effective for domestic processes to accommodate the differences in each economy.

**Recommendation:**

- Adopt and promote interoperability among single-window platforms.

**D. Establishing trust services**

Trust service is an electronic service for the creation, verification and validation of electronic signatures, electronic seals or electronic time stamps, electronic registered delivery services and certificates. Trust services realize a mechanism for ensuring the authenticity and reliability of data and a basis for promoting the smooth digitalization of business operations. By making business contracts and transactions automatic and electronic, resiliency of society will be enhanced.

**Recommendation:**

- Establish trust services to ensure confidence and reliability when conducting business on digital platforms initially within individual economies.

**E. Ensuring cybersecurity**

The importance of good cybersecurity practices has increased in the face of the pandemic. As communities have been required to work and learn from home, there have been increases in organized cybersecurity attacks, for example, phishing emails and advanced persistent threats.

**Recommendations:**

- Encourage policy makers to ensure that information systems are built in multiple security layers and that businesses and employees are trained in proper cyber practices.
- Build on the cybersecurity work in the APEC Telecommunications and Information Working Group which includes information sharing about cybersecurity threats best practices. A clear set of cybersecurity guidelines in cloud services could help APEC achieve a consistent approach across the region.
- Ensure regulation enacted in response to cyber threats is fit-for-purpose and does not unnecessarily hinder the development of the digital economy.

**F. Advancing artificial intelligence**

AI has demonstrated great potential for productivity gains such as enabling the automation of tasks, streamlining of processes and optimal allocation of resources. Beyond this function, however, AI may potentially offer richness and diversity in application and innovation, the potential for sustained and transformational economic growth, and the ability to create durable competitiveness by boosting employment opportunities and overall investment.

AI also has the potential to address a range of complex issues, such as poverty, inequality, and climate change. In particular, AI may have a role to play in mitigating both the short and long-term effects of the COVID-19 outbreak on APEC economies. From automated health diagnostics in hospitals to smart recruitment processes in companies, AI is creating new, previously unforeseen occupations, products, and services that will contribute to post-COVID-19 economic recovery.

At the same time, however, AI may give rise to unintended consequences, including in relation to privacy, trust, bias, ethics and challenges around governance, e.g., accountability. Given both the innovative and transformative potential of AI and the scope for unforeseen or adverse impacts, it is both urgent and necessary to examine the ways in which AI business applications are already impacting key economic sectors in APEC economies, the lessons that may be drawn from this, and consideration of the most enabling policy settings to foster future growth.

### **Recommendations:**

- Recognize the many ways AI is already having on-the-ground impact on business practices, processes, models, and opportunities and use this information to make evidence-based, policy decisions on AI; and position AI as a key component of overarching economic agendas, as well as of sector-specific digital transformation plans.
  - Build trust in AI  
Encourage regulators, industry, and other stakeholders to make fairness, transparency, accountability, explainability and ethics part of the design and implementation process of AI products and services; support and drive the emergence of sector-specific, industry-led efforts to develop ethical principles, guidelines, and frameworks for AI; and launch targeted revisions or adjustments to outdated or inadequate regulations that may hinder the public's understanding of, and confidence in, AI.
  - Introduce supportive policy frameworks for AI  
Facilitate AI adoption by using AI to improve government business processes and the delivery of citizen services; developing government AI investment and procurement schemes to support the emergence of an ecosystem of AI entrepreneurs, MSMEs, and researchers; work closely with AI specialists in industry and academia to develop AI policies and regulations that encourage innovation while protecting the public interest; and leverage the expertise and knowledge of the broad spectrum of AI stakeholders to ensure policies and regulation effectively reflect on-the-ground needs and expectations.
  - Improve regulatory coherence and international cooperation  
Strengthen AI-specific cross-regional cooperation initiatives to achieve greater regulatory coherence and consistency across the APEC region; and encourage regulators, industry, and other stakeholders to collaborate to develop a coherent regional approach to regulation and compliance for AI.
  - Prepare jobs and skills for the transformations of AI  
Equip students and workers with the skills to navigate a rapidly evolving and increasingly uncertain job market; strengthen workforce training and reskilling programs; help businesses address the rising AI talent gap by making retraining a key pillar of education policies; and collaborate at the regional level to ensure AI knowledge, skills, competencies, and certifications are transferable across APEC economies.

- Utilize AI to strengthen digital health  
Advance APEC cross-border telemedicine and health big data collaboration, taking account of privacy, security, format and protocol, in order to enhance AI-based digital health and real-time infectious disease monitoring as well as warning and prediction system.
- Create opportunities from COVID-19 economic recovery efforts  
Encourage governments and international aid programs to evaluate how to best invest in post-COVID-19 economic recovery; further drive plans and initiatives targeting the improvement of basic and crucial connectivity to underserved communities; ensure the dividends of technology-driven growth and prosperity benefits businesses as well as communities.

#### **IV. Inclusion**

Recognizing the need to ensure that the benefits of economic growth are broadly and widely shared by all segments of society and consistent with the “Shared Prosperity” concept – meaning no one is left behind – espoused in APEC, ABAC put a strong focus this year on inclusion. The inclusion agenda covers issues such as enhancing MSME access to financing and markets through digitalization, enhancing women’s economic empowerment, and promoting the reskilling and upskilling of MSMEs. Importantly, the COVID-19 pandemic reinforced the relevance and importance of addressing these issues if indeed “no one is to be left behind”.

##### **A. Enhancing MSME access to financing and markets through digitalization**

As noted in ABAC’s contribution to the 2018 APEC Economic Policy Report, in addition to developing regulations and physical infrastructure necessary to promote the digital economy, APEC economies need to “simultaneously embrace a vision of sharing those benefits across the whole of society, such as facilitating extensive access to microfinance and using ICTs to create a greener, healthier environment.”

##### **Recommendations:**

- Enable MSME digital solutions/platforms that drive digitalization and financial inclusion to be implemented utilizing a concurrence approach to policy and implementation, taking the concept of regulatory sandboxes out of bureaucratization and into real world ‘living laboratory’ contexts.
- Increase the coverage of digital literacy capacity building partnerships and program rollouts.

##### **1. Inclusive financial innovation**

Globally over 1.6 billion adults do not have a bank account. Of these, 556 million – 40% – live in APEC member economies. Together with the financially underserved, these disadvantaged groups are the ones to suffer most from the consequences of the COVID-19 pandemic, as their access to finance becomes more difficult in the depressed financial environment. Financial inclusion is also critical to the emergence of a broad consumer and entrepreneurial base that can ensure the benefits of trade and investment are shared and supported widely by the people of the Asia-Pacific region.

Digital technology plays an important role in overcoming barriers to financial inclusion. Today's technologies, combined with the exponential growth in the volume of data – especially unstructured or “big” data – that can be used to provide risk-based financial services, offer unprecedented opportunities for the unbanked and underserved to access financial service providers. The effects of the COVID-19 pandemic also highlight the relevance and need for broader adoption of digitalization within financial services as traditional methods of collecting information on paper and conducting business in person become unavailable. Successfully harnessing digital technology and data to extend financial services to the unbanked and underserved requires the involvement of technology providers, financial industry firms and organizations, and policy makers and regulators.

Successful cases of reaching unbanked population groups in developing APEC economies have demonstrated the potential of technology to make banking services more inclusive. Through technology, financial service providers can expand their reach in rural areas, enable matchmaking among local and foreign MSMEs, significantly reduce credit processing time, enhance efficiency and coverage, and provide e-commerce platforms for MSMEs in poverty-stricken regions to sell products to urban consumers. These, however, require accessible digital infrastructure and digital identification to enable the digital financial service providers, MSMEs and consumers to connect.

Other cases highlight the value of involving experts and non-profit organizations (NPOs) that work closely with the unbanked and underserved in their communities, who have a deep understanding of this market. In developing APEC economies, reaching unbanked population groups have demonstrated the effectiveness of collaboration among diverse stakeholders.

### **Recommendations:**

- Introduce a digital ID where it does not yet exist. This will enable the wider use of internet/mobile platforms for financial services and inclusive digital finance by rural and community banks, financial service providers and microfinance institutions serving communities in these areas. There should be an emphasis on interoperability of digital IDs.
- Identify and scale up successful initiatives using collaborative regional platforms and identify concrete actions that policy makers, regulators, the financial industry, the financial technology sector, NPOs and multilateral organizations can undertake to make significant progress in expanding financial inclusion to the unbanked and underserved.
- Initiate a pilot project using the ASEAN Financial Innovation Network APIX platform to develop innovative financial products specifically targeted to financially unserved and underserved communities in developing member economies.
- Support the development of a pilot initiative on cross-border inclusive digital finance in the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area. It should be designed to help identify needed infrastructure and regulatory reforms to support cross-border financial services for MSMEs and financially unserved and underserved communities.

## **2. Inclusive open banking**

Open banking promises to be a defining innovation that will reshape financial services in the 21<sup>st</sup> century. Recent efforts to introduce open banking in various jurisdictions seek to develop standards and regulations that will allow the safe and trusted sharing of customer-permitted data among banks, fintech companies and service providers across the economy. This will enable service providers to develop new and innovative services tailored to customers' needs based on their data. This will also enable MSMEs and retail customers to view their financial data such as bank accounts, loans, mortgages and credit cards in one place and permit the sharing of these transactional data to access and pay for the products and services they need more conveniently.

A recent survey of industry in the region highlights the fact that the Asia-Pacific region is still largely in the early days of open banking development. It also reveals that there is no “one-size-fits-all” approach that can work in the region. It indicates that the best way forward would be for regulators, industry and other stakeholders to collaborate in tailoring approaches most appropriate to local contexts while undertaking experimentation and adaptation of frameworks and approaches. It highlights the importance of ensuring that open banking evolves in a way that promotes cross-border transactions among APEC economies, by coordinating the development of various policies, including legal frameworks, consumer protection, data security and privacy and standards for enabling software of banks and third-party service providers to interoperate, among others.

### **Recommendation:**

- Advance the development of open banking in the region by developing standards and regulations that support digital interoperability between banks and third-party service providers and enable bank customers to access a wider range of services using their data. Interested Asia-Pacific policy makers and regulators should, as a first step, undertake an inclusive consultation with industry and other relevant private sector stakeholders.

## **3. Inclusive Digital KYC**

Know-your-customer (KYC) has entailed ever-increasing costs for financial service providers, with average annual spending estimated at USD48 million. The top 12% of financial institutions are said to spend more than USD100 million annually, with some institutions spending more than USD1 billion every year, according to Refinitiv. Compliance requirements have been driving up the costs of customer onboarding, with MSMEs and lower income customers bearing the brunt. Lack of common standards in regulatory and banks' compliance requirements across institutions and jurisdictions pose obstacles to reducing these costs and frictions.

The COVID-19 pandemic is now driving accelerated digitalization of KYC with the latest moves by emerging market regulators and Financial Action Task Force. Full digitalization promises to make KYC processes cheaper, faster and more truly risk-based. However, much still needs to be done with respect to collecting data on MSMEs, providing legal frameworks around the acceptance of digital signatures, enabling trusted and secure sharing of data, digital onboarding, development of stable and open standards, and educating business owners and regulators, among others.

The experiences of jurisdictions that have been able to accelerate progress demonstrated the importance of a whole-of-government approach, private sector initiative and public-private sector collaboration. These also illustrated the value of a strategy that focuses on standardization to enable interoperability within a decentralized framework, and enlisting the regulated banking sector as the trusted keeper of identities.

**Recommendation:**

- Provide a platform for policy makers, regulators and experts from the banking and technology sectors and academe in the region to develop a strategy for accelerating the digitalization of KYC for consideration by APEC Finance Ministers in 2021.

**B. Encouraging the development of impact investing to foster sustainable finance**

Globally, impact investing has become increasingly recognized as a legitimate practice. In particular, within the APEC community, impact investment serves as an important means of bridging the funding gap to achieve the United Nations' Sustainable Development Goals (SDGs). Moreover, the pandemic has led to a raised awareness of sustainable issues, from navigating to a more sustainable and environmentally-friendly world to renewed interest in investing in companies that are resilient enough to manage short-term shocks and survive for the long term, which are driven by generating social and environmental impact. As many as 90% of global investors surveyed said they are interested in sustainable investments and around 43% of investors consider investing between 5 to 15% of their funds in sustainable investments over the next three years, while 9% of investors indicated they would like to have 25% or more of their funds allocated to this area. Furthermore, early evidence of the effect of COVID-19 has shown some form of resilience in terms of environmental, social and governance (ESG) strategies. A recent analysis by Morningstar showed that the performance of the ESG funds analyzed was higher than the average performance of S&P 500.

**Recommendations:**

- Work collaboratively with the private sector in mobilizing innovative financing mechanisms, e.g., impact investing to open greater access in financing for impact-driven MSMEs.
- Develop fiscal incentives for sustainable investment for investors, fostering a financial system to support SDGs commitment in achieving sustainable and inclusive growth and job creation, in particular investment in impact-driven MSMEs that were hit hardest due to COVID-19 as well as MSMEs that generate innovative solutions in fighting the pandemic.
- Take meaningful steps in addressing impact investing challenges, both in supply (fund or capital) and demand (investee or impact-driven MSMEs) aspects, to bolster impact investing climate, increase impact investment capital, improve deal flows and MSMEs' readiness.

**C. Promoting reskilling and upskilling of MSMEs**

The importance of reskilling and upskilling has been tirelessly pronounced by various industry reports for years. A 2018 report by the World Economic Forum reveals that 54% of employees globally will require reskilling and upskilling significantly by 2022 to keep up with the transformative economic, social and environmental challenges of Globalization 4.0.

In the wake of the COVID-19 pandemic, businesses were abruptly forced to make adjustments and decisions including remote working and collaboration to enable business continuity. While large and mid-sized corporations had the means and resources to drive these changes, MSMEs face limited resources and budget to adapt as quickly and had to resort to cost-cutting measures including laying off workforces. The International Labor Organization estimates the impact of COVID-19 will result in a rise in global unemployment of between 5.3 million and 24.7 million, signaling that ‘sustaining business operations will be particularly difficult for small and medium enterprises.’

Skills development should be an important element in the immediate economic recovery from COVID-19 by building the resilience of workers and firms.

### **Recommendations:**

- Allocate resources, investments and policies into reskilling and upskilling initiatives for lifelong learning to support human capital development and MSME recovery.
- Promote the participation of MSMEs and individuals whose future depends on skills development in policy discussions.
- Encourage upskilling and reskilling initiatives focusing on technical skills that are in demand globally and transferable across many sectors and occupations to help workers to find employment elsewhere.
- Support the broadening and deepening of human resources development initiatives that focus on digital literacy and on science, technology, engineering, liberal arts and mathematics education and training.
- Provide capacity building for the digital transformation of MSMEs to enable them to continue operating during and post-pandemic and to reach international markets.

### **D. Facilitating human resource mobility**

The APEC Human Resources Development Working Group has published “Promoting Regional Connectivity of Professionally Qualified Engineers in APEC: Final Report” which aims to promote and revitalize the APEC Engineer certification. The APEC Engineer initiative aims to: promote the mobility of qualified engineers, that is, ‘professional engineers’, within APEC through mutual recognition of qualifications and experiences; and establish a strong cooperative network among engineering organizations in APEC member economies. As of now, 15 economies participate in this initiative.

In general, MSMEs face various challenges in human resource management. One issue is that MSMEs do not get enough exposure for themselves in the human resource market. Because of this, potential employees have difficulty finding MSMEs and vice versa. MSMEs do not have the adequate skill set or resources to resolve these issues by themselves. They could benefit from government support.

### **Recommendations:**

- Consider participating in the APEC Engineer initiative which could serve as benchmark and facilitate the mobility and access of engineers to the markets of other economies.

- Develop a job introduction program specifically for MSMEs and foreign professionals.

### **E. Stimulating consumer demand for MSME products and services**

As a counter measure for the COVID-19 pandemic, most economies deployed some form of lockdown to minimize the movement of people and physical contact. This directly hit the majority of MSMEs very hard because the majority of their businesses are local, physical, and based on consumer demand. In addition to direct financial support by governments, it is also important to stimulate consumer demand, help local business, and boost the local economy, although care must be taken to avoid discriminating against imported products or services at the same time.

#### **Recommendation:**

- Undertake measures to stimulate consumer demand, help local business, and boost the local economy in a way that avoids discriminating against imported goods and services.

### **F. Ensuring gender equality is embedded in COVID-19 policy responses**

The COVID-19 pandemic has brought economic consequences and reverse effects on gender equality. Women play an essential role in fighting the pandemic but are expected to be hit hardest. Around the world, women generally receive lower incomes, represent the majority of single-parent households, and are more likely to be employed in the informal sector. These factors have only been exacerbated in the context of the COVID-19 pandemic, generating a setback in inclusion and gender equality.

According to the research conducted by McKinsey in 2020, advancing women's equality during this unprecedented time could lead to a substantial economic opportunity and increase of around \$13 trillion of incremental GDP in 2030, an 11% increase relative to the do-nothing scenario. Against this backdrop, ABAC believes that that the faster policy makers and business leaders act to push for greater gender equality, even as the COVID-19 crisis continues, the bigger the benefits not just for gender equality but also for economic growth.

#### **Recommendations:**

- Ensure that gender equality perspectives are incorporated in COVID-19 policy design and response in APEC economies.
- Take into account the vulnerabilities that women are particularly exposed to in developing and implementing COVID-19 economic recovery plans so as to prevent deepening pre-existing inequalities and worsening of women's wellbeing in the region.

### **G. Implementing the La Serena Roadmap for Women and Inclusive Growth**

ABAC welcomed the adoption of the La Serena Roadmap for Women and Inclusive Growth last year, an unprecedented effort to further women's economic empowerment across APEC. This is a significant achievement as it was the first time in APEC's history that women's economic integration took center stage. ABAC is eager to collaborate to further maintain that momentum and work alongside the APEC Policy Partnership on Women and the Economy in developing the Roadmap's Implementation Plan, which will provide direction to better guide efforts to help achieve the actions and targets agreed under the Roadmap.

### **Recommendation:**

- Given the cross-cutting nature of the Roadmap, encourage cooperation among APEC fora and sub-fora to help achieve the actions and targets agreed under the Roadmap.

### **H. Fostering the economic development and integration of remote areas**

Among the most pressing problems that some remote territories may face are lack of necessary infrastructure, limited economic opportunities, poor access to essential services and environmental vulnerability. APEC economies need to strengthen cooperation and unite their efforts to promote economic development and integration of remote areas in these circumstances. Integration and development of the remote and rural areas can facilitate inclusive economic growth in the APEC region.

ABAC welcomes dialogues amongst APEC economies on a wide range of issues aimed at ensuring social and economic development of remote areas and their integration into the economy of the region.

### **Recommendation:**

- Collaborate and prioritize the development and integration of remote areas as needed, which includes:
  - improvement of the investment climate and promotion of public-private partnerships;
  - infrastructure development;
  - development and utilization of information and communication technologies for enabling comprehensive provision of public e-services (especially in education and health);
  - expansion of public access to financial services;
  - control and reduction of environmental and community risks;
  - strengthening of emergency preparedness;
  - enhancement of governance particularly the application of digital tools; and
  - encouragement of the entrepreneurial potential of remote areas' population, promotion of MSMEs, especially women-led, and their integration into regional and global markets.

## **V. Sustainability**

ABAC has long embraced the notion that the pursuit of economic growth in the region should be anchored on sustainable development in order not to compromise the needs of future generations. Priorities in this area include energy security and sustainability, food security and smart agriculture, and climate change and the circular economy.

### **A. Addressing energy security and ensuring sustainability**

The energy market has experienced great fluctuations this year due to COVID-19 and geopolitical factors. With energy supply and reserves of some economies disrupted, the instability of the energy market in the Asia-Pacific has been exacerbated. Meanwhile, due to an unprecedented decline in energy demand, falling crude oil prices, and pressure to offset social and economic costs, the market share of the new energy market has shrunk and investments have been reduced in some economies, significantly impacting this emerging industry.

Despite short-term challenges, ABAC believes that support for a low-carbon model and new energy, along with investments in energy infrastructure, will support post-pandemic economic recovery and drive sustainable development. Therefore, ABAC supports collective efforts to advance de-carbonization under a long-term vision, as reflected in the SDGs. To best develop resilience to risks arising from similar crises as COVID-19, APEC economies should continue to expedite the energy transition from fossil fuels to renewable energy sources in paths and paces suitable to the situation of each member economy, including through leveraging natural gas as a transition fuel, improving material and resource efficiency as illustrated in the 2030 Agenda for Sustainable Development, and implementing the commitment that they have already made to eliminate the use of inefficient fossil fuel subsidies.

### **Recommendations:**

- Promote policies centering on lifespan of materials and products, introducing measures to incentivize reusing, repurposing and recycling of materials, and minimize carbon emissions throughout the lifespan; roll out policies to assist the transition from high carbon to low carbon, such as simplifying the approval for the promotion and application of low-carbon technologies.
- Foster a competitive and transparent policy environment that invigorates investment in research & development, particularly regarding in-depth study on the correlation between material efficiency and energy efficiency of high-carbon products to optimize the process and produce durable products with extended service life.
- Stimulate low-carbon consumption and sharing economy by enhancing awareness of the environmental benefits of public transportation and using environment-friendly goods and services, including both end users and providers such as courier service and food delivery companies.
- Synchronize efforts towards de-carbonization across the value chains, boost regional collaboration to share successful policies and constructive practices of the most adequate rules and standards to deliver positive impacts more effectively across the region; establish databases for low-carbon technology in Asia-Pacific to track the development and provide support for emission reduction technology and policy research.

### **B. Strengthening food security and promoting smart agriculture**

The sudden ban or restriction on the export of agricultural and food products adopted by some economies at the early stage of COVID-19 have not only led to inconsistent food supplies, but also caused obvious disruptions in distribution of agricultural goods and services. Although the supply of food has remained stable in the APEC region since the outbreak of COVID-19, the pandemic has been a reminder of the complexity and fragility of the global food supply system.

Given that farmers, food producers and consumers remain vulnerable to disruption in production processes and distribution, we urge APEC to further advance technological innovation to improve productivity, value chain efficiency and supply chain resilience to contribute to food security throughout the region; and to continue to press ahead to reduce and remove distortions in global agriculture production and trade, including through a meaningful cut in trade-distorting domestic support for agriculture, as urged in our WTO Statement.

## **Recommendations:**

- Support trade in food and agriculture to keep food trade flowing and markets open by removing unjustified export restrictions, eliminating non-tariff barriers, reforming distortions through a meaningful cut in trade-distorting domestic support for agriculture in the WTO negotiations, and broadening adoption of digital trade facilitation, such as the acceptance of electronic documentation.
- Develop and leverage emerging technological innovation to improve productivity and value chain efficiency to contribute to food security in the region. Establish a robust agricultural monitoring system, utilizing real time data and big data based on food production and consumption to track changes in agricultural conditions and enhance predictive capabilities within and across markets.
- Enhance collaboration between the public and private sector under the APEC Policy Partnership on Food Security, encouraging more commitment and engagement from the business community, and sharing regional best practices on food safety, including traceability and sanitary practices and raising all stakeholders' awareness of best practices for reducing food waste.

### **C. Tackling climate change and encouraging circular economy**

The current crisis has not only undermined governments' financial support to address climate change, but also impaired public support for more effective measures, resulting in the withdrawal or weakening of well-established policy measures. However, climate change remains a very real global threat and lessons learned from the responses to cope with COVID-19 can provide some guidance for responses to a developing climate crisis. ABAC therefore urges APEC economies to ensure measures taken to address climate change are not relaxed for short-term gains.

In addition, as natural resources have been consumed at an unprecedented pace, through continuous production, consumption, and resource disposal, ABAC believes employing circular economy policies could be critical in improving resource efficiency to minimize environmental burdens, including the reduction of greenhouse gas (GHG) emissions and ocean plastic waste.

Another vital resource that is consumed carelessly and inefficiently is water, required to sustain life and economic activities and critical to contain the spread of the COVID-19 pandemic.

## **Recommendations:**

- Subject to local conditions, strengthen international cooperation and consultation to reduce greenhouse gas emission by developing and implementing policies including carbon market mechanisms, most notably carbon pricing and voluntary measures, as the key elements of these policies.
- Free up trade flows of energy-efficient, low-carbon and environmentally-friendly goods and services, and to promote specific optimization of each mechanism for efficient use of natural resources, including water across the APEC region.

- Encourage innovative business solutions to accelerate the use of advanced technologies such as carbon capture, utilization and storage, and hydrogen energy development to achieve economically viable energy-saving and emission reduction.
- Facilitate investment in new technological innovation and enhance capacity building via physical infrastructure and non-physical recycling processes, to incentivize reuse and recycling of plastic as well as new material, including biodegradable features across the region, committing to improving waste management and preventing plastic waste in oceans.
- Promote transition to low-carbon economies by collaboratively sharing good policies and practices in the APEC region, encouraging low-carbon foot-print in consumption of energy intensive products and services, providing low-GHG footprint, and advancing transport system that relies on renewable energies such as electricity.

#### **D. Creating a sustainable Asia-Pacific region through ESG finance**

As the latest United Nations Conference on Trade and Development World Investment Report states, the pandemic has caused a steep drop in investment flows, with developing economies being hit hardest. The report predicts that global foreign direct investment will continue to decrease in the foreseeable future. The Institute of International Finance’s tracking of non-resident portfolio flows reveals the largest outflow ever recorded from emerging markets in the first quarter of 2020. These trends have clearly affected developing APEC member economies, which will face the challenge of attracting back investments, especially to the infrastructure sector, in order to fuel their recovery and return to growth.

However, lenders and investors are now coming increasingly under pressure from stakeholders to align their policies with the SDGs. Thus, ESG factors are playing a growing role in lending and investment decisions. This, in addition to measures to mobilize capital market financing, will impact the ability of the region’s developing economies to attract capital from within and outside the region. In order to do so, companies and governments will need to increasingly align their practices with SDGs. Lenders and investors in the region can help accelerate this process by integrating ESG factors in their financing decisions to incentivize borrowers and issuers to progressively align with SDGs.

#### **Recommendations:**

- Adopt the following high-level principles that should govern efforts to promote the integration of ESG factors in financing decisions:
  - Strive toward a common global ESG taxonomy or set of standards that is practical, globally applicable and readily adapted to the needs of users across diverse jurisdictions at different levels of economic, social and political development. This would make ESG finance an effective tool to accelerate transition, especially in the region’s emerging markets, to more sustainable practices. It would need to have the following characteristics:
    - Principles-based rather than prescriptive;
    - Globally consistent;
    - Flexible in approach, acknowledging, for example, different shades of “green” and “brown” instead of a binary choice between “green” against “brown”, and open to different speeds of adoption;

- Dynamic, taking into account future changes in the level of sustainability of assets and activities due to technological developments;
  - Adaptable and easily implementable;
  - Broad coverage of activities and financial products; and
  - Inclusive and adhering to the global pledge that no one should be left behind.
- Work toward developing global standards, frameworks, principles and best practices to guide risk management and support market standards and disclosure, through an inclusive process. This process should involve international cooperation and domestic coordination on a whole-of-government basis, and consultation with market participants and other relevant stakeholders.
  - Devote sufficient attention to further developing ESG taxonomy or set of standards, risk management guidelines, market standards and disclosure frameworks related to social and governance factors, which are less developed than environmental factors.
  - Establish a platform (Sustainable Finance Development Network) for developing a roadmap for sustainable finance. This roadmap should provide a clear long-term strategy to promote coherence in approaches to ESG finance among member economies and strengthen the Asia-Pacific region’s voice in the development of global standards and frameworks.

#### **E. Expanding disaster risk financing**

The pandemic has also impacted the resilience of economies to natural disasters in one of the most vulnerable regions in the world. The insurance and reinsurance industries have been impacted on both asset and liability sides of their balance sheets (due to major declines in value of stock holdings and huge pandemic-related claims). Emergency support measures have also drained government fiscal reserves, which means less resources available for responding to damage caused by natural catastrophes. Given the fragility of the economic situation of individuals, households and businesses as a result of the disruptions in the wake of the outbreak, major natural disasters, including a new or resurgent pandemic, have the potential of triggering serious crises and a downward spiral into poverty for many households across the region. It is therefore important to expand the sources of disaster risk financing by tapping the capital markets.

Member economies should collaborate with multilateral development institutions to catalyze the growth of the insurance-linked securities (ILS) market in the region.

#### **Recommendation:**

- Implement in 2020 the ABAC 2019 recommendation to collaborate with a multilateral development bank in the issuance of a regional catastrophe bond for Asian developing member economies, learning from the experience of Latin American APEC member economies, and also exploring the feasibility of covering pandemics in future ILS issuances.

## **VI. Looking Forward: Post-2020 Vision**

The challenges of COVID-19 have served to underscore the importance of finalizing a “Vision” for the region post-2020. The major challenge to our collective wellbeing that we have faced as a

result of the pandemic means that it is more important than ever to establish an ambitious new set of goals for the region, but also give us a chance to ‘build back better’.

ABAC’s aspiration for the region had been to see a seamless, dynamic, resilient, sustainable and inclusive Asia-Pacific economic community. We consider that those elements remain fundamental to any new Vision. The new Vision must both respond to the lessons of COVID-19, but also remain sufficiently flexible to respond over time as our region evolves; equally, we believe that the timeframe for achieving the Vision must not only be politically meaningful but also over a commercially meaningful time horizon.

In particular, we would highlight three major points. First is the importance of ensuring that free and open trade and investment, including the multilateral rules-based trading system, is able to continue to play its central role in sustainable and inclusive growth; the Vision should have at its heart the FTAAP, as the logical next stage of the Bogor Goals. Our aim should be to create a seamless region, in which it is as easy to work, live and do business in any one part of our region as any other. The multilateral trading system, with the WTO at its core, is an important foundation for such an environment, and in particular the WTO principles of openness, transparency and non-discrimination.

Second, the pandemic has demonstrated the value and importance of collaboration and cooperation; that concept is best embodied in a Vision of an “Asia-Pacific economic community” – one which is both inclusive and resilient, as well as promoting people first and people-centric initiatives, in which the opportunities and benefits of deeper regional economic integration can be enjoyed by all, including underserved groups such as women, MSMEs, young entrepreneurs, indigenous communities and rural and remote regions.

Finally, it is incumbent on us to ensure that sustainability, including climate change mitigation and adaptation, are explicit goals. This will enhance the necessary transition to a low-carbon economy, and will also help to mitigate the worst effects of climate change-induced impacts on our economies – bearing in mind the lessons of crisis management that we have collectively learned as a result of the COVID-19 pandemic. A sustainable region is one in which we have both energy security (including all types of energy sources with a greater emphasis on renewable and low-carbon energy supply and demand) and food security, including through a well-functioning APEC food system in which trade and domestic production work seamlessly together.

## **VII. Conclusion**

Free and open trade and investment have served the APEC region well for three decades, delivering prosperity and lifting millions of people out of poverty. APEC economies are rightly proud of these achievements.

ABAC urges a continuing commitment to free and open trade and investment to steer the region back to the path to economic recovery. It is imperative to resist the temptation of protectionism, which will only prolong the economic downturn. APEC must remain true to its fundamental belief that open markets and regional cooperation and collaboration to promote integration, innovation and inclusion, enable APEC economies to achieve wellbeing, prosperity and security for all their communities, and equip them to be resilient to future shocks.

ABAC looks forward to APEC Leaders launching this year a post-2020 Vision, that will seek to build a future Asia-Pacific economic community, with FTAAP at its core, and a resilient, dynamic, sustainable, secure and inclusive region.