

ABAC Statement on FTAAP

The realization of the Free Trade Area of the Asia-Pacific (FTAAP) remains ABAC's foremost trade and economic priority – one that is more pressing than ever as the region confronts a range of complex and interconnected challenges which threaten to undermine inclusive, sustainable and quality growth.

ABAC sees FTAAP as both a destination and a journey. As a destination, FTAAP should be seamless, enabling, inclusive and sustainable to create the necessary foundation for an open, dynamic, resilient, prosperous, and peaceful Asia-Pacific community by 2040. Along the way, integration elements should be built up progressively to 2040, responding to the dynamic and evolving global business environment and the pressing challenges of our communities. Below are ABAC's recommendations for the eventual FTAAP overall, and for five specific shorter-term initiatives that can serve as inputs to the multi-year FTAAP agenda Work Plan which is currently under development.

The eventual FTAAP

In the Beijing Roadmap, APEC Leaders launched a comprehensive and systematic process towards the eventual realization of the FTAAP. In the Lima Declaration, APEC Leaders agreed that the eventual FTAAP should be of high quality, comprehensive in scope, and incorporate next generation trade and investment issues. In the Putrajaya Vision, Leaders reaffirmed their commitment to economic integration, including through work that contributes to high-standard and comprehensive regional undertakings. These commitments form our launching point:

- First, on ***high-quality, high-standard regional undertakings***, ABAC underscores the significant contribution of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance, to the region's economic integration architecture, and welcomes recent ratifications.
 - ABAC encourages remaining participants to promptly ratify and fully implement CPTPP and RCEP as soon as possible. ABAC recommends that participants strengthen their efforts to monitor and implement these agreements through existing committees and commissions, and to seek improvement over time.
 - ABAC encourages economies that can meet the high standards of the agreements to join.
 - Robust data and evidence are key to good policy and decision-making. ABAC proposes that the APEC Policy Support Unit be tasked to gather and publish trade data on the utilization of CPTPP and RCEP to identify limitations and barriers to their use and best practices in implementation.
- Second, on ***next generation trade and investment issues***, bearing in mind the need for the business and trade environment to remain responsive and fit for purpose, ABAC calls for the development of rules for next generation issues.
- Third, on ***comprehensive regional undertakings***, ABAC calls on economies to adopt approaches that address holistic policy concerns, including sustainability and inclusion, by fully embedding these objectives into economic integration and trade policymaking.

Building towards the eventual FTAAP

ABAC welcomes the decision by APEC Ministers in 2022 to establish the FTAAP Agenda Work Plan, as ABAC had recommended. This is an effective and efficient way to build towards the eventual FTAAP. We urge economies to finalize the first tranche of the Work Plan and to implement it without delay and with a measurable progress approach.

ABAC recommends the following five initiatives for the FTAAP Work Plan, organized under the three pillars of the Aotearoa Plan of Action. These initiatives build towards our overarching goals for FTAAP noted above and are not only timely and impactful, but also achievable in the short term. Fuller detail on these initiatives may be found in our Report to Ministers Responsible for Trade.

Trade and Investment

Initiative #1: Enhancing supply chain connectivity, building resilience: Supply chain disruption increases costs and contributes to inflation, market uncertainty, greater carbon emissions and other destabilizing factors, as well as creating barriers to MSME inclusion. Given this, ABAC calls on economies to enhance supply chain connectivity to build additional resilience through:

- Promoting investment and trade, transportation and supply chain services and infrastructure, full automation of customs procedures and digitalization of trade documents to support seamless movement and end-to-end visibility.
- Rejecting protectionism and regulatory practices that disrupt supply chains.
- Enabling the participation of MSMEs in supply chains by building their capabilities.
- Maintaining an open dialogue with business to address potential bottlenecks as they emerge, and work with ABAC to ensure that policy responses are informed by the lessons learned from the supply chain disruptions during the COVID-19 pandemic.

Innovation and Digitalization

Initiative #2: Facilitating digital trade: Cross-border paperless trade and digitalized trade finance improve efficiency, reduce transaction costs, increase financial inclusion, and enhance the security, visibility, resilience, inclusiveness, and sustainability of the supply chain for businesses. ABAC recognizes that APEC has several initiatives related to paperless trade underway but would like to see more prompt and coherent action across the region. Accordingly:

- ABAC calls on economies to develop an overarching Roadmap for Cross-Border Paperless Trade, with a clear implementation plan, targets, and timelines to facilitate monitoring and evaluation. The roadmap could incorporate a range of elements aimed at establishing interoperable paperless trading systems across the region through harmonizing data, regulatory procedures, and legal requirements.
- ABAC also calls on APEC economies to join the ongoing pilot project with participants from Australia, Japan, New Zealand, Singapore and Thailand to standardize and digitalize trade documents, promote alignment of legal frameworks with the UNCITRAL Model Law on Electronic Transferable Records (MLETR) and develop interoperable domestic digital supply chain platforms.

Initiative #3: Creating a coherent digital regulatory environment: The full potential of the digital economy can only be realized through an enabling environment that allows for smooth, secure, trusted, interoperable, and inclusive cross-border digital trade. However, the digital regulatory environment in the region is increasingly complex and fragmented. To address this:

- ABAC recommends that policymakers prioritize digital interoperability and trust, by establishing greater digital regulatory coherence in the region that draws on best practices from existing relevant free trade agreements and digital agreements, such as the Digital Economy Partnership Agreement, the Singapore-Australia Digital Economy Agreement and others.

Strong, Balanced, Secure, Sustainable and Inclusive Growth

Initiative #4: Leveraging trade for climate: Environmental challenges including climate change are among the most urgent and complex threats that the world faces. Trade can play a powerful role in support of climate objectives. For example, increased trade in environmental goods and services, sustainability provisions in trade agreements, and other trade tools at and behind the border can all be used to strengthen the climate response – but care needs to be taken to ensure that measures are at most minimally distorting and do not constitute disguised protectionism. Cooperation and coordination are critical. ABAC calls on economies to leverage trade tools for climate across all three dimensions of ABAC's Climate Leadership Principles of reduction, adaptation and just transitions. Specifically, ABAC recommends that economies:

- Expand, update and leverage APEC's reference list of environmental services and list of environmental goods, and eliminate tariff and non-tariff barriers.
- Participate in the WTO Trade and Environmental Sustainability Structured Discussions (TESSD), including seeking to revitalize the WTO Environmental Goods Agreement (EGA) negotiations in that forum.
- Seek to include specific provisions on sustainability and the climate change response in trade agreements, drawing on best practices from around the region, and cooperate to support capacity building among developing economies in this area.

- Develop the APEC Trade and Investment in Renewable Energy Roadmap proposed by ABAC in 2022 as a reference for negotiating trade agreements and formulating domestic policies.
- Assess the impact of carbon border measures on business and trade in the region.
- Ensure that trade measures for environmental goals are non-discriminatory and do not distort trade or competition.

Initiative #5: Enhancing inclusion in trade: Barriers to accessing opportunities and sharing in the benefits of economic integration can be formidable for MSMEs, women, Indigenous peoples and other groups with untapped economic potential. These barriers work against our overarching goals of inclusive growth. Accordingly:

- ABAC calls on economies to empower these groups to participate in supply chains and trade, by reducing key barriers and providing persistent, intentional, and tailored support, with a particular focus on access to trade financing and participation in digital trade.

ABAC looks forward to collaborating with policymakers on finalizing and implementing the FTAAP Agenda Work Plan, including the initiatives above. We emphasize that progress should be measurable to ensure accountability and enable effective monitoring and evaluation. We also underscore that these initiatives should be seen as only the first tranche of the Work Plan, and we remain eager to participate in subsequent iterations, working in close partnership with APEC.