

ABAC Report to Ministers Responsible for Trade

The APEC Business Advisory Council (ABAC) serves as the voice for APEC's large, diverse and vibrant business community. As we note in our letter, we are deeply concerned at the acute stresses on the global trade and investment environment. In this Report, we offer our detailed recommendations for the bold action that we believe is needed to restore the region's trajectory to sustained prosperity, focused on reducing trade and business costs, improving productivity, boosting resilience and unlocking new opportunities.

Openness

Free Trade Area of the Asia Pacific

Recalling its commitment to the eventual Free Trade Area of the Asia Pacific (FTAAP), ABAC encourages APEC economies to prioritize practical outcomes to build momentum toward that goal – both as a long-term aspiration, and as a vehicle to create a more stable, resilient and seamless business environment in the short and medium term. This will support jobs and living standards and create opportunities for all, including micro-, small and medium-sized enterprises (MSMEs). We support the Ichma Statement approach of parallel and complementary top-down and bottom-up strategies, and urge the prioritization of the latter to achieve early tangible improvement to the commercial environment. Our FTAAP Statement has more detail.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Fully implement, modernize and expand trade agreements** to which they are parties, and **sectoral initiatives** in areas such as digital trade, sustainability and inclusion, and **pursue the convergence** of these economic integration mechanisms over time.
- **Support early deliverables in areas of practical importance to business**, including supply chain resilience, paperless trade, non-tariff barriers affecting food trade, the gender pay gap, a refreshed Open Skies concept for air services, and coherent, interoperable digital trade rules.
- **Provide regular updates on progress** on these specific recommended early deliverables.

Promoting Market Diversification for Resilient Trade

Market diversification has become increasingly critical in the context of rising global uncertainty, supply chain disruptions, and growing trade restrictions. Advancing market diversification strategies can help businesses explore new markets, reduce concentration risks, and strengthen resilience. APEC economies are well positioned to support these efforts by facilitating better access to market intelligence, enhancing trade facilitation tools, and promoting capacity building initiatives. These actions are particularly important for MSMEs, which face greater barriers in accessing new markets and adapting to changing trade dynamics.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Promote policies to facilitate access to markets**, particularly for MSMEs.
- **Strengthen cooperation on sharing trade information and market intelligence** where applicable.
- **Support capacity building and practical tools** that enable businesses to effectively enter and operate in new markets.

Non-Tariff Barriers Affecting Food Trade

While non-tariff measures (NTMs) are frequently applied to achieve legitimate objectives such as food safety, consumer protection and sustainability, they can also become “non-tariff barriers” (NTBs) when their design adds unwarranted costs or red tape, is discriminatory, or is intended to shield domestic producers from fair competition. Food-related NTBs create persistent frictions, not only distorting trade and adding a heavy compliance burden to food businesses, but also undermining food security by making

food more expensive and less available, and worsening environmental outcomes by incentivizing production that may have negative biodiversity, climate and other impacts. Research commissioned by ABAC shows that the tariff equivalent of agri-food NTMs in APEC is four times the cost of tariffs, with these measures, including those that constitute unwarranted barriers, amounting to the equivalent of over \$130 billion per year. A targeted policy approach that prioritizes reform of food NTBs will deliver outsized benefits not only for trade, but also for food security and sustainability.

APEC calls on APEC Ministers Responsible for Trade to:

- **Prioritize the application of the APEC Cross-Cutting Principles on NTMs to the food sector**, utilizing the APEC Best Practice Guidelines to mitigate frictions in existing measures and avoid the creation of new NTBs.
- **Promote trade-friendly approaches to food supply chains and transparency**, for example by extending Authorized Economic Operator programs to low-risk food traders, and by adopting mechanisms for greater visibility of and consultation in the development of food-related NTMs.
- **Provide targeted capacity building and knowledge-sharing for compliance with technical and sanitary and phytosanitary (SPS) requirements**, particularly for MSMEs, and for **universal adoption of interoperable paperless trade**, including electronic SPS certification, through the APEC Center of Excellence for Paperless Trade (ACCEPT).

Strengthening efforts to counter trade in illicit goods

The World Customs Organization's most recent Illicit Trade Report shows a steady increase in global illicit trade as well as increasing sophistication and adaptability of transnational smuggling networks, demonstrating the urgent need for collaborative efforts to counter illicit trade in the APEC region. The Asia Pacific is a leading source of counterfeit goods globally and includes key production and transit hubs for illicit trade flows. Efforts to combat illicit trade would increase trade efficiency and market access for legal traders, increase tax revenue yield for economies, disrupt funding for criminal organizations, and protect consumers from goods that violate health and safety regulations.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Collaborate across economies to strengthen enforcement** of controls on illicit goods and their inputs, especially within free trade zones.
- **Encourage shared responsibility** across marketplaces, sellers, payment providers, fulfillment operators, and customs authorities to identify repeat offenders, disrupt illicit seller networks, and prevent re-entry by bad actors.
- **Coordinate between relevant domestic and international government agencies** to develop standards frameworks, implement reporting requirements, and normalize consultations with industry experts in this process.
- **Leverage digital technologies to enhance risk detection in customs and shipping**, including tracking technologies, product authentication and verification technologies, and advanced data analytics and AI tools for monitoring and prediction.

World Trade Organization

ABAC notes that some of the outcomes of the 14th World Trade Organization (WTO) Ministerial Conference were disappointing. Despite its longstanding role in the global trading system, the WTO has fallen short of addressing the full range of collective challenges that economies face today – for example in not achieving a fully functioning reformed dispute settlement system; the continuation of tariff-free trade in digital products; and the inclusion into the WTO rulebook of plurilateral initiatives, including the Investment Facilitation for Development Agreement and the E-Commerce Agreement, as well as other relevant initiatives.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Champion a permanent WTO Moratorium on Customs duties on electronic transmissions.**

- **Join and advocate for plurilateral initiatives** including the Investment Facilitation for Development Agreement and the E-Commerce Agreement.

Gender Pay Gap

The gender pay gap remains one of the most powerful and underutilized strategies for boosting productivity and trade, innovation, and inclusive growth, potentially unlocking up to USD 4.5 trillion in regional GDP. In 2025, ABAC developed the voluntary *Equal Pay Framework*, an agile tool with localization for economies' languages and regulatory contexts, to enable businesses of all sizes, particularly MSMEs, to measure, report and take action on wage disparities. The ABAC Equal Pay Framework offers an opportunity for structural reform which will enable APEC economies to work together to share knowledge and experience, and take action to address significant inequality while boosting productivity and prosperity.

ABAC encourages APEC Ministers Responsible for Trade to:

- **Support uptake of the *ABAC Equal Pay Framework*** as it becomes available across economies.

Women and Leadership

There is a persistent underrepresentation of women in management and leadership positions in public and private sectors, as board members, as CEOs and presidents in the private sector, as legislators, in the judiciary, as members of cabinets and as ministers, and as leaders of economies. Globally, women hold 3 in 10 managerial positions, 27% of board seats and only 6% of CEO positions. The impact of that imbalance is profound in terms of public policy priorities and actions and economic performance of both firms and economies. Increasing women's participation in decision-making roles has consistently been demonstrated to lead to greater productivity and profitability in private sector enterprises, and stronger more inclusive public policy outcomes in public and political sectors.

ABAC urges APEC Ministers Responsible for Trade to:

- **Implement the APEC Gender Structural Reform Principles** and address obstacles to women's representation in public, private and political leadership roles in the region.

Transforming the Care Economy into a Driver of Economic Growth

The care economy, encompassing both childcare and aged care, is a critical yet underdeveloped component of economic performance, labor market efficiency, and long-term growth. Unpaid care and domestic work ranges from 5.5% to over 40% of GDP across APEC economies, underscoring its significant but largely unrecognized economic contribution. As demographic ageing and workforce shifts accelerate demand, gaps in care provision are emerging as a structural constraint on labor supply, workforce participation, and productivity, particularly for women. However, much of the care economy remains informal and fragmented, imposing hidden costs on businesses and undermining firm-level efficiency and overall economic performance. Strengthening the care economy will unlock labor supply, support women's economic participation, enhance workforce utilization, and drive stronger economic productivity, contributing to more inclusive and resilient growth.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Prioritize the care economy as critical economic infrastructure**, and integrate it into economic, labor, and trade policy frameworks to strengthen workforce participation and economic resilience.
- **Strengthen policy and regulatory frameworks** to support the formalization, expansion, and scaling of care services, including clear standards, quality assurance, and pathways for sustainable market development;
- **Mobilize private sector participation and investment**, including through incentives and public-private partnerships to support commercially viable care delivery models, while advancing care workforce development, digitalization, and innovation to improve the accessibility, efficiency, and scalability of care services.

APEC Services Roadmap

Services form the backbone of modern economies, underpinning business activity across every sector and driving employment and prosperity throughout the region. ABAC urges the early conclusion of the new APEC Services Competitiveness Roadmap and looks forward to working closely with policymakers on its implementation, particularly as it relates to digitally-delivered services, a critical engine of growth, innovation and inclusion, and an enabler of modern business models.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Conclude**, as an urgent priority, **an ambitious APEC Services Roadmap**.
- In implementing the Roadmap, **prioritize the removal of barriers to cross-border trade in digitally deliverable services**, given their transformative potential for all APEC economies, and their particular importance in enabling inclusive growth for MSMEs and women-led businesses.
- Enhance businesses' ability to participate in this trade by undertaking **digital services regulatory impact assessments** and by establishing a **digital services 'regulatory finder' tool**.

Green Trade

While green, low-carbon development has emerged as a critical growth driver, member economies continue to grapple with fragmented policy frameworks, misaligned technical standards, and mounting green barriers that impede the free flow of environmental goods, services, technologies and investment. ABAC emphasizes again the necessity of establishing a Greener Trade Framework, based on a set of WTO-consistent principles and reflecting ABAC's Climate Leadership Principles of Reduction, Adaptation and Just Transitions. Green trade represents a comprehensive green transformation of the trade system, encompassing not only the trade of green products and services but also the greening of trade processes and standards, to achieve a harmonious unification of economic development, environmental protection with global climate governance.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Promote the establishment of more inclusive and equitable international green trade rules and agreements**, starting with actively incorporating green issues into high-standard economic and trade agreement negotiations, for instance FTAAP.
- **Jointly raise safety and performance standards for green products and services**, and work toward greater alignment of regulations, standards and conformity assessment procedures.
- **Strengthen dialogue on carbon footprint methodology, carbon pricing, green electricity and green certificates** to ensure mutual recognition.
- **Reconfirm APEC's commitment to eliminating tariff and non-tariff trade barriers**, ensure a stable, resilient and smooth green supply chain.

Connectivity

Supply Chains

Supply chain disruptions and chokepoints can trigger inward-looking responses and risk undermining the principles of non-discrimination and openness. Resilient and reliable supply chains are essential to sustaining a free and open trade and investment system. ABAC is contributing to efforts to upgrade the 2023 Supply Chain Resilience Toolkit to strengthen results, extend accessibility and better reflect the changing regulatory environment for international trade.

APEC calls on APEC Ministers Responsible for Trade to:

- **Advance supply chain resilience through strengthened multilateral frameworks** that ensure transparency, predictability and stability, enhanced logistics resilience including stable maritime

transport, and more efficient trade procedures through digitalization and interoperable, adaptive and flexible paperless trade.

- **Promote strategic and integrated investment in resilient and sustainable logistics infrastructure** to address challenges such as ageing, disaster risks, and climate change.
- **Strengthen efforts to secure and develop the logistics workforce**, including through improving working conditions, enhancing operational efficiency, and ensuring adequate recognition of logistics work, in order to sustain resilient and reliable supply chains.

A new “Open Skies’ agenda

Air connectivity is a practical enabler of trade, tourism, investment and supply chain resilience. However, the system that connects APEC economies and links them to the rest of the world has been constrained by complex regulatory systems and subjected to repeated shocks. The challenge is to build greater flexibility and create new options. APEC should pursue progressive liberalization of air services through a phased, staged approach that expands passenger and cargo connectivity, broadens access across the region, and balances efficiency with resilience.

The first step should be the development of a set of air connectivity principles to guide phased measures that expand connectivity across the region. These principles could emphasize increasing connectivity for people and cargo, deepening openness where gains are most tangible, tackling recurring bottlenecks, developing shared indicators, and building resilient networks.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Develop a set of shared air connectivity principles** as the foundation for a renewed APEC aviation agenda that leads to increased supply and lower cost of business for passenger and freight movement.
- **Pursue phased reform in stages:** for existing airlines, it is intended to increase secondary-airport access, fast track cargo liberalization, add transparency to competition policy and slot allocations, share experiences of hub development strategies, and make more use of digital technology to facilitate cross-border movement of people and products (new entrants would be required to go through existing processes and regulatory regimes).
- **Provide model clauses, pilot new cross-border corridors, and consider technical cooperation** so that economies can implement commercially usable updates and extensions within the current policy system.

Addressing transboundary waste dumping and misdeclared cargo

Transboundary waste dumping and the misdeclaration of cargo are emerging as systemic risks to trade integrity, supply chain resilience, and maritime safety across APEC economies. Hazardous and contaminated waste is frequently misdeclared as recyclable materials or general cargo, allowing such shipments to enter legitimate trade flows without adequate scrutiny; subsequent identification and necessary mitigation measures may result in port congestion, safety incidents, and additional operational and compliance costs, with spillover effects on supply chain efficiency, reliability, and insurance exposure. Existing frameworks to address waste dumping and misdeclared cargo remain fragmented across environmental, customs, and transport domains, limiting early risk identification and allowing jurisdictional gaps to be exploited. Without stronger coordination and enforcement, these practices will continue to distort trade costs, undermine fair competition, and erode confidence in regional supply chains, with broader implications for trade facilitation and economic performance.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Strengthen accountability at origin**, including through the development of financial deterrence mechanisms and enforceable take-back obligations to ensure that the full costs of misdeclared or illegal shipments are borne by the source of risk.

- **Enhance cargo transparency and risk management**, by advancing paperless trade, mandating pre-arrival cargo data requirements, and strengthening Know Your Customer (KYC) and Know Your Business (KYB) practices for high-risk trade.
- **Enhance integration between customs and environmental enforcement mechanisms**, supported by strengthened regional cooperation and data-sharing, while reinforcing alignment with relevant international frameworks, including the Basel Convention, to prevent illegal transboundary movements of hazardous waste, enabling earlier risk identification, more consistent enforcement, and more effective management of high-risk trade flows across APEC supply chains.

Paperless Trade

The digitalization of trade processes, including across multimodal supply chains, is essential to enhancing supply chain resilience, reducing costs, and enabling inclusive participation in trade. In the current environment of economic uncertainty and fragmentation, accelerating the transition to paperless trade has become both an economic and strategic imperative – but digitalization remains inconsistent across the APEC region. Economies should work together to establish more interoperable, adaptive and flexible infrastructure for paperless trade and multimodal electronic document exchange; an enabling and interoperable legal, regulatory and standards environment, and trust and readiness for wider adoption. The new ACCEPT, in which APEC and ABAC will work closely together, is intended to provide critical end-to-end support to economies, businesses and other stakeholders in advancing these efforts.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Advance the operationalization of ACCEPT through sustained public-private collaboration** in the areas of advocacy and information sharing; to advance legal reform, and strengthening institutional readiness.
- **Work with and support businesses and other stakeholders to enable the cross-border use and mutual recognition of electronic trade documents**, promoting interoperability of digital systems, and supporting capacity building efforts, and developing scalable business models to accelerate the effective implementation of paperless trade across the region.
- **Support the use of state-of-the-art digital innovations in trade facilitation**, including but not limited to AI and AI+ solutions, IoT data, fast-track public interfaces and stress-testing simulations to enable greater interoperability, adaptivity and flexibility in supply chains, particularly in response to external shocks.

Strengthening traceability and transparency in minerals trade

The growing importance of critical minerals and other internationally traded minerals to industrial production, the energy transition, and supply chain resilience has heightened the need for greater transparency and trust across global markets. Strengthening cooperation to improve traceability and responsible sourcing can help address risks associated with illicit trade and illegal mining, support legitimate trade, enhance supply chain resilience, and reinforce trade integrity across the APEC region.

ABAC calls on APEC Ministers Responsible for Trade to:

- Promote cooperation to strengthen traceability and transparency in internationally traded minerals, including through interoperable approaches, information sharing, and mutual trust mechanisms that ensure responsible sourcing, facilitate legitimate trade and enhance supply chain resilience.

Synergy

Quantum technology

Estimates predict that advances in quantum technology are accelerating and within five years of commercial viability, with potential applications in finance, aerospace, automotive, data centers and energy, health and medicine, chemical, logistics and transport, and defense industries. The technology offers enormous

potential benefits but also significant risks, particularly to compromise digital security. The impact on trade may be transformational but also significantly disruptive. It is imperative that APEC economies address their readiness for this technology.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Take action to assess responsible development of quantum**, evaluate region-wide and global measures for benchmarking and governance to enable APEC economies to move towards shared standards and regulation, and address literacy issues with quantum technology.

Combatting online fraud and scams in the digital economy

The rapid expansion of digital trade across APEC has created significant opportunities for MSMEs, entrepreneurs, and large firms, but it has also driven a sharp increase in cyber-enabled fraud. The Global Anti-Scam Alliance reports that in 2025 alone, scams resulted in an estimated US\$23.6 billion in losses across Southeast Asia, underscoring the scale and urgency of the threat. These activities erode consumer trust, disrupt business operations, and weaken the foundations of digital commerce. Consistent with the objectives of the APEC Internet and Digital Economy Roadmap, building a trusted digital economy requires coordinated, cross-border action that brings together economies, businesses, and consumers. Strengthening trust is essential for sustained digital growth and for realizing the full potential of digital trade in the region.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Strengthen regional policy frameworks and cross-sector coordination mechanisms** to better prevent, detect, and disrupt evolving scam typologies across the full scam cycle.
- **Promote balanced, proportionate, and interoperable anti-scam tools and policy approaches**, with clearly aligned and proportionate responsibilities across stakeholders, to help economies and industries close cross-border enforcement gaps, support victims, and improve collective resilience.
- **Support engagement with a secure, cross-sector regional platform** to enable timely information sharing and coordinated action among stakeholders to disrupt cross-border scam networks, such as the Global Signal Exchange.

Digital trade rules coherence

Digital trade rules across the region are increasingly fragmented, with a patchwork of approaches (or no guardrails at all) in the areas that ABAC has identified as being of key interest to the business community, including artificial intelligence (AI), cybersecurity, cross-border data flows, data localization, data innovation, paperless trade, interoperable digital standards and regulatory transparency. At the same time, digital trade barriers are on the rise. Trade rules and domestic digital economy regulation have also struggled to keep pace with the emergence of cutting-edge technologies, notably generative AI and quantum computing. The Aotearoa Plan of Action (APA) for the Putrajaya Vision 2040 largely predates the rapid evolution of these frontier technologies, and thus does not fully address economies' needs in these areas. The relevant Collective Actions should be reviewed and updated to reflect this changing digital landscape, as part of the five-year APA Review.

ABAC urges APEC Ministers Responsible for Trade to:

- **Agree a permanent APEC-wide prohibition on tariffs on digital products.**
- **Prioritize coherent policy and regulatory settings and trade rules for digital trade** in areas such as AI and quantum computing, trusted cross-border data flows, and interoperability of standards and regulations, including by adding relevant new Collective Actions under the Aotearoa Plan of Action for the Putrajaya Vision.

Advancing digital payments as a foundational enabler of trade

Digital payments are increasingly recognized by APEC and international financial institutions as foundational to modern trade and digital commerce infrastructure, enabling businesses, particularly MSMEs, to participate more effectively in cross-border commerce. As trade becomes more digital, efficient, secure, and cost-effective, payment systems are essential to supporting transactions and supply chain connectivity across the region. However, gaps in interoperability, fragmented regulatory approaches, and uneven access to payment systems continue to create barriers to their full use. Interoperable, secure and resilient digital payments will be critical to expanding market access and advancing economic integration in the region.

ABAC calls on APEC Ministers Responsible for Trade to:

- **Progress initiatives to enhance interoperability of regulatory frameworks across APEC economies**, with a view to advancing mutual recognition – by adopting international best practices in digital regulation, including consistent terminology, streamlined licensing, and technology-neutral approaches - to enable interoperable cross-border payment systems, including QR-based solutions.
- **Advance clear and interoperable rules** that enable trusted cross-border data flows while safeguarding legitimate policy objectives. Promote solutions that provide upfront visibility of duties and taxes at checkout to improve cost transparency, reduce delivery-stage friction, and enable smoother customs clearance.
- **Advance the development of an APEC MSME digital trade toolkit** to enable seamless navigation of market access, rules, and digital payment choices, empowering MSMEs to compete at scale and connect with customers across borders on a level playing field.
- **Encourage APEC working groups to develop and pilot frameworks** that leverage relevant transaction insights, within appropriate legal and privacy safeguards, to support risk-based pre-clearance and streamline low-risk e-commerce shipments.