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New Zealand's Policy Priorities for APEC 2021

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New Zealand's Policy Priorities for APEC 2021



**NEW ZEALAND
APEC 2021**

Join, Work, Grow. Together.

Haumi ē, Hui ē, Tāiki ē.

New Zealand's Policy Priorities for APEC 2021

1) Economic activity in the APEC region is expected to contract by 2.5 percent in 2020, translating to an estimated output loss of USD 1.8 trillion.¹ While growth is starting to recover and is expected to rebound in 2021, it is uncertain when the region will regain 2019 levels of output. In the wake of the unprecedented health and economic crisis caused by COVID-19, 2021 is an opportunity to reignite growth and set a plan for a resilient recovery. There has never been a more important time for economies to join and work together to share, discuss, rebuild and recover our growth trajectory.

2) This trajectory will depend in large part on the effectiveness of the region's policy response. The pandemic has presented major challenges by accelerating existing economic trends and transformations. Digitalisation and automation have increased, but so has inequality, with small businesses and the most vulnerable members of society often hit the hardest. Responses to the pandemic have also risked intensifying the recent drift towards protectionism. From the beginning of 2021, the roll-out of equitable and inclusive COVID-19 vaccination programmes will require immediate attention. At the same time, ongoing challenges such as climate change continue to threaten the region's future wellbeing and prosperity.

3) To address these challenges effectively, economies need to work together in the spirit of cooperation. There is no doubt that the immediate economic response to COVID-19 will dominate discussions in 2021, but as we work to rebuild we also need to consider the policies that will sustain a resilient recovery. For APEC to show leadership on regional recovery therefore requires decisive and concerted action in three areas. These will comprise New Zealand's policy priorities for APEC 2021:

1. ***Economic and Trade Policies that Strengthen Recovery***, including macro-economic and structural policy responses, and renewed work towards free and open trade and investment with the aim of economic integration in the region;
2. ***Increasing Inclusion and Sustainability for Recovery***, by pursuing opportunities to unlock the potential of all members of society, and by promoting economic policies that address the region's most serious environmental challenges; and
3. ***Pursuing Innovation and a Digitally-Enabled Recovery***, by accelerating APEC's work in support of the digital economy.

¹ APEC Policy Support Unit. (2020). *APEC Regional Trends Analysis*. Retrieved from <https://www.apec.org/Publications/2020/11/APEC-Regional-Trends-Analysis---November-2020>

4) In 2020, economies agreed to the APEC Putrajaya Vision 2040, our shared vision for the next 20 years. In the coming year, APEC will not only be charting the course through the current economic crisis, but will also be agreeing a detailed plan of action to implement the new vision. This will be APEC's most important task for the year, and a core focus for New Zealand as host. The implementation plan will build on the understanding we have reached in the APEC Putrajaya Vision 2040 on three economic drivers: trade and investment; innovation and digitisation; and strong, balanced, secure, sustainable and inclusive growth. This year will also be significant for the continued improvement of APEC as an institution, as economies have important decisions to make on governance matters.

5) The imperative to collaborate across APEC is reflected in New Zealand's overarching theme for the year: "Join, Work, Grow. Together. Haumi ē, Hui ē, Tāiki ē." Traditionally, building a waka (canoe) involved entire Māori communities working in harmony toward a common goal. These waka enabled Māori to traverse vast expanses of ocean. For the region to successfully rebuild and recover, it will take the same kind of teamwork and cooperation required to build a waka. The words "Haumi ē, Hui ē, Tāiki ē." describe the collaborative effort required to reach a common goal.

New Zealand's Policy Priorities for APEC 2021



CONTEXT

Huge focus on economic recovery post COVID-19

APEC already faced slowing growth. Covid-19 entails further uncertainty for growth prospects. Possible renewed appetite for reform.

COVID-19 widens existing divisions

Rules, institutions and norms under pressure. Risk of increase in protectionism. Problems with movement of people. Possibility of rising inequality and vulnerability.

Digital transformation

Rapidly increased use in response to COVID-19. Challenges for infrastructure and inclusion. Rapid structural change for many sectors. Challenges for confidence and trust.

APEC's new Vision

New APEC Vision in place. Opportunity for APEC to build momentum on agreed strategies to tackle current challenges.

ACTION AGENDA

In Malaysia's host year, APEC Economic Leaders adopted the APEC Putrajaya Vision 2040. In 2021, New Zealand will seek to facilitate agreement on an implementation plan for the Vision. This will need to take account of the views of business and other stakeholders. It will also need to respond to the economic challenges posed by COVID-19 which are likely to be with the region for many years.

1 ECONOMIC AND TRADE POLICIES THAT STRENGTHEN RECOVERY

WHY

The region's economic development recovery in response to COVID-19 will depend on the appropriate macro and micro-economic policies. Under this priority, we will also seek to build confidence in trade rules, encourage trade and economic policies that support openness and connectivity; and reduce friction at the border.

- Macro-economic actions and structural reform
- Free and open trade and investment
- Trade facilitation and connectivity

2 INCREASING INCLUSION AND SUSTAINABILITY FOR RECOVERY

WHY

Through this priority we will support all APEC economies to ensure resilience, sustainability and inclusivity are part of our recovery and long-term growth strategies, to underpin the stability and well-being of communities.

- Policy foundations for an inclusive and sustainable recovery
- Opportunities to advance inclusion and unlock potential
- Measures to incentivise sustainability, support green recovery and tackle climate change

3 PURSUING INNOVATION AND A DIGITALLY-ENABLED RECOVERY

WHY

APEC's ability to recover from the current crisis will depend significantly on the extent to which members can make use of productivity enhancing innovations, particularly in the area of digital technologies. This will depend in turn on the extent to which APEC economies can embrace open and competitive markets for such technologies, and support their people and businesses adapt to change.

- Advancing digital inclusion, infrastructure and green technology
- Digitally-enabled business and trade
- Structural reform to support innovation

1. Economic and Trade Policies that Strengthen Recovery

6) As a matter of urgency, APEC must promote supportive and enabling economic and trade policies to drive recovery. Maintaining economic stimulus will help to re-energise consumer demand, revive businesses confidence and investment, and create jobs. At the same time, sound economic governance and renewed action on structural reform will be a prerequisite for sustained growth and future prosperity. This work is not just about restoring economic growth, but also about developing regional economic policy that is responsive to digital innovations, inclusion imperatives and the impacts of climate change. New Zealand's first priority therefore seeks concerted structural and macro-economic actions to drive a recovery that is inclusive, sustainable and resilient.

7) Free and open trade and investment will need to be at the centre of our shared strategy for revitalised economic growth. APEC economies must not lose sight of these core principles, which have led to our region being the most dynamic and fast-growing in the world. Unfortunately, the first half of 2020 saw a significant contraction of merchandise and services trade in the APEC region. Renewed efforts towards free and open trade and investment will be critical to supporting recovery, for three reasons: to ensure the continued flow of essential goods and services; to drive the recovery of productivity, development, employment, and income levels; and to send an important signal to the global economy. A core component of New Zealand's APEC trade and economic priority therefore seeks to restore confidence in the rules-based multilateral trading system, advance economic integration in the region, and facilitate the movement of essential goods and services.

A. Macro-economic actions and structural reform

8) The region's recovery will be stronger if governments exchange knowledge and experience. In order to achieve this, New Zealand will promote **a discussion on macro-economic and structural policy responses to COVID-19** through relevant committees. We will seek to bring an economic **wellbeing** perspective to these discussions, building on the approach taken by Malaysia in 2020. This will help us to broaden APEC's conversations and encourage a recovery that is inclusive, sustainable and resilient. Given the centrality of these measures to the overall response, APEC should encourage effective collaboration between the Finance Ministers' Process and other APEC Committees and Working Groups.

9) Fiscal pressures resulting from the response to COVID-19 make effective structural reforms all the more important. APEC needs to give priority to this agenda to drive medium-term growth and support macro-economic stability. In 2021, APEC will agree a **new structural reform instrument** to replace the Renewed APEC Agenda for Structural Reform. This new agenda will help lay the foundation for a strong and sustainable economic recovery, and will be a mechanism to enhance collaboration between economies in the COVID-19 context. The pillars of the new agenda will promote growth-focused reforms that are consistent with our wider priorities for the year, from free

and open trade and investment, to sustainable and inclusive growth, to the promotion of productivity and innovation.

10) Reform of the services sector also has significant potential to drive future growth in the region, especially in the context of the COVID-19 recovery. For example, easier delivery and use of commercial and professional services has the potential to help lift growth. The **mid-term review of the APEC Services Competitiveness Roadmap (ASCR)** is an opportunity to create an open and competitive market for services. The mid-term review will go to Ministers at the end of 2021, providing recommendations for improving the productivity and efficiency of services markets. Through this process, New Zealand seeks ambitious recommendations for APEC on opportunities to make progress on services competitiveness, supporting growth prospects for services-dominant firms and businesses that make use of services.

B. Free and open trade and investment

11) In recent years, we have seen scepticism about the ability of the rules-based system to cope with increased protectionism, unilateral trade actions, and increased government support to certain sectors. In the coming year, New Zealand will seek to use APEC as a forum for constructive engagement with a view to rebuilding confidence in, and support for, the multilateral trading system. As participants in the world's most dynamic trading region, APEC economies have a heightened responsibility to help revitalise the World Trade Organization (WTO), particularly in connection with the 12th Ministerial Conference which is also to be held in 2021. New Zealand therefore seeks meaningful work this year on **practical steps to support and advance the efforts of APEC economies in the WTO**, including to monitor and help economies to implement the WTO outcomes on the **Fisheries Subsidies Negotiation**, to work together to achieve stronger WTO commitment on trade and production distorting subsidies, and to support negotiations of the **Joint Statement Initiatives**. As a non-binding forum, APEC is also well placed to discuss new and emerging trade issues for future consideration by the WTO.

12) To revitalise trade and support economic recovery, APEC must continue its core work on economic integration in the region. While in the past two decades tariffs in the region have gradually decreased, trade and economic settings in some sectors continue to be distorted by high tariffs. Non-tariff barriers have also increased over this time. These are estimated to cost APEC economies three times as much as tariffs.² It is more important than ever therefore that APEC members find ways to make it easier to trade, invest and do business across the region. This includes increasing capacity, trust and technical cooperation to enable economies to participate in high quality free trade

² New Zealand Institute of Economic Research. (2016). *Quantifying the costs of non-tariff measures in the Asia-Pacific region*. Retrieved from <https://nzier.org.nz/publication/quantifying-the-costs-of-non-tariff-measures-in-the-asia-pacific-region-initial-estimates-nzier-public-discussion-paper-20164>

agreements. To this end, New Zealand seeks progress in 2021 on a **Free Trade Area of the Asia-Pacific (FTAAP)** based on the APEC Putrajaya Vision 2040.

13) The COVID-19 crisis has disrupted international supply chains and affected trade in essential goods such as medicines, medical supplies and equipment, agriculture and food products. While this has not happened to the extent initially feared, many distortionary measures remain in place and there is an urgent need to ensure supply chains remain open, functional and resilient. To achieve this, in 2020, APEC Trade Ministers issued the Declaration on Facilitating the Movement of Essential Goods. A priority for APEC's work in the coming year will be the **implementation of this Declaration** including the identification of "essential goods" and the pursuit of opportunities for continued tariff liberalisation, removal of non-tariff barriers, enhanced trade facilitation, and the avoidance of any unnecessary trade-restrictive measures. APEC members may also want to explore and identify COVID-19 essential services (transport, logistics etc.).

14) Enabling the **successful distribution of vaccines** throughout the region will be particularly critical. The IMF estimates that progress on distributing vaccines could add almost US\$9 trillion to global income by 2025.³ As part of APEC's work to build on the Trade Ministers' Declaration on Facilitating the Movement of Essential Goods, economies should cooperate to ensure the free flow of inputs to the vaccine manufacturing process, and the readiness of vaccine supply chains from factory gate to port of delivery.

C. Trade facilitation and connectivity

15) As part of the Declaration's implementation, New Zealand seeks **work on non-tariff measures to improve trade facilitation for essential goods**. Work is under way in the Committee on Trade and Investment to identify the kinds of non-tariff measures implemented on essential goods since the COVID-19 crisis, and share best practice from among trade-facilitating measures adopted by APEC economies. In 2021, APEC should develop and agree the future direction for this work to ensure that benefits of trade-facilitating measures are fully realised and the costs of trade-restrictive measures are minimised.

16) Around 60 percent of new non-tariff measures in force since the pandemic are trade-facilitating.⁴ These measures were needed in order to cope with changes in trade patterns, deal with constraints from lockdowns and to minimise health risks. These were practical responses to the pandemic, but many were also effective in harmonising and simplifying border procedures. In 2021 New Zealand will seek work by APEC to identify the lessons from the response to COVID-19, and **develop tools to enable more effective responses to future trade disruptions**. As part of this work,

³ International Monetary Fund. (2020). *IMF Managing Director Kristalina Georgieva Urges G20 Leaders to Jointly Build the Foundations of a Better 21st Century Global Economy*. Retrieved from <https://www.imf.org/en/News/Articles/2020/11/22/pr20353-imf-managing-director-kristalina-georgieva-urges-g20-leaders-build-better-global-economy>

⁴ APEC Policy Support Unit. (2020). *APEC Economic and Trade Update, 30 October 2020*.

APEC should consider how some of the temporary trade facilitation measures that have been introduced by customs and other organisations could form the basis for new standards.

17) In response to COVID-19 many economies have placed restrictions on the movement of people across borders in order to prevent the spread of the virus. In the coming year, economies will have the opportunity to discuss their experiences and the ways in which they may be able to better **facilitate the essential movement of people across borders** in a safe manner. This would allow a reconnection with global markets, while maintaining the required measures essential for public health efforts.

2. Increasing Inclusion and Sustainability for Recovery

18) For the region's recovery from COVID-19 to be dynamic and resilient, policies should be designed with inclusion and sustainability objectives front of mind. COVID-19 has widened existing divisions and disproportionately affected those already economically marginalised.⁵ The economic recovery should not leave behind small and medium sized businesses, women, youth, the elderly, rural areas, and the Asia-Pacific's indigenous peoples. This is not just a matter of principle – it is an economic priority. A recovery that unlocks the potential of all members of society can provide an essential underpinning of the region's future growth prospects.

19) As APEC members seek to recover from the impact of COVID-19, we have been provided with the opportunity to promote a green recovery, both individually and collectively. Policies targeted towards a sustainable recovery will reduce the likelihood of future economic shocks, increase the region's resilience to the impacts of climate change, and accelerate the transition to a low-emissions economy. As an organisation focused on economic policy settings, APEC is well placed to discuss the structural economic changes needed to decarbonise our energy, transportation and production systems, and reduce our greenhouse gas emissions.

20) In 2021, APEC will deliver on significant parts of its existing agenda laying the policy foundations for an inclusive and sustainable recovery. This will include the implementation of the La Serena Roadmap for Women and Inclusive Growth, the drafting of a renewed APEC food security roadmap, the development of the Economic Committee's new structural reform instrument, and the delivery of the 2021 APEC Economic Policy Report on Structural Reform and the Future of Work.

21) At the same time, there are gaps in APEC's inclusion and sustainability agendas. For example, APEC has started work to unlock the potential of indigenous economies, but there are significant opportunities for further progress. There is also scope to accelerate APEC's work to tackle climate

⁵ APEC Policy Support Unit. (2020). *APEC Regional Trends Analysis*. Retrieved from <https://www.apec.org/Publications/2020/11/APEC-Regional-Trends-Analysis---November-2020>

change, with a particular focus on how market measures can be used to level the playing field and incentivise more sustainable practices. We consider this in more specific detail below.

A. Policy foundations for an inclusive and sustainable recovery

22) The Economic Committee's **new structural reform instrument** will be an important mechanism to guide economies' responses to COVID-19, and ensure improved access to opportunities for all groups in society. As a starting point, standardised data collection will be important to understand the impacts of COVID-19 on social and economic wellbeing. It will be helpful for economies to share best practice in designing recovery packages with inclusion goals at the forefront. In doing so, economies should listen to and incorporate the experiences of different economic actors, in order to more fully understand the impact of reforms.

23) The **APEC Economic Policy Report on Structural Reform and the Future of Work** will provide APEC with important tools and analysis to support inclusive labour market recovery. Technological change, globalisation, demographic shifts and climate change are increasingly shifting the nature of work and the trajectory of occupations, industries and sectors. The impact of COVID-19 on economies' labour markets, combined with these long-term trends, creates a complex picture with considerable uncertainty. This report provides an opportunity to assess this picture and compare approaches to immediate challenges while also providing recommendations to address the effects of long-term global trends.

24) In 2021, APEC will develop a **new food security roadmap** to replace the APEC Food Security Roadmap Towards 2020. The COVID-19 crisis has impacted food security regionally by disrupting supply chains and affecting food production.⁶ The region's food systems were already facing significant challenges in terms of population growth, urbanisation, climate change, and the depletion of natural resources. The new roadmap should chart a course through the immediate COVID-19 response and develop policy approaches to ensure that the region's food systems are productive, efficient and innovative, as well as sustainable and inclusive. New Zealand will ensure the process of developing the new roadmap is consultative, and plans to incorporate a diverse range of perspectives from economies and the private sector.

B. Opportunities to advance inclusion and unlock potential

25) In the coming year, APEC will **implement the La Serena Roadmap for Women and Inclusive Growth** by placing women and girls at the centre of economic recovery efforts. This work is particularly important in the context of COVID-19, as emerging evidence suggests that women face higher risks of job and income loss as a result of the pandemic. For example, in New Zealand, 63% of

⁶ World Bank. (2020). *Food Security and COVID-19*. Retrieved from <https://www.worldbank.org/en/topic/agriculture/brief/food-security-and-covid-19>

the people who lost their jobs in the June quarter of 2020 were women,⁷ and this trend has repeated itself across the region. New Zealand's contribution to implementing the Roadmap will focus on the use of standardised data to better recognise and incorporate women's contribution to the economy. Building on APEC's previous work on gender and structural reform, New Zealand will develop and share an online tool assisting economies to make better use of data to create and inform gender-responsive policy.

26) While APEC's work on women's economic empowerment has made progress, there are areas of APEC's inclusion agenda that are less advanced. APEC has recently acknowledged the opportunity for further work on **understanding indigenous economies and collaborating to unlock their potential**. As a starting point, APEC has begun work on measuring and understanding the scale, strengths and contributions of indigenous economies within the Asia-Pacific region. This work will help APEC to better understand how indigenous economies can be an engine for growth in the region.

27) The indigenous economy has relevance to a wide range of APEC fora. For example, APEC's work in support of micro, small and medium-sized enterprises could consider the unique challenges faced by indigenous-led businesses, and how they can be better supported by policy-makers, especially in the context of the pandemic. Rural economies and food systems present an opportunity for further work, with digitisation and e-commerce being potential enablers of indigenous export potential. APEC economies could consider work to enhance understanding of the barriers to indigenous traders as well as to indigenous-to-indigenous links. Additionally, APEC members have much to learn from indigenous knowledge and science systems, and should consider how these can be better recognised. In carrying out work in these areas, APEC should incorporate the perspectives and experiences of indigenous businesses and traders themselves.

C. Measures to incentivise sustainability, support green recovery and tackle climate change

28) As an economic forum, APEC is well placed to consider the policy settings and economic incentives that can drive decarbonisation, reduce greenhouse gas emissions, and lead to more sustainable practices. New Zealand therefore seeks focus by APEC on **market-based measures to tackle our most serious environmental challenges**, in particular climate change. As starting points, APEC should renew its efforts towards the reform of subsidies that incentivise unsustainable consumption and production, and the liberalisation of trade in environmental goods and services. While we have identified these as opportunities for increased work, we also lend our support to APEC's sustainability work programme more broadly, including the valuable work being done to increase the uptake of renewable energy, address the sustainability of our oceans, and support emerging green industries.

⁷ Statistics New Zealand. (2020). *Labour market statistics: June 2020 quarter*. Retrieved from <https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2020-quarter>

29) Reform of subsidies that incentivise unsustainable consumption and production can lead to a ‘triple win’, by improving economic, social and environmental outcomes.⁸ APEC has undertaken world-leading work on **reform of environmentally harmful subsidies**, with a focus on fossil fuel subsidies and fisheries subsidies. For example, APEC’s original work on fisheries subsidies enabled and informed the launch of negotiations on Fisheries Subsidies in the WTO. Additionally, in 2009, APEC Leaders declared a commitment to phasing out fossil fuel subsidies that encourage wasteful consumption,⁹ and to date nine APEC economies have undergone fossil fuel subsidy reform peer review.¹⁰ In the coming year, New Zealand seeks to build on this track record through continued capacity-building towards the reform of such subsidies. This work should be used to support the important conversations and negotiations that are being had in the WTO on these issues.

30) There is a significant opportunity for APEC to bring economic efficiency into the environmental response through the further liberalisation of **environmental goods and services**. The APEC List of Environmental Goods is one of APEC’s most significant trade and environmental achievements, cutting tariffs to five percent or less on 54 goods. It has now been eight years since the agreement of the original list in 2012, and negotiations in and alongside the WTO have since stalled. Given the magnitude of the environmental and climate change issues facing us, it is important that economies explore how we can build on APEC’s previous success including by adding new goods to the list and further lowering tariffs. Economies are also already working to consider whether the original definitions agreed for environmental services are fit for purpose, using APEC’s advantage as a non-binding forum where such issues can be explored and discussed. Building on this conversation will be an important way in which APEC can continue to make use of trade and economic incentives to drive sustainable growth.

3. Pursuing Innovation and a Digitally-Enabled Recovery

31) The COVID-19 pandemic has accelerated digital transformation and highlighted how essential digital technologies are for work, commerce and the provision of public services, including healthcare services. The digital economy will be a vital pathway to lifting regional economic growth in the aftermath of COVID-19. Digital technologies also have significant potential to advance social outcomes, such as financial inclusion, better healthcare, and increased sustainability. Ultimately, a digitally-enabled economy, with broad participation across society and businesses, will be better placed to recover and thrive.

⁸ Organisation for Economic Co-operation and Development. (2005). *Environmentally Harmful Subsidies: Challenges for Reform*. Retrieved from

<https://www.oecd.org/fr/tad/environmentallyharmfulsubsidieschallengesforreform.htm>

⁹ APEC. (2009). *APEC 2009 Leaders' Declaration, Singapore*.

¹⁰ Economies that have undergone fossil fuel subsidy reform peer review include China, the United States, Indonesia and Mexico (through the G20 process), and Peru, New Zealand, the Philippines, Chinese Taipei and Viet Nam (under APEC).

32) Building on the APEC Internet and Digital Economy Roadmap (AIDER) and the APEC Action Agenda for the Digital Economy, the priority for APEC in the coming year will be to accelerate practical actions for the **implementation of the AIDER's work program**. To do this, New Zealand will seek a focus on three key areas of the digital economy in 2021: advancing digital inclusion, infrastructure and green technology; digitally-enabled business and trade; and structural reform to support innovation.

A. Advancing digital inclusion, infrastructure and green technology

33) While digital transformation offers great potential for economic growth and meaningful employment, it is important that the benefits are spread fairly and do not exacerbate inequality within and between economies. To make the digital economy inclusive, APEC needs to ensure that groups that have traditionally been left behind have adequate access to the tools and skills they need. These groups include small businesses, the elderly, women, indigenous peoples and rural communities. APEC can collaborate to foster innovation on issues and norms around skills and workforce development to ensure that our people can participate as fully as possible in the ever-changing global economic environment. APEC should continue to share best practice around **developing digital skills and promoting digital literacy**, with a view to developing agile workforces that can adjust to changing circumstances and fill the jobs of tomorrow. New Zealand will also promote steps to broaden participation in e-commerce, including by enhancing the participation of indigenous peoples and ethnic minorities as a means of developing robust and commercially viable agribusinesses.

34) As COVID-19 has demonstrated, digital technologies and tools can be critical factors affecting health, educational, and commercial outcomes. Broadening access to digital infrastructure, including broadband, information, and communications technology networks, is critical to bridging the digital divide. Improving digital infrastructure will accelerate economic opportunities for business and people across the region. As such, open technology markets should be a priority to increase competition, lower prices, and increase the accessibility and uptake of digital technologies.

35) New technologies also present opportunities to **advance sustainability goals**. To contribute to a green economic recovery and the transition to a low-carbon future, it is important that APEC economies support the development of emerging technologies through investment and industry policy. A synchronized green and digital infrastructure investment push would invigorate growth and address environmental goals. For example, by promoting the uptake of digital technologies in agriculture and food and beverage businesses, APEC could support sustainable food production and food security objectives. Renewable energy technologies also offer mutually reinforcing economic and sustainability opportunities. For example, developing common standards on low-carbon hydrogen production could contribute towards climate-related goals and encourage the development of a low-emissions hydrogen supply chain in the APEC region.

B. Digitally-enabled business and trade

36) Compared to other areas, there are relatively few international rule frameworks for the digital economy. APEC should play an important role in **supporting the development and implementation of international rules** in this area. This could be done, for instance, by lending support to the WTO E-commerce Joint Statement Initiative and the WTO Moratorium on Customs Duties on Electronic Transmissions. APEC members can learn from each other's experience in developing relevant rules through policy dialogues and information sharing mechanisms with a view to minimising the regulatory "noodle bowl" which raises the cost of doing business across the region. The Digital Economy Partnership Agreement signed by New Zealand, Chile and Singapore in 2020 provides an example of how APEC economies can work together on many aspects of the digital economy to enhance regulatory alignment and promote interoperability of standards. Other reference points include e-commerce provisions found in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). By promoting these kinds of rules-based initiatives, APEC can help provide the predictability, certainty and trust that businesses and consumers need to make the most of digital trade. APEC can also assist in developing principles for this area, as demonstrated by the APEC Pathfinder Initiative on Building Blocks for Facilitating Digital Trade.

37) Data flows, including cross-border data flows, underpin most business operations. Rules around the movement and storage of data need to spur innovation whilst preserving consumer trust, business integrity, and maintaining future regulatory policy space for governments on issues including privacy and security. APEC should promote the healthy development of the digital economy through regulatory and policy settings that enable responsible, data-driven innovation.

38) Most businesses, even those focused on domestic markets, will have at least some engagement with digital trade tools, whether through use of cloud computing, supply chain management, data analytics, or the adoption of smart technologies. Yet there are divergent approaches to policy and regulations amongst APEC members that govern cross-border data flows and shape how digital tools are implemented. This in turn results in additional costs for firms, notably for smaller businesses, when they attempt to access global markets. **Interoperable systems and regulatory coherence** should be guiding principles for APEC's work on the digital economy. For example, by ensuring that different e-invoicing systems around the region are interoperable APEC can reduce the barriers and transaction and financial costs encountered by businesses, improve their cash flow, and strengthen their resilience.

39) Adopting **digital technologies and processes across the border** can enable more efficient and transparent international trade. Digital systems have also supported the movement of goods and services without requiring personal interactions, which has been increasingly important in light of COVID-19. APEC should prioritise work on all aspects of digitally-enabled trade facilitation to make it easier to export goods and services, without creating further impediments to trade. In particular,

APEC members should further harmonise customs procedures and streamlining border processing, including through greater acceptance of electronic customs and border-related documentation.

C. Structural reform to support innovation

40) There is general agreement that economies will need to regulate to address some of the issues surrounding digitalisation, including privacy, security and governance. But the diversity of approaches developed by economies, or groups of economies, can serve as a barrier to growth in digital industries. To support recovery from COVID-19 APEC should **increase regulatory cooperation** and prevent digital markets from becoming fragmented. A new APEC agenda for structural reform, with a pillar focused on innovation, should be launched and support efforts to ensure that new regulation is flexible, responsive and as streamlined as possible across the region. This does not mean the adoption of a single system or policy. Instead, APEC might consider how to improve the interoperability of standards, regulations and policies.

41) In supporting the growth of the digital economy, APEC economies need to **promote innovation and ensure robust competition**. Applying traditional competition policy tools to the digital world has proven challenging for a variety of reasons. In some cases, regulatory settings may be overly restrictive, in others an uneven playing field has emerged in which first-movers or incumbent firms can benefit disproportionately due to network and scale effects. APEC should assess good regulatory practices in the digital economy, including by building a better understanding of different approaches to competition and regulation in digital markets. It should also promote effective cross-border cooperation, which can be essential for effective regulatory outcomes.

42) Creating **good governance frameworks for new technologies** is another common regulatory challenge for APEC members. Many emerging technologies hold exciting potential but need to be developed responsibly to avoid unintended consequences. APEC should support efforts to strike the right balance between opportunity and risk management for new technologies. These discussions should be informed by practical case studies, research and analysis, and multi-stakeholder engagement. For example, APEC should support its members to drive the adoption of artificial intelligence in a safe and considered way in order to realise the economic opportunities it offers, especially for smaller businesses. APEC should also consider how to develop the skillsets needed by future workforces to leverage the opportunities that artificial intelligence will generate.