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## 2016 Leaders' Declaration

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### 2016 LEADERS' DECLARATION

We, the Leaders of APEC, met in Lima under the theme of *Quality Growth and Human Development* to continue working on our common endeavor to support free and open trade and investment, sustainable economic growth and shared prosperity in the Asia-Pacific region. Within this vision, in 2016 we have focused our efforts on the following thematic priorities: Regional Economic Integration and Quality Growth; Enhancing the Regional Food Market; Towards the Modernization of Micro, Small and Medium-sized Enterprises (MSMEs) in the Asia-Pacific; and Developing Human Capital.

Eight years after Peru hosted APEC for the first time, the world economic recovery is progressing, but facing increasingly far-reaching and interrelated challenges. The confluence of inequality in some economies and uneven economic growth, as well as environmental degradation and the risks posed by climate change, affect prospects for sustainable development, and deepen uncertainty toward the immediate future. In addition, globalization and its associated integration processes are increasingly being called into question, contributing to the emergence of protectionist trends.

While these challenges may pose a risk to our common aspirations and objectives, we recommit our efforts to ensure APEC maintains its global leadership as a forum that can, through cooperation, tackle the most pressing problems, and continue to be an incubator of ideas of the future. In that sense, we remain committed to the implementation of the 2030 Agenda for Sustainable Development as it represents a balanced and comprehensive multilateral framework for international cooperation. We also welcome the recent entry into force of the Paris Agreement and commit to its transparent and effective implementation in order to transition towards a low carbon, climate resilient economy.

#### Quality Growth and Human Development

We reaffirm our aspirations towards balanced, inclusive, sustainable, innovative, and secure growth in the APEC region, as reflected in the APEC Accord on Innovative Development, Economic Reform and Growth, and the APEC Strategy for Strengthening Quality Growth by 2020, to bring greater focus to the importance of pursuing quality growth as envisaged in the 2010 APEC Growth Strategy.

Stressing the importance of achieving quality growth, we also pledge to focus our efforts on ensuring that our policies and strategies contribute in concrete terms to raising people's quality of life and enhancing social equity in the region. We therefore recognize that our efforts to achieve APEC's objectives and goals must remain focused on improving the lives of our people.

We recognize the vital importance of continuing work towards an inclusive education agenda that will enable people of all ages to meet the challenges of a globalized world. Furthermore, realizing that equitable access to high-quality education and training will allow our people to develop skills and competencies from early childhood and throughout their lifetime, we must focus our efforts on improving the quality, mobility and access to education including in partnership with employers, and soft skills development.

We encourage our economies to collaborate on improving education in the Asia-Pacific region under the principles established in the APEC Education Strategy. This strategy outlines a path for achieving a strong and cohesive APEC education community characterized by inclusive and quality education that supports sustainable economic growth and social well-being, enhances competencies, accelerates innovation and increases employability.

Given that full and productive employment for all population groups is essential for human development in the region, we also recognize that the economic empowerment of women, youth and persons with disabilities should be a priority under the APEC agenda for enhancing quality growth and human development.

In this regard, we commit to strengthen our efforts to ensure decent work and work life quality for all, especially socially vulnerable groups, by providing access to quality inclusive education and vocational training; boosting entrepreneurship; improving social protection; and enhancing regional cooperation.

We recognize women's vital contribution to economic and social development and we commit to strengthen our efforts to support the mainstreaming of gender equality and women's empowerment across APEC's work, to ensure that women enjoy equal access to quality education and economic resources. We welcome efforts to support women's entrepreneurship, grow women-led SMEs, enhance women's digital literacy, promote women's career development, strengthen women and girls' access to science, technology, engineering and mathematics (STEM) education and careers and address health-related barriers to women's economic participation. We believe that the development of ICT plays a vitally important role in human development and we reaffirm our willingness to achieve next-generation broadband by 2020.

Recognizing health as the foundation of economic prosperity and human development, we highlight the importance of promoting health systems towards the achievement of Universal Health Coverage (UHC), which are resilient, sustainable, accessible and responsive to current and future needs to foster quality growth and human development. We look forward to further work on ways to address the fiscal and economic impacts of ill health.

#### **Challenges and opportunities for free trade and investment in the current global context**

We recognize that there has been a slow and uneven recovery from the economic and financial crisis of 2008, resulting in lower global economic growth, volatile financial conditions, lower commodity prices, rising inequalities, employment challenges, and significantly slower expansion of international trade in recent years.

We remain committed to using all policy tools – monetary, fiscal and structural – individually and collectively, to strengthen global demand and address supply constraints. We reaffirm the important role of mutually-reinforcing policies to buttress our efforts to achieve strong, sustainable, balanced and inclusive growth. We reaffirm our previous commitments on monetary and exchange rate policies. We will refrain from competitive devaluation, resist all forms of protectionism and not target our exchange rates for competitive purposes. We reiterate that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability.

While the complex global economic environment will continue framing our work, it also represents an opportunity to reiterate our commitment to build a dynamic, harmonious and open economy in the Asia-Pacific region featuring innovative development, interconnected growth and shared interests, that advances employment opportunities for all, by reaffirming free and open trade and investment, accelerating regional economic integration, promoting competitive markets, encouraging economic and technical cooperation, and facilitating a favorable and sustainable business environment.

These overarching principles will continue to guide us in our common path. At the same time, we acknowledge that economies need to reach out to all sectors of our societies to better explain the benefits of trade, investment and open markets, and to ensure that those benefits are widely distributed.

Building on the WTO's successful Bali and Nairobi Ministerial Conferences and recognizing all the elements contained in the Ministerial Declarations, we commit to continue implementing the Bali and Nairobi outcomes and advance negotiations on the remaining Doha Development Agenda issues as a matter of priority. We also note a range of issues of common interest and importance to today's economies in the Asia-Pacific region may be legitimate issues for WTO discussions. Therefore, we instruct our officials to work with a sense of urgency and solidarity with all WTO members to set the direction together towards achieving positive, and meaningful results by the next WTO Ministerial Conference in 2017 and beyond.

We reaffirm our commitment to keep our markets open and to fight against all forms of protectionism by reaffirming our pledge against protectionism through a standstill commitment that we agree to extend until the end of 2020 and to roll back protectionist and trade-distorting measures, which weaken trade and slow down the progress and recovery of the international economy.

We welcome the progress made by economies in notifying their acceptance of the WTO Trade Facilitation Agreement (TFA) and support its entry into force at the earliest possible date. We call upon the remaining APEC economies as well as other WTO members to make their utmost efforts to submit their instruments of acceptance of the TFA by the end of the year.

We recognize that WTO consistent plurilateral trade agreements with broad participation can play an important role in complementing global liberalization initiatives. In this regard, the ongoing or already concluded plurilateral agreements such as the Information Technology Agreement and its expansion, the Trade in Services Agreement, and the Environmental Goods Agreement, shall be open to all WTO members who share the objectives of such plurilateral agreements and negotiations for participation.

Furthermore, we also welcome the implementation of the Information Technology Agreement (ITA) expansion and call on those who have committed to implement by July 1<sup>st</sup> 2016 to do so as soon as possible.

APEC Economies participating in the WTO Environmental Goods Agreement (EGA) negotiations reaffirm their aim to redouble efforts to bridge remaining gaps and conclude an ambitious future oriented EGA that seeks to eliminate tariffs on a broad range of environmental goods by the end of 2016, after finding effective ways to address the core concerns of participants.

We underscore the importance of investment as a catalyst for economic growth and job creation. We commit to take concrete measures to provide an enabling environment for investment.

We acknowledge that structural reform is critical to improving economic efficiency, increasing productivity and competitiveness, creating jobs and promoting innovative growth in the face of the slowdown in the global economy. In this regard, we emphasize the importance of removing those structural and regulatory obstacles that unnecessarily inhibit cross-border trade, finance and investment, and create behind-the-border barriers to doing business. We encourage concrete actions by economies to deepen efforts in line with the Renewed APEC Agenda for Structural Reform (RAASR). Accordingly, we note the conclusion of RAASR Individual Action Plans by all member economies and welcome those commitments to important domestic structural reforms. At the same time, we recognize that structural reforms can be applied flexibly depending on domestic circumstances and macroeconomic situation. We also welcome the progress made so far on the Ease of Doing Business initiative.

We welcome the Strategy for Modernization of Finance Ministers' Process and the Strategy for Implementation of the Cebu Action Plan, which will lay the foundations to ensure concrete outcomes to facilitate implementation of meaningful reforms in our economies that take into account their level of development and domestic circumstances.

Following the path established in the Beijing Roadmap for APEC's Contribution to the Realization of the Free Trade Area of the Asia Pacific (FTAAP) in 2014, we reiterate our commitment to the eventual realization of the FTAAP as a major instrument to further deepen APEC's regional economic integration agenda. With this vision, we endorse the Collective Strategic Study on Issues Related to the Realization of FTAAP and its Executive Summary. Furthermore, we endorse the

Recommendations of the Study as the Lima Declaration on FTAAP (annexed to this Declaration).

We commend APEC officials for their hard work on finalizing the Collective Strategic Study. We instruct officials to implement the Lima Declaration on FTAAP, in particular to develop, and implement work programs towards the realization of the FTAAP. We look forward to regular progress reports on implementation of these work programs and APEC's collective readiness to build capacity to realize the FTAAP. Furthermore, based on the Study and other APEC work as possible references, we instruct officials to consider next steps that can be taken towards the eventual realization of an FTAAP.

We recognize the Bogor Goals of free and open trade and investment in the Asia-Pacific region as one of the most important milestones in the history of APEC, which inspires member economies in their pursuit of sustainable development and equitable growth. We acknowledge that APEC member economies have made substantial progress in many areas related to the Bogor Goals, including via lower applied tariffs, more Regional Trade Agreements/Free Trade Agreements (RTA/FTAs), increased openness to foreign trade and investment, and improved trade and investment facilitation. At the same time, we recognize that more work needs to be done to improve the existing trade and investment conditions, as progress has been uneven across the region.

We welcome, therefore, the Second-term Review of Economies' Progress towards the Bogor Goals and instruct officials to pursue work in those areas where progress has been uneven, including non-tariff measures, the slowdown in trade within APEC, and unemployment.

Four years before the target of the Bogor Goals and with major developments taking place both within and outside APEC, we consider it pertinent to start a process of reflection on an APEC post-2020 vision. Therefore, we commend Peru's initiative to start in 2016 a series of high-level dialogues on APEC Toward 2020 and Beyond and instruct our officials to continue this process on a yearly basis until 2020.

We acknowledge that the services sector is a major contributor to productivity and growth within APEC. Improved competitiveness in services as well as growth in services trade through an open and predictable environment for access to services is one of the key factors for APEC to boost its economic growth. We also recognize that we need to address barriers that inhibit our businesses from competing or trading in services markets. We therefore endorse the APEC Services Competitiveness Roadmap (annexed to this Declaration) and instruct officials to monitor and evaluate progress in implementing the Roadmap, taking concrete actions and pursuing mutually agreed targets that will facilitate services trade and investment and enhance the competitiveness of the services sector, while addressing factors constraining the growth of trade as well as considering the differences in economic and social circumstances across APEC economies.

We recognize that innovation is a key driver of quality growth. In this regard, we encourage efforts to identify new growth engines, and will embrace the opportunities brought forth by sectors such as the Internet and Digital Economy.

We welcome the endorsement of the next steps to advance our work on digital trade and the progress made in Internet Economy cooperation. We instruct officials to continue to advance work in accordance with the agreed work plan endorsed by Ministers. We also welcome APEC economies' initiatives and leadership to explore new areas of potential economic growth in the area of digital trade and related issues, such as those identified by Ministers.

We recall the APEC Leaders 2011 Honolulu Declaration and recognize the importance of implementing the APEC Cross-Border Privacy Rules (CBPR) System, a voluntary mechanism whose participants seek to increase the number of economies, companies, and accountability agents that participate in the CBPR System.

We will collaborate to unleash the potential of the digital economy and strongly support an accessible, open, interoperable, reliable and secure ICT environment as an essential foundation for economic growth and prosperity. We will continue to promote policy and regulatory environment to ensure ICT security, data and privacy protection by developing interoperable and flexible frameworks. We also affirm that economies should not conduct or support ICT-enabled theft of intellectual property or other confidential business information, with the intent of providing competitive advantages to companies and commercial sectors. We also affirm the importance of promoting competition, entrepreneurship, and innovation through effective and comprehensive measures, including balanced intellectual property (IP) systems and capacity-building.

We recognize that micro, small and medium-sized enterprises (MSMEs) are an essential component for economies to achieve quality growth and prosperity. As sources of innovation and employment, MSMEs are also well placed to promote entrepreneurship, to benefit from structural reform and to advance sustainability in our economies, maximizing the impact of policies, strategies and best practices. Strengthening of MSMEs will imply concrete progress in increasing their innovation capacities and competitiveness, including intellectual property rights commercialization, work towards guaranteeing access to financial means and capacity building, enhancing their participation in the internet and digital economy and through electronic commerce, reducing the technological gap, strengthening ethical business practices to support MSMEs' growth and cross border trade, progressively inducing a shift into a more sustainable, eco-friendly and green production, and supporting their internationalization including through the means of ICT.

We welcome the Supporting Industry Initiative and look forward to its implementation in 2017. We recognize the potential of greening MSMEs for sustainable development in APEC and encourage officials to carry out additional work on this topic next year.

We resolve to advance Global Value Chains (GVCs) development, Supply Chain Connectivity, and Supply Chain Resiliency. We commend the solid progress towards the completion of the APEC Trade in Value-Added (TiVA) Database by 2018. We welcome the Report on APEC Developing Economies' Better Participation in GVCs and encourage further efforts to enable better participation, greater value added and upward mobility of developing economies and MSMEs in GVCs. We recognize the value of using new technologies to achieve greater efficiencies, resilience and cooperation in supply chain connectivity and encourage efforts to explore current and future initiatives toward this end as identified by Ministers.

We also endorse Phase Two of the Supply Chain Framework Action Plan (SCFAP) 2017-2020 and welcome the implementation of the plan next year to continue efforts to enhance trade facilitation and supply chain connectivity in the APEC region.

We recognize that energy access and energy security are critical to the shared prosperity and future of the region. We also underline the importance of stable and transparent world energy markets. We reaffirm our readiness to further energy cooperation, including areas such as renewable energy sectors and energy efficiency to create necessary conditions for trade, investment and economic growth, ensuring that all the economies of the region have access to energy.

We reaffirm our aspirational goals to reduce aggregate energy intensity by 45 percent by 2035 and double renewable energy in the regional energy mix by 2030. We reaffirm our commitment to rationalize and phase out inefficient fossil fuel subsidies, welcome ongoing peer review and capacity building activities, and encourage further efforts to facilitate subsidy reform.

#### **Towards real and functional connectivity in the region**

We recognize that strengthened connectivity will contribute to opening up new sources of economic growth, fostering inclusive and interconnected development, advancing regional economic integration and bringing APEC economies closer as a community. In this regard, we note with appreciation that significant work has already been done by various APEC fora and working groups in advancing connectivity in the region, including providing support for enhancing sub-regional connectivity. However, challenges still remain.

We reaffirm, therefore, our commitment to the overarching goal of a seamlessly and comprehensively connected and integrated Asia-Pacific by 2025, express our appreciation for the efforts and accomplishments of APEC members in implementing the APEC Connectivity Blueprint 2015-2025, and encourage the use of policy dialogues noted in the Blueprint to exchange best practices and information on relevant topics.

We reiterate the importance of people-to-people connectivity and remain committed to its improvement through, inter alia, further development of tourism, cultural exchange, mobility of business people, cross-border education and travel facilitation.

We affirm our commitment to promote investment with a focus on infrastructure in terms of both quantity and quality. We reiterate the importance of quality infrastructure for sustainable economic growth. Recognizing the important elements to realize quality infrastructure identified in APEC Connectivity Blueprint 2015-2025 and its subsequent works, we are committed to translate this concept into actions including in ICT, energy and transport.

We welcome progress and look forward to continue exploring infrastructure financing including through mobilizing private sector resources and public-private partnerships (PPP). We encourage further work to pursue the quality improvement of investment opportunities. We are committed to enhancing the synergy and cooperation among various infrastructure connectivity programs in the region, and welcome the Collaboration Action Plan between APEC Member Economies and the Global Infrastructure Hub. We recognize the lack of effective solid waste management infrastructure imposes great socio-economic and environmental costs, and we encourage further work on this topic.

We welcome economies' initiatives to achieve comprehensive regional connectivity, which are being jointly built through consultation to meet the interests of all. We encourage further implementation of these initiatives with a view to promoting policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds in the region, and encourage further collaboration among these initiatives in order to promote regional economic integration and the common development of the Asia-Pacific region.

#### **Food security, climate change and access to water**

We recognize that APEC can contribute to address challenges to food security while preserving natural resources by taking steps to further promote sustainable agriculture, food, forest management, fisheries and aquaculture, enhance food markets, integrate food producers into domestic and global food supply and value chains, reduce food loss and waste, address chokepoints arising from infrastructure gaps, and burdensome and unnecessarily restrictive trade measures, as stated in the Piura Declaration on APEC Food Security, and reinforce capacity building including by facilitating innovation such as utilizing ICT and relevant technologies. We encourage efforts to promote agricultural sustainable development in the APEC Region.

We look forward to seeing this work progress in a manner that complements sustainable economic development and international trade in the APEC region. APEC work to increase economic integration will contribute to increased safe food availability through international trade with science-based regulations and WTO-recognized international food-related standards.

Climate change is one of the major challenges for food production and food security. We commit to enhance our cooperation on implementing policies to address the relationship between food security and climate change in ways that respect varying conditions in each economy and welcome the APEC Program on Food Security and Climate Change. We also commit to intensify our efforts to mitigate impacts of drought, flood and climate-related disasters on food production and food security.

We recognize that water is a key driver of agricultural development and a basic element for socio-economic development across the APEC region. Thus we encourage economies to share best practices in water management to ensure water availability and increase water use efficiency, considering multi-sectoral and multi-level perspectives. We will foster APEC cooperation for the sustainable use and integrated management of water resources.

Acknowledging the importance of socio-economic factors underlying food security in rural-urban communities and vulnerable groups, we aim to work towards a comprehensive approach towards rural-urban development. We recognize the important implications of urbanization and diet diversification in the APEC region and support APEC efforts to explore new integrated approaches building upon the experiences and best practices shared among APEC economies to promoting food security and economic growth that mutually benefit urban and rural areas, including the newly developed Strategic Framework on Rural-Urban Development to Strengthen Food Security and Quality Growth in APEC. We also note the direct relevance of a number of the Sustainable Development Goals (SDGs) for food security and poverty eradication. In supporting the Sustainable Development Goals we remain committed to increasing our efforts to combat illicit wildlife trafficking.

#### **Looking forward**

To achieve sustainable growth in the Asia-Pacific region we must continue working with a renewed sense of urgency and through Asia-Pacific partnership featuring mutual respect and trust, inclusiveness and win-win cooperation in implementing our commitments and achieving our goals.

We call for effective economic, financial and social inclusion of women, elderly, youth and rural communities as well as disadvantaged or vulnerable groups such as Indigenous peoples and persons with disabilities.

We strongly condemn terrorism in all its forms and manifestations. We recognize the serious threat that terrorism poses to our fundamental values that underpin our free and open economies. We encourage economies to continue to take actions and share best practices in the four cross-cutting areas of APEC's Consolidated Counter Terrorism and Secure Trade Strategy.

We welcome the Lima ACT Statement on Fighting Corruption and encourage all economies to implement critical anti-corruption actions, with a specific focus on bribery of domestic and foreign public officials, and with the effective participation of all relevant stakeholders, including through the APEC Anti-Corruption Authorities and Law Enforcement Agencies (ACT-NET).

We endorse the 2016 APEC Joint Ministerial Statement and commend the work of our Ministers and officials as reflected in the results of the Sectoral Ministerial Meetings, High-Level Policy Dialogues, the Finance Ministers' Process, the Committees and Working Groups of the Senior Officials Meeting, and all related mechanisms. We instruct our Ministers and officials to continue their work, including implementation of the recommendations, work programs, initiatives and action plans of the resulting documents from the 2016 Sectoral Ministerial Meetings and High-Level Policy Dialogues, bearing in mind the vision contained in this Declaration, as well as our previous meetings.

We welcome the contributions of the APEC Business Advisory Council (ABAC) to our work as well as from the Pacific Economic Cooperation Council (PECC), international and regional organizations, the private sector, local government executives, and academia and other relevant stakeholders.

Recognizing that continuity of our agenda is key to APEC's relevance, we thank Peru for its leadership this year as it has built on the vision and work of the previous APEC hosts.

We look forward to meeting again in Viet Nam in 2017.

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