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Priorities for APEC Peru 2024 - Policy and Discussion Papers

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Policy Paper

Priorities for APEC Peru 2024

The last few years have been marked by unprecedented challenges on a global scale that needs to be addressed in an effective and cooperative way. All economies have been affected by the COVID-19 pandemic, the increasingly threatening effects of climate change, the disruption of global supply chains and the challenges of an emerging digital economy. Despite the post pandemic recovery process, the signals of a sustainable economic growth are still weak.

All these challenges have generated higher levels of income inequality, loss of jobs, and the growing marginalization of wider segments of our respective populations. Employment conditions are more precarious and insufficiently protected. A sense of uncertainty is expanding among our peoples that could erode trust in the effectiveness of our economic and social institutions.

The Asia-Pacific region is globally one of the most important engines of economic growth. Its successful economic performance could be significantly enhanced if it considers the need to incorporate concepts of inclusion, sustainability, and resilience. The unprecedented challenges of today invite us to consolidate a new approach to our economic cooperation agenda. Indeed, over the last few years, APEC has already developed a vision for a more balanced, sustainable, and inclusive economic development.

For that reason, Peru wants to emphasize the need to underscore the social dimension of economic growth and development and the urgent requirement to empower the most vulnerable people of our economies, to harness the opportunities offered by the digital transformation in the Asia-Pacific region and, accordingly, give a new impetus to economic growth. As such, the Peruvian theme proposed for APEC 2024 is **EMPOWER. INCLUDE. GROW.**

This theme covers the following three priorities that Peru proposes:

1. Trade and investment for inclusive and interconnected growth.
2. Innovation and digitalization to promote transition to the formal and global economy.
3. Sustainable growth for resilient development.

These three priorities are covered under the theme of Empower. Include, Grow. Regarding priority number 1, based on the Lima Declaration on the Free Trade Area of

the Asia Pacific (FTAAP) adopted in 2016, Peru would like to propose a new vision of FTAAP. With that in mind, we will invite economies to consider topics such as inclusion, resilience, connectivity, and sustainability along with traditional trade issues. A reflection on both the divergences and convergences among FTAs in the Asia-Pacific region would be conducive to this objective.

For the second priority, Peru would like to propose recommendations of best practices and public policies to empower the most vulnerable segments of our population to successfully transition from informality to the formal economy and into the Asia-Pacific markets, with an emphasis on innovation and digitalization as some of the most important tools to facilitate this transition.

Informality is one type of exclusion in our economies and impedes the access of our workers and enterprises, particularly SMEs, to regular financial sources, including environmental facilities; to public services such as health and education; and to formal capacity building initiatives to improve their digital skills.

Finally, sustainability is another key concept that secures and strengthens growth in the long term. We need to include growing segments of our population in a just-energy transition with sound arrangements to ensure their food security. For those reasons, Peru would like to jointly work with all APEC economies on the development of a) policy guidance for the use of low carbon hydrogen in the Asia Pacific region, and b) APEC principles for preventing and reducing food loss and waste.

Empower. Include. Grow

Peru believes that APEC will continue to chart a course toward greater economic and technical cooperation, promoting prosperity and well-being for all the people in the Asia-Pacific region. APEC Peru 2024 will rely on collaboration and the consensus of all members to further advance our common goal of building a more inclusive, resilient, and sustainable region.

Discussion Paper on Priority 1:

Trade and investment for inclusive and interconnected growth

1. Background

Trade and investment have been at the core of APEC’s agenda since its creation. With the adoption of the Bogor Goals from 1994 until 2020, APEC economies made trade and investment liberalization and facilitation part of its main pillars.

In 2020, Leaders adopted the APEC Putrajaya Vision 2040 (APV2040), which set out a new mission statement for APEC for the next 20 years. The vision is for “an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations”. The Putrajaya Vision 2040 will be achieved through three economic drivers: trade and investment; innovation and digitalization; and strong, balanced, secure, sustainable, and inclusive growth.

In 2021, the APEC Leaders adopted the Aotearoa Plan of Action (APA) for implementing the Putrajaya Vision 2040. The APV2040 set a long-term vision for the region, focusing on equitable and sustainable development, placing strong emphasis on sustainability, human capital development, innovation, and digital transformation. The vision foresees a comprehensive and interconnected form of development, ensuring that growth benefits all segments of society.

More recently, the Bangkok Goals on the Bio-Circular Green Economy reiterated APEC’s commitment to pursuing inclusive trade and investment while ensuring these are mutually supportive of environmentally sustainable policies. The Principles on Integrating Inclusivity and Sustainability into Trade and Investment Policy, adopted in 2023 in San Francisco, signaled that “policies that support a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment can contribute positively to uplifting livelihoods and advancing sustainable economic growth for all of our peoples and our economies, and by doing so, further advance economic integration in the region”.

With this in mind, the Free Trade Area of the Asia Pacific FTAAP remains a key aspiration to promote regional economic integration. As stated in the Lima Declaration on FTAAP (2016) “APEC plays a key role as an incubator of issues related to the FTAAP by providing leadership, intellectual inputs and capacity building (...).”

Given the nature of APEC’s vision of 2040 and the global challenges economies are facing, there is a need for economies to work on “a new look at the FTAAP”¹, while continually progressing this goal.

2. Proposal

On trade liberalization:

To “deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment”, Peru intends to support the implementation of MC13 WTO outcomes and effectively advance efforts on the FTAAP agenda, consistent with the Lima Declaration on FTAAP of 2016.

Activities will include the review of the work done on the FTAAP, a study and discussions on convergences and divergences of FTAs in the region with a view to contribute to comprehensive and high standard FTAs, and the organization of a series of dialogues on FTAAP at the margins of each CTI meetings in 2024.

Based on the findings and results of these activities, and if agreeable by member economies, Peru proposes to have a stand-alone statement to be adopted by Ministers at AMM and Leaders at AELM, reaffirming FTAAP’s common vision while setting out a concise list of areas/streams of work.

On trade facilitation:

Peru will strive to strengthen connectivity and resilient supply chains within APEC, look for the adoption and improvement of effective standards and conformance systems, and promote the flow of quality investment.

On trade and inclusion:

To “foster quality growth that brings palpable benefits and greater health and wellbeing to all, including MSMEs, women and others with untapped economic potential”, Peru intends to promote start-ups and advancing MSMEs’ access to global markets and global value chains, and to enhance the economic empowerment of women.

Additionally, Peru will organize the first ever APEC joint Meeting of Ministers Responsible for Trade and Ministers of Women, to explore and adopt further measures

¹ Committee on Trade and Investment 2023 annual report to Ministers, page 5.

to enhance women's capacities to progress and to untap the economic potential of women.

Discussion Paper on Priority 2:

Innovation and digitalization to promote transition to the formal and global economy

1. Background

Informality remains a critical challenge despite economies' efforts over the years to address it. It affects half of the global labor force in the world and the majority of MSMEs worldwide; meaning that a vast majority of people depend on the informal economy for their livelihoods. Informality can include under-declarations of wages, self-employment, semi-registered economic units, undeclared transactions in formal economic units, among others.

According to the World Bank's Informal Economy Database, in APEC economies the share of total employment that could be categorized as informal ranges between 29.3 percent (Chile) to 82.4 percent (Indonesia). It also states that in terms of output, the informal sector makes a significant contribution to the economy. For instance, the contribution of the informal sector in APEC economies in 2018 was between 8.2 percent (US) and 56.6 percent (Peru) of the economy's official GDP².

In addressing informality, economies and policy makers are increasingly relying on digital tools as enablers of integrating different economic actors into the mainstream economy. According to a recent study by APEC's Policy Support Unit (PSU), "digitalization has expanded the policy options available to governments" while "it is not devoid of challenges"³

APEC started developing a consistent approach with the Putrajaya Vision 2040, which incorporates inclusion to APEC's core agenda. Furthermore, the Aotearoa Plan of Action (APA) calls economies to develop measures to encourage the transition of informal economic actors to the formal economy. In that context, Peru proposes to support the transition of economic actors from the informal to the formal economy, building on the APA, the 2023 APEC Leaders' Golden Gate Declaration, and the 2022 and 2021 APEC Leaders' Declarations. The La Serena Roadmap for Women and Inclusive Growth (2019-2030), the APEC Roadmap on Digital Financial Inclusion, and the Detroit Non-Binding Principles and Recommendations for Equality and Inclusion in

² Loayza, N. 2017. "Strategy for the Formalization of the Peruvian Economy". Updated version of the report approved by the Board of Directors of the National Council for Competitiveness and Formalization.

³ APEC Policy Support Unit Policy Brief No. 44 – April 2022, page 1.

Education, Training, and Employment adopted in 2023 are also an important basis for this collective effort.

Given its cross-cutting nature and the wide range of policies that can influence the levels of formality and informality of an economy, there is a need to integrate the issue into specific policy frameworks and strategies.

APEC, as the premier economic cooperation forum in the Asia Pacific region and placed “at the center of the global economy”⁴, is perfectly positioned to further develop this approach in a balanced and concerted fashion.

2. Proposal

Peru will organize a public-private dialogue and workshops - including at SOM level - to support capacity building and exchange policies, practices, and incentives in common areas of interest that facilitates the transition from informal employment and informal entrepreneurship to formality. To do this, we will attach particular importance to the role of social and solidarity economy to improve competitiveness and to drive the formalization process; the transition to the formal economy through technology (e-formality); and promoting formalization in value-added chains to facilitate regional trade and access to financing.

During SOM 1 2024, Peru will organize a SCE Policy Dialogue on understanding the role of digital connectivity in the formalization process of informal businesses in the Asia-Pacific region. Moreover, Peru will invite all economies to showcase successful policies and cases of promoting transition to the formal economy in a public-private dialogue that will take place on the margins of SOM 2 2024.

During SOM 3, Peru will also host the 17th Conference on Good Regulatory Practices (GRP17) focused on lessons learned on the impact of regulatory quality on productivity, competitiveness, and formality.

A special focus will be put on narrowing gaps through inclusive digital transformation, financial inclusion, and open finance to empower groups with untapped economic potential. A focus on women in the economy will be discussed in a Symposium on Promoting Women’s Economic Empowerment through Financial Inclusion Initiatives.

⁴ United States Secretary of the Treasury Janet Yellen, during her intervention at the 2023 APEC Finance Ministers’ Meeting in San Francisco, as referred by <https://www.apec.org/press/news-releases/2023/secretary-yellen-apec-is-at-the-center-of-the-global-economy-actions-we-take-matter>

Peru will organize a workshop on the Open Finance implementation process to achieve a compendium of lessons learned, identified in the workshop, as well as through the completion of a survey.

Additionally, Peru will focus on the informal economy in the tourism sector. In 2023, a MSMEs Network on Community-based Tourism in the Rural Areas of APEC Economies was launched and can further this priority. In 2024, Peru will organize a study and workshop to generate digital tools for the transition to formal economy of tourism businesses in the Asia-Pacific region. A second workshop will exchange experiences on the generation of digital tools for the transition to formal economy of tourism businesses in the region and analyzing the impact of creative economies on the future of tourism.

With the aim to provide a comprehensive basis to accelerate APEC actions, Peru will propose a standalone roadmap on the transition to the formal economy, to be adopted by our Leaders at the 2024 APEC Economic Leaders' Meeting. The document intends to be a reaffirmation of APEC's commitment to pursue a more balanced, sustainable, and inclusive growth and prosperity for all, leaving no one behind.

This document will serve as a basis for future projects and partnerships, contributing to the enhancement of APEC's individual and collective efforts, while informing domestic policies. It will adhere to APEC's non-binding and voluntary principles.

The proposed timeline is as follows:

4 December 2023 (before ISOM)	APEC Symposium - a session to introduce Innovation and digitalization to promote transition to the formal and global economy
December 2023 (during ISOM)	Table Discussion paper on Innovation and digitalization to promote transition to the formal and global economy
January-February 2024	Develop a key elements table for the working zero draft of the Roadmap for the transition to the formal and global economy
February-March 2024 (margins of SOM 1)	SCE Policy Dialogue on understanding the role of digital connectivity in the formalization process of informal businesses in the Asia-Pacific region
April 2024	Table first Zero draft of the roadmap on transition to the formal and global economy
April-October 2024	- Revise draft based on economies' comments - Present draft at SOM2 and SOM3 for additional comments
November 2024	Finalize the draft and table it for endorsement by CSOM, AMM, and AELM

Discussion Paper on Priority 3: Sustainable growth for resilient development

1. Background

APEC has made sustainability a part of its core agenda. In the APEC Putrajaya Vision 2040 (APV), economies committed to promoting strong, balanced, secure, sustainable, and inclusive growth. The Aotearoa Plan of Action, and more recently the Bangkok Goals on Bio-Circular Green Economy, reaffirm these objectives, with economies committing to making concrete progress in implementing sound economic policies while promoting cooperation and exchange of best practices.

While there may be positive indicators in macroeconomic global terms, there is still some way to go if we want a more sustainable and resilient growth in the midst of unexpected and expanding challenges. According to the findings of the recent APEC Regional Trend Analysis, “collectively, APEC economic growth has improved but risks and uncertainties prevail”⁵.

Since the adoption of the APV, economies have put emphasis on maintaining momentum to achieve stable progress on sustainability. Some highlights of this work in recent years are the APEC Food Security Roadmap Towards 2030, the APEC 2020 Forest Cover Goal, the APEC Roadmap on Marine Debris, and the APEC Roadmap on Combatting Illegal, Unreported and Unregulated (IUU) Fishing. The Bangkok Goals on Bio-Circular-Green Economy have made a case to advance APEC’s sustainability objectives in a bold, responsive, and comprehensive manner. More recently, the Non-Binding Just Energy Transition Principles endorsed by APEC Energy Ministers in Seattle in August 2023 represents concrete progress on the road to achieving a more sustainable path to development.

Converging approaches have been developed, from Sustainable Development Goals at the global level, to quality growth in the APEC context as a means to achieve prosperity for our citizens. Moreover, in the current circumstances, APEC places great importance on the notion of resilience - the capacity for our economies to adapt and transform to different challenges and circumstances.

⁵ APEC Regional Trend Analysis. November 2023, slide 3.

2. Proposal

During APEC 2024, Peru will seek to build on previous achievements and outcomes to address 3 main issues: energy transition, food security and sustainable finance.

To support energy transition, Peru proposes to collectively work on a concise document in the format of an “APEC policy guidance to develop and implement low-carbon hydrogen policy frameworks in the Asia-Pacific”, to be adopted by our Leaders in 2024. This will make the case for economies to move into the production and development of this energy source in a coherent manner.

In food security, Peru will propose a document on “APEC Principles for preventing and reducing food loss and waste in the Asia-Pacific region”. The document will include its main objectives and key elements, and present a working plan to be adopted by the Agricultural Ministers in Trujillo in August 2024.

On sustainable finance, Peru – through the Finance Ministers’ Process (FMP) - will present several initiatives to promote sustainable and resilient finance in five relevant areas: sustainable finance initiatives, sustainable infrastructure, carbon leakage measures, clean energy transition, and hydrometeorological risk financing.

These documents and outcomes will serve as a basis for future projects and partnerships, contributing to the enhancement of APEC’s individual and collective efforts on sustainability, and they will adhere to APEC’s non-binding and voluntary principles.

Economies will have opportunities to share relevant best practices on a voluntary basis and to assess progress of the implementation through existing APEC mechanisms.