

## 2012 Leaders' Declaration

Vladivostok, Russia | 08 - 09 September 2012



We, the Leaders of the Asia-Pacific Economic Cooperation (APEC), gathered in Vladivostok, Russia on 8-9 September 2012 for the 20th APEC Economic Leaders' Meeting under the APEC 2012 theme of "Integrate to Grow, Innovate to Prosper" to reveal the pathways to strengthen the region's prosperity and leadership in the global economy.

APEC economies have made enormous progress over the past two decades and are looking forward to continuing to grow and prosper in the coming years. Since the first APEC Leaders' Meeting in 1993 in Seattle, USA, our trade has grown four times and foreign direct investment in the Asia-Pacific region has been growing at an annual rate of more than 20 percent. We are looking forward to building on this success by taking additional steps to promote our shared economic growth and prosperity in the coming years.

We recognize that robust international trade, investment, and economic integration are key drivers of strong, sustainable, and balanced growth. With all APEC economies now being members of the World Trade Organization (WTO), we strongly reaffirm our commitment to trade and investment liberalization and facilitation in the Asia-Pacific region.

Since we last met, the global economy has continued to face a number of challenges and is subject to downside risks. The financial markets remain fragile, while high public deficits and debts in some advanced economies are creating strong headwinds to economic recovery globally. The events in Europe are adversely affecting growth in the region. In such circumstances, we are resolved to work collectively to support growth and foster financial stability, and restore confidence. We are committed to strengthening domestic demand where appropriate, facilitating job creation, reducing high public deficits and debts, and implementing structural reforms to boost growth in our economies.

We welcome the European Leaders' commitment to take all necessary measures to safeguard the integrity and stability of the Euro area. We remain committed to reducing imbalances by strengthening deficit economies' public finances with sound and sustainable policies that take into account evolving economic conditions and, in economies with large current account surpluses, by strengthening domestic demand and moving toward greater exchange rate flexibility. We reaffirm our commitment to move more rapidly toward market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignments, and refrain from competitive devaluation of currencies. While capital flows can be beneficial to recipient economies, we reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability.

Fiscal sustainability remains an important element of sustained economic growth, but it was negatively impacted by recent financial crises. Under these circumstances, we remain committed to ensuring the long-term fiscal sustainability of our economies while recognizing the need to support their recoveries within the available fiscal space. Expenditures related to aging population should be taken into account in fiscal projections. Fiscal sustainability can be at risk from high private indebtedness and vulnerable banking sectors, which need to be closely monitored.

We welcome the outcomes of the G20 Los Cabos Summit. We support the G20 commitment to pursue strong, sustainable and balanced growth, which we are convinced will promote higher job creation and increase the welfare of people around the world. We will continue to take coordinated and collaborative efforts to reach these common goals.

We note the review of APEC's work undertaken to support the APEC Leaders' Growth Strategy, welcome the steps taken to implement the APEC Growth Strategy and appreciate the progress made, especially towards sustainable and innovative growth in 2011 and 2012. We encourage Ministers and officials to continue working to promote growth elements in advance of their 2015 report to Leaders on APEC's progress in promoting the Growth Strategy.

We strongly commit to fight against corruption to ensure openness and transparency in APEC. Acknowledging that corruption fuels illicit trade and insecurity and is a tremendous barrier to economic growth, the safety of citizens, and to the strengthening of economic and investment cooperation among APEC economies, we endorse commitments on fighting corruption and ensuring transparency (see Annex E).

### **Trade and Investment Liberalization, Regional Economic Integration**

We reiterate the importance of international trade to economic recovery, job creation and development, and the value and centrality of the multilateral trading system as embodied in the WTO.

We reaffirm our commitment to strengthen this system. In working towards the successful multilateral conclusion of the Doha Development Round, we reaffirm the instructions to our officials in Geneva to continue exploring different, fresh and credible negotiating approaches while respecting the Doha mandate, the principles of transparency, the importance of the multilateral trading system, and development. We remain firmly committed to advancing the technical

discussions actively taking place in Geneva on trade facilitation and other development-related issues as mandated by the 8th WTO Ministerial Conference. We direct our Ministers to continue to work to advance these objectives, and to comprehensively and realistically review the progress achieved in the WTO by the next meeting of APEC Ministers Responsible for Trade in 2013.

In view of the rise in protectionist trends and continuing uncertainties in the global economy, we reaffirm our pledge to refrain through the end of 2015 from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas, including those that stimulate exports. We reaffirm our commitment to rollback protectionist measures and continue maximum restraint in implementing WTO-consistent measures with a significant protectionist effect. We recognize the important role that the WTO plays in reducing protectionism and encourage the WTO and other international organisations to deepen their monitoring of protectionist measures, consistent with their respective mandates.

We welcome the ongoing work to expand the product coverage and membership of the WTO Information Technology Agreement (ITA) and instruct our officials to work in earnest in order to swiftly achieve a good outcome of the negotiations.

We underline the importance of the Bogor Goals, and reaffirm our commitment to address issues that will help APEC economies to achieve them. We recognize that Free Trade Area of the Asia-Pacific (FTAAP) is a major instrument to further APEC's regional economic integration agenda. Taking note of various regional undertakings that could be developed and built upon as a way towards an eventual FTAAP, we direct Ministers to continue to facilitate APEC's role as an incubator of a FTAAP and to explore ways forward towards its realization by providing leadership and intellectual input into the process of its development.

We remain committed to addressing next generation trade and investment issues as an important aspect of our work to further integration of APEC economies and expansion of trade throughout the region.

We welcome addressing in 2012 transparency as a new next generation trade and investment issue, and the endorsement of the APEC Model Chapter on Transparency for RTAs/FTAs to be used as a guide by APEC economies. Transparency is one of the basic principles underlying trade liberalization and facilitation, important to our businesses and workers, and to eliminating and addressing barriers to trade. We believe this work will contribute to the successful implementation of APEC's regional economic integration agenda, will promote convergence on how APEC economies address transparency issues in their RTAs/FTAs and provide for concrete steps towards establishment of a FTAAP.

We recognize the importance of addressing unnecessary barriers to trade by advancing regulatory convergence and coherence to achieving our shared objectives of strengthening regional economic integration and ensuring product safety, supply chain integrity, and environmental protection. In this regard, we reaffirm our 2011 commitment to strengthen implementation of good regulatory practices, including through capacity building. Taking these steps is essential to building a high-quality regulatory environment across the Asia-Pacific, and to achieving our goal of achieving free and open trade and investment in the region.

We recognize the importance of adopting and maintaining laws, regulations, and practices that facilitate investment. We reaffirm the importance of continued efforts to improve the investment climate in the APEC region, including through the exchange of experiences in mechanisms for dispute avoidance and resolution. We acknowledge the critical importance of private sector investment in regional infrastructure development, and encourage broader work in the format of public-private partnerships.

We reaffirm our commitment to promote green growth and to seeking practical, trade-enhancing solutions to address global environmental challenges. In 2012, we made considerable progress in this regard. We welcome and endorse the APEC List of Environmental Goods that directly and positively contribute to our green growth and sustainable development objectives (see Annex C). We reaffirm our commitment to reduce our applied tariff rates to five percent or less on these environmental goods by the end of 2015, taking into account economies' economic circumstances without prejudice to their positions in the WTO. By reducing tariffs on environmental goods, we will help our businesses and citizens to access important environmental technologies, which will facilitate their deployment, and use contributing significantly to our green growth and trade liberalization objectives.

While supporting sustainable growth, we agree that promoting green growth should not be used as an excuse to introduce protectionist measures. We are committed to ensuring that our actions to protect the environment are least trade restrictive and consistent with our international trade obligations.

We recognize that natural resources and the ecosystems upon which they depend are important foundations for sustainable economic growth. We therefore, are concerned by the escalating illicit trafficking in endangered and protected wildlife, including marine resources, and associated products, which has economic, social, security, and environmental consequences in our economies. We commit to strengthen our efforts to combat illegal trade in wildlife, timber, and associated products, to implement measures to ensure sustainable marine and forest ecosystems management, and to facilitate sustainable, open, and fair trade of non-timber forest products. We will take meaningful steps to promote sustainable management and conservation of wildlife populations while addressing both the illegal supply and demand for endangered and protected wildlife, through capacity building, cooperation, increased enforcement, and other mechanisms.

We recognize the importance of information and communication technologies (ICT) as a crucial driver for further integration in the APEC region. We believe

it is possible and necessary to be more active in promoting confidence and trust in electronic environments globally by encouraging secure cross border flows of information, including electronic documents. We reaffirm the necessity of multi-stakeholder cooperation to continue efforts to expand and strengthen the Asia-Pacific Information Infrastructure and to build confidence and security in the use of ICT. We encourage the cooperation of member economies to improve disaster preparedness, response and recovery through the development of ICTs and promotion of appropriate systems and technologies and welcome the discussion on supporting people affected by disasters and emergencies through enhanced and timely access to information about risks.

We acknowledge the need for joint actions to prevent the negative influence on the world's economy from carbon emissions. We commit to strengthen APEC energy security (see Annex B), to promote energy efficiency and develop cleaner energy sources for sustainable development.

We reaffirm the importance of structural reforms to raise productivity and growth potential in our economies and welcome progress on the APEC's New Strategy for Structural Reform (ANSSR) endorsed in 2010. We instruct our officials to provide a mid-term assessment report in 2013 to track progress towards ANSSR implementation and encourage collaboration and capacity building among developed and developing economies to expedite the achievement of structural reform objectives.

### **Strengthening Food Security**

We recognize growing challenges to regional and global food security in the risks facing the world economy. Given the growing world population, reducing the number of undernourished people by raising food production, improving the individuals' or households' economic access to food and improving the efficiency and openness of food markets will require more concerted effort by and cooperation among all APEC economies. APEC has given its efforts to strengthen food security through the implementation of the Niigata Declaration

and progress made in the Kazan Declaration on Food Security. To advance this work, we are committed to increasing sustainable agricultural production and productivity, considering the diversity of environmental conditions world-wide and positive externalities of agriculture, further facilitating trade and developing food markets, enhancing food safety, improving access to food for vulnerable groups and improving farmer's welfare. We will implement measures to help ensure sustainable marine ecosystems management and combating illegal fishing and associated trade.

Sustainable agricultural growth is a priority for all our economies. In pursuing this goal we will take concrete actions to raise productivity in agriculture by boosting investment and adopting innovative technologies in agriculture, including agriculture biotechnology. We emphasize the importance of open and transparent market mechanisms in ensuring food security. We stress the need to create an enabling environment that encourages increased public and private investment in agriculture, and we recognize the important role of public-private partnerships in the field of investment. We appreciate the positive role of foreign direct investment in increasing agricultural production, we note the Principles for Responsible Agriculture Investment (PRAI) and welcome ongoing work in other international organizations to identify best practices for responsible agricultural investment.

We acknowledge the increasing importance of encouraging the safe development and implementation of innovative agricultural technologies since land, water, forest and other natural resources are limited. This requires a significant increase of long-term investment into agricultural research, and development along with the adoption of transparent, science-based regulatory approaches for innovative agricultural technologies that are consistent with international obligations. We agree that it is also necessary to strengthen domestic and international agricultural research systems. We will facilitate better coordination, interaction and capacity building among research institutes and innovation centers, including through regional networks. We will encourage dissemination and utilization of innovative technologies by farmers in an effective, market-driven, and voluntary manner. We will also look for ways to mitigate the effects of agriculture on climate change and support efficient and



sustainable use of agricultural and natural resources, in particular, land, forests, water and biodiversity.

We recognize that a more open, stable, predictable rule-based and transparent agricultural trading system has a crucial role to play in enhancing food security. Recognizing that bans and other restrictions on the export of food may cause price volatility, especially for economies that rely on imports of staple products, we reiterate our pledge against protectionism. We are determined to ensure fair and open markets, reduce price volatility, and establish greater regional and global food security and confirm our commitment to develop food markets infrastructure, reduce post-harvest losses along the entire food supply chain.

Noting the important contribution of greater transparency and effective food market monitoring to reducing food price volatility, we welcome the progress made in implementing the Asia-Pacific Food Security Information Platform (APIP) and therefore support cooperation between APIP, the Agricultural Market Information System (AMIS) and the Rapid Response Forum, launched by the G20.

We believe that deeper involvement of the relevant private and public sector stakeholders into APEC's food security efforts will contribute significantly to addressing our shared goals. We welcome the establishment of the Policy Partnership on Food Security (PPFS) and the outcomes of its meeting in 2012.

We will also take the following steps to promote our food security goals:

- Supporting the effective and multi-faceted work of the Food Safety Cooperation Forum;
- Encouraging further cooperation and dialogue among the economies on understanding, recognition and capacity building regarding the benefits of harmonizing domestic regulations on food safety and quality with international standards consistent with the WTO Agreements on Technical Barriers to Trade and on the Application of Sanitary and Phytosanitary Measures;

- Striving to improve domestic food safety systems by implementing preventive control measures, building information sharing networks, strengthening laboratory capacity, and building regional capacity to respond to high priority food safety hazards and minimize food safety incidents;
- Exploring ways to improve economic and physical access to food for vulnerable groups, including those facing an emergency due to natural and anthropogenic disasters; encouraging exchange of best practices on the provision of food for vulnerable populations, including through social and school feeding; strengthening sustainable social protection and social safety nets;
- Enhancing cooperation to combat illegal, unreported and unregulated fishing and associated trade; working towards sustainable management of marine ecosystems; improving capture fisheries management and sustainable aquaculture practices; and facilitating sustainable, open and fair trade in products of fisheries and aquaculture.

### **Establishing Reliable Supply Chains**

We reaffirm our commitment to achieving an APEC-wide target of a ten percent improvement in supply-chain performance by 2015, in terms of reduction of time, cost, and uncertainty of moving goods and services through the Asia-Pacific region, taking into consideration individual economy's circumstances. We welcome the adoption of a more systematic approach to addressing existing chokepoints in supply chains through targeted capacity-building and concrete steps towards making supply chains more reliable, resilient, safe, efficient, transparent, diversified and intelligent, and direct officials to advance this work in 2012 to be completed by 2014.

Recognizing the large volume of trade in our region, we agree that the reliability of supply chains is crucial to facilitate trade, maintain sustainable development, and ensure economic, energy, food, and environmental security in the APEC region and around the world. We encourage continued discussion with the business community and other relevant stakeholders on the diversification of transportation routes in the region and resiliency planning in order to build the

most efficient supply chain networks. We believe that it is essential to continue work to streamline customs procedures among APEC economies.

We agree that it is also crucial to advance the discussion on the technological enhancement of supply chains with a view to promoting greener, smarter, more efficient and intelligent supply chains. We support continued discussion with the business community and other relevant stakeholders on Authorized Economic Operators programs, in line with the World Customs Organization/APEC SAFE Framework of Standards, and on improving supply chain performance, coordination and visibility through information sharing, enhancing the capacity of local or regional logistics sub-providers, developing early warning systems for emergencies to increase the safety, security and reliability of cross-border transactions, wider implementation of tracking technologies and better control and tracking of the movement of bulk cargo, dangerous goods and hazardous materials. We welcome work on services liberalization and innovation to facilitate global supply chain connectivity and enhance economies' capacity.

We acknowledge that terrorism is a serious threat to economic growth, security, stability and supply chain reliability within the APEC region. Thus, we reaffirm our commitments to implement the APEC Consolidated Counter-Terrorism and Secure Trade Strategy and support deeper cooperation and capacity building across the Strategy's priority areas of secure trade, travel, finance, and infrastructure to make regional commerce more secure, efficient, and resilient.

We recognize the significance of travel and tourism as a vehicle for job creation, economic growth and development in the Asia-Pacific. Tourism represents a special case of cross border supply chains where a variety of services are supplied to meet the requirements of increasing international tourist flows. Supported by adequate infrastructure, this leads to creating new growth and employment opportunities throughout the whole supply chain. We therefore commend the efforts by APEC Tourism and Transport Ministers to encourage facilitation of international travel, to assess the liberalization of air transportation services and to improve safety and security of tourist products.

Recognizing the vulnerabilities of our economies to natural and anthropogenic disasters, we reaffirm the importance of enhancing preventative measures, emergency preparedness, disaster resiliency and fostering of scientific and technical cooperation among APEC economies, communities and businesses in this regard. We recognize the importance of easing the mobility of relief assistance in the aftermath of disaster to minimize casualties. Highlighting the need for greater coordination and better connectivity in disaster management, we support the idea of promoting and facilitating business continuity and resiliency planning especially among small and medium-sized enterprises. We also support fostering public-private partnerships, establishing common standards for emergency early warning systems in cross-border transportation, furthering the development of an operational trade recovery communications mechanism based on the APEC Trade Recovery Program and developing cooperation for emergency management and disaster response preparedness among Crisis Management Centers (CMCs) in APEC economies, including with other regional CMCs such as the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management, based in Jakarta, Indonesia.

In view of high economic costs incurred by many APEC economies due to natural catastrophes in recent years, we note timeliness and the importance of strengthening our resilience against disasters through the development of disaster risk management (DRM) strategies. We recognize that integrated disaster risk financing policies are part of overall disaster response preparedness. In this regard we recognize the value of knowledge exchange within APEC and beyond and appreciate the joint efforts of the World Bank, the OECD, the ADB and other bodies' joint efforts to elaborate practically applicable guidelines for financial authorities' responses to natural disasters with due regard the work undertaken by the G20. In developing these policies, attention should be given to advance planning and preparation measures by financial authorities.

## **Intensive Cooperation to Foster Innovative Growth**

Recognizing the importance of innovation to our shared goals of economic growth, prosperity, and job creation, in 2012 APEC economies took important steps towards the development of effective, non-discriminatory and market-driven innovation policies and refinement of our vision of innovation cooperation and networking in the region (see Annex A ).

This year we have advanced these objectives by transforming the Industrial Science and Technology Working Group into a Policy Partnership on Science, Technology and Innovation (PPSTI) to bring together the three key groups of innovation stakeholders – business, government, and academia – to address common challenges, enhance innovation capacity. The PPSTI will also organize Innovation Technology Dialogues - a mechanism to explore and identify how emerging innovative technologies and related policies and instruments can address current challenges faced by APEC economies and what are the prospects for their application. We welcome the results of the first ever Innovation Technology Dialogue on nanotechnology for energy efficiency.

We also welcome New Zealand and Indonesia's willingness to jointly co-chair a meeting of APEC Chief Science Advisers in 2013, to reinforce senior science relations across the Asia Pacific.

We recognize the importance of small, medium and micro-sized enterprises (SMMEs) and believe that they are a significant driver of development and innovation in the Asia-Pacific region that will improve the quality of economic integration and competitiveness of our economies. To support SMMEs' growth potential, we commit to continue building competitive, open and transparent business environments, assist SMMEs' internationalization and support of export-oriented SMMEs, strengthen their access to markets and financing, and promote innovation as a key competitive advantage for SMMEs.

We note the importance to our innovation goals of assisting SMMEs at an early stage, and expanding opportunities for youth and women. Given the significance of start-ups and young entrepreneurs to economic growth in the

Asia-Pacific region, we support the implementation of the Young Entrepreneurs Network and APEC Start-up Accelerator Initiative. We encourage the mutually beneficial collaboration among firms, big or small, to foster their intellectual capital, optimize their core competencies, and minimize potential disputes that would discourage SMME development.

Education is an essential driver of innovative growth in the APEC region and we support the steps taken by our economies to pursue practical and sustainable cooperation in this field. This includes efforts to enhance the mobility of students, researchers, and education providers within APEC through the development of higher education cooperation (see Annex D).

Recognizing that a healthy population is crucial for sustainable development of human resources, and therefore, for sustainable economic development and innovative growth in the APEC region, we support the efforts made by our economies to address health issues across sectors, and encourage further concrete steps to strengthen health systems by preventing non-communicable diseases, promoting and investing in health and healthy lifestyles and wellness across the life course starting from maternal, infant and child health through to the end of life.

We reaffirm the crucial role of women in achieving economic prosperity and inclusive growth in the APEC region and encourage investing in women through the creation of better business opportunities for women and including them in the innovative economy. We acknowledge that many barriers still exist, especially in the areas of access to capital, access to markets, skills and capacity building, and women's leadership. We welcome the outcomes of the APEC Women and the Economy Forum and reaffirm our commitment to take concrete actions to increase women's participation and empowerment in the economy.

## **Looking Forward**

We believe that the work that has been done in APEC in 2012 to build a more integrated society and ensure innovation-based economic growth will contribute to our common goal of achieving prosperity for APEC economies. We endorse in full the Joint Statement of Ministers at the 24th APEC Ministerial Meeting.

We support the increasing engagement of the APEC Business Advisory Council which contributes significantly to greater collaboration between the public and private sectors. We remain fully committed to facilitate the role of APEC's business community and to provide more opportunities for its participation in APEC's work.

We reaffirm our commitment to provide effective economic and technical cooperation (ECOTECH) activities outlined in the Osaka Action Agenda and to assist APEC members in accordance with the Manila Framework.

Facing threats to growth and financial instability, we will continue to take necessary and concrete actions to mitigate negative effects, build resilience of APEC economies and reach new heights in the development of our region.

We welcome the offer of the People's Republic of China, the Philippines and Peru to host APEC in 2014, 2015 and 2016 respectively.

We welcome the invitation from the President of Indonesia to meet again in Bali in 2013.

*ANNEX A. TOWARDS INNOVATIVE GROWTH*

*ANNEX B. STRENGTHENING APEC ENERGY SECURITY*

*ANNEX C. APEC LIST OF ENVIRONMENTAL GOODS*

*ANNEX D. PROMOTING CROSS-BORDER EDUCATION COOPERATION*

*ANNEX E. FIGHTING CORRUPTION AND ENSURING TRANSPARENCY*