



## **APEC in a Year of Global Financial Crisis: Hosting Country Peru Beckons Attention to Trans-Pacific Ties** by Jane Skanderup

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Peru is poised to make the most out of its first opportunity to host an APEC Leaders Meeting since it joined the Asia-Pacific Economic Cooperation “gathering of economies” in 1998. The meeting takes on a new sense of urgency given the international financial crisis and the fact that it comes mere days after the G-20 summit meeting in Washington (involving nine APEC members, among others).

The 16<sup>th</sup> APEC Leaders Meeting in Lima on November 22-23 will no doubt include an APEC response to the crisis. The meeting of the 21 members of APEC permits a timely follow-up to the call in the G-20 communiqué for inclusion of emerging economies in a global, coordinated response. The trans-Pacific and heterogeneous membership of APEC makes this 19-year old institution particularly relevant to problem solving in the contemporary global economy.

Throughout its hosting year, Peru has demonstrated that a small but significant economy on the Pacific coastal rim has unique benefits to contribute to and derive from APEC.

Peru has come from the hinterland of global opportunity to become one of its rising stars, achieving an average 8% growth rate during the last eight years. Having weathered one internal crisis after another, some quite violent and severe, its democracy is nonetheless thriving and its commitment to economic reform has begun to pay off, even in poverty reduction. Certainly this is not solely due to membership in APEC, yet it does offer a training ground for compliance with “best practices” in a variety of sectors. The ASEAN consensus-oriented model at the core of APEC has turned out to be a user-friendly pathway toward global engagement – especially for the tier of small and medium-sized economies in APEC whose voice, and interests, can be drowned out in larger fora.

Peru exemplifies the “Pacific” component of APEC that is aptly suited for today’s globalization reach. Peru’s success reflects a growing Asia-Latin American “neighborhood” led by private sector trade and investment, with inter-governmental relations close behind. This trans-Pacific component of APEC helps to foster a world view in both Asia and Latin America beyond their own shores.

Peru’s joining APEC was reflective of a vision to capitalize on its geopolitical and geoeconomic advantages. With or without APEC, Peru is determined to realize its trans-Pacific leadership potential. It has trade agreements with

Singapore, Canada, and the U.S.; it is concluding an agreement with China, and plans to start talks with South Korea, Japan, and the EU. Peru today hosts corporations not only from APEC economies such as Australia, Canada, Chile, China, Japan, Mexico, South Korea, and the U.S., but also from the UK, Germany, and Spain, as well as Brazil and India.

Breaking somewhat from tradition, Peru has staged APEC working group meetings in more locales than in any host country’s history. In the run-up to this weekend’s Leaders Meeting, some 120 APEC working group and ministerial meetings have been held in locales across the country, with a myriad of governors, mayors, scholars, artists, college kids, and school children acting as APEC hosts. Mindful of the inequities of globalization in their own society, Peruvian leaders wanted to use APEC to spread engagement with globalization beyond the capital.

The APEC Women Leaders Network meeting in Arequipa in May, for example, demonstrated the vitality among women-owned businesses, but also that such businesses are consistently vastly under-served by their respective capital markets across APEC economies. Far more than just a talk shop, the Woman’s Network had on hand Peruvian and other microfinance experts to suggest how Indonesia, the Philippines, or even Singapore might innovate the banking sector to better unleash female economic potential.

Similarly, the Small and Medium Enterprise (SME) working group in Chiclayo in August focused on how to globalize this sector, which consistently provides a majority of jobs in APEC economies. The Energy Working Group focused on possible carbon emission cap and trade regimes, and comparative opportunities for the mix of energy producers and consumers that APEC comprises. The Education Working Group created new partnerships, including a Young Leaders forum in the remote Andean town of Puno to design a local sustainability plan.

One of the accomplishments we can expect from APEC Peru 2008 is a focus on “best practices” in corporate social responsibility (CSR). Like other emerging market economies – Indonesia comes particularly to mind – Peru’s efforts to decentralize and redefine the role of the state need to be complemented by incentives for the private sector to more actively engage in the social sphere. Given the role of reckless corporate behavior in the financial crisis, APEC Leaders may well call for improved corporate governance practices in the CSR mandate as well. There will also be a new report, led by the Peruvian delegation, on harmonizing the multiple bilateral and regional trade and investment agreements in the APEC region.

While the bilateral meetings on the sidelines of APEC have become an important diplomatic tradition, and much attention will likely be focused on this “last opportunity” for

President Bush to meet with other APEC leaders, the true vitality of APEC lies outside of the public eye of photo-ops.

The APEC agenda and atmosphere promote a rich, in-depth dialogue that fosters institution building from the ground up, in the sub-strata of working group meetings and ministerials where a common language is hashed out to address common economic problems. It provides a venue in which U.S. officials can demonstrate “soft power” diplomacy in education, technology, women’s issues, and in helping to promote small business, among other areas.

If the Peruvians are successful in raising the bar for APEC achievements this year, this will help establish the momentum needed to revitalize this important gathering while setting the stage for future progress as Singapore, Japan, and the U.S. wait on the wings, respectively, to host the next three annual Leaders Meetings.

*Applications are now being accepted for the 2008-2009 Pacific Forum Vasey Fellow position. Details, including an application form, can be found at the Pacific Forum web site [<http://www.csis.org/experts/fellows/vasey/>].*