

JOINT MINISTERIAL STATEMENT - 26th APEC Finance Ministers' Meeting 2019

15 October 2019, Santiago, Chile

1. We, the Finance Ministers of the economies of Asia-Pacific Economic Cooperation (APEC), convened our 26th meeting in Santiago, Chile on 15 October 2019 under the chairmanship of the Honourable Felipe Larraín, Minister of Finance of Chile.

Global and Regional Economy

2. In support of the APEC 2019 theme, “Connecting People, Building the Future”, we discussed the economic and financial outlook that our economies face and shared views on appropriate policy actions.

3. Since our last meeting, global growth has weakened, and downside risks have increased. Looking ahead, although global growth is expected to pick up moderately in 2020, the economic outlook remains challenging against a backdrop of elevated global uncertainty. Most importantly, trade and geopolitical tensions have intensified. We will continue to address these risks, and stand ready to take further action.

4. In that context, we reaffirm the role of macroeconomic and structural policies to support our efforts to achieve strong, sustainable, innovative, inclusive and balanced growth in order to raise living standards in the region. We pledge to use all available policy tools –monetary, fiscal and structural- individually and collectively, to the extent possible, to ensure a rebound in global growth.

5. We will continue to implement comprehensive and flexible fiscal policies, so as to support economic growth and job creation, prioritising inclusiveness and high-quality investment, while enhancing economic and financial resilience and ensuring that public debt as a share of gross domestic product (GDP) is on a sustainable path.

6. Monetary policy should continue to support economic activity and ensure price stability, consistent with central banks' mandates. Strong fundamentals, sound policies and a resilient international monetary system are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluation and will not target our exchange rates for competitive purposes.

7. We emphasize the importance of international trade and investment to economic growth, innovation, job creation and development. We reaffirm the conclusions of the Ministers Responsible for Trade at their May 2019 Meeting.

Digital Economy for Financial Integration and Inclusion

8. Efficient, innovative, and competitive financial markets are important for continued growth. We acknowledge that technological innovation can deliver significant benefits to the financial system and the broader economy. New technologies can strengthen the work of financial supervision and regulation that may be applied to a wide range of industries within the APEC region to facilitate and improve

compliance. However, we are mindful of the risks that digitalization poses such as security concerns, including those related to anti-money laundering matters or data confidentiality, and gaps in levels of readiness and capacities.

9. We will continue to promote financial integration, and develop regulatory frameworks that foster competition and better market conditions, as well as policies that boost investment and innovation in the APEC region, while duly addressing existing and emerging risks from new technologies and instruments. We encourage efforts to share experiences in promoting financial innovation across markets, through public-private regional cooperation platforms to facilitate design and deployment of innovative financial products.

10. Advancing financial inclusion is critical to achieving sustainable growth in the APEC region. We recognize all efforts to enhance financial inclusion by increasing access to and usage of financial products and services. We remain committed to making further progress, including by closing access gaps for women; the poor, the youth and elderly people; people with disabilities; people in remote and rural areas; and small and medium enterprises (SMEs).

11. We recognize the importance of robust financial consumer protection frameworks, financial education and literacy strategies and incentive mechanisms in ensuring financial inclusion, and promoting financial health and well-being. We acknowledge that the digital economy has the potential to help close gaps and can make substantial contributions to understanding of consumers' behavior and designing financial products that can significantly improve financial inclusion, stability and health. We will take concrete and significant actions to address financial inclusion gaps, according to each economy's circumstances in this matter.

12. We welcome Chile's initiative to develop, with the support of the Organisation for Economic Cooperation and Development (OECD), a voluntary APEC Roadmap on Digital Financial Inclusion for submission in 2020, whose implementation is voluntary in nature and is based on each economy's readiness.

Disaster Risk Financing and Insurance

13. We acknowledge that disaster shocks increase government expenditure and hamper economic activities. Fiscal risks may arise in those economies where governments shoulder a significant share of disaster costs. Pre-arranged risk financing can help governments to reduce the fiscal costs of disasters. Recognizing that the APEC region is vulnerable to natural hazards, we reaffirm the importance of continuing to improve our approaches to disaster risk financing and insurance (DRFI) to build resilient economies in the region.

14. We recognize the participation of ministries of finance in coordination with other relevant public agencies and the private sector will contribute to financial resilience. We reaffirm our interest to work collectively in bolstering our region's financial resilience through the development of innovative DRFI mechanisms, especially for quality and resilient infrastructure and other risk transfer instruments available through insurance and capital markets.

Fostering Tax Certainty, Cooperation and Transparency

15. Tax certainty and tax transparency are important components of investment decisions and can affect tax compliance and economic growth. As such, we reaffirm our commitment to promoting tax certainty and tackling tax avoidance and evasion in the APEC Region.

16. Recognizing the importance of cooperation in this area, we encourage all member economies to continue working towards a sustainable and modern international tax system that enhances certainty, transparency and fairness. We continue to support the widespread implementation of internationally-agreed tax transparency standards and the capacity building initiatives in these areas. We also note that the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) Package remains a priority for APEC economies. We recognize the importance of delivering a solution to the tax challenges arising from digitalization of the economy in 2020 through the OECD/G20 Inclusive Framework on BEPS.

Accelerating Infrastructure Development and Financing

17. Infrastructure investment plays an important role in realizing growth potential and meeting development goals. We welcome efforts undertaken by member economies in and remain committed to promoting investment in quality and bankable infrastructure projects in the APEC region, to enhance economic growth, boost productivity, promote job creation and inclusiveness, and foster regional integration.

18. We acknowledge that improving the economic efficiency of infrastructure projects in view of life –cycle cost, can increase GDP growth. We will continue to consider how best to ensure that our efforts to meet infrastructure financing needs are consistent with sustainable financing practices.

19. We are committed to comprehensively implement the APEC Connectivity Blueprint for 2015-2025, especially in the area of financial infrastructure, to enhance connectivity by financial cooperation. We support collaboration among international and member economy financial institutions and other key stakeholders to provide diversified and sustainable financial support for projects, including through Public-Private Partnerships.

20. Accelerating the development of bankable infrastructure projects enabled by technological advancements and innovative approaches will contribute to promote resilience and sustain economic growth in the region. Working together, we can effectively integrate environmental and social considerations and build resilience against natural disasters and other related risks.

Implementing the Cebu Action Plan

21. We acknowledge the efforts made by member economies to make progress on the initiatives under the first and second package of the Cebu Action Plan (CAP), including concrete outcomes that facilitate the implementation of meaningful reforms. Taking into consideration that the APEC Strategy for Implementation of the CAP, adopted in 2016, concludes next year, we encourage conducting a survey and discussing its outcomes during 2020, which allow us to determine appropriate strategy for the coming years.

Other issues

22. We recognize the cross-cutting challenges and opportunities brought on by of digital technology developments and we encourage member economies to further collaborate more through sharing experiences in implementing relevant structural reform initiatives. We welcome the 2019 APEC Economic Policy Report (AEPR) on 'Structural Reform and Digital Economy' jointly developed by the APEC Finance Ministers' Process and the Economic Committee, which discusses how structural policies can help leverage the potential of the digital economy to promote balanced, inclusive, sustainable, innovative and secure growth.

23. We reaffirm the importance of the APEC Finance Ministers' Process (FMP) as an active forum for fostering policy cooperation and exchange of experiences among economies in the region.

24. We appreciate the continuous support from the Asian Development Bank (ADB), International Monetary Fund (IMF), OECD, World Bank Group (WBG) and the APEC Business Advisory Council (ABAC) to the FMP's work.

25. We thank Chile for hosting the APEC Finance Ministers' Process this year. We will meet again for our 27th meeting in Malaysia in October 2020.

ANNEX – 2019 Deliverables

1. We welcome the completion of the Financial Inclusion Capacity Building Package and the OECD/ International Network on Financial Education (INFE) report on Financial Education in APEC economies initiated in 2018. We appreciate the leadership of Papua New Guinea and the Core team and the support of the APEC Policy Support Unit. We encourage member economies to continue the implementation of capacity building initiatives to advance financial inclusion in the region. We look forward to receiving in 2020 the regional note of the global 2019-20 OECD/INFE coordinated exercise to measure financial literacy and inclusion.
2. We appreciate the work of the ABAC and the Asia-Pacific Financial Forum (APFF) in developing the APEC Roadmap for a New Financial Services Data Ecosystem, the Strategy for the Digitalization of Trade and Supply Chain Finance, and Essential Elements of an Effective Personal Insolvency Regime. We encourage interested economies and international organizations to collaborate with the private sector in implementing them. We welcome the ABAC’s report and recommendations on financial inclusion and integration.
3. We welcome the holding of this year’s Asia-Pacific Financial Inclusion Forum (APFIF) in September 2019 in Japan, co-organized by the ABAC and the ADB Institute, in collaboration with the Foundation for Development Cooperation.
4. Recognizing the importance of financial infrastructure, particularly credit information, we welcome the “Workshop on Credit Reporting Systems” organized in October 2019 and thank the WBG, ABAC and other development partners for their continued support in this area.
5. We welcome the “Policy Discussion Seminar on FinTech and RegTech in APEC Economies”, organized in July 2019.
6. We take note of the “Seminar on Integrating Environmental, Social and Governance Factors in Investment Decisions” organized by Chile in October 2019 and its key takeaways. We commission the OECD to produce a compendium on the implementation of ESG in financial markets throughout the APEC region, looking at effective approaches and challenges.
7. We welcome the work of the Working Group on Regional Disaster Risk Financing Solutions for APEC Economies in 2019 to help member economies address the economic and financial risk caused by disasters. We welcome the hosting in March 2019 of the DRFI Study Course, organized by the Philippines, together with Japan and the ADB, which focused on the financial management-aspect of disaster risks.
8. We note the work of the Task Force on Climate-Related Financial Disclosures and its recommendations.
9. We thank the WBG for its contribution and support throughout the year in advancing the DRFI activities. We also welcome the hosting in October 2019 of the APEC Seminar on Disaster Risk Finance: Enhancing Financial Risk Management Against Disasters organized by the Ministry of Finance of Chile and the WBG. We also note the WBG’s study on financing disaster resilience for infrastructure and the ADB/OECD assessment of the implications of technology and innovation for disaster risk management and financing and look forward to the submission of the final report in 2020 as well as possible follow-up work.

10. We commend the ABAC and the Asia-Pacific Financial Forum (APFF) for their contributions to the work of the Working Group on Regional Disaster Risk Financing Solutions for APEC Economies through inputs on the private sector role, initiating work on insurance-linked securities, developing case studies from the frontline on enabling technologies for enhancing DRFI, and preparations for activities to implement the Micro-insurance Roadmap endorsed by Finance Ministers in 2018. We encourage interested economies to collaborate with the Working Group in advancing these initiatives.

11. We welcome the report prepared by the OECD, in response to the Cebu Action Plan, on improving the capacity of APEC economies to tackle tax and other financial crime. We welcome the recent progress on addressing the tax challenges arising from digitalization of the economy by the OECD/G20 Inclusive Framework on BEPS. We welcome the IMF/OECD 2019 Progress Report on Tax Certainty. We welcome the efforts in 2019 to promote tax certainty, exchange of information (EOI), capacity building and mutual support through the continued engagement with the Global Forum on Transparency and EOI for Tax Purposes and the establishment of the OECD Asia-Pacific Academy for Tax and Financial Crime Investigation in Japan.

12. To strengthen our efforts on tax capacity building, we look forward to the upcoming workshop “Advances in BEPS, exchange of information, transparency, tax certainty and promoting good tax practices” to be organized by Chile in March 2020. We welcome further efforts, including continuing OECD updates and another workshop on ongoing work in international taxation next year.

13. We look forward to the upcoming progress report to be delivered at our next meeting, from the OECD, in cooperation with other relevant international organisations to help us identify good practices enhancing the capacity of APEC’s regulatory frameworks to attract public and private investment in sustainable and inclusive infrastructure.

14. We welcome the public-private collaboration to make progress on the initiatives under the Cebu Action Plan and thank the APFF, the APFIF and the Asia-Pacific Infrastructure Partnership under the leadership of the ABAC for their valuable contributions. We encourage public sector stakeholders to actively collaborate with the private sector in further advancing these initiatives next year.

15. We welcome the approach with the Pacific Alliance’s Finance Ministers Council through the adoption of the Collaborative Initiative between APEC and Pacific Alliance on Financial Issues, which sets the basis for working in areas of common interest during the following years in order to consolidate efforts and avoid duplication of initiatives. We look forward to this effort advancing.

16 We welcome the final APEC/OECD package on Selected Effective Approaches to Financing Infrastructure in APEC Economies.

17. We task the OECD, with inputs from other relevant organisations, to produce a policy note on best practices and challenges in the use of digital tools in selected policy areas, by our next meeting.