

## Introduction

1. We, the finance ministers of the APEC economies, convened our 16th annual meeting in Singapore on 12 November 2009 under the chairmanship of Mr Tharman Shanmugaratnam, Minister for Finance of Singapore. The meeting was also attended by the Managing Director of the International Monetary Fund, the President of the World Bank, the President of the Asian Development Bank and the Chair of the APEC Business Advisory Council (ABAC).

2. We gathered in the aftermath of the worst financial crisis and global recession since the Second World War. Just a year ago, the collapse of several large financial institutions led to global credit seizures, which then evolved into a macroeconomic crisis with a plunge in global trade and output, significant job losses and simultaneous recessions around the world.

3. We welcomed the vigorous response of APEC members in stabilising their economies by implementing extraordinary supportive fiscal measures, rapidly easing monetary policy, encouraging the flow of credit and supporting their financial sectors in an unprecedented manner. We commended the G-20's role in coordinating these measures at the global level and pledged to maintain policies strongly supportive of growth until a durable recovery in private demand is secured.

4. We strongly welcomed the expansion of the G-20 agenda from addressing the global crisis to achieving a more balanced and sustainable pattern of growth. We are also committed to pursuing economic growth that is inclusive and broad-based. Inclusive growth creates opportunities for all of our people to enjoy the benefits of regional economic integration. This will support domestic demand in the region. The efforts of APEC members will play a critical role in achieving balanced and sustainable growth, given the size and dynamism of APEC economies. We also recognised that APEC, with its strength in consensus-building and implementing multi-year initiatives, is well-placed to reinforce the momentum of the G-20 agenda.

5. We agreed that in the post-crisis period, key challenges facing the world economy include restoring growth potential; successfully exiting the extraordinary fiscal, financial and monetary policy measures; implementing credible medium-term fiscal consolidation strategies; and meeting the region's massive infrastructure needs.

6. We noted the important contribution that free and open trade and investment regimes have made to the growth and dynamism of the APEC region. We are committed to supporting free and open trade and investment to advance Asia-Pacific and global prosperity and growth sustainability, and will actively resist protectionist measures. Despite the challenges of the crisis, we reaffirmed our strong commitment to achieve the Bogor Goals.

### **Fiscal Stimulus and Exit Strategies**

7. We agreed on the crucial role that supportive fiscal measures in the APEC region had played in avoiding an even deeper global recession and resolved to remain vigilant until the economic recovery gains traction. We recognised the need to reduce and stabilise public sector debt burdens at a low and prudent level. In many economies, this will require, beyond the mere phasing out of stimulus measures, a comprehensive strategy of sustained budget consolidation, growth-enhancing reforms, and measures to address long-term demographic challenges.

8. We agreed that the pace of implementing exit strategies should take into account different stages in the economic recovery of member economies, the type of policy measures to be phased out, and any spillovers caused by our strategies. However, actions that would strengthen fiscal credibility without negatively affecting demand--such as measures to strengthen fiscal frameworks and some pension and health sector reforms, including those that will be phased in gradually--should start to be implemented as soon as possible.  
Reforms to Support Strong, Sustainable and Balanced Growth

9. We welcomed the launch of the Framework for Strong, Sustainable and Balanced Growth at the G-20 Meeting of Finance Ministers and Central Bank Governors in St Andrews. We noted their agreement on a detailed timetable for a new consultative mutual assessment process. We will, as appropriate, support the work of international organisations, including the International Monetary Fund (IMF) and the World Bank (WB), to evaluate the collective consistency of policies of individual economies and regional groupings with the shared objective of achieving strong, sustainable and balanced global growth, by providing information on our policies and forecasts.

10. We are committed to maintaining and increasing the dynamism of our domestic economies. We agreed that, depending on individual economies' circumstances, a combination

of macro-economic policy adjustments and structural reforms was needed to achieve this, whilst supporting balanced and sustainable global growth. We discussed how structural reforms to improve economic flexibility, raise productive potential, develop financial markets and increase private demand can contribute to raising potential output growth over the medium- to long-term and narrowing development imbalances and reducing poverty.

11. In this regard:

- APEC members with sustained, significant external deficits pledge to undertake policies to support private savings and undertake fiscal consolidation while maintaining open markets and strengthening export sectors.

- APEC members with sustained, significant external surpluses pledge to strengthen domestic sources of growth. According to circumstances in individual economies, this could include increasing investment, reducing financial markets distortions, boosting productivity in service sectors, improving social safety nets, and lifting constraints on demand growth.

12. We will undertake monetary policies consistent with price stability in the context of market oriented exchange rates that reflect underlying economic fundamentals.

13. We called upon APEC economies to leverage on each others' expertise in structural reforms in specific areas. Recognising the diversity within APEC, however, there can be no single approach. Rather, structural reforms need to take into account individual economies' stage of development, demographic trends, factor and institutional endowments and comparative advantages. We discussed the important roles that the IMF and Multilateral Development Banks (MDBs) play in helping APEC economies design and implement growth reform measures as these institutions have a good contextual understanding of the region and individual APEC economies. We encouraged the Economic Committee to intensify its efforts to promote structural reform, particularly noting the importance of its work on competition policy and regulatory reform.

14. We directed officials to, on a pathfinder basis and in partnership with the IMF and MDBs, to identify priority areas for structural reform in economies and the region, and develop modalities to share best practices and expertise, and connect reform needs with expertise and resources from member economies, the IMF, MDBs and the private sector. This should be developed in close consultation with the APEC Economic Committee and trade officials, in order to better deliver initiatives that help drive structural reform in APEC.

15. We will prepare a report to our Leaders in a year's time on our efforts to achieve stronger, more balanced, and sustained growth in the Asia-Pacific region.

### **Strengthening Financial Systems and Facilitating Finance for Sustained Growth**

16. We committed to strengthen financial supervision to prevent the re-emergence in the financial system of excess credit growth and excess leverage and undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilisation.

17. At the same time, we recognised the importance of efficient and innovative financial systems in assuring development and continued income growth. We are committed to financial sector development and reforms oriented to improve the competitiveness and efficient operation of markets.

18. We agreed that it was critical to encourage the revival of cross-border investment flows. In this regard, we recognised the importance of ensuring that finance continues to flow into areas of development such as infrastructure and green growth. We also welcome ABAC's report and recognise its contribution to strengthening financial systems in the region.

### **Infrastructure Financing Development**

19. The infrastructure needs of the Asia-Pacific region over the next decade are expected to be some US\$750 billion a year, as economies replace aging infrastructure and build new infrastructure to keep pace with rapid economic development. The global recession vastly complicated the challenges facing APEC economies in financing infrastructure requirements, with the post-crisis investment climate characterised by strain on public balance sheets and reduced private sector risk appetite. In this regard, we noted the important role of the MDBs in helping economies upgrade necessary infrastructure in the region, thereby contributing to enhanced development capacity, poverty reduction and improved living standards. To this end, we agreed to work towards adopting sustainable and viable financing policies, and supporting technical assistance, capacity-building and knowledge-sharing initiatives to make infrastructure

markets operate more effectively.

20. We welcomed the progress in implementing commercially viable infrastructure projects and practical PPP models to attract funding from private investors. In this regard, we encouraged economies to work with MDBs to develop and implement simple and replicable models to facilitate private investments into infrastructure. We welcomed progress towards developing common approaches towards private infrastructure investment across APEC economies, and noted the scope for further progress as demonstrated in the expert report Meeting APEC's Post Crisis Infrastructure Challenge: Towards Commonality in PPP Infrastructure Markets. We welcomed the pathfinder initiative on developing a harmonised road map for private infrastructure provision. We also called upon MDBs to conduct studies and provide recommendations to help facilitate, catalyse and channel private sector financing into these sectors.

21. We affirmed the importance of incorporating the expertise and resources of the MDBs, economies and the private sector to facilitate increased private sector investment in infrastructure projects in the region. In this regard, we welcome the launch of the inaugural World Bank-Singapore Infrastructure Finance Summit, which serves as a valuable platform for the exchange of views on infrastructure financing developments, innovations in infrastructure financing and urban development, and showcase regional infrastructure initiatives and projects.

### **Capital Market Development**

22. We supported the need for further capital market development and integration and to broaden and diversify the investor base. We resolved to intensify our efforts to promote capital market development efforts as these are integral to efficient intermediation of savings and capital flows, therefore contributing to enhanced long-term sustainable growth. To this end, we welcomed the ongoing capacity building initiatives to assist economies in strengthening their technical skills and knowledge base to develop and deepen their financial markets. In delivering such capacity-building, we are contributing to the broader implementation of G-20 financial sector reform priorities and the Financial Stability Board.

23. We reaffirmed our commitment for greater participation of financial institutions, pension funds, insurance companies and fund managers to provide depth and innovation in capital markets. We noted the successful outcomes of the 3rd APEC Public-Private Sector Forum on bond market development, and we welcomed ABAC's proposal to organise the fourth

installment of the forum in Japan in 2010.

## **Trade Finance**

24. We noted the Report of the APEC 2009 Trade Finance Follow-Up Survey, which showed that the trade finance situation in APEC economies had improved since the first survey in June 2009, and that most APEC economies expect the trade finance situation to further improve over the next six months. Nevertheless, we agreed that APEC needs to remain vigilant.

## **Green Economy**

25. We recognised the need to take action to tackle the threat of climate change and working towards an ambitious outcome in Copenhagen, within the objective, provisions and principles of the United Nations Framework Convention on Climate Change (UNFCCC).

26. We agreed on the importance of rationalising and phasing out over the medium term, inefficient fossil fuel subsidies that encourage wasteful consumption. We recognised the importance of providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate mechanisms. We will work with our Ministers responsible for energy policies to develop implementation strategies and timeframes that reflect our individual circumstances. We ask the IMF and MDBs to offer support to economies in this process.

27. We also agreed on the importance of simultaneously pursuing growth and improvement of the environment through research and development in clean energy and green technology, energy conservation and efficiency, as well as mitigating and adapting to climate change and environmental degradation.

28. In this regard, we requested our officials to study the status of green growth in APEC and public and private financing for green industries, including roles of market-based financing.

## **Other Matters and the Venue for the Next Meeting**

29. We noted the recommendations of APEC Policy Support Unit's (PSU) study on food security.

30. We are committed to fighting corruption, money laundering, terrorist financing, and other criminal abuse of the financial system. In this regard, we will continue to aggressively work to implement international anti-money laundering and counter-financing of terrorism standards and to comply with relevant United Nations Security Council Resolutions. We support the Financial Action Task Force's mandate to include responding to new threats which affect the integrity of the financial system, such as proliferation finance. We welcome APEC's work on securing remittances and cross border payments, detecting cash couriers and bulk cash smugglers, and preventing the terrorist abuse of non-profit organisations.

31. We thanked Singapore for hosting the APEC Finance Ministers' Process this year. We will meet again for our 17th meeting in Kyoto, Japan in November 2010.