



**Asia-Pacific
Economic Cooperation**

2019/SOM1/FDM/021

Agenda Item: 9.1

Collaborative Initiative Between APEC and Pacific Alliance on Financial Issues

Purpose: Information
Submitted by: Peru



**Finance and Central Bank Deputies' Meeting
Santiago, Chile
7-8 March 2019**

COLLABORATIVE INITIATIVE BETWEEN APEC AND PACIFIC ALLIANCE ON FINANCIAL ISSUES

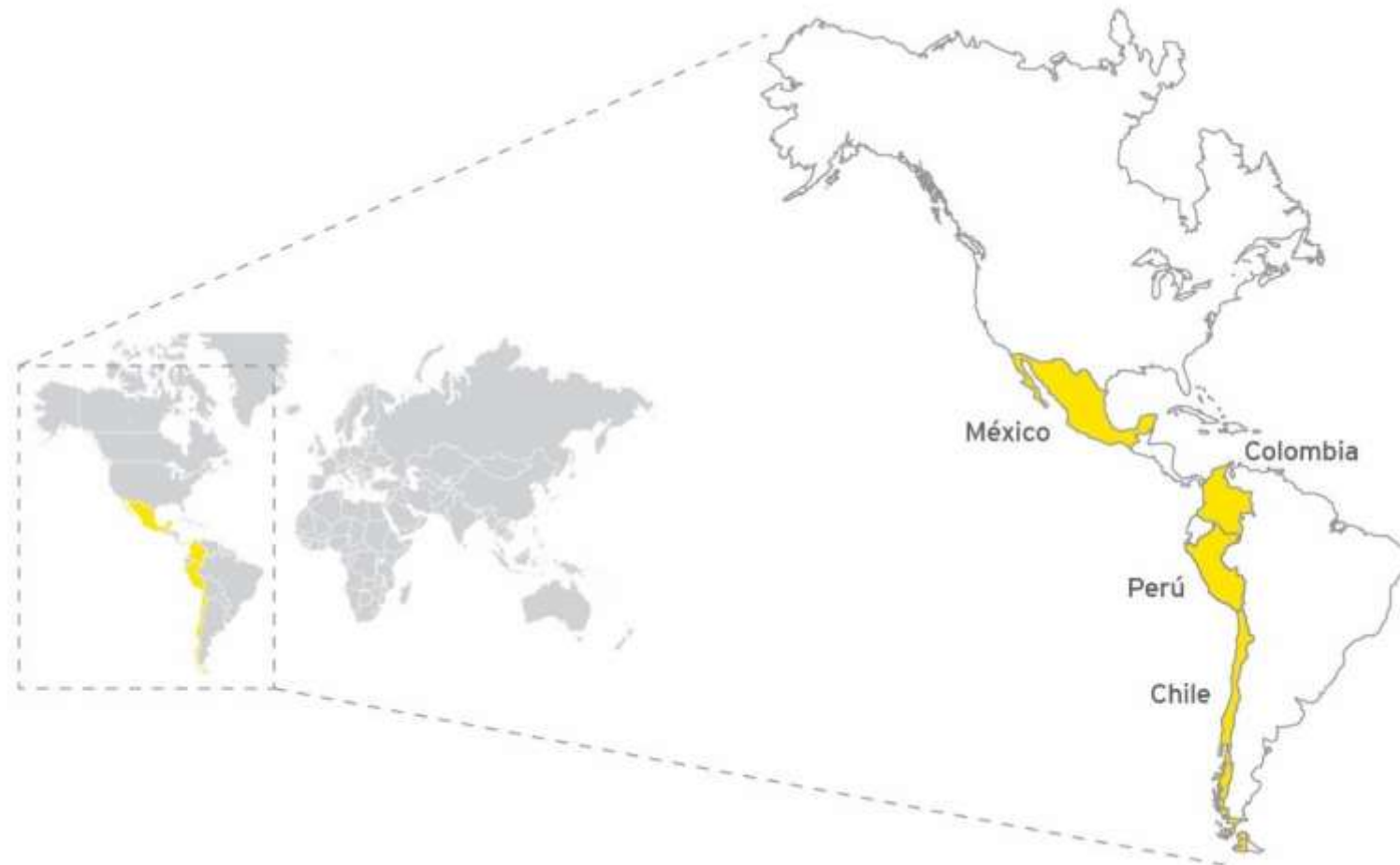
Finance Ministers' Council of Pacific Alliance

General information

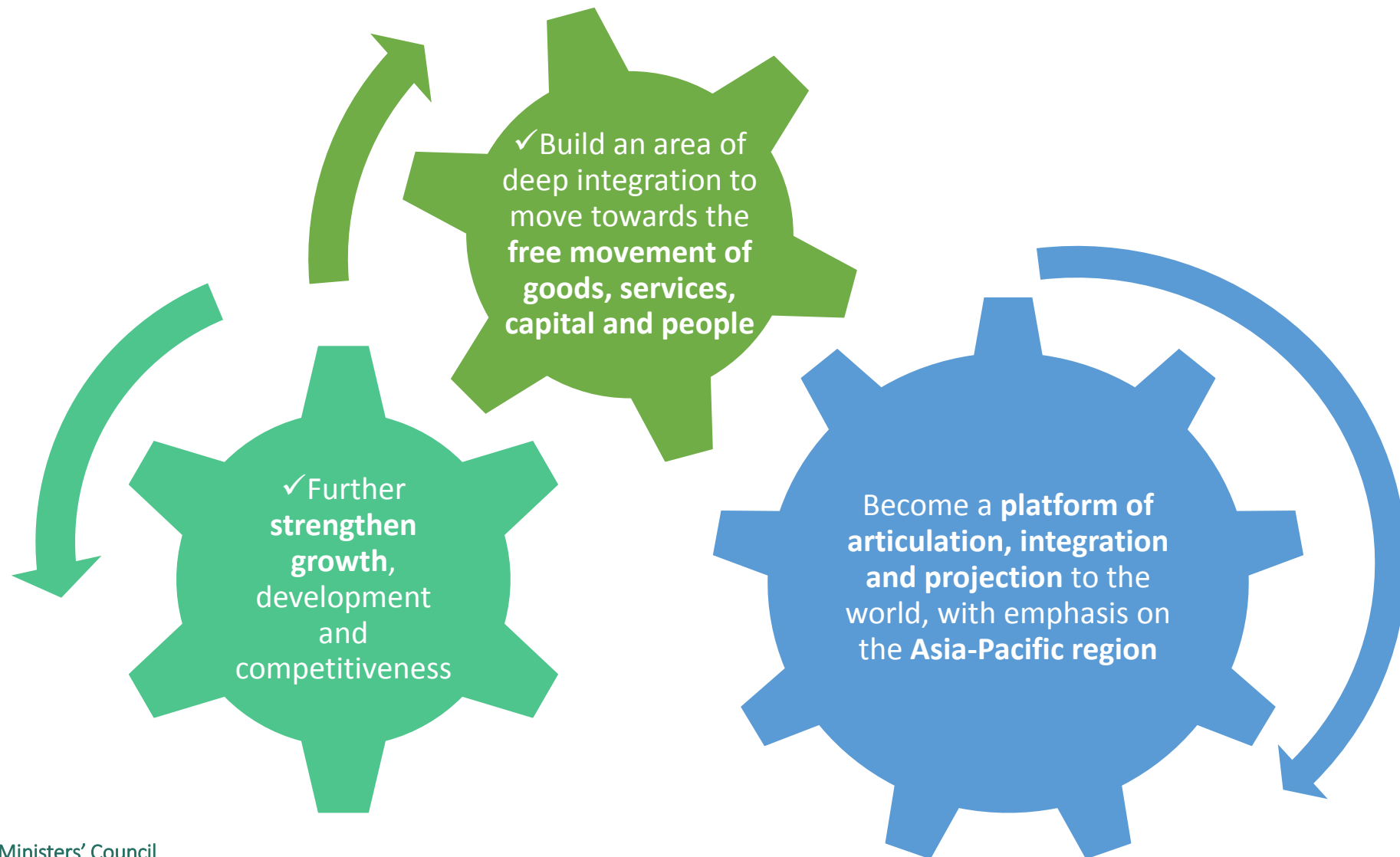


Pacific Alliance

- Initiative of regional integration established in 2011 by **Chile, Colombia, Mexico and Peru.**



Main objectives



In figures



225 million
inhabitants (2017)



Gross Domestic Product of US\$ 1,959 billion (2017)



It is the **8th largest economy in the world**, represents 40% of the GDP of Latin America and the Caribbean (2017)

GDP per capita
(based on PPP) of **approximately US\$18,000** (2016)



Foreign Direct Investment (FDI)
represented **41%** of total FDI to Latin America (2016)

TRADE:



Exports 2016:
US\$ 502.9 million

Imports 2016:
US\$ 537.5 million

Relationship with third parties



OCDE members: Chile, Colombia and Mexico.

APEC members: Chile, Mexico and Peru.



Observer States: 55 including 10 APEC economies (Australia, Canada, China, Indonesia, Japan, Korea, New Zealand, Singapore, Thailand and United States).

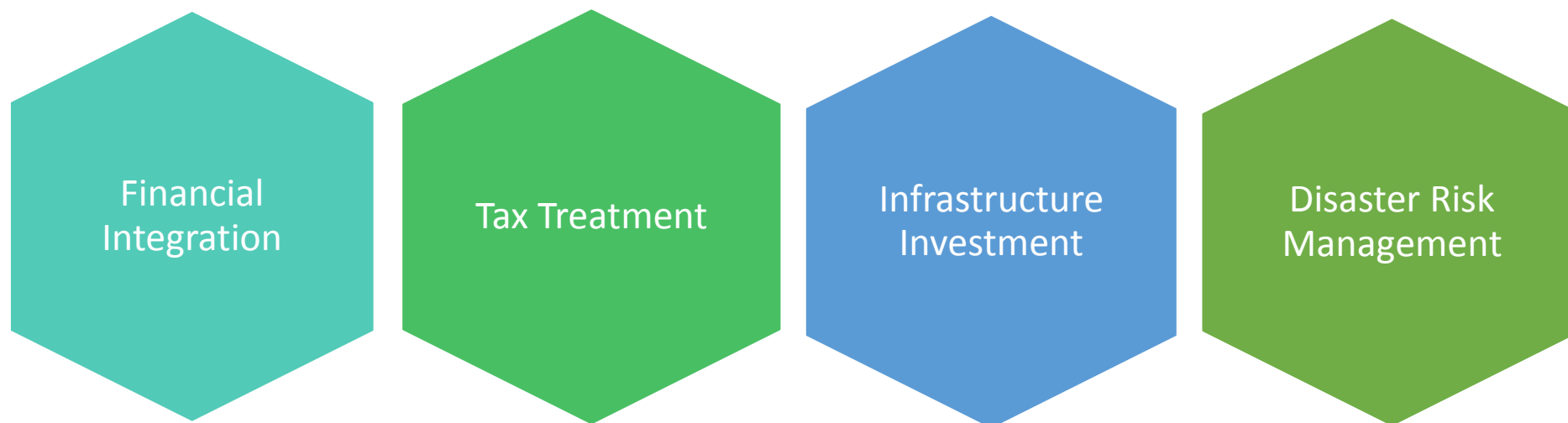
Candidates for Associated States: 5 (Australia, Canada, Korea, New Zealand and Singapore).

Finance Ministers' Council



Overview

- Instance, created in 2015, to promote **deep economic and financial integration** of the Pacific Alliance.
- Led by the **Ministries of Finances** of the four member countries.
- Main areas of work:



Achievements

- Integration of the equity markets of the four stock exchanges through the **Integrated Latin America Stock Market (MILA)** which allows for investment opportunities in over 700 companies from the Pacific Alliance countries and a combined market capitalization of about US\$ 897 billion.



- Placement of a regional **cat bond that covers seismic risks** for a total amount of up to US\$ 1.36 billion, thereby mitigating the impact of these type of natural disasters on public finances, diversifying investors' portfolios and providing the possibility of sharing structuring costs.

Achievements



- Signing of a multilateral convention that modifies the **agreements to avoid double taxation** in order to grant resident status to pension funds and establish a preferential treatment for the interest and capital gains generated by the investments of these funds in any of the countries of the Pacific Alliance.
- Adoption of guiding principles for **FinTech regulation**, which set the basis for the promotion of financial services based on technological innovations, with the aim of fostering innovation, competition and financial inclusion, as well as preserving consumer protection and financial stability.



Current activities

- Working on the implementation of a **Funds Passport**, a platform for free cross-border offering of funds that are authorized by any country member of Pacific Alliance, in order to channel capital market resources towards productive projects in the region.



- In process of constituting an infrastructure debt fund, known as **Pacific Alliance Infrastructure Fund**, which will channel funds from institutional investors to finance Public-Private Partnership projects of the four countries.



- Analyzing the adoption of common principles of **Public Private Partnership**.
- Evaluating the convenience of issuing a joint **risk transfer mechanism that covers hydrometeorological events** (droughts and floods).



Collaborative Initiative



- Motivation: Convergence of the agendas of **APEC's Finance Ministers' Process** and the **Pacific Alliance's Finance Ministers' Council**.
- Proposal: **Work together in areas of common interest**.
- Nature: **Non-binding** and **voluntary** basis.
- Objectives:
 - ✓ **Enhance economic ties** between APEC and the Pacific Alliance.
 - ✓ **Promote economic growth and resilience** of our economies.
 - ✓ **Consolidate efforts** and **avoid duplication** of initiatives.

Areas of common interest



Implementation

- Organization: At the beginning of each year, an **Action Plan** is prepared to consolidate the collaborative activities, if any, to be undertaken by APEC and the Pacific Alliance during that period.
- Activities: The collaboration in every area of common interest could be materialized through the organization of **workshops, elaboration of studies, information exchange and experience sharing**, among others.
- Timeframe: From **2019 to 2022** (4 years). This timeframe can be extended, if required.
- Action Plan for 2019:
 - ✓ **Funds Passport.**
 - ✓ **Disaster Risk Financing Mechanisms and Insurance of Public Assets.**