

APEC VIRTUAL FINANCE MINISTERIAL STATEMENT ON MITIGATION AND RECOVERY OF COVID-19 PANDEMIC

We, the Finance Ministers of the Asia-Pacific Economic Cooperation (APEC) member economies, convened virtually on 25 September 2020 under the chairmanship of His Excellency Tengku Zafrul Tengku Abdul Aziz, Minister of Finance of Malaysia.

We reiterate our commitment to support strong, sustainable, balanced and inclusive economic growth and financial stability in the region. We welcome this year's theme of "Optimising Human Potential towards a Resilient Future of Shared Prosperity: Pivot. Priorities. Progress."

Global and Regional Economy

Since our last meeting in October 2019, the world economy has faced unprecedented shocks brought about by the COVID-19 pandemic. For many economies, this pandemic has resulted in a perfect storm of socio-economic vulnerabilities, magnified by multiple shocks in both the aggregate supply and demand sides as well as in external and domestic sectors. In addition, the pandemic has caused disruption to global supply chains, intensive volatility of financial markets, deterioration of fiscal positions and severe unemployment. In particular, we are concerned with the disproportionate impacts borne by micro, small and medium-sized enterprises (MSMEs), which are the backbone of our economies and provide employment to large segments of our populations.

We recognise the COVID-19 outbreak will have major ramifications on the growth of world gross domestic product (GDP). With contracting GDP growth estimates and government spending on response and recovery measures, the fiscal position of economies is under pressure. We acknowledge the on-going need to advance stimulus measures to help with recovery, while underscoring the importance of improving fiscal sustainability and transparency to support long-term resilient development and future financing needs. We recognise the importance of International Financial Institutions (IFIs)' work to facilitate public finance management in this regard.

While the outlook remains highly uncertain, global economic activity is expected to recover going forward as our economies gradually reopen and given our significant policy actions. Sustained economic recovery is predicated upon finding solutions for the treatment, prevention and successful containment of the virus. As the virus spread around the world, economies have had to balance both the health and economic implications. We support the development of safe and effective COVID-19 diagnostics, therapeutics, and vaccines, with the aim of supporting equitable and affordable access for all. Further, it has been necessary to restrict movements of people within and across international borders to protect lives. Had containment measures not been taken, the resulting greater spread of the virus would also have had severe economic implications.

We reaffirm the conclusions of the Ministers Responsible for Trade (MRT) Virtual Meeting Joint Statement on 25 July 2020 and the MRT Declaration on Facilitating the Movement of Essential Goods, and we reiterate the importance of a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment to drive economic recovery at such a challenging time.

We are determined to continue to use all available policy tools to support the immediate response to the COVID-19 pandemic and move towards a strong, sustainable, balanced and inclusive recovery. This includes supporting the most exposed sectors and workers as well as addressing the disproportionate economic and social impact of the crisis on the more vulnerable segments of society.

Fiscal and Monetary Interventions in Mitigating and Recovery of COVID-19 Pandemic

Finance ministries, central banks and financial regulators have responded promptly to the repercussions of the COVID-19 pandemic with unprecedented policy responses. We shared economies' experiences in mitigating and recovering from the socio-economic impacts of the pandemic, which aim to protect lives, livelihoods and businesses.

We have delivered unprecedented fiscal and monetary measures domestically and acknowledge the work across governments to address the COVID-19 pandemic and its impacts. We have tailored our responses to our unique health challenges, economic positions and opportunities. We also emphasise the need to continue exchanging experiences, good practices as well as encourage coordinated multilateral cooperation towards ensuring a strong and sustainable economic recovery among APEC member economies.

Digitalization for Financial Integration and Inclusion

We recognise that the COVID-19 pandemic has accelerated the digitalization of our economies, which has now become critical for the survival of many businesses, especially the MSMEs as well as some vulnerable groups.

We recognize the value of digital tools and the role of the digital economy in minimizing the negative impact of the COVID-19 pandemic. We recognize the implementation of the APEC Connectivity Blueprint 2015-2025, in particular in the area of financial infrastructure to enhance connectivity by financial cooperation. We welcome the APEC Roadmap on Digital Financial Inclusion. We take note of the emerging risks of illicit financing in light of social distancing measures, which should be duly addressed.

We appreciate Malaysia's endeavour in seeking viable and tangible solutions from APEC member economies to improve the financial health of Gig economy workers

through the APEC Gig Economy Challenge, launched on 18 March 2020. The ideas presented at the APEC Gig Economy Challenge showcase the many roles of digitalization in helping financial inclusion including gig economy workers who have been hard hit by the COVID-19 pandemic. We welcome Malaysia's initiative in promoting digital economy, which could further boost and sustain member economies' economic recovery from the COVID-19 pandemic.

Disaster Risk Financing and Insurance

We will continue the existing work on disaster risk financing and insurance (DRFI) solutions to explore practical sources and schemes to mitigate and respond to present and future disasters or shocks, and will also consider the possibility of integrating future pandemics in the DRFI agenda.

Strategic Collaboration

We acknowledge the APEC Health Working Group Statement on COVID-19, which highlights that major threats to health security can impose an extra burden on health systems and increase costs.

We welcome international organisations and IFIs' efforts in assisting the economic responses of members and in developing toolkits that support members through the crisis and into recovery.

We welcome collaboration with the Economic Committee in sharing information on various economic responses and recovery policies in the wake of COVID-19 pandemic, and continue to encourage the structural reform agenda of each economy towards a sustainable and resilient economic recovery.

We acknowledge the progress made by member economies in the implementation of the Cebu Action Plan (CAP). We welcome efforts by Peru and New Zealand to undertake a survey and mid-term review with the goal of endorsing a new strategy for the completion of the CAP at our meeting in 2021 that takes into account of COVID-19 realities and the APEC post-2020 vision.

Other Issues

We note the recommendations in the APEC Business Advisory Council (ABAC) 2020 Report to APEC Finance Ministers on Accelerating Recovery and Reshaping Financial Services in the Wake of the Pandemic.

In light of the severe regional economic downturn and the challenge that COVID-19 is posing to fiscal sustainability, we strongly reaffirm our commitment to promoting tax certainty and tackling tax avoidance and evasion in the APEC Region. We stress the importance of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting

(BEPS) to continue advancing the work on the tax challenges arising from digitalization with a view to reaching a global and consensus-based solution.

We appreciate the continuous support from the Asian Development Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank Group and ABAC to the Finance Ministers' Process. The initiatives and reports undertaken by these organizations in 2020 are listed in the Annexes.

We thank Malaysia for hosting the APEC Virtual Finance Ministers' Meeting this year. We will meet again under New Zealand's chairmanship in 2021.