

18th APEC FINANCE MINISTERS' MEETING

JOINT MINISTERIAL STATEMENT

1. We, the finance ministers of the APEC economies, convened our 18th annual meeting in Honolulu, Hawai'i on 10 November 2011 under the chairmanship of Mr. Timothy F. Geithner, Secretary of the Treasury of the United States. The meeting was also attended by the President of the Asian Development Bank, the President of the Inter-American Development Bank, the Managing Director of the World Bank Group, the Deputy Managing Director of the International Monetary Fund, and the APEC Business Advisory Council (ABAC).
2. We noted that a number of our economies have suffered major disasters in the last year with significant impacts on the economies of the region and beyond. We also met at a time of heightened downside risks for the global economy. Such risks need to be addressed decisively to restore confidence, financial stability, and sustainable growth. Growth and job creation has weakened in the region, particularly in advanced economies. Meanwhile, inflation remains elevated in many of our economies. Capital flow volatility has intensified in response to heightened risk aversion.
3. We reviewed the conclusions of the recent G-20 Leaders Summit meeting in Cannes on November 3-4, and pledged to take coordinated actions to strengthen the global recovery, reinforce financial sector stability, maintain open markets, and build a foundation for strong, sustainable, and balanced growth. We agreed that:

Advanced economies commit to adopt policies to build confidence and support growth and implement clear, credible, and specific measures to achieve fiscal consolidation.

Taking into account economies' circumstances, economies where public finances remain strong commit to let automatic stabilizers work and take discretionary measures to support domestic demand should economic conditions materially worsen. Economies with large current account surpluses commit to reforms to increase domestic demand, coupled with greater exchange rate flexibility.

We affirm our commitment to move more rapidly toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments, and refrain from competitive devaluation of currencies. We reiterate that excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability.

We agree to continue our efforts to further strengthen global financial safety nets in which economies' governments, central banks, regional financial arrangements, and international financial institutions will each play a role according to and within their respective mandate.

We remain committed to promoting open trade and investment, rejecting protectionism in all its forms. We also affirm our determination to take actions to promote development.

4. We reaffirmed our shared interest in reforming the financial sector to better meet the needs of our economies. In order to increase the resiliency of the global banking system, we will implement the new Basel Committee on Banking Supervision framework, which raises the quantity, quality, and international consistency of capital and liquidity. To reduce moral hazard and risks to taxpayers, we agree to implement effective resolution regimes for systemically important financial institutions. In line with international efforts, we agree to undertake regulatory reforms so that all standardized OTC derivative contracts are traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties. We will also enact reforms to see that OTC derivatives contracts are reported to trade repositories and non-centrally cleared contracts are subject to higher capital requirements.
5. APEC economies remain committed to further structural reforms to raise output in our economies, foster job creation, and promote social inclusion. As follow-up to our Kyoto Report on Growth

Strategy and Finance adopted at our last meeting, we took stock of work this year in two areas where APEC has contributed valuably towards these objectives:

- *Infrastructure Financing:* Accelerating infrastructure investment and improving service delivery would contribute to boosting the recovery and is critical for sustaining economic growth in the Asia-Pacific region. In addition to public financing, private financing can play an important role in supporting infrastructure investment. There is scope to enhance the investment environment, access to capital, and economies' capability to encourage further private financing. For some economies, increased private financing of municipal-level projects shows promise; efforts are also underway in some economies to improve the environment for investment through public-private partnerships (PPP) and minimizing regulatory risk. We recognize that dialogue with market participants on infrastructure financing is critical to achieving the full benefit of private sector resources. We appreciated the work of ABAC and the World Bank to discuss related policy issues with our deputies, and took note of policy recommendations. We welcomed the creation of Asia-Pacific Infrastructure Partnership Dialogues to foster candid discussion between market participants, individual APEC member economies, and multilateral development banks. We also welcomed the establishment of the ASEAN Infrastructure Fund by ASEAN economies and the ADB, and look forward to its contribution to regional infrastructure improvement.
 - *Financial Empowerment:* We recognized that a significant number of our residents still lack effective access to safe and reliable financial services, including in some advanced economies. Increasing usage of, and access to, formal financial products and services contributes to alleviating poverty and reducing vulnerabilities of low income and disadvantaged groups. We, therefore, affirm our commitment to support financial empowerment as a growth driver in APEC economies to provide the unserved and underserved sectors greater access to safe and reliable financial services. We reviewed the work of the APEC Financial Inclusion Initiative, which delivered concrete guidance in the areas of government-to-person (G2P) payments and public-private strategies to effectively reach the underserved, and prepared the ground for making accurate measurements of the reach of financial services in APEC economies. We welcome the emphasis on increasing women's access to finance in the San Francisco Declaration adopted during the High-Level Policy Dialogue on Women and the Economy.
6. As we work to put in place policies to promote growth and employment, we also recognize that economic growth must be environmentally sustainable. We took note of a joint study, *Green Finance for Green Growth*, which recommends further exploration of policy tools for green growth. We agree on the importance of rationalizing and phasing out inefficient fossil fuel subsidies over the medium-term that encourage wasteful consumption, while providing targeted support for the poorest. We took note of the voluntary reporting mechanism to help implement this commitment that will be presented to Leaders by the APEC Energy Working Group, and will contribute to this work as warranted.
 7. Close cooperation with the business community remains a valuable feature of APEC. We welcomed inputs from ABAC, which put forward recommendations on (1) improving collaboration among financial market regulators in view of increasing regional financial integration; (2) developing policies and initiatives that support capacity-building for financial empowerment and financing of SMEs; (3) supporting policy frameworks to channel private financing into infrastructure; and (4) enhancing the efficiency of capital markets. We also recognized the role of ABAC and the private sector in supporting finance officials' exploration of the concept of an Asia Region Funds Passport (ARFP) in order to develop the sound funds industry and better integrate financial markets with due regard for investor protection. We expect further development of this work, in consideration of economies' level of market development, which could help explore the establishment of a pilot ARFP.
 8. We thanked the United States for hosting the APEC Finance Ministers' Process this year. We will meet again for our 19th meeting in Moscow, the Russian Federation, in August 2012.