

3 August 2021

Hon. Grant Robertson

Chair, APEC Finance Ministers' Meeting
Minister of Finance
New Zealand

Dear Minister,

We are writing to you and your APEC colleagues at this critical time to provide the advice of the APEC Business Advisory Council (ABAC) on the economic recovery of region. We were grateful for the opportunity to meet with you in informal dialogue in June and we look forward to our further discussion in October.

Our theme for 2021 – “People, Place and Prosperity”, or “*Tāngata, Taiao me te Taurikura*” – recognizes that we cannot achieve lasting prosperity in isolation from addressing the needs of our people and safeguarding our environment. Unfortunately, many of the challenges confronting our economies since early 2020 continue with little respite on the horizon. The COVID-19 pandemic is far from over, with second and third waves rapidly spreading through many parts of the region. Delivery of vaccines is disappointingly slow with unequal coverage. Shortcomings have been revealed in capacity and delivery of health services with our most vulnerable populations continuing to be disproportionately impacted.

APEC economies faced disruption even prior to the pandemic, as a result of accelerated evolution of technology, the increasing and alarming impact of climate change and growing inequalities in income and wealth distribution. COVID-19 has not only exacerbated these challenges but has added the threat of long-term economic crisis. The business community has greatly appreciated the targeted measures taken by policymakers to preserve livelihoods, to provide support and stimulus measures for all businesses, our smallest enterprises in particular, as well as to facilitate continued trade and investment and the security and stability of supply chains.

In 2020 we wrote to you expressing our concerns about the harsh impact of the pandemic on micro, small and medium sized enterprises (MSMEs) and the need to continue to support and strengthen these smaller enterprises. We also highlighted the opportunities digitalization offers to achieve greater financial inclusion, and the need to assist developing economies to attract investment, especially for infrastructure development and their transition to a more sustainable path to growth. These issues remain priorities in this second year of the pandemic.

The continuing social and economic challenges faced by our region are exceptional. We have approached discussion of these issues this year through three dedicated Task Forces and the continuing important work of the Asia-Pacific Finance Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP). Our task forces have focused upon COVID-19 economic recovery, structural reform and disaster

recovery planning and risk management. Summary recommendations from each of the Task Forces and the 2021 Progress Report of various financial system bodies are attached for your reference. We highlight our key messages here.

Firstly, as we discussed with Structural Reform Ministers in June, we support a collaborative approach to holistic, inclusive and sustainable structural reform across the region to assist in economic recovery and address important cross-cutting issues. We strongly recommend that APEC economies coordinate domestic fiscal stimulus measures at the regional level, to maximize their impact across the region; support a resumption of safe and seamless travel; continue to promote free and open trade; and pay attention to reducing carbon emissions. Promotion of the free movement of goods, services and people across borders, while adhering to public health needs, will be critical to restarting our economies. A collaborative approach is essential.

Secondly, we note that it is imperative that the monetary, fiscal and macroeconomic policy responses to this economic crisis reflect what has been learned from previous shocks to our region. It is important to continue stimulus measures to address the shortfall in demand and to introduce innovative reforms in personal insolvency regimes to accelerate fresh starts for those businesses which have not survived during this period.

Efforts to stave off economic catastrophe have resulted in an urgent need to address deterioration in fiscal balances and the detrimental impact the pandemic has had on public sector debt. There is also a need to unwind, in an orderly fashion, the large balance sheets of central banks, resulting from government bond purchasing, as a result of action taken to keep a tight rein on interest rates. We must not ignore the risks to financial stability in the debt overhang in both developed and developing economies, and rising inflation in major economies, and ensure that any threat of a further economic crisis is identified, and responses are swift. Restoring sustainable fiscal structures while promoting growth and recovery and resisting inflationary pressures will require skilful management. Establishing creative growth strategies and implementing supportive structural reforms to restore productivity will be key.

Thirdly, APEC is the world's most exposed region in terms of natural disasters and climate risks, and the region has been the epicentre of the COVID-19 pandemic. The devastating impacts of the pandemic, especially on the most vulnerable and MSMEs, have again highlighted the importance of coordination and collaboration to ensure that health and economic responses and recovery are both resilient and inclusive. Confronting perennial and escalating challenges requires constant adjustments, with a need to integrate and account for risks at all stages of development and to strengthen both hard and soft infrastructure. There is still wide scope for harnessing private insurance and capital markets to strengthen disaster risk financing frameworks. Public-private partnerships and investment aimed at reducing disaster risk and insuring against future natural catastrophes and pandemics will be critical to accelerate recovery.

APEC economies should make it a priority to strengthen integration of disaster risks in fiscal planning and develop contingency recovery plans for ready implementation, while ensuring adequate budget allocation. Economies must also address fragmentation and capacity constraints in implementation of disaster risk reduction, response and recovery programs. Transparency and efficiency of post disaster spending, and clarity in cost-sharing arrangements between central and local governments and other stakeholders is essential.

We recognize the continuing health and economic issues to be addressed both globally and in our own region are not insignificant in either scope or complexity. Last year, APEC economies delivered the Putrajaya Vision 2040. They should seize the opportunity to accelerate the delivery of that Vision in collaboration with the business community, to build a region that is not only stronger but better prepared for future shocks. ABAC is committed to working with APEC economies to ensure that as a region our recovery provides the foundation for a strengthened, more inclusive and sustainable future for all our peoples.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and curves, positioned above the printed name.

Rachel Taulelei
ABAC Chair 2021

Annexes:

Report of the Task Force on Securing the COVID Economic Recovery
Report of the Task Force on Adopting Structural Reforms
Report of the Task Force on Addressing Disaster Recovery Planning and Risk Management
2021 Progress Report of APFF, APFIF and APIP