



*Discussion highlights from the  
APEC CEO Summit 2017*

8-10 November,  
Da Nang, Viet Nam

*Takeaways  
from the  
APEC CEO  
Summit 2017*



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# *Creating new dynamism, Fostering a shared future*



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## ***High-level discussions on the future of the Asia Pacific region***

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The APEC CEO Summit in Da Nang from 8-10 November signaled a turning point for the 28-year-old Asia Pacific Economic Cooperation (APEC), regional economic forum established to leverage the growing interdependence between its 21 Asia-Pacific member economies.

After years of orienting towards a consensus for regional economic integration, contrasting visions for the future of global commerce came to the fore at the APEC CEO Summit. US President Donald Trump advocated for bilateral trade arrangements while China President Xi Jinping affirmed commitments to multilateral platforms. Meanwhile, the remaining 11 members of the previously much-touted Trans-Pacific Partnership (TPP) agreement sought to advance without the US.

Want to know what was top of mind of the Asia Pacific leaders attending the Summit? Here are our top five takeaways from the Summit discussions.

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## ***Globalisation is not in retreat but advances are conditional on broadening the base of beneficiaries***

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The recovery in international trade flows in 2017 suggests that the world has successfully seen off rising protectionist challenges but the picture is more complicated, according to APEC economic leaders.

The threats to smooth-flowing global commerce are real and may damp future economic activity as governments seek to protect domestic jobs. Peru President Pedro Pablo Kuczynski warned: “The dark clouds will dissipate but it can take a while.” Organisations like APEC “have to keep going and to keep pushing” on lowering barriers to trade, he added.

Policymakers in particular face new challenges to flow the benefits of free trade to more people. Educational systems that are more responsive to the need for new skills were top of mind for almost every panelist from either the public or private sector.

Economic incentives to spur small business activity are also under review. The US and Hong Kong, for example, are moving to lower business tax rates. In Canada, a policy orientation toward entrepreneurial activity and immigration are cornerstones for new job creation. “We want to be the most exciting, friendliest country for smart entrepreneurs around the world to create great companies,” said Canada’s Minister of Foreign Affairs Chrystia Freeland.



## ***Global businesses are adapting to new currents in trade policies***

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CEOs with cross-border business in Asia Pacific economies “are not retreating from the headwinds,” said Robert Moritz, Global Chairman, PwC. Instead, “they are adapting quickly to the new dynamics.” These adaptations include a greater reliance on business partnerships and increasing activity in economies with well-established trading relationships, according to PwC’s 2017 APEC CEO Survey.

At the same time, global value chains in advanced industries, like pharmaceuticals, are beyond the capacity of a single business to unwind. “Science is so complex and no longer at the scale of an organisation,” noted Olivier Charneil, Executive Vice President, General Medicines and Emerging Markets, Sanofi. Innovations today are reliant on interactions between academia, companies and diverse geographies.

Asia Pacific economies will also pursue their own adaptations to changing directions in trade policies by seeking “replacement opportunities” to support exports by domestic industries, noted Philipp Rösler, Member of Managing Board, World Economic Forum. “Free trade in the ASEAN community would be a nice outcome to expect this year.”





## ***Newer entrants to world markets are creating fresh demands on infrastructure and policy***

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E-commerce and tourism are increasingly active drivers of international trade. Summit panelists expect these rising trends to exert more influence on infrastructure investment and cross-border trading rules. “A lot of people think that trade is about big multinational firms and that’s not particularly the case today,” said David Cunningham, President and CEO, FedEx Express. With e-commerce forecasted to become a USD4 trillion business globally by 2020, policymakers should recognise that rules guiding the process of trading – from custom clearances to tariff codes – were created in an age of “big boxes” and need an upgrade. “It’s the small packages that are moving, which creates different kinds of cost structures and processes needed to support it.”

Tourism is a second new growth industry, rising around 4% a year in emerging markets, said Nathan Blecharczyk, Co-Founder and Chief Strategy Officer, Airbnb. “The challenge is to scale quickly enough,” he said.

Panelists agreed that infrastructure together with policy harmonisation across borders is vital for quality growth in emerging economies. “In order to have meaningful utilisation of physical infrastructure projects, the non-physical element – policy and standard harmonisation – must come in place too and APEC is a very good platform to facilitate that,” said Jin Liqun, President of the Asian Infrastructure Investment Bank.



## ***Multilateralism will remain the dominant mode for regional economic cooperation, but it is under new strains***

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Even as US President Trump shifts US policy towards bilateral trade arrangements, calling current international trade rules unfair to Americans, most APEC economic leaders at the Summit signaled intentions to continue cooperation on trade matters within existing multilateral frameworks. “We must work together to realise the promise of Asia Pacific,” urged Papua New Guinea Prime Minister Peter O’Neill, host of the next APEC CEO Summit in 2018.

In fact, APEC economies are set to transition into a new regional economic model empowered by smaller but closer bilateral bonds. China President Xi Jinping has called for further liberation of the multilateral trading system through consultation and cooperation. “We will work together with other countries to create new drivers of common development through the launching of the 'Belt and Road' Initiative.”

At the same, the strains are evident. While the remaining economies in the TPP are working to go ahead without the US, some provisions in the agreement have been suspended. Also, businesses prefer multilateral trade arrangements, which can reduce complexity and increase efficiencies and speed. Yet “that said, you’ve got to be practical,” said David Cunningham. If bilateral trade pacts can be done more quickly, “we’ll take the bilateral and work from there.”



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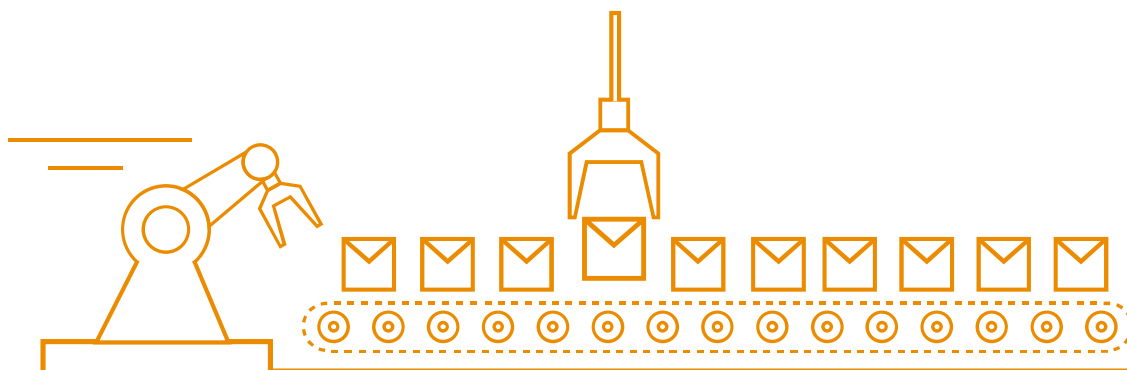
## ***Advances in automation and artificial intelligence (AI) are accelerating the rate of change in Asia Pacific. Policymakers (and some businesses) risk running out of time to prepare for anticipated business model and the workforce transformations***

Businesses across the Asia Pacific are on the cusp of significant change to business models and capabilities. For banking group Citi, advanced analytics offer the potential to tackle financial crimes. For CreditEase, a wealth manager and P2P lender in China, these technologies mean that higher-end financial advice and modelling for middle class savers is likely just three years away. “In the next three to five years, we should expect [that] as many as 200 million affluent investors in China will have access to financial advisors on their mobile phones,” said Ning Tang, Chairman and CEO, CreditEase.

The pace of change is creating some urgency. 40% of all jobs are at high risk of being automated. An additional 35% of jobs are likely to have most of their tasks automated in near future, according to OECD. “Those are really serious challenges. Governments have to do much more” explained Masamichi Kono, Deputy Secretary-General, OECD “because we’re all facing these challenges.”

What can governments do? Nicolas Aguzin, Chairman and CEO Asia Pacific, JP Morgan explained that automation in the digital age is not a zero sum game. Job creation may offset the number of jobs disrupted, citing the example of ATMs and its failure to fully replace bank tellers when the machines were first introduced in 1969. “The problem is that [automation is] happening very quickly. The educational system we have is not geared up for the jobs we need today.” Noting a gap between rapid AI advancements and slower technology adoption, Huang Dinglong, CEO of Malong Technologies, more optimistic believing that “it is still early to make changes to better prepare the talent pool.”

On the business side, Sheryl Sandberg, Chief Operation Officer of Facebook, stressed the importance of helping the younger generation to retool quickly in the workplace. “Changes are accelerating and young people need digital skills to participate meaningfully in economic growth.” She cited examples of how Facebook provides skills training to entrepreneurs in Viet Nam and small business owners in Australia.



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This report was prepared by PwC in its capacity as the Knowledge Partner to the APEC CEO Summit 2017.