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**APEC'S NEW
CHALLENGE:**

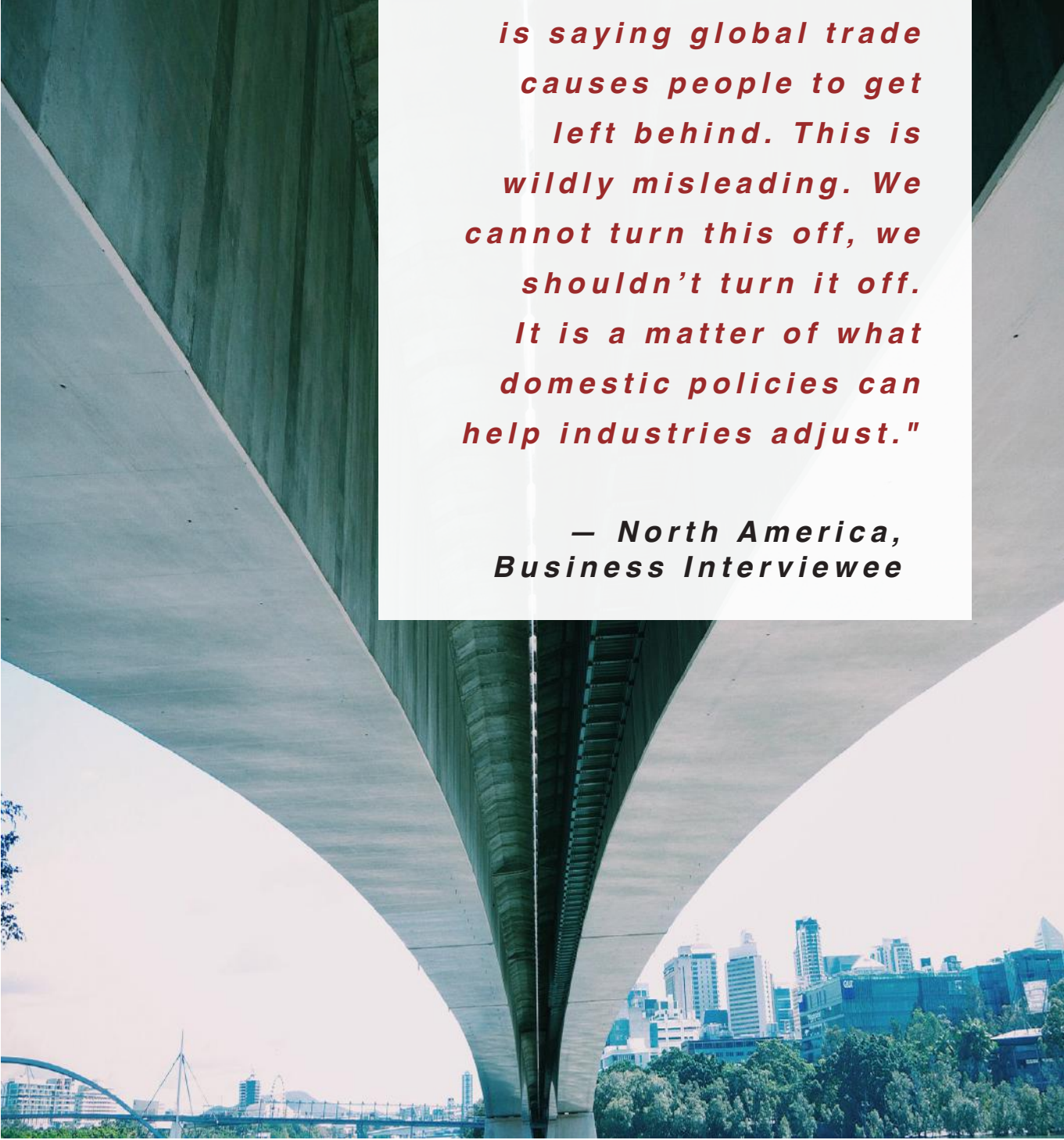
**Inclusive Growth
through Smarter
Globalization and
Technological Progress**

**Da Nang, Viet Nam
November 2017**

APEC's New Challenge: Inclusive Growth through Smarter Globalization and Technological Progress

APEC Business Advisory Council
University of Southern California
November 2017





***"Emotive public dialogue
is saying global trade
causes people to get
left behind. This is
wildly misleading. We
cannot turn this off, we
shouldn't turn it off.
It is a matter of what
domestic policies can
help industries adjust."***

***— North America,
Business Interviewee***

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University of Southern California, Marshall School of Business and ABAC Partnership

This marks the fifteenth year the Asia-Pacific Economic Cooperation Business Advisory Council has engaged the University of Southern California in a research study that delves into a pressing issue for the region. Twelve University of Southern California researchers earning their Masters' of Business Administration are selected each year to conduct the study under the guidance of ABAC leaders and faculty advisors. In order to gather facts and understand the true business environment across APEC, researchers interview leaders from all 21 APEC economies. While most years focus on business leaders, this year's topic sought a wider variety of voices from government leaders, labor organizations, nonprofits,

and more. Through these candid, anonymous interviews and a questionnaire, the research team synthesized the information into a comprehensive report to share at the fourth 2017 ABAC meeting. The research is included in the annual prioritized advice report that ABAC provides to the 21 APEC-economy leaders. Topics that University of Southern California research teams have tackled in the past include non-tariff barriers in agriculture, e-Commerce, foreign direct investment, the investment landscape of sustainable energy, and trade in services across APEC. Previous recommendations have contributed to the development of APEC action agendas, and renewed focus on matters of economic importance.

The Research Team



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We found the role of globalization, trade, and technological progress in driving inclusive growth both incredibly complex, and meaningful to engage in. The impacts that these forces have on economies, perceived and real, have made their way to the forefront of debate in the region. We are grateful to all 450+ interviewees, spanning all 21 APEC economies, for kindly sharing their experiences, knowledge, frustrations, and optimism about how these forces are playing out in their economies. The resulting insights and recommendations from these interviews allowed the report to identify the root cause of frustration in the region, and conclude that globalization, trade, and technological progress are the engine to drive inclusive growth, not the impediment. The insights provided by government, business, labor, subject matter experts, and academia allow economies to overcome the noise questioning the validity of trade liberalization, and understand the importance of remaining dedicated to global connectivity. We believe that the solutions shared with us and proposed in this report has the potential to create a better future for us all.

For confidentiality, we have not listed specific individuals' names who we interviewed; only their organizations appear in the appendix if approved.

Notably, we would like to extend our deepest gratitude to **Scott Price**, Executive Vice President of Global Leverage for Walmart International, for his assistance, dedication and guidance throughout this project. We thank him for his willingness to donate his time and his continued commitment to the team. We are also thankful to **Stephen Jacobi** and **Stephanie Honey** from ABAC New Zealand for their engagement, expertise and support throughout the entirety of this project. We would

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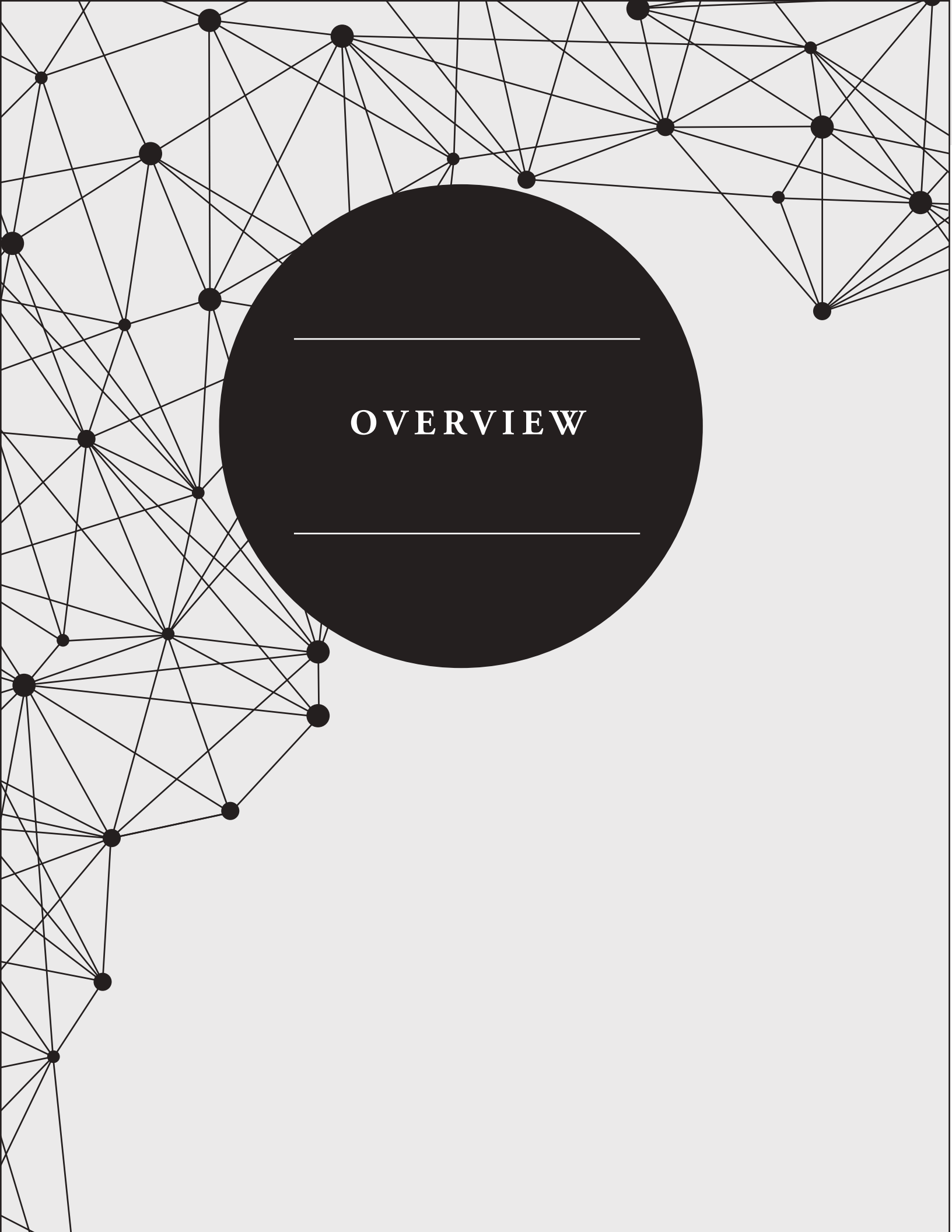
Finally, we would like to pay special thanks to those individuals who generously contributed their time and insight to the research and report:

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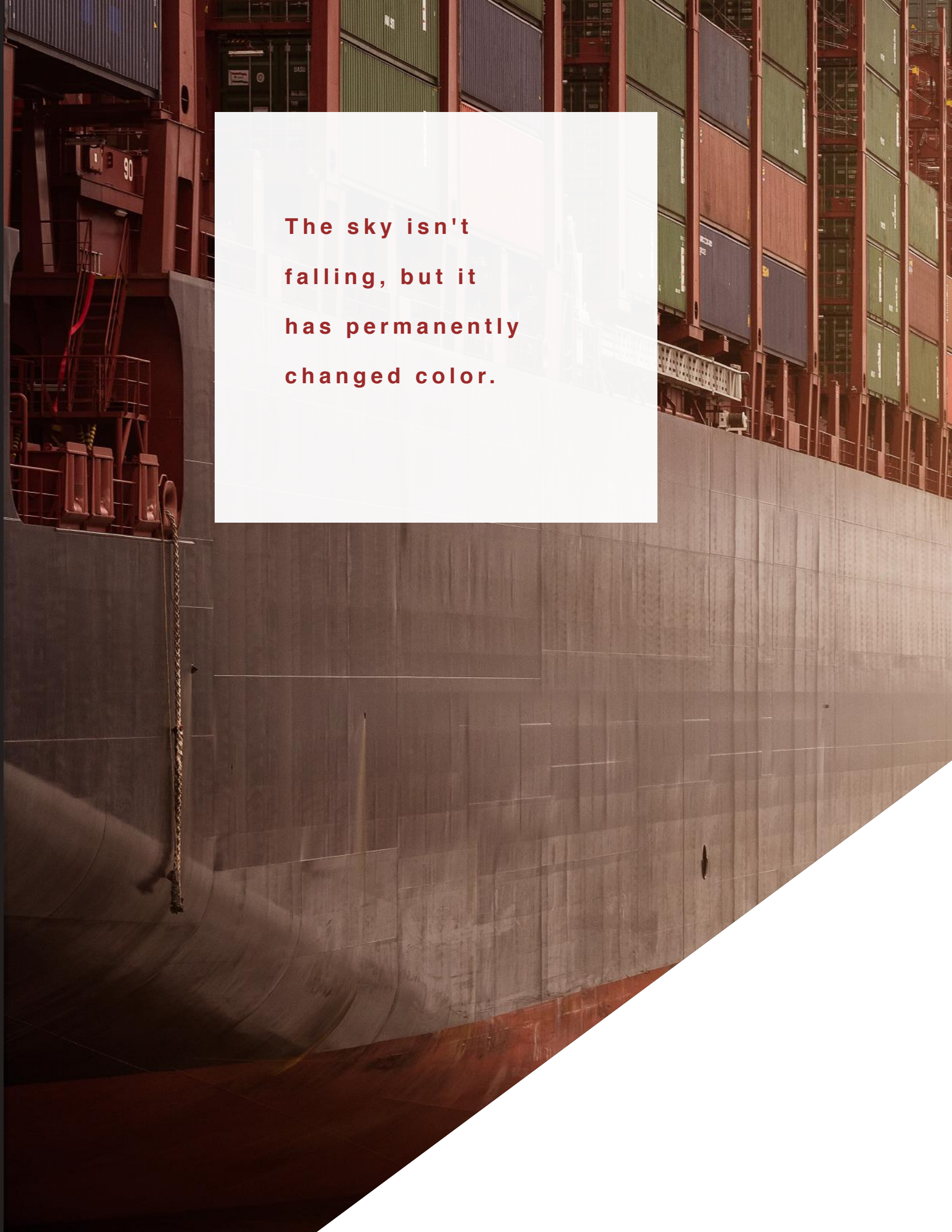
Acronyms

Acronym	Definition
ABAC	Asia-Pacific Economic Cooperation Business Advisory Council
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B&R	Belt and Road Initiative (China)
ETA	Employment and Training Administration (U.S.)
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GVC	Global Value Chains
IMF	International Monetary Fund
KPI	Key Performance Indicator
MNC	Multinational Corporation
MSME	Micro-, Small-, Medium-Sized Enterprises
NAFTA	North American Free Trade Agreement
NGO	Non-governmental Organization
OECD	Organisation for Economic Co-operation and Development
TAA	Trade Adjustment Assistance (U.S.)
USC	University of Southern California
WTO	World Trade Organization

Type of Economy	Definition
Advanced vs. Emerging vs. Developing	"The main criteria used by the WEO to classify the world into advanced economies and emerging market and developing economies are (1) per capita income level, (2) export diversification—so oil exporters that have high per capita GDP would not make the advanced classification because around 70% of its exports are oil, and (3) degree of integration into the global financial system. For the first criterion, the data source is the WEO database; for the second criterion, it is the UN COMTRADE database; and for the last criterion, it is the IMF's Balance of Payments Statistics Database. ¹¹ "



OVERVIEW

A large cargo ship is shown from a low angle, looking up at the side of the hull and the stacks of colorful shipping containers. The ship's hull is a dark, weathered grey. The containers are stacked high, in shades of green, blue, and red. A white rectangular box is overlaid on the upper part of the image, containing text. The bottom right corner of the image is cut off by a white diagonal line.

**The sky isn't
falling, but it
has permanently
changed color.**



Executive Summary

The last few decades have seen a huge expansion not only of trade and cross-border economic integration in the Asia-Pacific region but also of economic growth, living standards and poverty reduction. There is nevertheless rising popular discontent over globalization, albeit expressed more forcefully in some quarters than in others. Globalization, loosely defined as ever-increasing cross-border flows of goods, services, capital, people, data, technology and ideas, has evolved organically to some extent, but this informal process, along with the intensification of formal efforts to liberalize trade and the rapid digital transformation of the region, has generated some deep anxieties along with some well-founded critiques of their unmanaged impacts.

The benefits of trade liberalization (while often significant) can be diffuse, unequally distributed and can take time to be fully realized, while there can also be acute negative impacts on some individuals, groups and sectors as markets are opened up and competition increases. Likewise the digital revolution has created

significant wealth and many opportunities, but has also had impacts on traditional employment and industrial structures, at least in the short term. The fact is, however, that no economy in modern times has sustained economic growth without harnessing the benefits of trade and technological advances.

Regardless of the actual impacts—whether positive or negative—public perceptions can be negative about globalization, trade liberalization and technological change in many economies. Sometimes the blame for negative impacts is attributed to only one factor, such as trade liberalization, when in fact another, such as technological change, may have played a larger part. In response, political leaders have shown a degree of willingness—at least at the level of rhetoric—to back away from traditional trade policy approaches and technological advances, despite the net gains involved; the responses of other APEC economies to any increases in protectionism are not yet clear. Overall, these factors have generated considerable uncertainty in the region.

Our research in the APEC region has found that domestic policies have not kept pace with the rate of change, and seem unlikely to be adequate to respond effectively to the massive changes still to come. APEC economies need springboards, not just safety nets, to reorient workers in the face of the inevitable job churn and to address distributional issues around income inequality. At the same time, business and government leaders have an important opportunity to develop a better narrative about trade liberalization and technological progress in order to bring society along with them as they pursue sustained economic prosperity through greater regional economic integration.

The Research Project: Findings Around the Region

The APEC Business Advisory Council (ABAC) commissioned the University of Southern California, Marshall School of Business to explore issues around globalization and technological

progress, their impacts, and possible new approaches in greater detail. The findings and conclusions presented in this report have been developed from a meta-analysis of existing research, both academic and popular press; field interviews with 457 business, government, labor, academic, and nonprofit leaders; 40 thought-leader interviews; and a detailed research questionnaire with 351 responses.

Businesses in APEC economies are confident, optimistic, and increasingly cross-border focused, but uncertainty levels are high. Despite increasing levels of anti-globalization rhetoric (in some economies) and public questioning of economic growth policies and approaches, business throughout the APEC region remains strongly optimistic and committed to increased engagement in the global economy (our survey shows 94% of business respondents anticipated increasing cross-border business, 86% anticipated expanding supply chains more globally, and 89% anticipated increasing investments). But business is challenged by higher levels of uncertainty in anticipating possible changes in trade policies and new approaches to trade agreements around the region.



94% of business respondents in the APEC region anticipated expanding supply chains more globally.



Stakeholders across APEC are confident about the benefits of harnessing technological advances and engaging in the global economy. But adverse impacts must be better managed and anticipated. Across our APEC interviews, all stakeholders, but especially government and business leaders, confirmed a strong commitment to continue leveraging productivity, improving technologies, and seeking the economic growth benefits from greater global engagement. Few see technological progress or globalization being rolled back. Most stakeholders admit, however, that there has been insufficient policy focus on the adverse consequences of market opening and technological change on individuals, groups, or sectors. In some cases, these impacts have proved to be harsher, longer lasting, and more narrowly borne than the magnitude of the benefits would seem to justify. Over 90% of respondents support major changes in policies and approaches to better manage adverse impacts. Of those, a third went further suggesting radical changes need to be made to ensure better inclusion and fairer distribution of benefits. Business in APEC, for the most part, has left this challenge to governments, which can be under-resourced and inadequately structured to respond effectively. From our research, although business would like some level of involvement in all solutions moving forward, they believe that government should take the lead on the majority of adjustments, except for future skills training programs.

Popular discontent is actually mostly about ineffective domestic policy responses (and an overreliance on growth). Discontent and frustration among different groups in different APEC economies are very real, and should not be minimized. Root causes differ, but our field research generalizes that this frustration is largely directed at the ineffectiveness of domestic policies to handle the adverse impacts of technological change, trade liberalization, and globalization (rather than those processes and policies per se). An additional significant cause of discontent has been the absence of efforts to ensure a more equitable distribution of benefits. Our research further supports the conclusions of others (including the World Trade

Out of a number of solutions, business appeared the most willing to drive future skills training programs.

Organization, World Bank, International Monetary Fund and the World Economic Forum) that the common core challenge is income inequality and the lack of access to opportunities, rather than trade policy or automation as such. APEC economies that have relied exclusively, or too heavily, on anticipated future economic growth to mitigate adverse impacts and create new opportunities for citizens, have seen an increase in the amount of discontent and number of disenfranchised citizens as a result of slow post-global financial crisis growth. Social media in particular has allowed for these concerns to be amplified.

Not a *contagion*, but all APEC economies face their own unique challenges. Our findings suggest to us that the populist dissent directed at trade and globalization, such as what happened in the U.K. and the U.S. in 2016, will likely not be replicated in other APEC economies. Almost two-thirds of our questionnaire respondents in advanced economies, and 85% in emerging economies, expressed confidence that APEC is moving towards increased global integration, not economic nationalism. Across other APEC economies we found noticeable levels of frustration and discontent in some groups. However, it was directed almost exclusively at the ineffectiveness of domestic policies; not trade liberalization, globalization, and technological change.

The common core challenge is income inequality and the lack of access to opportunities, rather than trade policy or automation.

Figure A (in the report) details our assessment of APEC economies and their major challenges. Main findings include:

- Almost all APEC economies struggle with ineffective adjustment programs, and almost all are ill-prepared for future challenges.
- Trust in government is a major issue in most APEC economies; and trust in business, while higher, remains a real concern.
- Domestically, inclusive growth is a continuing serious challenge for all APEC economies, although Australia, New Zealand, and Chinese Taipei have fewer concerns in this area than others.
- APEC economies identified to have higher likelihood of a “trigger event”—a populist uprising aimed at globalization, trade, and technological progress—also struggle with inclusive growth challenges, lower levels of understanding the narrative of globalization, ineffective social protection programs, and lower levels of trust in government.
- Economies within APEC found to have low anti-globalization sentiment and low likelihood of a trigger event are those strongly dependent on trade, or had prior negative experiences with closed economic, isolationist or interventionist policies.

There is a new “reality” in APEC. While our field research findings led us to conclude that the likelihood of a reversal or major change in trade approaches across APEC is relatively low, the findings identified several potentially important changes and developments. These include:

- An increased trend of government officials having discussions about developing and actively managing national industrial policies, and more active support for domestic firms; potentially signaling a rise in new forms of protectionism.
- A tilt towards bilateral trade agreements, even though there is a general preference for plurilateral and multilateral (WTO) agreements.
- An overall increase in economic nationalism.
- A recognition of China as the most influential trade partner in APEC; 58% of advanced economy respondents and 86% of emerging economy respondents identified China as the region’s major trade influencer.

Furthermore, the response and counter-response of APEC economies to the actions of one another will continue to increase uncertainty for business.

Traditional narratives around growth, globalization and trade do not resonate, lack clarity and are generally misunderstood. Social discontent over trade, technology and globalization has been exacerbated by the lack of education and a compelling or comprehensible narrative to defend and promote them. Outside of Peru and Singapore, we did not find evidence of specific programs intended to educate citizens on how the economic growth model and trade liberalization, and their adverse consequences, work. Benefits are too often oversold by politicians and adverse consequences down-played or ignored. At best, the narrative is poorly explained, and as a consequence is poorly understood. Worse, it can be disingenuous. Rarely is it clearly explained that sometimes the overall benefits are diffuse and accrue over a period, while potential adverse consequences can be borne narrowly by individuals, groups, and sectors (although in other cases, the benefits are large and immediate, with few sector-specific adverse consequences). Our research found that the better the citizens understand the narrative, the lower the anti-globalization sentiment.

Future Challenges: Greater job churn, increased job dislocation, and new global labor market demands must be anticipated in all APEC economies. The disruptiveness of Industrial Revolution 4.0 (that is, the digital transformation that has happened over the last 15 years), continuing demographic changes, and the implications of expanding global value chains, particularly in services, are creating new opportunities but also real challenges. Our research concludes that most APEC economies are largely unprepared to manage this disruption. Business has been slow to engage with government in developing future-thinking labor market policies, and governments must increase their understanding of the impact of new technologies and business models to ensure fair competition and that future policies are not skewed to favor incumbents.

New social contracts must be forged. People should be encouraged to recognize that it is in their own interest to continually upgrade skills & capabilities during their working lives.

Possible Solutions: Moving APEC Economies Forward

Change the mindset... create “springboards” not just safety nets. In our changing world, societies are no longer able to keep their historical “implicit” promises that after getting a good basic education, hardworking citizens are “guaranteed” livelihood through retirement. New social contracts must be forged for reasons of collective prosperity and social stability, even if not driven by a philosophical construct. Individuals should be encouraged to recognize that it is in their own interest to continually upgrade skills and capabilities during their working lives. Government must also change their mindsets and approaches. While social protection safety net programs are important, they are only a short-term fix. Governments need to invest in innovative “spring board” programs that prepare their citizens for jobs of tomorrow.

Promote synergistic ecosystems. Supporting programs that enhance opportunities and remove barriers for young workers, MSMEs, women, social enterprises and underrepresented minorities, are critical to ensuring better inclusion. Enhancing financial inclusion for these groups is even more critical. Established corporations must be further encouraged to integrate supply chains with MSMEs, new young entrepreneurs, women, and social enterprises. Stronger involvement from educational institutions, nonprofits, government agencies, business, and labor organizations is vital to ensuring impacted individuals and communities can competitively participate in future opportunities.

Enhance job mobility by removing barriers and ensuring equal access to opportunities. Broader access to better information about current and future job opportunities is only a starting point. Business, in partnership with governments, must ensure fairer access to opportunities for all, but especially for lower skilled, poorer workers. Programs must be developed that go beyond skills training to assist with relocation, healthcare, and education for families.

Creatively reinvent life-long education and refocus basic education on required new skills. Imaginative thinking and innovations must be taken by educational institutions, business, and government to create the equivalent *vocational training 4.0*. Government labor market policies must refocus resources on supporting individuals to obtain training throughout their working lives. Business has the opportunity to take a stronger role in on-the-job training and worker skills-upgrading. Educational institutions and government labor market policies must change dramatically to recognize the new realities of the Industrial Revolution 4.0 and globalization. Governments must create innovative programs that fund life-long reskilling and retraining for all workers; but particularly those most vulnerable to job dislocation.





Business must own the economic growth narrative and actively engage in the inclusive growth challenge. Business has the opportunity to take greater control of the narrative by playing a more active role in leading discussions on broader social issues and in seeking new solutions. Levels of distrust in business are moderate in most APEC economies, and on the rise in several. In the current climate, business has the opportunity to explain the narrative better and address the concerns that have been raised around issues of fairness and inclusion, in order to enhance the *social license* for current economic and trade policy directions. Similarly, there is an opportunity for business to review its activities and policies to ensure that the benefits and opportunities are more widely shared. To rebuild trust and disseminate the new narrative, social media can play a key part; it has opened up a level of transparency to consumers and an avenue for dialogue. By mitigating levels of frustration and distrust of business, it ultimately serves to enhance overall prosperity, even if not driven by a strong philosophical underpinning.

Labor must be brought into the dialogue. Job insecurity was presented as the number one concern by labor representative interviewees. Fear of job losses can be completely debilitating for workers. There is a perception in some economies that “trade” or “technology” is to blame for job loss when in fact other factors may be at play, such as domestic policy settings or changing patterns of consumption or consumer taste, although it is also true that increasing opening up and integration of markets has sometimes seen production shift across sectors, regions and even economies’ borders in some cases. Regardless, our conversations with labor organization leaders demonstrated that they understand and proactively think about the realities of the future for workers. We suggest that better, more effective, more inclusive policies can only result from including the labor voice in forward thinking labor market policies. Equally, more work needs to be done on the narrative to make clear that curtailing trade, cross-border investment or technology should not be seen as the answer to these challenges.

Honest conversations and tangible actions on distributional fairness are needed. Decisions over policies that seek to address income inequality are clearly the domain of individual economies. However, a strong conclusion from our interviews is that despite their importance there are few honest conversations being had on the distributive challenges at any level in most APEC economies. Ensuring fairness of opportunity was almost a universal complaint, and it is clear that in order to address social discontent and secure the *permission space* to press on with trade liberalization and regional economic integration, this concern needs to be addressed in some way. While beyond the scope of this research project, potential elements of a *redistribution package* could include tax policies and enforcement (including across borders); reducing the power of vested interests; eliminating corruption in business and government; seeking to ensure fair competition; and better, more robust social protection for disadvantaged groups. Many of the underpinning concepts in these elements, of course, are core principles of the WTO global trading system, including non-discrimination, fair competition, a progressive reduction of distortions, and better outcomes for the less-advantaged.

Ensuring equal opportunity was almost a universal complaint. It needs to be addressed to press on with trade liberalization and regional economic integration.

As a call to action, our research is compelled to offer two recommendations on renewed roles for ABAC and APEC:

- First, we found that the business in the APEC community was generally unaware of the severity of the lack of inclusiveness and resulting societal challenges. ABAC members could play a powerful role in encouraging their national business communities to become visible and proactive in engaging with these challenges, to renew the *social license* for continued mutually-reinforcing (i.e. business-friendly as well as socially inclusive) approaches to trade and economic policy.
- Second, ensuring sustainable and inclusive growth continues. Growth creates more opportunities and provides both governments and business better tools and capabilities to ensure that social inclusion can be achieved. The evidence is strong that trade liberalization and regional economic integration deliver tangible economic growth. Equally, the empirical case is clear that throwing up protectionist barriers and turning inwards do not deliver increased GDP, can in fact lower it in the longer term, and can harm workers and consumers along the way. Continued efforts in these areas are therefore a crucial ingredient in delivering both regional, economy-wide, and individual prosperity in a sustainable way.



APEC-wide Analysis by Economy

As a part of this report, we aim to assess how APEC economies can be measured by several themes:

1. Are APEC economies backing away from globalization, trade, and technological progress in the wake of increased debate about their benefits and costs in today's economic climate?
2. How effective economies, including government and business within those economies, are at driving inclusive growth to overcome the aforementioned costs?
3. What is each economy's confidence level in future economic performance alongside the current reality of globalization, trade, and technological progress?

Figure A represents an aggregate assessment of all 21 APEC economies across four assessment pillars:

1. The economy's sentiment toward trade liberalization
2. Government policy effectiveness in promoting inclusive growth
3. Extent of business engagement aiding inclusive growth
4. The future economy outlook towards globalization, trade, and technological progress based on the current situation and future challenges in APEC

Through our assessment, we identified the following key findings:

- Almost all APEC economies struggle with ineffective adjustment programs, and almost all are ill-prepared for future challenges.
- Trust in government is a major issue in most APEC economies and trust in business, while higher, remains a real concern.
- Domestically, inclusive growth is a continuing serious challenge for all APEC economies, although Australia, New Zealand, and Chinese Taipei have fewer concerns in this area.
- Some APEC economies found to have a high likelihood of a “trigger event”—a populist uprising aimed at globalization, trade, and technological progress—struggle with inclusive growth challenges, a low level of understanding the narrative of globalization, ineffective social protection programs, and low levels of trust in government.
- Economies within APEC found to have low anti-globalization sentiment and low likelihood of a trigger event are those strongly dependent on trade, or had prior negative experiences with isolationist or interventionist policies.
- A more detailed breakdown of how each economy has been ranked can be found in the Economy Specific appendix at the end of this report. The breakdown includes a two-page summary for each economy, explaining how the economy was given a rank in addition to secondary data outlining an economy's relative ranking amongst these pillars in APEC.



The following explains the context of each ranking category and its purpose.

Sentiment

Extent of anti-globalization: This is based on the assessment from interviewees and survey respondents on their economy's general sentiment regarding globalization. The red denotes strong anti-globalization rhetoric, and the green indicates a strong pro-globalization sentiment.

Inclusive growth: The objective of economic performance across most economies is broad-based and measures sustained progress in living standards, across wage and non-wage income (e.g., pension benefits), as well as economic opportunity, security and quality of life. The red denotes no effective change policies to bring about inclusion and green denotes a strong inclusivity oriented agenda across both the public and private sectors.

Understanding of the narrative: This metric used assessments from interviewees and respondents on how well they understood, and how well they believed the general population in their economies understood, how globalization, international trade, and technological progress impacts their daily lives. This also assessed how well they and others understand the benefits, risks that need to be mitigated, and action steps individuals need to take to ensure global competitiveness. The red denotes a severe lack of understanding of how basic economic forces impact their economy and green denotes a perfect understanding of how economic forces impact their lives, and what individuals need to do to prepare for economic shocks.

Government Policies

Effectiveness of adjustment programs: Ensuring a smooth transfer of labor resources across occupations, firms, sectors, and regions impacted by globalization, trade, and technological progress is a par-

ticularly challenging part of the structural adjustment process. Interviewees and respondents provided assessments on the effectiveness of both active and passive adjustment policies in managing displaced, underemployed, or unemployed workers. Red denotes a lack of adjustment policies, with growth being the major contributor towards adjustment, and green denotes pro-active policies to address future challenges.

Trust in government: Interviewees discussed the level of trust in government policy-making and thinking towards the future to develop this assessment of the population's level of confidence in the government. Red denotes a high level of frustration and green denotes strong confidence in the government.

Business engagement

Trust in business: Interviewees discussed the level of trust in business and its actions to build the community to develop an assessment of the population's level of confidence in business. Red denotes a high level of frustration due to predatory business practices and poor adherence to labor rights laws, and green denotes strong confidence in business' approach towards the community.

Willingness of business to engage: The role of business needs to be complementary to the efforts by the government to improve the distribution of the benefits from globalization, trade, and technological progress. Survey respondents assessed the role of government and business across the various initiatives towards inclusive growth within their economy to inform on this metric. Red denotes poor ownership of the inclusive growth agenda, and green denotes a strong sense of responsibility towards inclusiveness.

Future outlook

Business optimism: The short term outlook of business leaders with regards to revenue growth, investment and hiring is an indicator of the short term economic situation. Business leaders were surveyed on their outlook towards their own firm's, as well as their economy's growth, situation to provide this assessment. Red denotes a reduction in hiring and a decline in investments and revenue growth while green denotes an increase across hiring, investment and revenue growth in the next three to five years.

Preparedness for future challenges: This assesses an economy's ability to overcome economic shocks posed by Industrial Revolution 4.0, changing demographics, constantly evolving global value chains and its ability to adjust, and the ability to resist growing economic nationalism. Red denotes a severe lack of technological infrastructure, institutional resources, and understanding of what preparations are required against future challenges, and green represents a complete understanding of the challenges ahead, active development plans in place to meet future needs, and the resources necessary to accomplish established goals.

Likelihood of a trigger: This measures the likelihood of a populist uprising aimed at globalization, trade, and technological progress. Red denotes high social discontent which might lead to a trigger, and green denotes overall social stability and a low chance of a reversion in the economy's pro-globalization glidepath.

Figure A

Aggregate economy assessment:

Economy	Sentiment			Government policies		Business engagement		Future outlook		
	Extent of anti globalization	Inclusive Growth	Understanding the Narrative	Effectiveness of Adjustment Policies	Trust in Government	Trust in Business	Willingness of Business to Engage	Business Optimism	Preparedness for Future Challenges	Likelihood of Trigger
Australia	Yellow	Light Blue	Yellow	Yellow	Yellow	Yellow	Light Blue	Dark Green	Yellow	Light Blue
Brunei Darussalam	Dark Green	Yellow	Yellow	Light Blue	Yellow	Light Blue	Yellow	Light Blue	Light Blue	Dark Green
Canada	Light Blue	Yellow	Yellow	Yellow	Light Blue	Light Blue	Yellow	Light Blue	Yellow	Light Blue
Chile	Dark Green	Light Blue	Light Blue	Light Blue	Light Blue	Yellow	Yellow	Light Blue	Light Blue	Light Blue
People's Republic of China	Light Blue	Light Blue	Yellow	Light Blue	Yellow	Yellow	Light Blue	Dark Green	Yellow	Dark Green
Hong Kong, China	Dark Green	Light Blue	Light Blue	Light Blue	Light Blue	Yellow	Yellow	Light Blue	Yellow	Light Blue
Indonesia	Yellow	Light Blue	Dark Red	Dark Red	Light Blue	Light Blue	Yellow	Light Blue	Dark Red	Light Blue
Japan	Dark Green	Yellow	Light Blue	Light Blue	Light Blue	Light Blue	Yellow	Dark Green	Light Blue	Dark Green
Republic of Korea	Light Blue	Light Blue	Yellow	Yellow	Dark Red	Light Blue	Yellow	Light Blue	Light Blue	Yellow
Malaysia	Light Blue	Yellow	Dark Red	Dark Red	Light Blue	Yellow	Yellow	Dark Green	Light Blue	Light Blue
Mexico	Light Blue	Dark Red	Yellow	Dark Red	Dark Red	Yellow	Yellow	Dark Green	Light Blue	Light Blue
New Zealand	Dark Green	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Yellow	Light Blue	Light Blue	Light Blue
Papua New Guinea	Light Blue	Dark Red	Light Blue	Dark Red	Dark Red	Yellow	Light Blue	Yellow	Light Blue	Yellow
Peru	Dark Green	Light Blue	Dark Green	Light Blue	Light Blue	Yellow	Light Blue	Light Blue	Light Blue	Light Blue
The Republic of the Philippines	Yellow	Light Blue	Light Blue	Dark Red	Light Blue	Yellow	Light Blue	Light Blue	Yellow	Light Blue
The Russian Federation	Yellow	Light Blue	Light Blue	Dark Red	Light Blue	Light Blue	Light Blue	Dark Green	Light Blue	Light Blue
Singapore	Light Blue	Yellow	Light Blue	Yellow	Dark Green	Light Blue	Light Blue	Yellow	Dark Green	Light Blue
Chinese Taipei	Light Blue	Yellow	Light Blue	Yellow	Light Blue	Light Blue	Yellow	Dark Green	Yellow	Yellow
Thailand	Light Blue	Light Blue	Yellow	Light Blue	Yellow	Yellow	Yellow	Dark Green	Light Blue	Yellow
The United States	Light Blue	Light Blue	Yellow	Light Blue	Light Blue	Yellow	Light Blue	Dark Green	Yellow	Light Blue
Viet Nam	Light Blue	Light Blue	Yellow	Dark Red	Light Blue	Yellow	Light Blue	Dark Green	Light Blue	Light Blue



Risk Assessment

The APEC economies vary widely in terms of preparedness for future challenges, based on the parameters assessed, the potential future risk level of challenges due to anti-globalization sentiments and technological progress can be classified as 1) no risk, 2) low risk, 3) medium risk, and 4) high risk. There exists commonalities across these risk groups:

No risk economies are characterized by strong adjustment programs, understanding of the narrative, and high trust in business.

Low risk economies face minimal sentiments of anti-globalization in their public and social media, however, they need more developed adjustment programs to address future challenges.

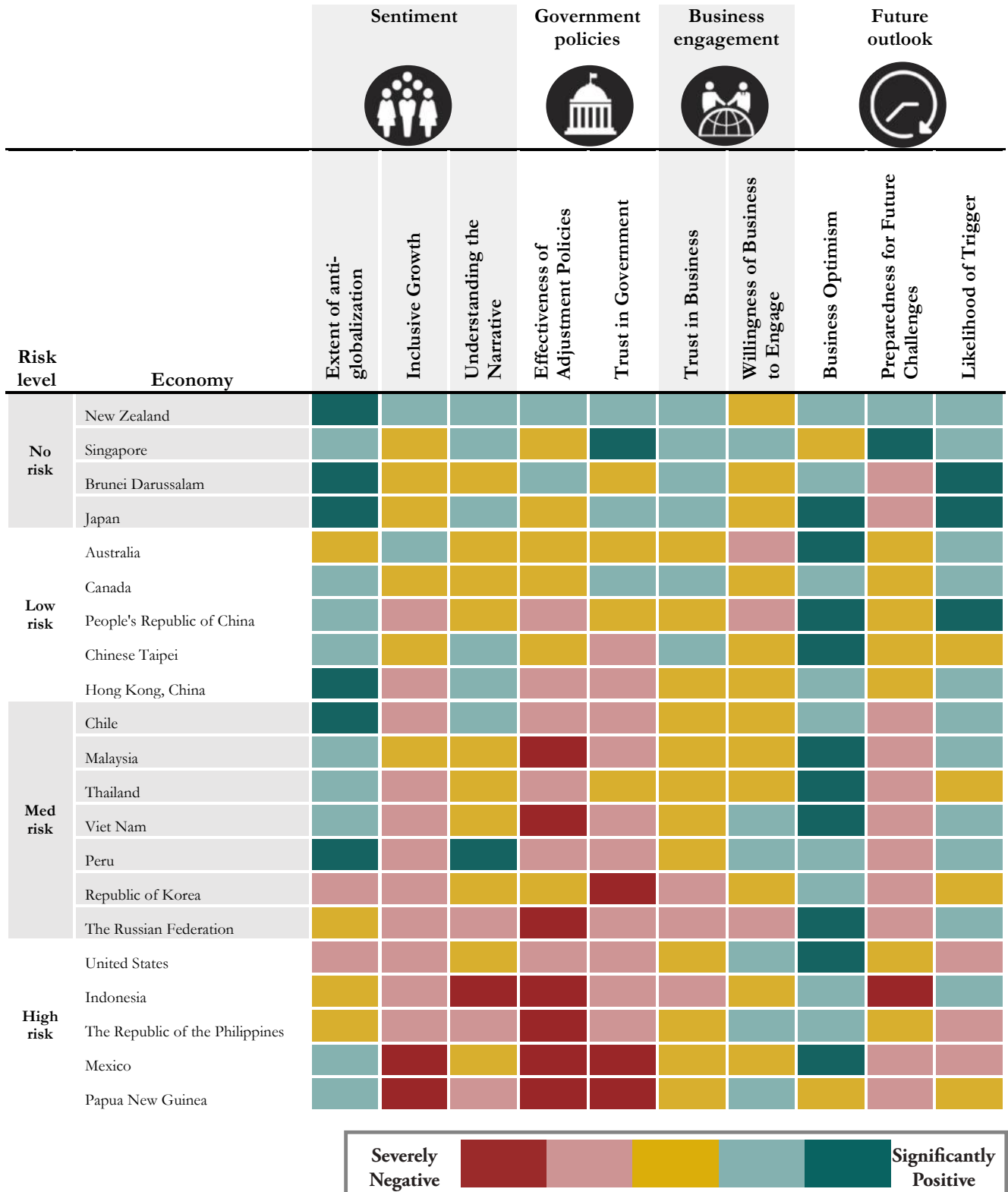
Medium risk economies face implementation challenges of existing adjustment programs. These economies are also characterized by gaps in social mobility, leading to income inequality.

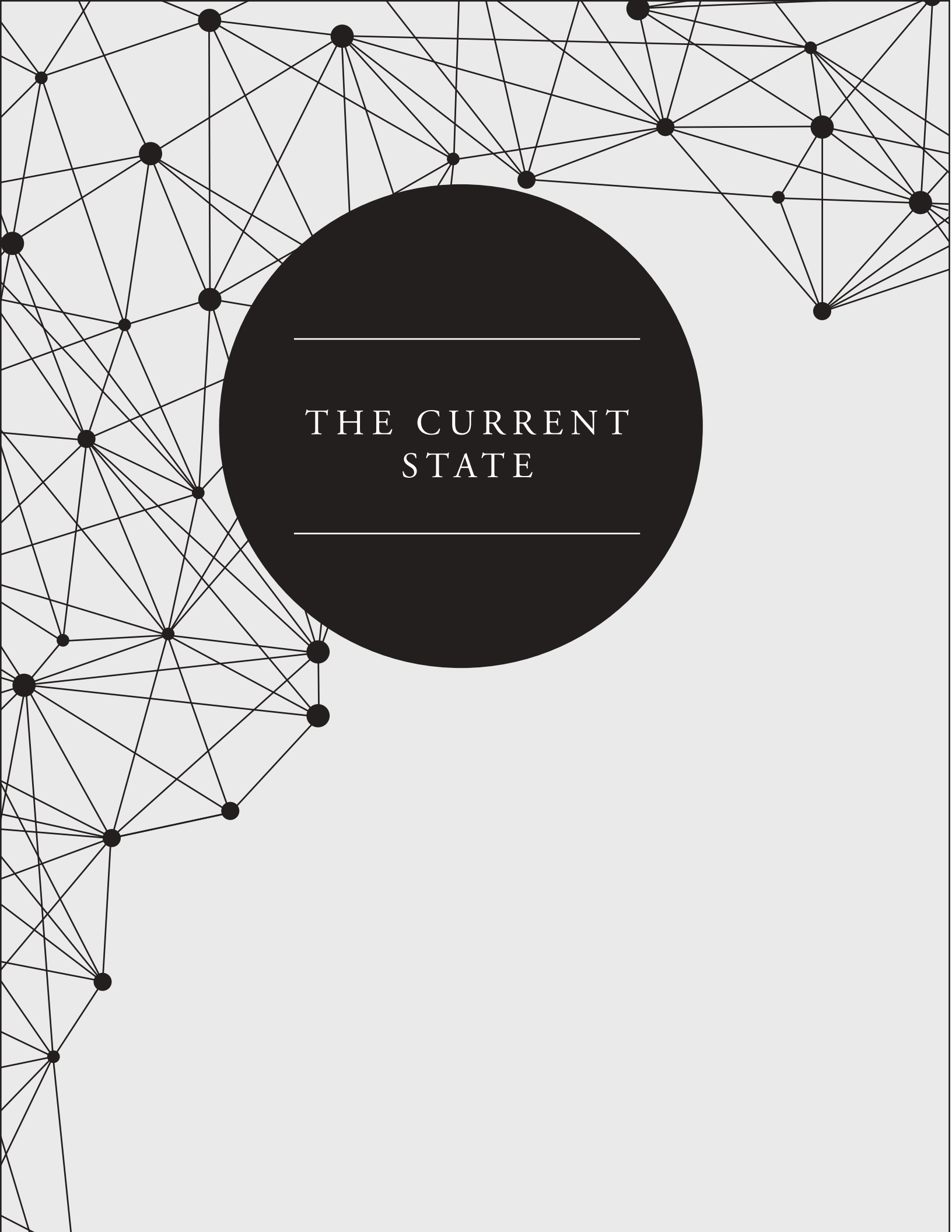
High risk economies have a strong anti-globalization sentiment compounded by inadequate implementation of adjustment policies.



Figure B

Aggregate economy assessment:





THE CURRENT
STATE

The need for globalization, trade, and technological progress and their benefits are undeniable.

No economy in modern times has sustained economic growth without harnessing the benefits of globalization, trade, and technological progress. These forces have lifted living standards and created measurable benefits for all stakeholders. Individuals and households have enjoyed greater consumer choice, faster access to information, and lower priced goods. Businesses have found greater competitiveness, access to emerging markets, as well as stronger cross-fertilization of technology and innovation. Governments have seen amplified economic growth, better utilization of resources, and enhanced economic development, especially for developing economies.

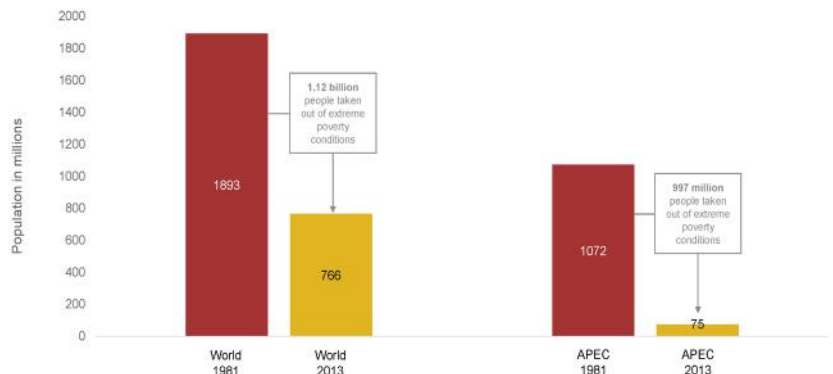
Free Trade Drives Economic Growth

Economic integration in APEC in recent years has been characterized by the free movement of capital, people and goods. As technological progress has further enabled trade, this movement has now included the transfer of knowledge and intellectual property.

Our research has found that business leaders across APEC agree that trade liberalization has been the primary driver of economic growth in the latter half of the 20th century and lifted millions of people in the region out of poverty (Chart 1.1).

- Trade in goods and services grew at 6% annually between 1960 and 2007 leading to unprecedented GDP growth.²
- Over the last half of the 20th century, the world's economic output has almost doubled (3.8%) compared to 1900-1950.³
- In the last 60 years, the U.S. realized \$2.1 trillion from trade expansion. This growth has also been reflected in the aggregate productivity which has increased at a 1:1 ratio.⁴
- Gains in economic growth and improved total factor productivity have been propelled by unprecedented knowledge spillover and trade integration.
- APEC economies now account for a majority of the world's GDP, a proportion that is expected to grow into the future (Chart 1.2).⁵

Chart 1.1 People living under extreme poverty conditions has dropped significantly



Source: World Bank, PovCat, APEC PSU calculations. Note: Extreme poverty is defined as living on less than USD 1.90 per person per day, in 2011 PPP dollars.

“If there is a point on which most economists agree, it is that trade among nations makes the world better off.”

- International Monetary Fund

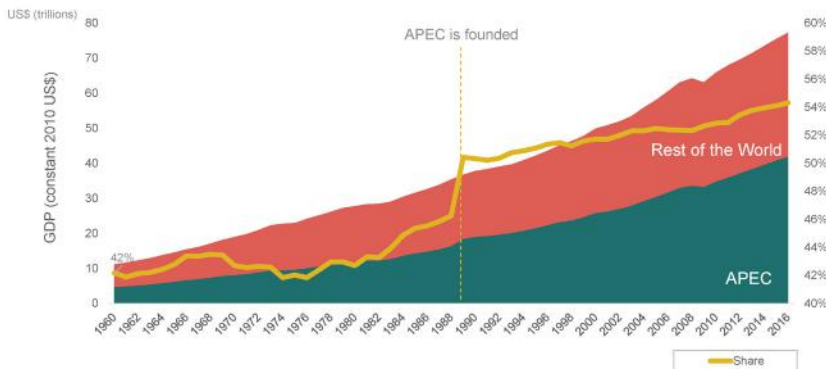
Free Trade Benefits All

Worldwide, the benefits of free trade can be felt across all socioeconomic levels. Adam Smith’s “economic model” encapsulates the aggregative growth, cost-of-production, and value of labor over the past century. This model has been further reinforced with the liberalization of trade policy, advancement of technology, and improved flow of information. Four primary channels where trade has increased income include:

<p>1. Comparative Advantage allows an economy to specialize in what it does best.</p>	<p>3. Technology Spillover accelerates the spread of product and process innovation globally.</p>
<p>2. Economies of Scale <i>which allows industries to spread fixed costs by selling to a larger market.</i></p>	<p>4. Import Competition curtails monopolies, offers great choice to consumers, and moves resources to the most productive firms.</p>

Chart 1.2

APEC share of world GDP has been growing



Source: World Bank

American consumers have seen the price of most goods and services continuously fall over the years, leading to an average annual saving of \$250 per person in 2008. This has been the direct result of free trade agreements, like NAFTA, and China’s entrance into the World Trade Organization (WTO) in 2001. While cost of living has lowered, the overall standard of living has also increased, especially for low income households.

The benefits of free trade have helped to enforce international labor laws and environmental sustainability standards.

An example that starkly highlights the benefits of globalization can be seen when comparing resource-rich Argentina to trade liberalized Chile (See Case Study 1.1)

The Technology Story

Technological progress has furthered globalization and economic integration, allowing benefits of the economic model to trickle down within and among all economies. Modern day economic expansion has been built on the increased efficiency and lower cost of transportation, communication, and logistics. This progress has given rise to global value chains that have in turn increased the speed and ease of global trade.

Case Study (1.1)

A Tale of Two Economies

The diverging paths of Argentina and Chile over the past 50 years demonstrates how economic growth can be sustained by taking advantage of globalization. Both economies are well endowed with natural resources and human capital to be competitive in a global marketplace. However, over the last decade, Argentina has been slow to recover from the global economic recession while Chile has become better positioned to lead economic growth in the Latin America region.

In the early 20th century, Argentina was one of the world's richest economies but now ranks only 169 out of 178 economies in the WTO and 27 out of 29 economies in the South and Central America/Caribbean region. Argentina has long held to protectionist policies, heavily state managed industries, and worker benefits that could not be covered by taxes. As the economy continues to be mired in a climate of economic repression, inflation has risen to be three times higher than Chile. Furthermore, Argentina has increased their usage of non-tariff restrictions to ensure domestic supply and price stability which has diminished the attractiveness for prospective foreign investors.

In stark contrast, Chile has become a beacon of free-market reforms and has also privatized various government-run entities in the telecommunications, power, and water sectors. Chile has welcomed foreign trade and investment while abandoning various price-control schemes. Through these reforms, Chile's GDP has grown at an average annual rate of 3.6% over the past four decades. Chile's healthy investment environment has enabled the economy to move from being a debtor nation to a creditor nation and attract over three times more foreign investment than Argentina. According to the World Bank, "Chile is one of the most open economies to foreign equity ownership, as measured by the Investing Across Sectors indicators."^{6 7}

"Businesses are the engines for growth, not government. Entrepreneurs and investors take risks that produce the productivity improvements, that lead to growth and prosperity. Governments are critical in providing support to institutions and ensuring that markets work fairly, but they do not create growth."

— North America,
Academic Interviewee

"You need to be sufficiently pragmatic when discussing trade. Think of what the consumer will get out of this. If another economy sends \$3 shirts into your market, it might undercut your textile industry but it still benefits your consumers."

— South America,
Business Interviewee



Unintended consequences are harsher and longer lasting than previously thought.

The economic growth produced, however, has been good for economies but not for all within each economy. The complex impact of today’s globalization landscape and challenges of coping with technological change have made it more difficult for impacted workers to re-engage than ever before.

The creative destruction brought on by technology and globalization produces winners. The change process improves productivity and prosperity. But the process also has unintended consequences.

The process of change assumes workers, firms, and economies, will re-engage with new opportunities. It is believed there are effective short-term safety nets and adjustment programs for those affected while they transition into new opportunities and that mobility to new jobs is a reasonable challenge to overcome.⁸

But the reality is very different. At its core, the real challenge is that while the benefits of harnessing globalization and technolo-

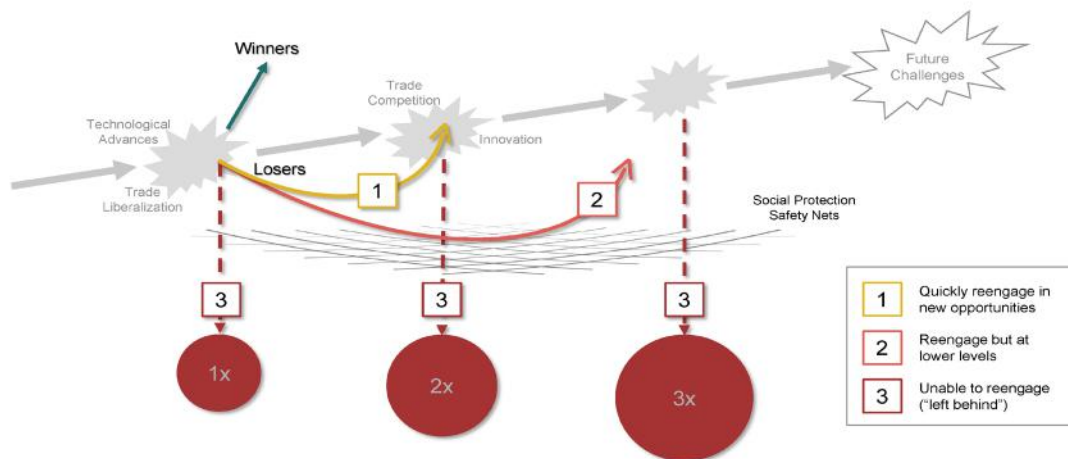
gical progress clearly outweigh the costs, they are captured broadly and over long periods of time. In comparison, the costs are immediate and borne narrowly by specific sectors and workers, making them more readily identifiable. Older workers, lower skilled workers, and those typically from poor households without resources to access new opportunities are most adversely affected. This translates to low-skilled workers in emerging economies, and low- to medium-skilled workers in advanced economies, as the most at risk.⁹

Figure 1.1 stylistically illustrates the increased challenge faced by these *left out* and *left-behind* workers. As discussed in the previous section, globalization creates

GDP growth. However, along the way, there are creative destruction shocks—they can come from innovation, trade liberalization, and other socio-economic factors. One would hope they are re-engaged with new growth opportunities. Some people unfortunately cannot re-engage, because they lack access or time to increase their skill levels. As a result, they end up having to take positions that make them worse off. Most societies have some form of safety nets intended to help people bounce back, but people are falling through and getting left behind. Over time, the gap has increased between the *winners* and *losers*, with income inequality expanding and access to new opportunities becoming more difficult.

Figure 1.1

Despite safety nets, the number of those “left behind” will increase over time



Case Study (1.2)

The Legacy of NAFTA in Mexico

The flight of U.S. manufacturing jobs to places like Mexico has been a prominent aspect of the globalization narrative. Americans often point to NAFTA as the reason for job losses in places like the Rust Belt but most economists would place the blame of technological progress and competition with China. For Mexico, NAFTA has helped to modernize the economy and diversify their manufacturing sector, resulting in the creation of millions of jobs. A paradox emerges since the economy has seen huge growth over the past 30 years but wages have remained remarkably low and over half of the population still live in poverty.

The city of Juarez is a prime example for this massive cultural shift. People moved away from small farming villages, leaving behind their extended family to find factory jobs. A migrant city made up of disparate households, Juarez grew faster than city officials could have predicted. This led to a massive deficit of physical or social infrastructure. Since parents worked all day in the factories they were forced leave their children home without supervision, which was previously offered by extended family. The lack of social supports such as primary school education has left younger generations to loiter the city, leaving them vulnerable to the drug cartels that thrive around these types of frontier towns.¹⁰

“Until business recognizes that more than anything, workers need job security, and works to provide it, workers will not support, and will continue to challenge, current economic policies.”

— North America,
Academic Interviewee

Diminished Influence for Governments

Given business' ability to generate growth, governments actively compete, with attractive tax and incentive packages, to attract firms to invest in their economies.

In the past, those affected by economic shocks have been able to reintegrate into the economy at an equal or higher level. However, since the early 2000s, reintegration at a lower level and/or complete disintegration has become more prevalent—a trend that will grow into the foreseeable future.

Trapped in a Vicious Cycle

In our field interviews and represented in Figure 1.1, executives and government officials shared that impacted workers get trapped in vicious cycles; getting left behind and left out. The cycle begins when workers lose their jobs due to a variety of reasons, including trade competition and technological change. Over the past 10 years in advanced economies, those without transferable skills or resources to acquire new skills are often forced into lower paying, typically lower skilled jobs.¹¹ The skills required in these lower skilled jobs are even less transferable to other indus-

tries. In developing and emerging economies, workers often re-engage at the same or lower level of employment, but in the informal economy, which is continually exposed to disruption. Overall, the size of the disenfranchised worker pool has been growing over time due to a lack of adequate resources for these workers to gain new skills, resulting in compounded discontent and frustration.

It is important to acknowledge that creative destruction creates new jobs, and these numbers often outweigh the net job loss experienced for all economies. However, the unintended consequence is that the actual workers who lose their jobs or are underemployed due to economic shocks are not the ones who obtain these new jobs. They struggle to re-engage in the economic model and the number of these individuals is growing.

While technological progress and integration into the global economy have produced real tangible benefits for economies, they have made managing economic and social progress much more challenging for governments.

Governments are limited to their geographic borders while business and capital move across borders with relative ease. Predictably, this can and does produce adverse impacts. Domestic efforts to improve wages or decrease pollution levels, for example, may unintentionally encourage firms to move to other economies. A growing trend of shallow FDI, wage arbitrage, labor exploitation, environmental damage, and resource depletion has been seen in APEC by some businesses due to lenient government policies to hold onto business. All of these are unintended consequences that place harsher, longer lasting effects on communities that act as impediments to economic growth.

Case Study (1.3)

Pulled Pork

While globalization has created new opportunities for farmers in Viet Nam as a whole, the pork industry has become a unique challenge for the Vietnamese government to retroactively address. From 2015-2017, Vietnamese production of pork increased at almost 5% annually to meet increasing Chinese demand. Chinese protectionism, in the form of import restrictions, halted this trade activity causing pork prices to fall drastically to the alarm of Vietnamese pig farmers. Domestic prices have halved since 2016, hitting VND 23,000-25,000 (around \$1) per kilogram and the trade ministry estimates that Viet Nam will face a surplus of 200,000 tons of pork this year.

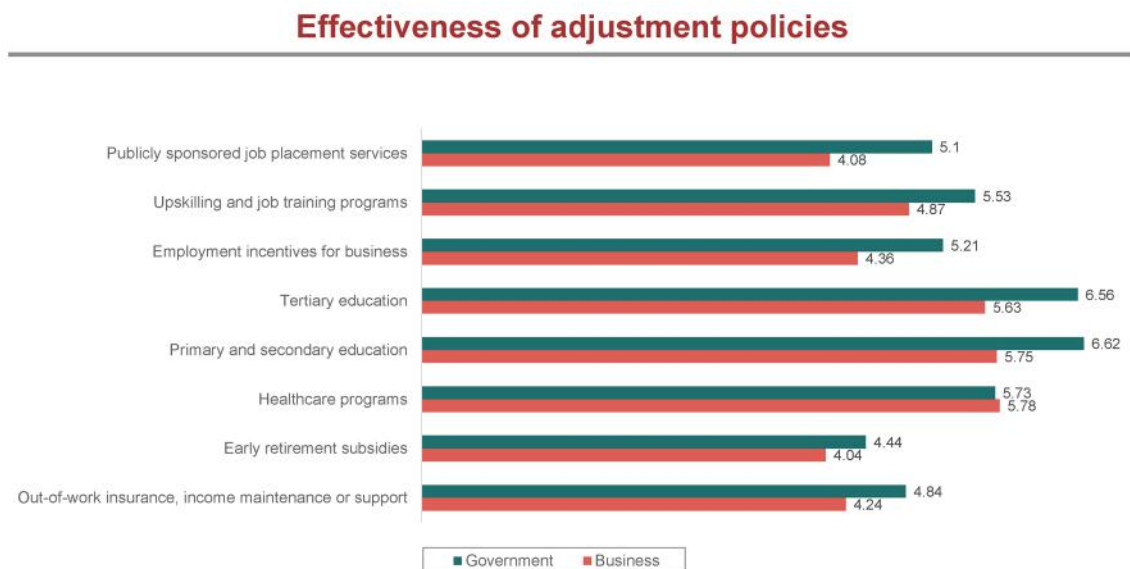
The Vietnamese government is limited within their borders and in their ability to create new economic opportunities the pork industry. As a result of diminished trade opportunities, pig farmers began to suffer financially with many having to extend their loan repayment periods from the central bank, and local Vietnamese banks. Banks in turn started to offer subprime, one- year loans at 2% below market rate to help them cope. The need for further government intervention was evident and led to the creation of a pork buy-back program where the government bought pork at higher prices from farmers and resold them to consumers at prices below market value.^{12 13 14}



Economies' Efforts to Reduce the Adverse Consequences

Although many labor adjustment programs exist, business and government leaders agree that APEC economies can do more to make them fully effective.

Chart 1.3



Source: USC Marshall Survey 2017 (350 respondents)
 Note: Effectiveness is average of responses scored on a 10-point scale

Overall, a core theme across economies has been an overreliance on the benefits of growth as a de facto economic policy for dealing with those left behind. Equal focus must be placed on domestic policy management and micro-policies to plan for an economy's current and future position in global value chains. We have found that domestic micro-policies have not been adequately developed alongside free trade agreements (FTAs) and that they are exceptionally difficult to implement even when developed. Although FTAs promote top line economic growth within an economy, it is equally important for economies to align internal policy and program structures to prepare for the external shocks brought on by participating in global value chains. Business leaders agree that

economies need improved domestic micro-policies that will act as *springboards* to help the disenfranchised jump back into the economic game. Safety nets, in the form of adjustment policies, are not enough to achieve inclusive growth. Adjustment policies alone fall short of reducing income inequality and fostering economic mobility.

Effectiveness of Programs

Per the above effectiveness assessments (Chart 1.2), respondents do not believe any policy has been fully effective in helping the disenfranchised. Job training programs and public job placement services are perceived to be more effective in developing and emerging economies, whereas

healthcare and unemployment support is perceived to be more effective in advanced economies.

Also, there is a clear disconnect between the perceived effectiveness of adjustment policies between government and business. For all categories besides healthcare, government has more confidence in policy effectiveness than business. This conclusion prompts debate for increased communication between these two bodies to determine what parts of these policies are and are not effective.

Findings across APEC indicate labor adjustment policies are inadequate for different reasons in advanced and developing economies.

Table 1.1

Advanced Economies	Emerging and Developing Economies
Reliance on growth as primary adjustment policy	Reliance on a combination of growth and informal labor markets
Few have dedicated resources that concentrate on domestic policy management for trade and technological economic shocks	Many lack fundamental human capital and monetary resources to create and implement adjustment programs
Lack of awareness, access to, or complex qualification procedures preventing the disenfranchised from benefiting from adjustment programs	Lack of willingness to concentrate on programs that do not directly promote top line growth to reduce the inter-economy income gap as opposed to the intra-economy income gap.

It is important that policies are tailored for, but not limited to, workers displaced by globalization, trade, and technological progress. First, it is difficult to distinguish workers displaced from trade or technology compared to other reasons.¹⁵ Second, there is no strong evidence that trade induced unemployment is very different from unemployment caused by other shocks. Lastly, steps to qualify as affected individuals specifically related to trade or technology can increase transaction costs, heightening hurdles displaced workers must overcome to obtain assistance.

A Perceived Government Problem

Business (almost) completely sees the current ineffectiveness of micro-policies and adjustment programs as government’s problem. Business believes governments are not optimally structured for cross-functional collaboration between ministries. A key challenge we heard is that there is often no single government ministry that is responsible for and has the necessary internal support to coordinate micro-policy implementation across multiple ministries.

On the other hand, we found that governments are overwhelmed with multi-dimensional demands and have limited resources to act timely and decisively. It is important to understand that the intricacies of economic challenges are not easily understood and it is difficult to create appropriate policies that fully correct for every possible economic impact. Although governments have the power to create micro- and adjustment policies, it is important to understand the limitations government has and the need for new, bold cooperation between government and business to share best practices and produce results.

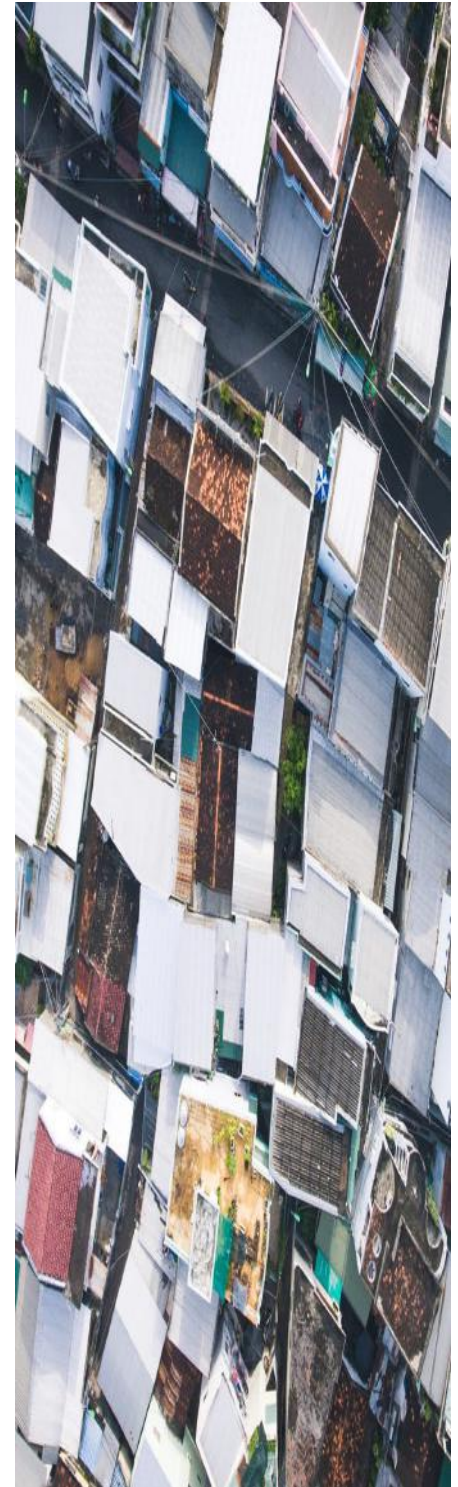
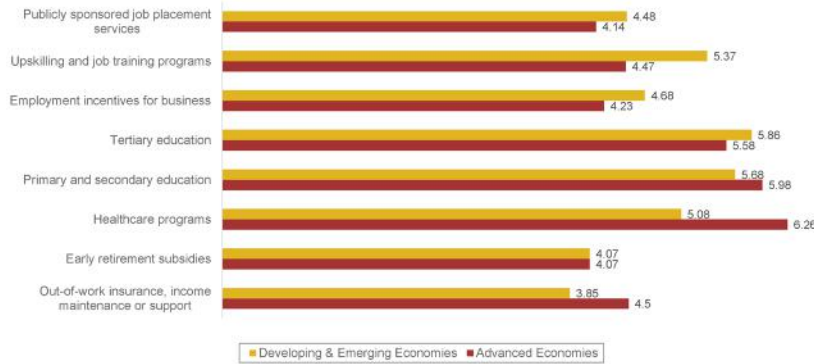


Chart 1.4

Effectiveness of adjustment policies



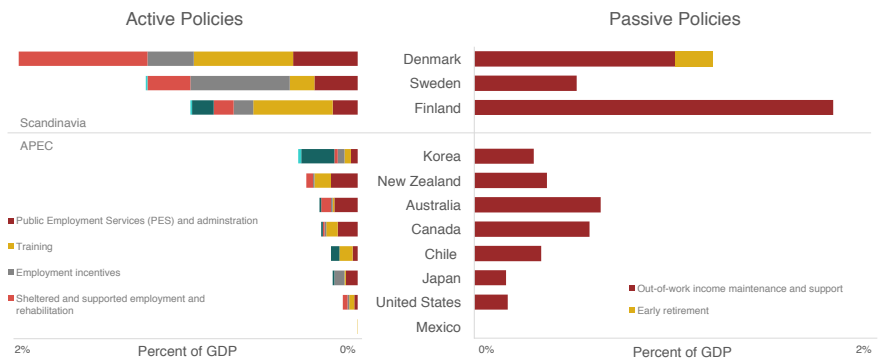
Source: USC Marshall Survey 2017 (350 respondents)
 Note: Effectiveness is average of responses scored on a 10-point scale

Job training programs and public job placement services are perceived to be more effective in developing and emerging economies, whereas healthcare and unemployment support is perceived to be more effective in advanced economies.

APEC's public spending on labor programs is severely outpaced by that of the Scandinavian economies.

Chart 1.5

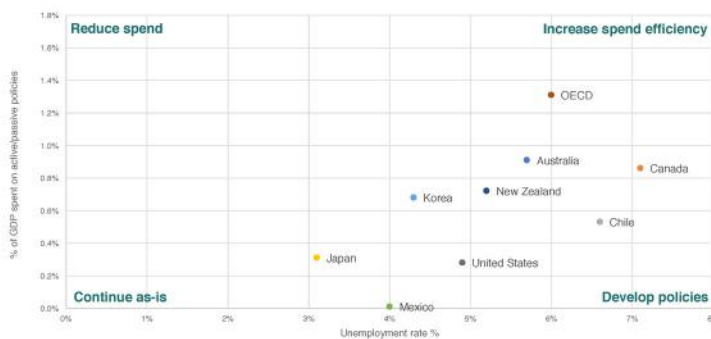
Public Spends on Labor Programs (OECD)



Source: OECD Labor Markets Program Database 2015
 Note: New Zealand figures are for the year 2014

Chart 1.6

Efficiency of spends on adjustment policies to deal with unemployment



Source: OECD Labour Market Programmes Database

There is a positive correlation between unemployment rate and a call to increase both spending efficiency and development of unemployment programs.

Going forward, business indicated four core themes that are necessary when building more effective micro- and structural adjustment policies:

1. Accessibility

- MSMEs have less capacity to sponsor, hold, or send people to training or upskilling programs
- Poor policy design (e.g. complexity of application) becomes a barrier for potential applicants.
- Regional difference in the availability of the programs also results in inequality.

2. Quality

- Lack or shortage of demographic information and labor market skill gaps
- Mismatch between business needs and skilled workers in the labor market
- Lack of sufficient resources, especially funding

3. Metrics

- Using aggregated macro-metrics is not effective in assessing the effectiveness of active labor policy.
- Coordinated KPIs that coincide with the growth and development of businesses

4. Job Availability

- Making sure that there are new jobs available in the labor market is as important as training the labor force with relevant skillsets.
- Businesses mindset about to hiring those from re-training institutions and programs can result in ineffective programs.

"Policy makers must make sure that there are available and accessible jobs after training, if they were to provide training. Economic growth for job creation and adjustment policies need to be done simultaneously."

— South America, Labor Organization Interviewee

"For MSMEs, even sending one person for training, or even collaborating with government through communication, can be a heavy burden in terms of capacity. Also, government ignores the fact that MSMEs create more jobs than large corporations, and goes to favor large corporations because it is much easier to work with them."

— North America, Business Interviewee

Case Study (1.4)

Maladjustments

The U.S. Trade Adjustment Assistance (TAA) program was created in the 1960s to mitigate the effects of job loss and displacement from foreign manufacturing competition. The program focuses on former manufacturing workers and offers both passive and active benefits in the form of training, wage subsidies, and temporary income support. Although some training was found to be cost-effective in certain high-demand occupations, the U.S. Employment and Training Administration analyzed TAA and found that the program showed little to no improvement in employment prospects for most participants. TAA participants often ended up with a lower income after the program than displaced workers who never enrolled in the program. The overall net benefit to TAA participants was -\$26,837, roughly 50% of the net benefit to society. Evidence strongly suggested that the program was particularly ineffective for older workers who concurrently experienced bigger financial issues. The shortcomings of this program have been primarily attributed to the rise of technological progress and the overall complexity of the TAA certification process.^{16 17}

Case Study (1.5)

Springboards, Not Safety Nets

The U.S. Workforce Investment Act (WIA) of 1998 gave states the primary authority to administer workforce development programs and empowered individuals to select their own job training. The most pioneering aspect of WIA was the introduction of training vouchers, also known as Individual Training Accounts (ITAs). An ITA is a training grant that offers limited purchasing power to jobseekers who must choose from an established list of Eligible Training Providers (ETPs). This innovative mechanism has become an efficient and cost-effective way for the government to solicit competition among training providers as well as ensure accountability through more simplified key performance indicators.^{18 19}

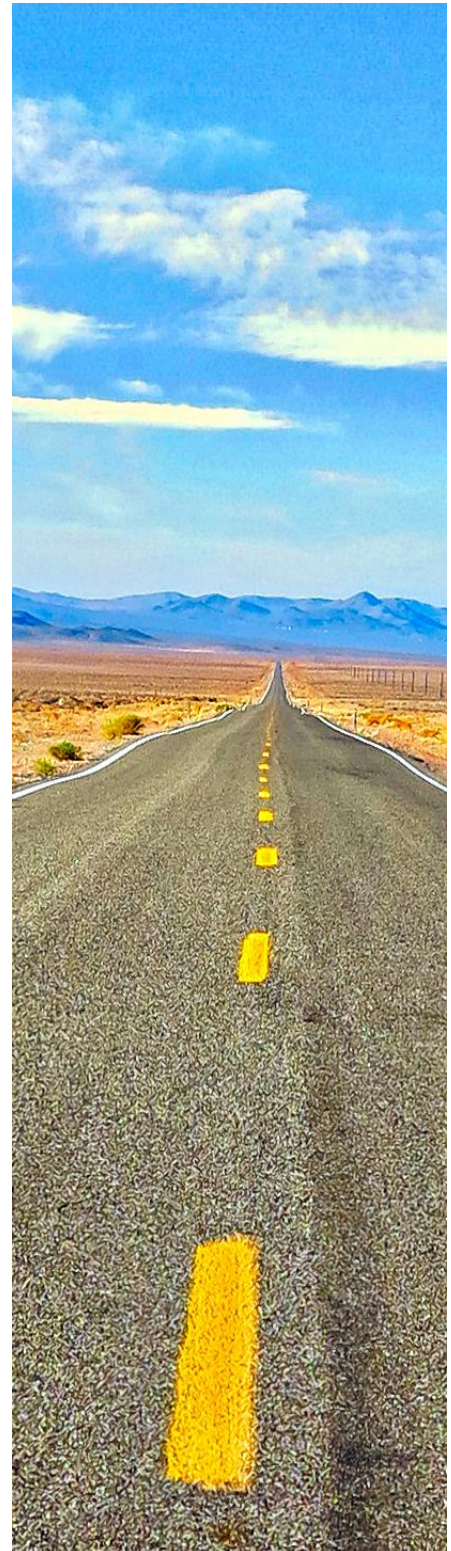
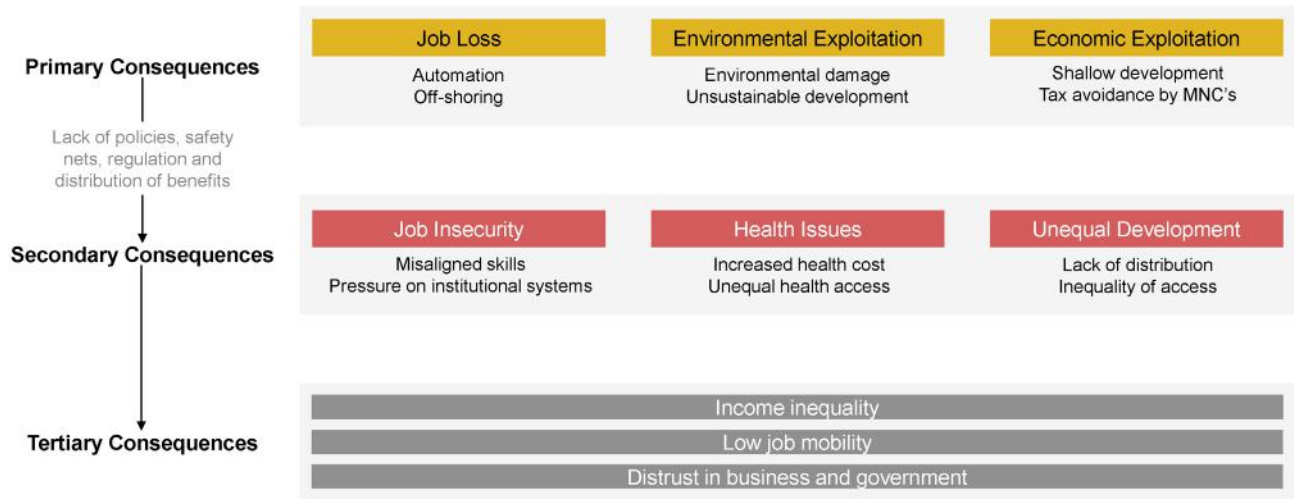


Figure 1.2

Ineffective adjustment policies will result in magnified cost of Globalization, Trade and Technological Progress

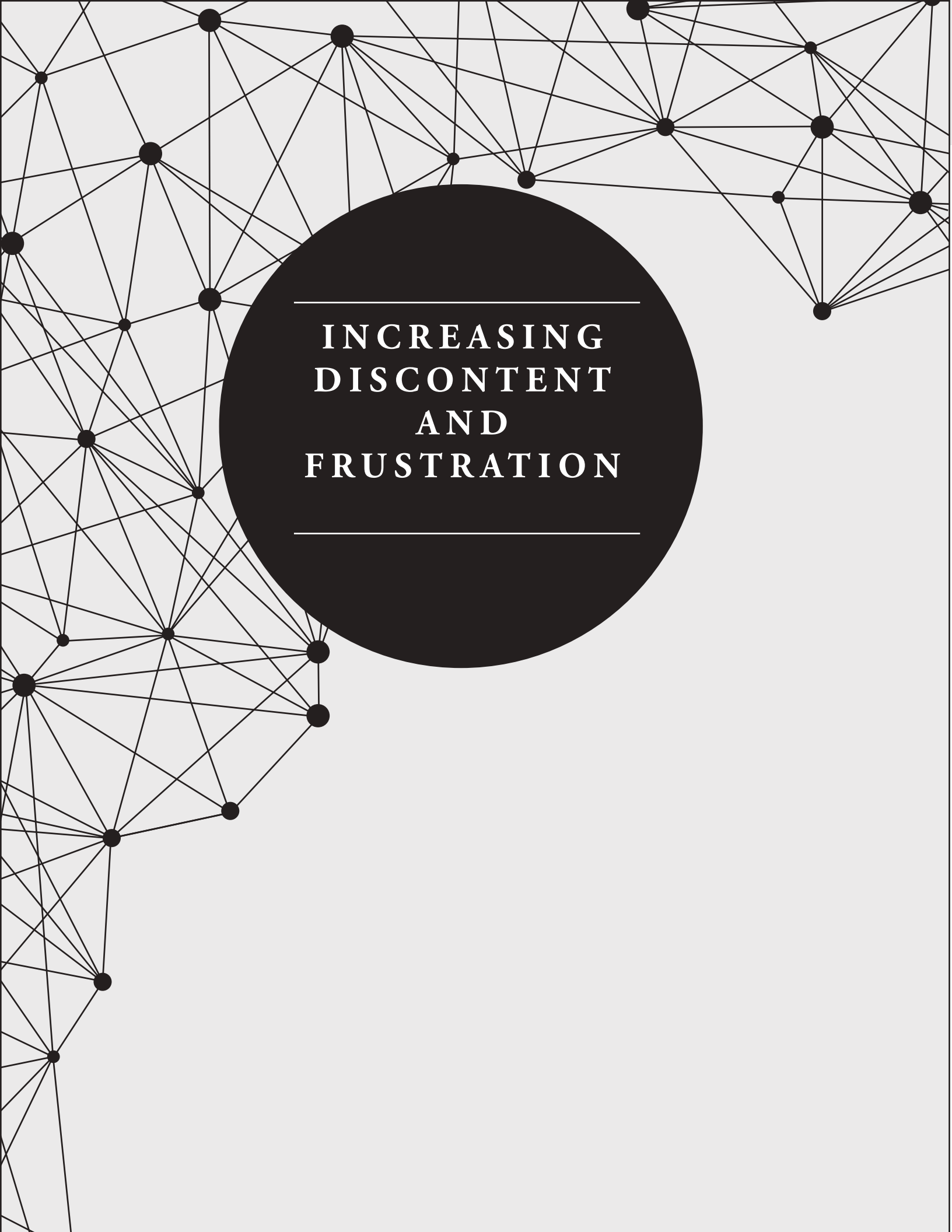


Solid quantitative and qualitative metrics are also needed to assess the effectiveness of, and to improve micro- and adjustment policies.

There is little to no aggregated studies on the direct correlation between adjustment policies and their effectiveness on the disenfranchised, which makes it difficult for government to comprehend the overall situation.

Furthermore, aggregated metrics are not helpful when assessing the labor market condition holistically. Many previous studies (e.g. Tripney, Campbell Systematic Review, 2013) base the effectiveness of adjustment programs on employment statistics such as average monthly earnings, number of part-time/full-time jobs created, and unemployment rate. However, these metrics do not fully reflect the ability of these adjustment programs to mitigate income inequality. Unemployment and job creation statistics do not fully capture the quality of jobs available or the growing income gap.

To better address income inequality, economies could focus more on microeconomic metrics such as the “Decent Work Indicator” by International Labour Organization (ILO), which recommends focusing on metrics based on demographics. For example, earnings change grouped by final educational attainment is a great way to segment the demographic, which is already being used by World Bank in their studies. Furthermore, metrics on quality do not reflect the issue of “accessibility of the programs” to different demographics. Most studies show the actual number of workers benefitting from the program, but not as the percentage of the whole eligible demographic.



**INCREASING
DISCONTENT
AND
FRUSTRATION**

The Challenges Economies Currently Face

Now, more than ever, we are hearing from disenfranchised individuals and communities who are frustrated for very different reasons across APEC.

Frustration with globalization, trade, and technological progress is growing, but presents a false dilemma.

Many acknowledge that populist frustration towards globalization, trade, and technological progress has been around for a long time. However, what we have found is that these economic forces are often blamed incorrectly for the actual root causes of discontent in the region. In the absence of a compelling narrative, these economic forces have become the scapegoat for the real drivers of frustration in APEC. Contrary to popular opinion, domestic policy related factors, not globalization and technology disruptions, are driving discontent within APEC.

The drivers of discontent vary by economy and individuals are frustrated in different ways. Across our 400+ interviews and questionnaire data spanning all 21 APEC economies, we asked business leaders and government officials to make sense of the forms of populist frustration in most economies. Respondent stated that while the benefits have been widely diffused, they have also been marginal at best. The costs are disproportionately borne by the disenfranchised with social media providing a platform that amplifies the voice of the few.

What we have heard from business and government leaders is that the benefits are more noticeable in advanced economies. However, the gains appear to have lessened over time, leading people to question the effectiveness

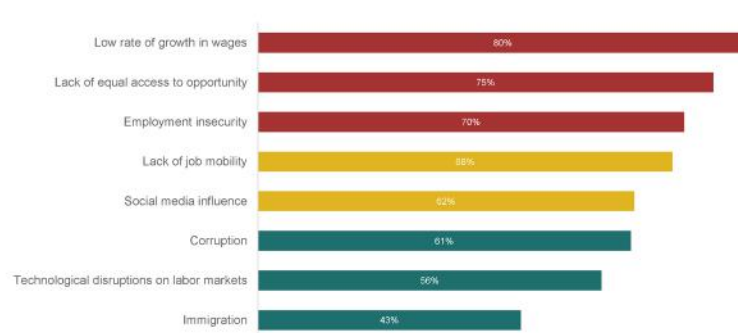
and relevance of the current economic model. We have heard many sources of frustration in different economies—three common drivers for discontent and frustration in all economies were low rate of growth in wages, lack of equal access to opportunity, and employment insecurity. Globalization, trade, and technological progress can influence these factors, but there is no empirical evidence that supports that they are the direct cause.

The main frustrations of inequality and lack of job mobility have been further compounded by lagging recovery from the 2008 global financial crisis. Our research has identified two primary effects of the crisis: increased anxiety around the volatility of the global economy and widespread distrust of large businesses and government. In 2015, OECD conducted a similar

study highlighting the frustration that people experienced with the sluggish recovery from the 2008 global financial crisis. The crisis has exacerbated income inequality and further restricted the ability for workers to move between jobs and industries. Five years after the crisis, the youth (ages 17-24) comprised 17% of the global population yet 40% of them were unemployed.²⁰ According to the United Nations, youth have voiced their views on social media and claim that they are worried about the quality and relevance of their education. This trend alludes to the inadequacy that exists between available training and the needs of the labor market.²¹

Chart 2.1

Leading contributors to discontent within APEC



Source: USC Marshall Survey 2017 (350 respondents)

It has become evident from our interviews that there is a significant difference between reality and perception in APEC. In the absence of an effective narrative, a new story of anti-globalization emerged and became the center of political debate. Immigration, job loss, and other negative issues have become the primary topics of conversation.

Table 2.1

Perception	Reality
Inclusive growth is a priority among APEC leaders.	Inclusive growth between economies is becoming more balanced, but is becoming more unbalanced within economies.
Job losses are increasing and jobs are exported at increasing rates.	Job losses occur but many find new jobs in lower skilled labor and the informal economy. Employment rate does not necessarily suffer. Per the World Bank's 2016 World Development Report, between 1995 and 2012 the share of "routine" employment fell by almost 8% while the share of "non-routine" jobs (high-skilled and low-skilled) increased in most countries. ²²
The need for job mobility is greater than ever and basic mobility is available.	There is an imminent need for increased job mobility but there are sizable geographic and economic hurdles. Per the World Economic Forum's Future of Jobs Survey, 50% of respondents state that they lack adequate resources to meet future barriers to change. ²³
Global openness is causing frustration and dissatisfaction.	Ineffective management, policies, and programs are the root cause for frustration, not the existence of global openness. Per Transparency International, the average Asia-Pacific mismanagement index is 43 out of 100. (100 = perfect management, 0 = complete mismanagement). ²⁴
Income and wealth inequality are worsening.	Income and wealth inequality between economies is decreasing but intra-economy inequality is increasing. Per the World Economic Forum, in 1970, developing economies accounted for 17% of global GDP, by 2014 their contribution had doubled to 34%. Meanwhile, annual median incomes have declined by 2.4% in advanced economies and growth in GDP per capita has averaged 1% during the last 5 years per the IMF. ²⁵
The protectionist sentiment is growing globally.	Protectionist sentiments are largely held by the United States, not the majority of APEC economies, but frustration is present and growing

"It is the negative things that happen that's easy to know. Everyone knows who screws up. If only the speed of transmission of information of the negative can be replicated for the positive information. We need to take caution, especially in the age of social media, because manipulation of information is scary."

– Asia, Business Interviewee

Economic shocks are not new, but social media has amplified the voice of frustration.

Social media has become a platform for public opinion, particularly negative sentiments and frustration. The recent geopolitical events in the Western world, combined with the democratization of social media, have enabled the disenfranchised to be heard louder than ever. Social media has developed a powerful reach and ability to sway public opinion and, at times, sensationalize misinformation.²⁶

We have heard that social media allows the globalization conversation to disproportionately lean to one side of the argument and not acknowledge counterpoints. As an example, in a recent study in Harvard Business Review, it was estimated that only:

- 4% of U.S. Facebook users have online friendships that cross international borders
- 18% of Twitter users have online connections that cross international borders
- 21% of U.S. news coverage is international
- 11% of U.S. news coverage discusses U.S. influence abroad
- U.S. news coverage was estimated to be three times as likely to portray foreign news with a negative tone compared to U.S. domestic news²⁷

According to this study, economies less exposed to other international economies are more likely to view their economy as superior. In turn, economies that are more exposed to international economies are less likely to view their economy as superior. This is important because an economy's trade opposition, according to Harvard Business School, is directly correlated to an economy's view of its own superiority. If social media promotes superiority views within an economy, it in turn acts as a catalyst of anti-globalization sentiments for that economy.

"Government and business should work together to boost economic growth before looking at income inequality"

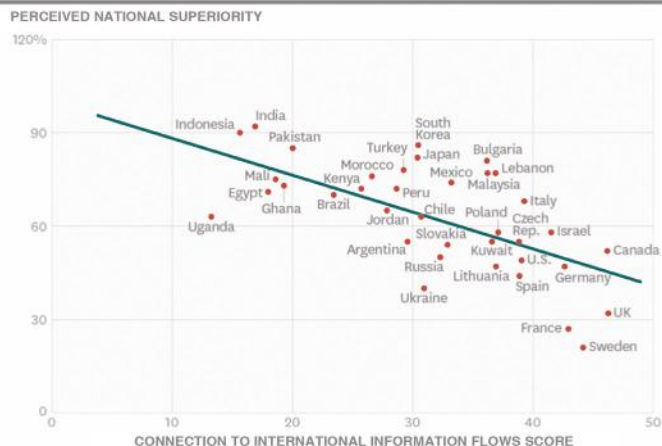
— South America, Business Interviewee

"If multinational corporations paid tax, created high quality jobs, and contributed to the local community, there would not be as much backlash as right now."

— Asia, Government Interviewee

Chart 2.2

Countries more exposed to international information are less likely to view their cultures as superior



Source: DHL, Global Connectedness Index 2014 and the most recent data from the PEW Global Attitudes Survey (2007 or 2011 depending on the country).

“Inequality in emerging economies is not like in the U.S. It is not the poor or disenfranchised who are protesting in these economies. They have been left so far behind that they don’t have influence on national policymaking”

— South America, Business Interviewee

Chart 2.3

Unequal Access to Opportunity is a higher contributor of frustration in Developing and Emerging Economies

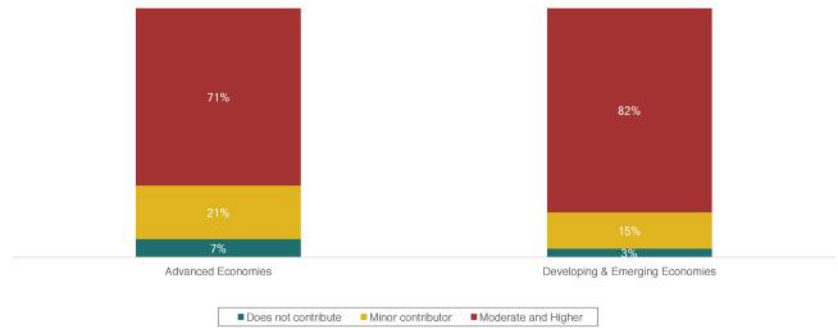
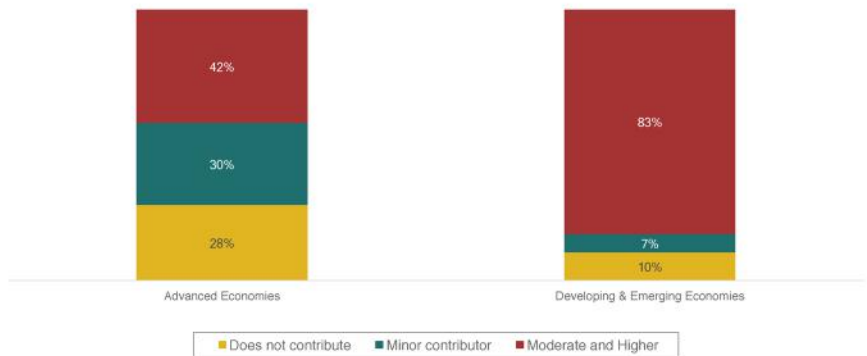


Chart 2.4

Corruption is a major contributor of frustration in Developing & Emerging Economies



Source: USC Marshall Survey 2017 (350 respondents)



Frustration with Business and Government

The common theme about why people are being more vocal is because they are frustrated with government and businesses. Governments usually explain benefits as diffusely spread and received by many, but they oversell these advantages and don't acknowledge the costs that cause people to speak out. In terms of businesses, interviewees and survey respondents believe the bottom line and shareholder interest are of more concern than social concerns and the livelihood of the employees, which is why people are lashing out. There is no doubt that technology and automation are dislocating workers, but employees feel that businesses are not doing much to address it and are voicing their opinions. Finally, employees are aware that companies want to take advantage of low-cost labor in other economies, so domestic workers are complaining that foreign labor is taking precedent.

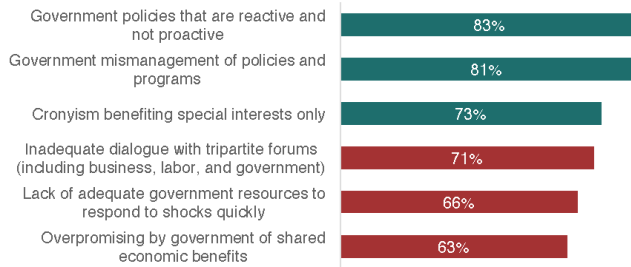
Economies are growing, but for who exactly?

In many APEC economies, income and wealth inequality, and lack of access to economic opportunities have either been stagnant or increasing. The top line is growing but the bottom line of societal prosperity is not. Therefore, people are questioning where the top line comes from. These are the real challenges threatening the business and economic model. Fixing the narrative is important, but it cannot fix everything.

Chart 2.5

Frustration with government

Leading contributors to increased frustration with government

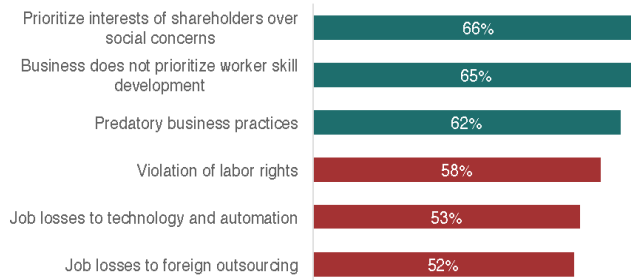


Source: USC Marshall Survey 2017 (350 respondents)

Chart 2.6

Frustration with business

Leading contributors to increased frustration with business



Source: USC Marshall Survey 2017 (350 respondents)

How Globalization and Technological Progress Play Out Across APEC

Will there be a ripple effect of rejecting globalization? Probably not. Throughout most of the region, people have expressed continued support for globalization.

In APEC, there is overwhelming support for globalization with 96% respondents saying they believe globalization is a force for good.

Overall, APEC economies feel the event of a populist uprising against globalization is unlikely, whereas close to 40% of United States survey takers believe there is a strong possibility of a populist uprising.

The differences across APEC economies result in different experiences with respect to globalization, trade, and technological progress.

The Developed vs. Developing Economy Story

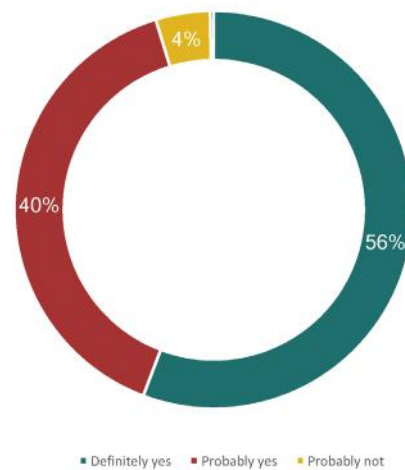
Developing economies are firmly committed to improving technology infrastructure that they believe will help improve productivity and transparency. The job risk through automation is minimal, given the low wages in these markets. Advanced economies have to deal with the combined pressures of high wages relative to the world, the shift to technology, as well as slower economic growth.

The Emerging Asia Story

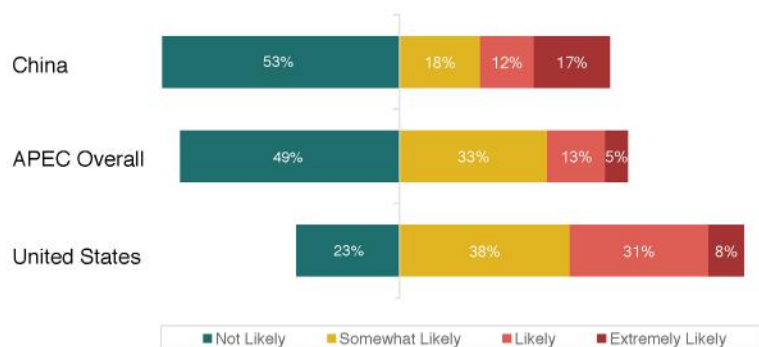
Besides the global 1%, Asia's middle class has gained the most from globalization since the mid-1980's. Notwithstanding gloomy forecasts for global growth, middle-class expansion seems set to continue and heavily concentrated in Asia. 88% of the next billion entrants into the middle

Chart 2.7

Do You Believe Globalization is a Force for Good?



Probability of a populist uprising against globalization



Source: USC Marshall Survey 2017 (350 respondents)

Case Study (2.1)

Brexit—A Cautionary Tale

The Brexit vote was closely followed by individuals from economies around the world. Spectators monitored the outcome for its likely impact on the overall global economy, but also to understand the implications of a shifting British mindset toward immigration and economic integration.

The U.K. faced economic uncertainty and slower growth in the immediate aftermath of the vote. Policymakers have begun to brace for the negative impact that closed markets may have on the British economy. In the short term, OECD estimates that the U.K. GDP is likely to be 3% smaller over the next 3 years than if they had continued with EU membership.³⁰ Over the longer term, closed markets are likely to diminish the flow of foreign investment, immigration and technical progress.³¹ Labor productivity, in particular, would be held back by a drop in foreign direct investment and a smaller pool of skills. Globalization will be carefully monitored as the economy seeks to redefine the British identity apart from the EU and reestablish singular British competitiveness in the global market.

“Nationalism is growing and will affect trade and technology. Globalization will not go backwards, but will grow more carefully. EU was the great example, but after Brexit we need to be more cautious.”

— South America, Business Interviewee

class will be Asian.²⁸ Economic growth and improving living standards have made the benefits of globalization more visible to the broader population and created a strongly positive sentiment towards globalization.

The People's Republic of China

China has been responsible for driving much of the growth within this region and has become a leading global player in driving economic integration. Its 2001 entry into the WTO marked the beginning of its huge economic gains for the region, and helped transition China from a developing to an emerging economy. President Xi in his address to the World Economic Forum in Davos in January 2017 reaffirmed China's commitment to globalization, saying, “we must remain committed to developing global free trade and investment... and say no to protectionism.” The Belt and Road initiative affirms China's commitment to economic integration by investing \$150 billion a year in infrastructure investment along the old Silk Road connecting China with Europe.²⁹

China, dissent and vocalized frustration with the economic model may be less likely.

The Latin America + Mexico Story

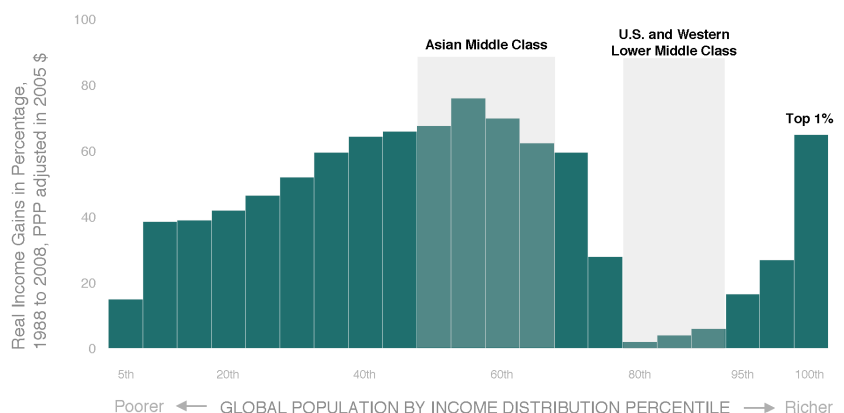
Latin America and Mexico have made significant progress in reducing poverty levels as a result of open markets. However, there are still high levels of wealth and income inequality. “Although income inequality has fallen in recent years, Latin

America remains the most unequal region in the world. In 2014, the richest 10% of people in Latin America had amassed 71% of the region's wealth. If this trend continues, according to Oxfam's calculations, region will have accumulated more wealth than the remaining 99%.³²

Infrastructure gaps and access to basic public services have historically been a challenge in Chile, Peru and Mexico. There is

Chart 2.9

The Asian middle class has gained the most from globalization



Source: Branko Milanovic, HBR (<https://hbr.org/2016/05/why-the-global-1-and-the-asian-middle-class-have-gained-the-most-from-globalization>)

While there may be prevailing challenges with how the economic model works in

significant regional inequality, particularly in terms of access to education and healthcare. To access infrastructure and capture the benefits of globalization in these regions, citizens have migrated to cities. As a result, urban infrastructure is coming under increased pressure.³³ The scale of investment needed to meet these demands is too large to be met solely by the government. In addition, the government faces mistrust from the public due to ineffective safety net programs and highly publicized corruption scandals.³⁴

Opening of markets has also helped establish labor standards and move people into the formal economy. Technology is viewed as an enabler of progress, by providing transparency of governance, increasing productivity, and improving access to the world's knowledge base. Access to quality education is seen as a key way to truly harness the benefits of technology, trade, and globalization.

The recurring themes from the region were around the visible benefits of globalization within the economy, the government's ineffectiveness in reducing inequality and providing domestic policies, and the need for the private sector to drive investments

in infrastructure. Overall, poverty and extreme poverty levels declined by a compound annual growth rate of -20%, -6%, and -16% in Chile, Mexico, and Peru from 2010-2015.

Other advanced economies

Australia, Canada, Japan, New Zealand, Republic of Korea, and Singapore have seen slowing growth since the 2008 financial crisis. With relatively lower domestic consumption, these economies are dependent on trade and flow of goods and information. However, in a move contrary to past behavior, New Zealand recently voted to impose stricter rules against foreign direct investment.

The U.S. Story

The costs of globalization were particularly felt and vocalized in the U.S. and Western Europe. Since the 1970s, the U.S. has seen a stagnation of average incomes coupled with rising inequality.³⁵ U.S. census data shows that growth in average household income primarily benefits the top 20%.³⁶

The technology boom in the 1990s contributed to a decoupling of productivity and wages. All these factors have contributed to the "middle-class squeeze"—a

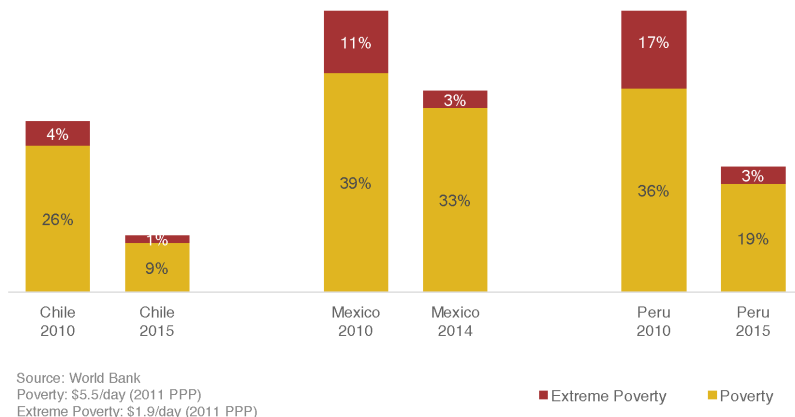
combination of slowing wage growth and increased cost of maintaining a middle-class standard of living. In 2014, the U.S. middle class faced three challenges—its share of national income was dropping, its wages were stagnant, and it was no longer the wealthiest middle class in the world.³⁷

Today, as the technology frontier is advancing, the first impact is on jobs. The "law of one price" is impacting low skilled, low value-added jobs first and most harshly. Low-skilled workers are most susceptible to being left behind when there is slower economic growth. As the world advances rapidly, they are less likely to rejoin the workforce due to a skill-job mismatch.

The combined influences of slower economic growth, lowered employment, and rhetoric that centered around closed markets and anti-immigration policies led to a wave of populism. Voters demonstrated their discontent with the traditional economic model through the ballot box.

Chart 2.10

Poverty levels in Chile, Mexico, and Peru have declined as a result of globalization



"There has always been criticism of trade, but the stage has already been set. Government policy can only control the how of free trade. Today's populism does not necessarily respond to people being left out. It is just a reaction to the changing geopolitical equilibrium, where the U.S. no longer controls the global economic activity."

— North America, Business Interviewee

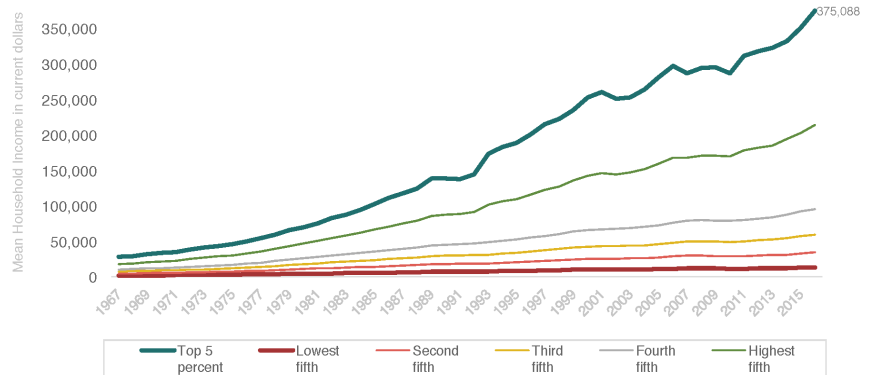
The variance of sentiment towards globalization, trade, and technological progress across APEC economies is driven by the following factors:

1. Different Histories: Many APEC economies have their own experiences of closed markets and managed economies. These economies—specifically China, Vietnam, New Zealand, Peru, Mexico and Republic of Korea—have rejected these policies as not being economically viable and are committed to not reliving old mistakes. Our interviews with business executives and government leaders in these economies suggest that it is highly unlikely that these economies will return to previous protectionist policies.

2. Different Economic Development: Emerging economies that have seen economic growth as a result of opened markets seem to be firmly committed to continued openness. The dissatisfaction in these economies is primarily linked to government policies around social security and infrastructure. East Asia and the Pacific, where there has been an opening of markets, has seen significant economic growth. The World Bank has reported that per capita real income grew more than three times faster for developing economies that lowered trade barriers (5.0% per year) than other developing economies (1.4% per year) in the 1990s.³⁸ Chile showed incredible growth based on very favorable labor legislation, scattered trade unions, a legal frame which protects investors, and an economy which strongly integrated into the world market. This contributed to a reduction of poverty rates from 41% at the end of the military dictatorship, to 7.8% in 2014. Neighboring Peru has also seen these benefits, albeit slightly later than Chile, and has attempted to replicate the model. Their continued growth make both economies firmly committed to

Chart 2.11

Income for Top 5% of the U.S. population has grown the most, while middle class income has stagnated



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement
Mean Household Income Received by Each Fifth and Top 5 Percent, All Races: 1967 to 2016

globalization.

3. Different Needs: Economies in APEC have different economic development imperatives, and is home to several economies that must integrate their market in order to generate economic growth for their citizens—APEC economies do not have full-blown anti-globalization sentiments, but lie somewhere along a spectrum that captures their level of dissatisfaction with the current economic model.

How this discontent plays out in the future is unclear but what is clear is that solutions need to be implemented.

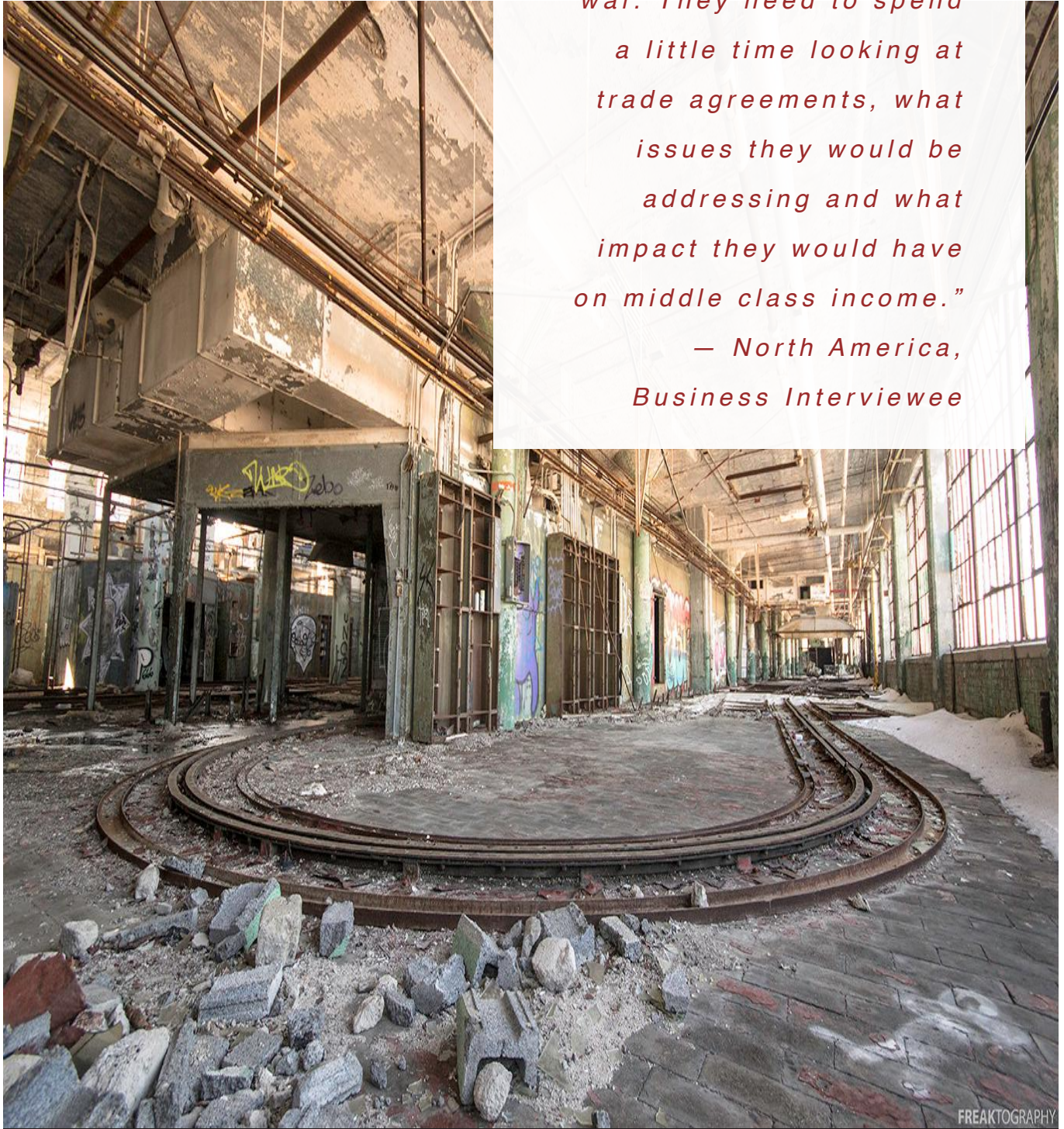
Figure 2.1



Proponents of globalization vary between two viewpoints: the current globalization model works and market forces will naturally drive change and adjustment policies are needed to maximize the benefits of globalization.

Anti-globalization views range from globalization prolonging unequal distribution to non-inclusive growth to globalization being a completely unsustainable long term economic model.

“Advanced economies are fighting yesterday’s war. They need to spend a little time looking at trade agreements, what issues they would be addressing and what impact they would have on middle class income.”
— North America, Business Interviewee



The New APEC Reality: What We Heard

Business wants a level and fair playing field but admits there is a high level of uncertainty about how governments will manage cross-border trade. Even with these challenges, business remain optimistic.

While the sky is not falling, it has changed color.

Business in large part is continuing to behave normally and conduct cross border trade but governments are changing. With the recent actions by major trade influencers adopting economic nationalistic policies to protect domestic industries, we are seeing a ripple effect throughout APEC. Many governments are eager to adopt a longer term economic strategy to achieve economic and political agendas, and we have heard governments are willing to become more interventionist to do so.

Additionally, based on our interviews, more than half of business and government leaders prefer multilateral agreements over bilateral agreements as a way to achieve clear and fair rules across economies.

Many interviewees believe bilateral trade agreements lead way to:

- 1. Creation of incoherent rules.** If an economy has multiple bilateral agreements, the variance among systematic issues such as rules of origin will complicate the trading environment and increase competition for SMEs.
- 2. Higher possibility of discrimination and trade diversion.** Any economy excluded from the bilateral agreement may suffer from disadvantages due to difference in costs and/or technical barriers to trade. Also, the opportunity for

the participant to trade with economies with more attractive conditions may be lost.

- 3. Unbalanced distribution of economic benefits.** With fewer stakeholders involved, bilateral trade agreements become focused on industrial plans which promote top-line growth within each respective economy when used appropriately.

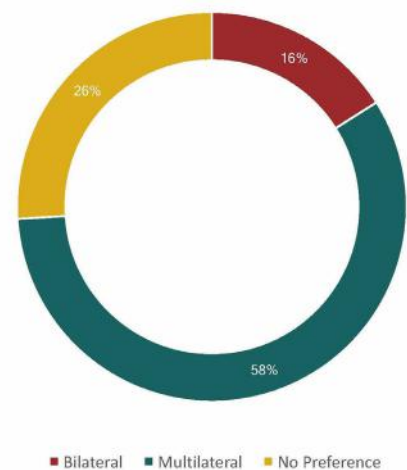
However, what many characterize as never-ending negotiations at the WTO and the complexity of multilateral agreements have made economies more open towards bilateral free trade agreements and preferential agreements with selected partners. Between 2000 and 2017, the number of bilateral free trade agreements in the world has increased from 23 to 165. In fact, for some economies bilateral trade agreements have become the leading trade approach that provide quick access to new markets. We have heard that in reality, bilateral agreements have become necessary for economies to engage in cross-border commerce and should be considered a tool for global economic development when used appropriately.

An uncertain trading environment is also leading economies to diversify their trade partners to avoid over-reliance and unbalanced negotiating power with certain economies, particularly those who are tied to the United States.

Economies have long been forging trade relations with other economies around the world. According to our research, more than 60% of the leaders in APEC believe that the world is moving towards increased

Chart 2.12

Preference of Trade Agreement

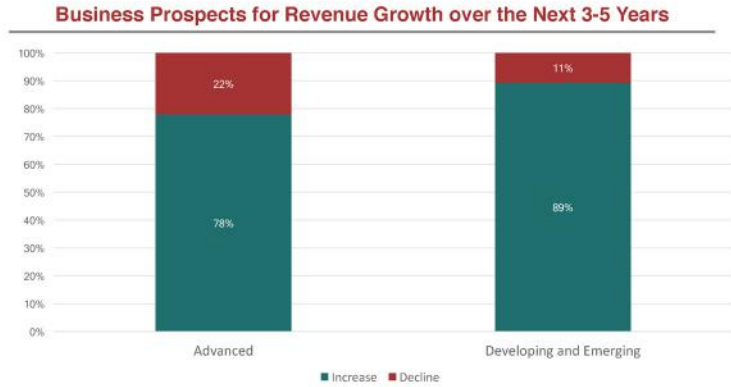


While multilateral trade agreements are largely preferred in the APEC economies, there has been growing momentum behind the bilateral trade agreements.

global interconnectivity and integration. 58% of respondents also said that their economies are seeking new trade partners. In a world characterized by global value chains, economies are increasingly trying to move up the value chain and strengthen their comparative advantage. For example, Mexico has the most diverse and developed manufacturing capacity in Latin America however U.S. still accounts for more than 80% of the goods exported from Mexico.³⁹ Renegotiation of NAFTA provisions can lead to economic slowdown in Mexico in the short to medium term and by increasing open economic relations

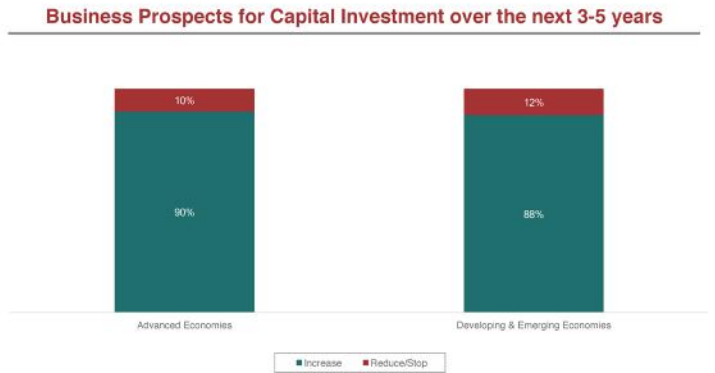
1/5 of respondents in advanced economies believe business will experience declining revenue share and are more pessimistic than developing and emerging economies.

Chart 2.13



Respondents expect capital investment to remain strong within the APEC economies over the next three to five years.

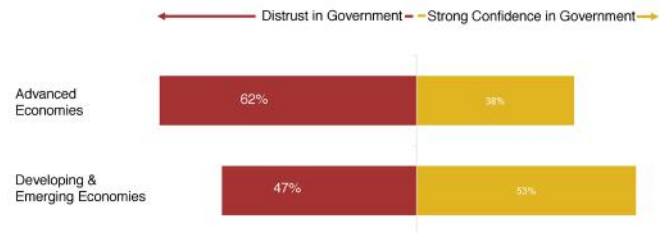
Chart 2.14



Advanced economies have stronger distrust in government compared to developing and emerging economies.

Chart 2.15

Confidence in Government

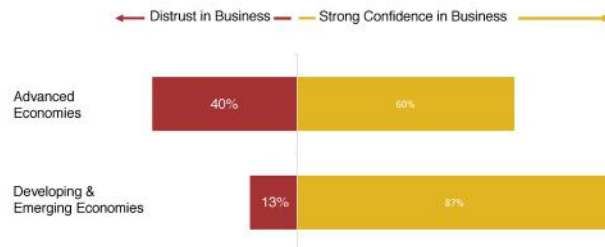


Source: USC Marshall Survey 2017 (350 respondents)

While confidence in business is high among all economy types, the confidence level in business in developing and emerging economies is much higher than advanced at roughly 90%.

Chart 2.16

Confidence in Business



with a long list of economies, Mexico is adopting a trade diversification strategy in the long term.

Through our research, we have discovered that over 56% of government and business leaders in APEC now see the People's Republic of China as the major global trade influencer compared to 23% who see it as the United States.

Although there is business uncertainty about the rules and regulations of the trading landscape, we are not seeing an unraveling of cross-border business behavior.

More than three-fourths of the respondents both in advanced and emerging economies said they are looking to increase cross-border business activity and more than half of them believe their businesses will increase capital investments in the future. About 51% of the respondents in advanced economies and over 40% in emerging economies expressed their concerns around finding employees with relevant skills. Combined with no clear direction towards granting foreign worker visas, this

will pose significant challenges for business and government in the APEC economies.

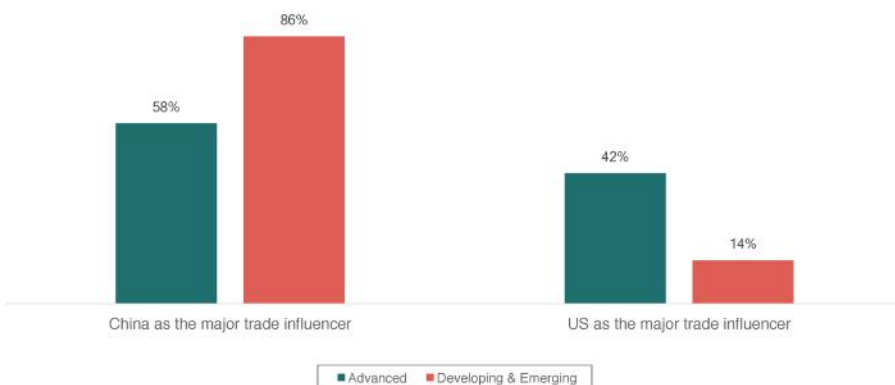
Overall, we have heard business and government share concern about the stability of APEC's economic landscape. Although today's challenges must be addressed, there are even more challenges coming down the pike that will exacerbate the volatility of the economic landscape if they are not prepared for proactively.

"Deals are dangerous. When trade agreements are done as bilateral deals, those with access, including us, get our needs taken care of. The needs of MSME's and what is best for the economy's future hardly get addressed."

— South America, Business Interviewee

Chart 2.17

Developing & Emerging Economies are more likely to consider China as the major trade influencer



Source: USC Marshall Survey 2017 (350 respondents)

"Uncertainty is debilitating. I need to know whether NAFTA will continue to exist. I'll adjust, but I can't make investment decisions without knowing."

— Multinational Business Interviewee



**NEXT
GENERATION
CHALLENGES**

A vibrant, busy outdoor market street in Asia. The scene is filled with people, many wearing hats, engaged in various activities. Stalls with colorful awnings line the street, and baskets of fresh produce are visible. In the foreground, two people are riding a motorcycle, one in a red shirt and another in a blue shirt. The background shows multi-story buildings and a sky with a warm, golden glow, suggesting late afternoon or early morning. The overall atmosphere is one of bustling activity and daily life.

“Crisis makes opportunities.”

***— Asia,
Research Institution Interviewee***



The Macro-Challenges Ahead

This new reality will only be further complicated by large macroeconomic trends that will inevitably change the nature of how economies conduct business, and, ultimately what business, governments, and people experience. Although there are considerable challenges to overcome today, there are even more coming down the pike that have the potential to instigate even higher levels of populist frustration if not effectively prepared.

The World of Global Value Chains

Global value chains (GVCs) have fragmented the production process into different components such as design, manufacturing, assembly, and marketing. These value chains have been made possible by technological progress, increasing access to global markets, and the reduction of transportation costs. From a policy standpoint, it is imperative to understand how GVCs affect economic performance and how economies can benefit by participating in global value chains.

Uneven Benefits From Trade in a World of GVCs

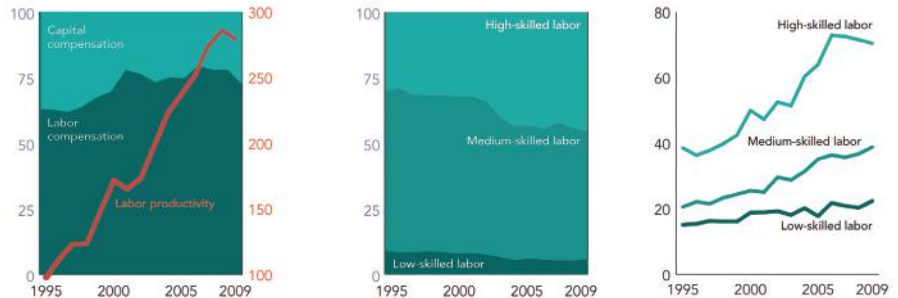
From our research, we have discovered global value chains can serve as a potential trigger for more populist discontent in the future. Historically, the benefits of GVCs have not been observed equally by all economies. Moreover, the benefits have been distributed highly unevenly amongst the labor force within an economy. For example, between 1995 and 2009, the wages in U.S. increased for the entire work force but the high-skilled labor saw a sharp increase in their wages as compared to medium and low-skilled labor. This shift coincides with the transformation of U.S. from a manufacturing economy to one capturing high value-added activities of the value chain such as designing and marketing. However, the ordinary work force in U.S. has not benefited much from the value chains. GVCs have enabled multi-national corporations and mostly high-skilled labor force to benefit from the substantial productivity gains.

In the People's Republic of China, on the other hand, the entire workforce observed huge benefits from global value chains. Labor productivity increased six times and factory wages increased significantly between 1995 and 2009.⁴⁰ GVCs have allowed China to come out of poverty. However, the main benefits were largely observed by a small number of owners of capital in the People's Republic of China, including foreign investors.



Chart 3.1

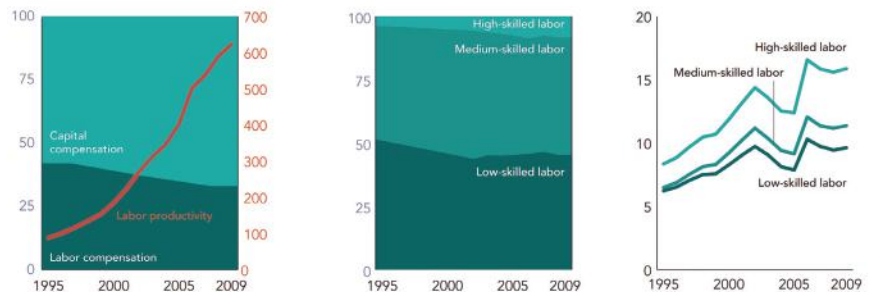
U.S.: labor productivity increases with global value chain integration



Source: Global Value Chain Development Report 2017: Measuring and Analyzing the Impact of GVCs on Economic Development

Chart 3.2

China: labor productivity has skyrocketed, while compensation increases are flat



Source: Global Value Chain Development Report 2017: Measuring and Analyzing the Impact of GVCs on Economic Development

Intense Race Towards Moving Up or Participating in the Value Chain.

We have heard that for many economies, upgrading their position in value chains or becoming a part of the value chains is a critical priority. Some economies feel disconnected from GVCs whereas others have expressed concern around getting stuck in the low-value-added activities of the value chain. A position in higher-value-added activities of the value chain increases high-wage employment and generates higher average income in the economy. Moreover, technological progress and automation pose a threat to employment and economic benefits from low value-added activities. This has resulted in an intense rivalry between economies to move up the value chain and poses huge challenges for the trade policies at the economy level.

Benefits of GVC's Require Cross-Economy Collaboration as the Costs of Protectionism Can Be Significantly Higher

Business has advised that when goods and services cross borders multiple times, trade costs are compounded. In a world characterized by GVCs, firms have to overcome non-tariff barriers on their imported inputs and then overcome more non-tariff barrier costs again on the full value of their exports.⁴¹ Thus, the actual tariffs on value-added of exports are higher than expected and is particularly true for economies that have a large share of intermediate imports in their exports. This poses huge barriers to entry for MSMEs, especially in the low-income developing economies who are unable to participate in global value chains.

Moreover, the existing methods to measure *real trade* in a GVC world have fundamental shortcomings and thus are not sufficient to direct policy makers towards appropriate trade decisions. Therefore, there is an immense need to understand GVCs properly so as to develop trade policies that reduce the cross-border tari-

ffs. In addition, the rise of bilateral trade agreements imposes a threat of further inefficiencies within the value chains and paves the way for a *spaghetti bowl* of trade policies that would stall economic growth around the world.

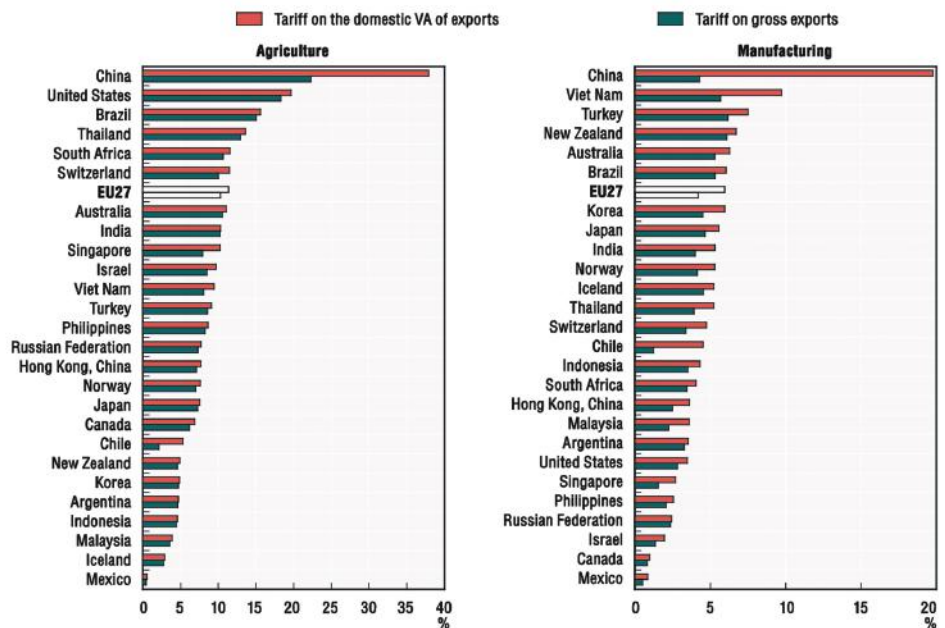
Increasing Role of Services in GVC's

The rise of GVCs needs links between geographically different production units and requires global connections through services such as transportation and telecommunications. Hence, offshoring tends to increase the share of services in the final value of goods. However, studies have shown that the share of services is increasing in value-added trade across the global value chains because of the increase in foreign-based services. From 1995-2011, both domestic and foreign embodied services grew but the latter grew at the highest rate. This is despite the fact that the current metrics are based on our traditional understanding of cross-border trade and hence probably undermine the share of foreign services value added.

GVCs, coupled with technological progress, will drive down wages in high-paying professions such as doctors, lawyers, architects and bankers among others. Today, a doctor in Thailand can treat a patient in the Western world remotely due to video conferencing and increased adoption of robotics in healthcare. In the future, firms will increasingly take advantage of these foreign embodied services to decrease costs and increase overall profits thereby disrupting the domestic labor market for medium and high-skilled professional jobs. Therefore, as GVCs start to affect the medium and high-skilled labor force, we may see a more significant increase in discontent towards globalization and the potential rise of populist nationalist movements across the globe.

Chart 3.3

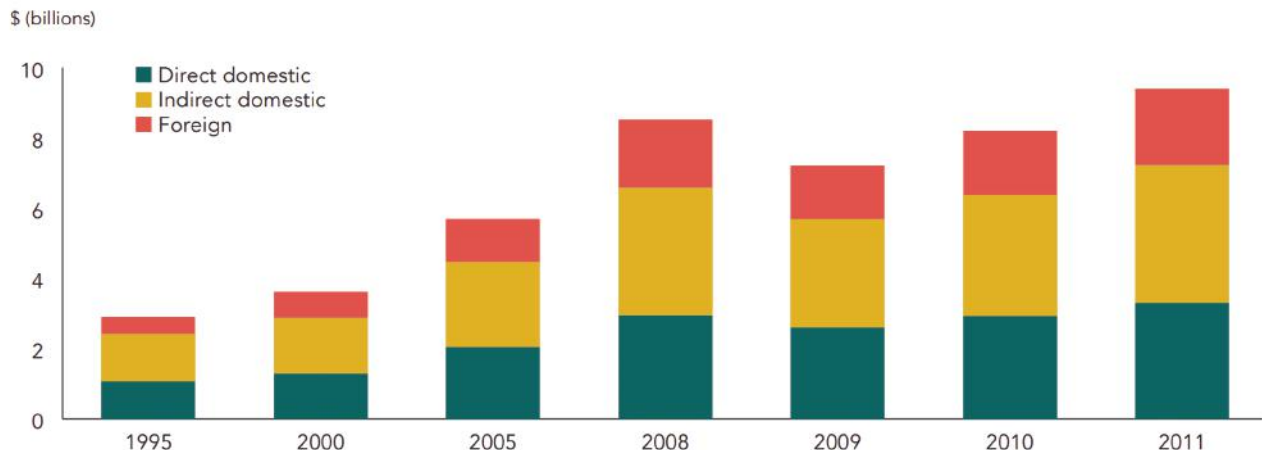
Tariffs on the gross and the domestic value-added of exports, 2009



Source: Interconnected Economies: Benefiting from Global Value Chains, OECD 2013

Chart 3.4

Share of direct, indirect, and foreign services value added in world gross exports, 1995–2011



Source: Global Value Chain Development Report 2017: Measuring and Analyzing the Impact of GVCs on Economic Development

The growth in foreign and indirect domestic exports is outpacing that of direct domestic exports, paralleling the increasing prevalence of GVCs.



Economic Nationalism

Businesses have made it clear they want open and fair-trading systems. Fair trade goes beyond the debate between bilateral and multilateral trade agreements. Although official tariff barriers in APEC have been falling, non-tariff barriers have increased by more than 74% in the last 10 years.

The Bilateral and Multilateral Debate

As previously discussed on page 43 regarding the New Reality in APEC, the challenge of obtaining *fair trade* is not solely based on if an economy prefers bilateral or multilateral trade agreements. An economy's adoption of one form of trade agreement or another is largely based on what agreement is feasible and can be successfully negotiated between economies. We have seen an increasing trend for economies to participate in plurilateral trade agreements, or a blend between bilateral and multilateral, which incorporates a few economies with aligned interests. However, we have found that even these types of agreements are difficult for economies to successfully implement due to inherent misalignment of incentives between economies.

Additionally, we have heard from business that a key challenge will be for politicians to change the conversation from what my economy has to lose in the short run to what my economy has to gain in the long run when considering both types of trade agreements. A challenge that is exacerbated by the influence of election cycles and the immediate impact short term consequences have on political support.

Nationalistic Trends

A growing challenge we have seen is the need for economies to avoid unnecessary and over emphasized economic nationalism. Due to recent political events in the Western world, which

have arguably overemphasized the need for certain protectionist trade and globalization policies, a key challenge for APEC economies will be to resist the ripple effect these policy decisions can have throughout the region. Nearly all interviewees indicated actions by the United States and the People's Republic of China influence their economic policy decisions. The challenge for APEC economies will be the need to place increased scrutiny on policy decisions and not rely disproportionately on the influence of larger trade players.

There exists a common nationalistic theme throughout APEC. Economies have direct control to change the use and rise of non-tariff measures. Businesses do not want an environment that has hidden barriers. Although APEC has seen a decrease in official tariff measures, there has been an increase in non-tariff measures, often geared at protecting national interests in recent years.

According to New Zealand Institute of Economic Research's (NZIER) Report 'Quantifying the costs of non-tariff measures in the Asia-Pacific Region,' "While some non-tariff measures are put in place for legitimate public policy reasons, such as consumer safety or for protecting human, animal and plant health, others are used for more nefarious, intentionally trade-distorting purposes. Even the legitimate non-tariff measures impose costs on domestic and foreign firms and households, which can often outweigh their domestic welfare benefits. Asia-Pacific economic integration is characterized by multi-economy GVCs, and the costs of non-tariff measures (NTMs) accumulate along these chains. Reducing the costs of NTMs

"Throughout history there has been a trend of nationalism that ebbs and flows. Globalization will face challenges from national pride."

— South America, Business Interviewee

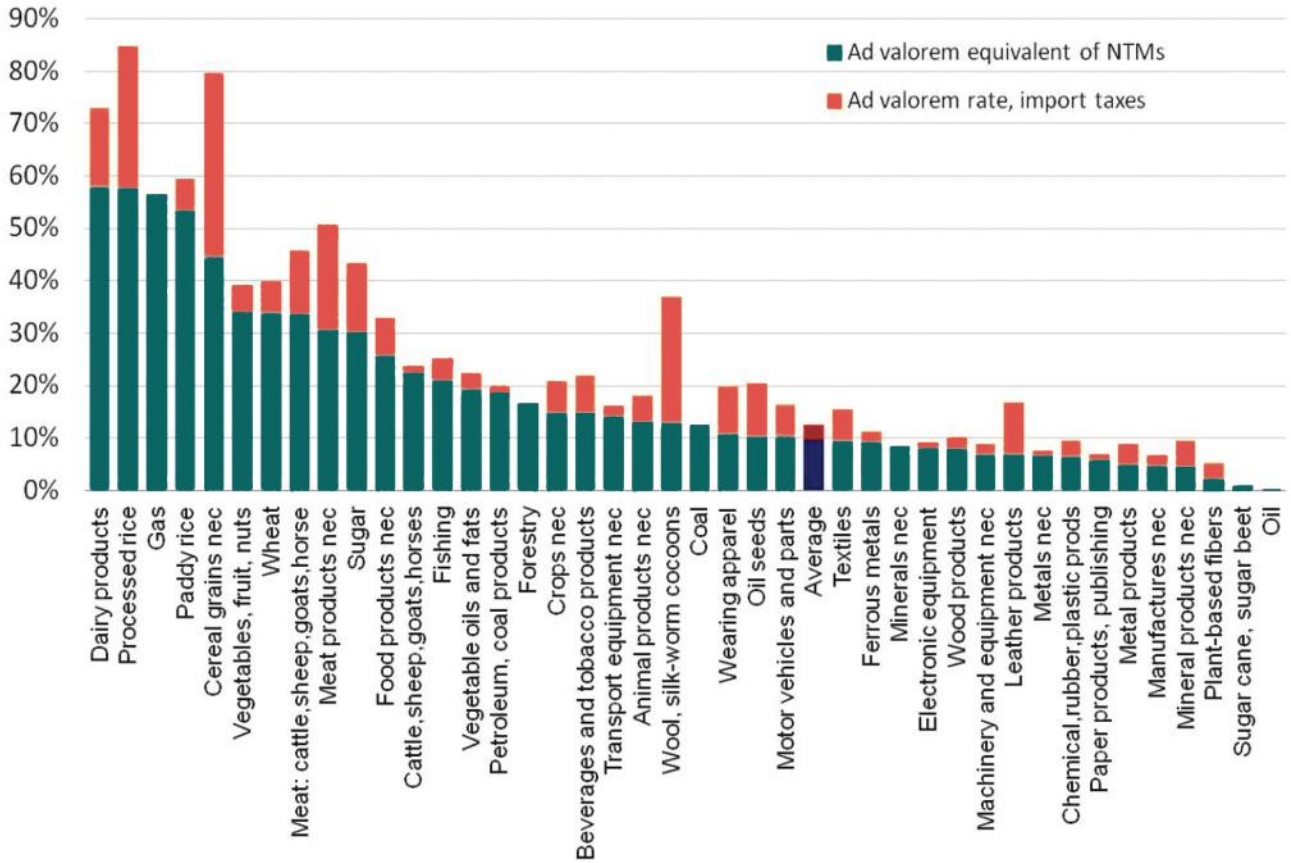
is therefore important for lowering firms' transaction costs and improving competitiveness. Ultimately this will benefit consumers through lower prices for traded goods and services."

Although the majority of government leaders throughout APEC confirmed their commitment to cross-border collaboration, the increase in non-tariff measures is undeniable. Additionally, these measures have the potential to harm the disenfranchised more than formal, tariff barriers. This is particularly true for MSMEs who do not have the equivalent resources to abide by and overcome these measures, compared to large multinational corporations.

Overall, the challenge for many APEC economies will be acknowledging that the negative influence of economic nationalism goes beyond the bilateral versus multilateral debate. There are many forms of overemphasized economic nationalism preventing inclusive growth in the region that economies have the ability to address today.

Chart 3.5

Non-tariff measures raise transaction costs three times as much as tariffs in APEC



Source: Quantifying the costs of non-tariff measures in the Asia-Pacific region: Initial estimates, NZIER public discussion paper, November 2016

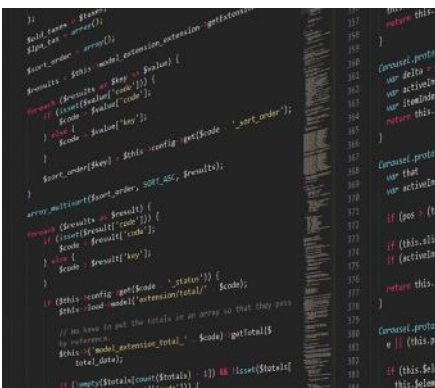
Industrial Revolution 4.0

The Industrial Revolution 4.0 will provide new opportunities to industries across the globe but also challenge today’s global value chains. Although this challenge demands preparation by economies now, it is important to remember economies have successfully responded to technological disruptions throughout history.

Defining the Industrial Revolution 4.0

We often talk about robotics and artificial intelligence like distant technologies, but they are here today. It is only a matter of time before an unseen degree of automation permeates even the most unexpected industries, in both advanced and developing economies, and across all sectors, from the factory floor to the doctor’s office to arts and entertainment. Autonomous vehicles, 3D printing, robust natural language processing, and machine learning-driven data analytics already exist, it is just a matter of time before our enterprise processes and policies catch up with them.

The Industrial Revolution 4.0 is the next phase in a series of movements to mechanize human tasks for the sake of productivity and prosperity. In the late 18th century, the first industrial revolution began with the advancements of the textile industry. Henry Ford perfected the assembly line and activated the second industrial revolution. Not so long ago, the internet and dot-com era caused most industries to go digital, introducing the third industrial revolution.



McKinsey and Company defines the Industrial Revolution 4.0 with four major technological disruptions, which we will use as our definition in this report:

- “The rise in data volumes, computational power, and connectivity, especially new low-power wide-area networks.”
- “The emergence of analytics and business-intelligence capabilities.”
- “New forms of human-machine interaction such as touch interfaces and augmented-reality systems.”
- “Improvements in transferring digital instructions to the physical world, such as advanced robotics and 3D printing.”⁴²

Skills, not jobs, are automated.

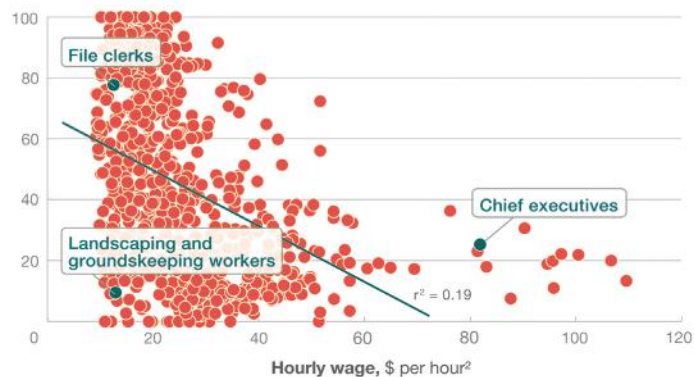
While the headlines forewarn of robots taking over human jobs, it is much more nuanced than that, especially in the near future. Almost all jobs will see a percentage of their tasks taken over by robotics and artificial intelligence to varying degrees. Specifically, in the United States, 45% of all tasks can be automated with today’s technologies. As Chart 3.6 shows, no level of job and related wage is beyond automation.⁴³ In fact, no type of activity is immune to change from the most predictable physical and data entry work to the art of managing people and applying professional expertise.

Chart 3.6

The hourly-wage rate alone is not a strong predictor of automatability

Comparison of wages and automation potential for US jobs

Ability to automate, % of time spent on activities¹ that can be automated by adapting currently demonstrated technology



Source: Four fundamentals of workplace automation, McKinsey Quarterly November 2015

This change in requirements for jobs, referred to as *skills instability*, will impact each economy differently.

Skills Instability Across Economies

- *ASEAN economies and Japan will experience 25% instability in top skills required.*
- *China: Five to six million job losses projected in two to three years from 2016.*
- *U.S. is expected to experience 29% instability.*
- *40% of Australian jobs, or five million jobs, that exist today have a high probability of disappearing in the next 10 to 15 years due to technological advancements.*
- *While 35% of the skills demanded for jobs across industries will change by 2020, at least one in four workers in OECD economies is already reporting a skills mismatch with regards to the skills demanded by their current jobs.*

Sources: ⁴⁴ ⁴⁵

Supply chains are shrinking from new technologies.

In recent years, the U.S., an economy that has historically led in offshoring, has seen an uptick in the number of manufacturing jobs. About 60% of this “reshoring” in the U.S. has come from China, enabled by technologies that make it cheaper to bring supply chains closer to home, in particular, robotics and 3D printing.⁴⁶

3D printing, once a novel tool for one-off prototypes, is now becoming feasible for end-to-end product manufacturing in a process referred to as “additive manufacturing.” In a survey conducted by PwC, about “30% of manufacturers believe that, potentially, the greatest disruption to

emerge from widespread adoption of 3D printing will be the restructuring of supply chains” and within the next 3-5 years, “half of U.S. manufacturers believe that it is ‘likely’ or ‘very likely’ that 3D printing will be used for low-volume, highly specialized products.”⁴⁷ Ultimately, this would decrease warehousing and distribution infrastructure that fuels many economies, advanced and developing alike.

Economies are vying at the opportunity to be a leader in this movement. In particular, Chinese Taipei, which has historically been a leader in manufacturing of essential technological hardware, is making a play. The Industrial Technology Research Institute, a government-backed organization that provides research and development to the network of small businesses in the area, is paying 40% of company proposals to develop object printing.⁴⁸

Is this revolution really different than the revolutions in the past?

While there seems to be doom and gloom about the impact of new technologies on jobs and supply chains, some argue it is over-hyped. The U.S.-based Information Technology and Innovation Foundation found a mere 8% of jobs were at high risk of automation and 33% are in “moderately high-risk” occupations.⁴⁹ Furthermore, it cites that if Industrial Revolution 4.0 has truly taken hold, we would see productivity growth and number of jobs lost to downsizing up, and neither are—productivity growth has been around 1.2% for the past decade, half the percentage it was in the decade prior and the number of workers laid off from downsizing is the lowest it has been in 20 years. One business representative from a major car manufacturer even stated that any benefits from automation have already been realized and it will just be a matter of arbitraging between lower cost labor abroad and implementation of automation.

Moreover, inherent in the name is the fact that this is the fourth time we have experienced this trend and no time has led to

true systemic unemployment that leaves humans obsolete. There is no evidence fully supporting that this time will be different, only speculation. Only time and the choices made of governments and business will resolve this debate.

Policy management, not robots, are to blame.

A key determinant as to whether or not this industrial revolution will be as apocalyptic as often foretold will be surrounding policy. Robots have become the scapegoat, but in reality, policies are most impactful. So far, the majority of the gains of technological progress have been concentrated at the top earners, while simultaneously, wages have stagnated. If a technology is predicted to instantaneously alter a specific job or industry, for example, truck drivers, there is a responsibility to make up for the adjustment costs. A Singapore government official in an interview argued that we should not just implement technology for technology’s sake. “Why are you putting taxi drivers out of jobs?” the interviewee asked in respect to self-driving cars, arguing that if technology is taking away jobs there should be a net societal benefit.

One proposal that has gained recognition is known as a “robot tax,” touted by the likes of Bill Gates.⁵⁰ The logic is that it would slow the implementation of robotics impact on society enough to recalibrate and fund new forms of employment. Another is universal basic income (see “Leveling the Playing Field” section).

It is not a matter of if, only how soon.

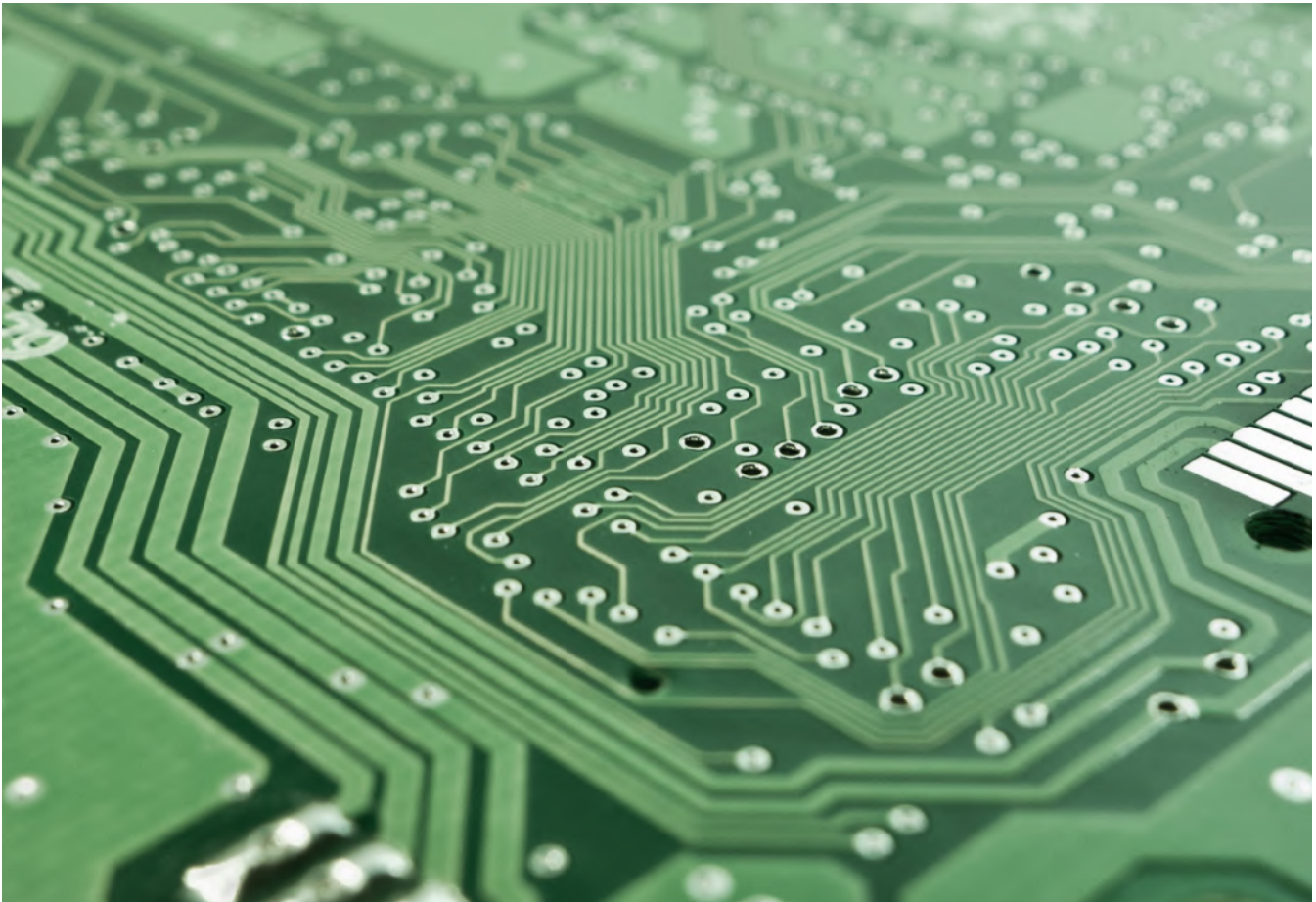
Through our interviews with executives, government officials, and researchers, it is clear that the approach to Industrial Revolution 4.0 is a mostly “wait and see”. Nobody is quite sure to what extent and how fast these changes will be implemented. It is a constant cost-benefit analysis of when and if it is worth making the first move on new technology, and when it is worth being proactive or reactive with the structural changes that the Industrial Revolution 4.0 might drive. Businesses and economies will surely need to respond, now or when technological change forces their hands. Looking back on Luddites burning the mechanized looms and factories stealing their livelihoods, we need to ensure this industrial revolution does not trigger the same historical embarrassment.

“The international oligopolies over private information and behavioral data will challenge the competitiveness of firms. It will be difficult and costly for local firms to leverage the data for future technologies. Government can play a role in opening its data and lowering transaction costs.”

— Asia, Nonprofit Interviewee

“Technology alone isn’t enough. There’s a lot of cultural and company changes that are needed—giving up central control, changing levels of trust, and different training .”

— North America, Research Institution Interviewee



Accountability and Responsibility

Many businesses are committed to corporate social responsibility and supporting local communities. However, business believes that driving inclusive growth is largely government's responsibility. Although there are clear responsibilities for government in this regard, business has a unique role to play in driving inclusive growth.

Compared to government, business can extend its influence to a greater extent across borders.

We have heard the growth of MNCs and super companies (e.g. Google, Alibaba) will be further expanded and reinforced due to globalization and technological progress. Due to this cross-border influence, government will see a diminishing role in its ability to influence business decisions within its economies. Economist Nicholas Bloom discussed the growing impact that *superfirms* can have on widening the income inequality gap. Referencing the Google Bus Protest that took place in San Francisco Bay Area during December 2013, Bloom demonstrated how the rise of *superfirms* will strongly impede economies from attaining inclusive growth going forward. Rather than viewing income inequality as an issue of 1% versus 99%, it has now evolved into the form of skilled versus unskilled workers which is made possible by *superfirms* business practices in competing for the best talents. Particularly, as the need to offer above-market compensations and attractive perks become the norm among *superfirms*, such hiring practices have inadvertently exacerbated the widespread dissatisfaction felt by the local communities where these *superfirms* operate as the perceived inequality is now felt by the general public more directly (e.g. unequal access to opportunity, limited cross-industry mobility due to their lack of technological skills in past education and/or work experience).

The traditional business mindset discourages leaders to address controversial societal issues.

Due to the speed in which negative publicity can spread through social media, we have heard that business leaders have traditionally avoided controversial issue as a mean to minimize reputational risks. As stated previously, continued avoidance of behaviors that cause frustration and discontent within communities has the potential to result in increased public backlash against business.

New blueprint for business: align and balance conflicting interests. Businesses need to rebalance incentives and align conflicting interests in order to develop a sustainable business model. These priorities are concentrated around two core themes:

1. Minimizing adverse impacts on local communities.
2. Understanding that business has the power to shape future public policy.

We have found the following business dilemma largely slows business down from achieving balance between shareholder and stakeholder priorities. While business has the desire to be contributing corporate citizens that improve the general welfare of society, businesses tend to find their abilities to align conflicting interests limited.

If not managed properly, people will begin to question the legitimacy of these super companies. This will not only de-grade public opinion of a business, but it will also have the potential to produce a populist backlash that hurts business growth in the long-run.

56%

of survey respondents believe the prioritization of business interests have negatively impacted their economy (of which 29% agreed to a large extent)

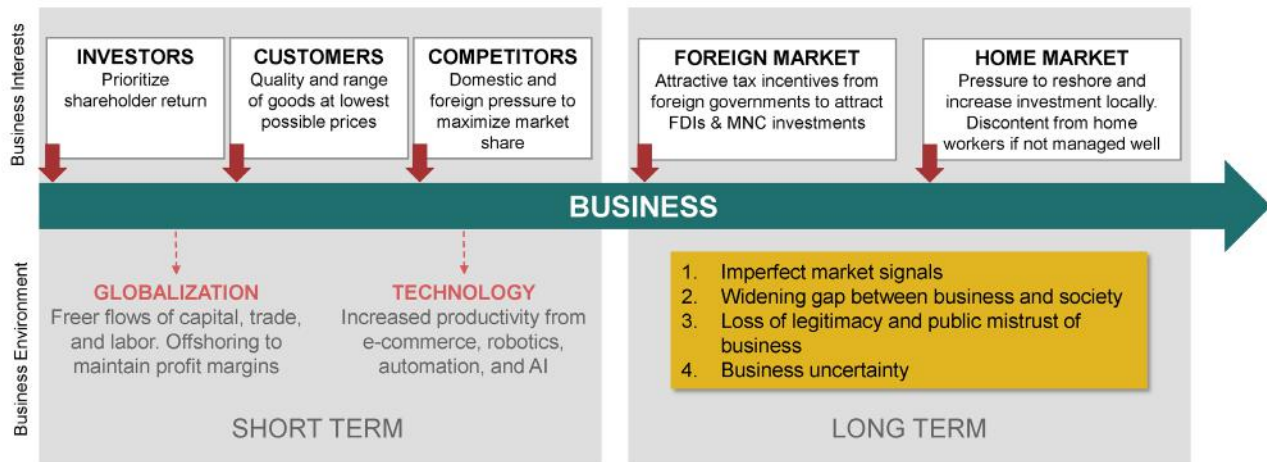
Sense of Accountability

- 52% cite that “business interests prioritized over community needs” has moderate (26.82%) / major (25%) negative impact on the local community
- 56% cite that “predatory business practices” has moderate (29.41%) / major (26.24%) negative impact on the local community
- 20% (major negative impact) cite “lack of investment by multinational” having moderate negative impact on the community

Source: USC Marshall Survey 2017 (350 respondents)

Figure 3.1

Business interests need to be balanced across stakeholders, and in the near and long term



Changing Demographics

A new demographic reality poses mounting headwinds across APEC.

1. **Widening of workforce participation gap and retraining of an aging workforce**
2. **Growing dissatisfaction of youth workforce**
3. **Disproportionate participation among gender and underrepresented minorities**

Aging workforce: widening of workforce participation gap and need for skills retraining

- **Slowing growth across APEC.** While APEC economies are at different stages of demographic transition, we are now entering a period of demographic deficit. From our research, it is estimated that aging populations and declining birthrates will cause overall GDP growth across APEC to slow from a historical average of 4.1% to 2.2% between 2015 and 2020.
- **Delayed retirement and longer career.** As life expectancy increases, we have heard a healthier and more active workforce will delay their retirement, thus placing a greater emphasis on skill retraining in order to stay competitive. Although some may voluntarily choose to work longer, many in the aging workforce will be forced to stay due to increased economic demands associated with a longer life expectancy. If economies do not adequately invest in retraining programs for this work-force, there are substantial negative economic and societal consequences looming in the days ahead.
- **Widening of workforce participation gap.** Declines in labor force size due to aging populations and slowing birth rates throughout APEC will pose different challenges to different economies as business may face greater difficulties in hiring going forward. In advanced economies, over 51% of survey respondents indicated they expect difficulty in finding employees with relevant skills over the next three

to five years, with this amount expected to compound in the years following (18% indicated they will have ease in finding employees with necessary skills). By comparison in developing economies, 44% of respondents expect difficulty in finding employees with relevant skills over the next three to five years (34% indicated they will have ease in finding employees with necessary skills).

Dissatisfied youth workforce: lack of quality employment and growing dissatisfaction of youth workforce

- **Youth workforce that lacks upward and cross-industry mobility:** Through our interviews, we have heard that a growing number of youth across APEC economies have become discontent as they were hired into positions that lack upward and cross-industry mobility amid the in-

creasingly decentralized global value chain business model. Overall, we have found inconsistencies with the socio-economic contract within many APEC economies. The traditional educational promise economies make to their populations is that if the youth attend school and complete tertiary education, there will be available and fulfilling jobs waiting for them. What the youth is finding is that this expectation is increasingly false, resulting in a growing degree of frustration.

- **All government and business leaders throughout APEC agreed there is a disconnect between education and future job requirements:** The traditional educational mindset that emphasizes tertiary education lags behind the future job environment and no longer prepares the youth workforce effectively amid the fast-changing technological developments. All interviewees agreed that changing the



mindset of parents and children on what forms of education are socially respectable, and promoting acceptance of vocational training type education models, will be the largest challenge in closing the skillset gap.

- **Migration of workers and concerns over lack of return flow:** Youth workforce are expected to move from economies with limited job opportunities to economies that have high labor demand and high productivity. A continuous net outflow of productive youth workforce will challenge business ability to drive positive growth.

Disproportionate participation: prevailing gender gap and underrepresented minorities

Gender disparity and disproportionate participation among minorities undermine social stability: Decline in women's participation rates pose significant negative risks on productivity and economic growth. Prevailing disproportionate participation will undermine economies' abilities to drive inclusive growth, and lead to a social group that may become increasingly entrenched in a disadvantageous position. A prevailing question we have heard is how can economies drive inclusive growth if different subsets of populations are not included in the first place?

Key Takeaways

A changing workforce composition and structural changes in the labor market are potential triggers for populist backlash.

Against the backdrop of a labor market that has become increasingly complicated due to the impact of globalization and the Industrial Revolution 4.0, demographic headwinds (e.g. aging and dissatisfied youth workforce) could now trigger populist backlash which would affect business' ability to drive sustainable growth.

Business agility in responding to demographic changes will determine their ability to drive continuous and sustainable growth.

Businesses need to recognize the implications of changing demographics under the new reality. Going forward, business will be confronted with the need to play a larger role in shaping education models, skills retraining, and labor mobility to navigate successfully in the era of demographic change.



EMERGING
SUGGESTIONS

Emerging Suggestions

From our interviews across APEC, there were several consistent recommendations from business to drive inclusive growth and overcome future challenges in the region. Our main takeaway is that economies must continue to deepen economic integration and trade liberalization, which has historically proven to drive economic growth. It is with the supplemental resources governments and businesses obtain from this growth that will allow them to provide the domestic policies, programs, and initiatives necessary to drive inclusive growth going forward. Figure 4.1 reflects a summary of these recommendations. There is an overarching need to collectively start accepting change in these everchanging times, or change mindsets. On a more concrete level, we saw indication of a need to provide better access to opportunities and build an ecosystem of collaborative action. What we heard in the field was then confirmed through our questionnaire, as ranked in Chart 4.1.

Figure 4.1 **Emerging Solutions to Drive Inclusive Growth**

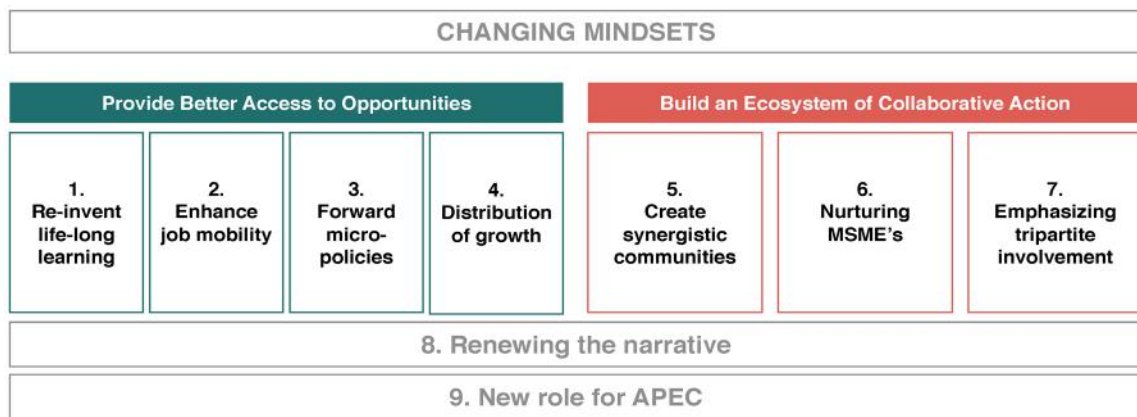
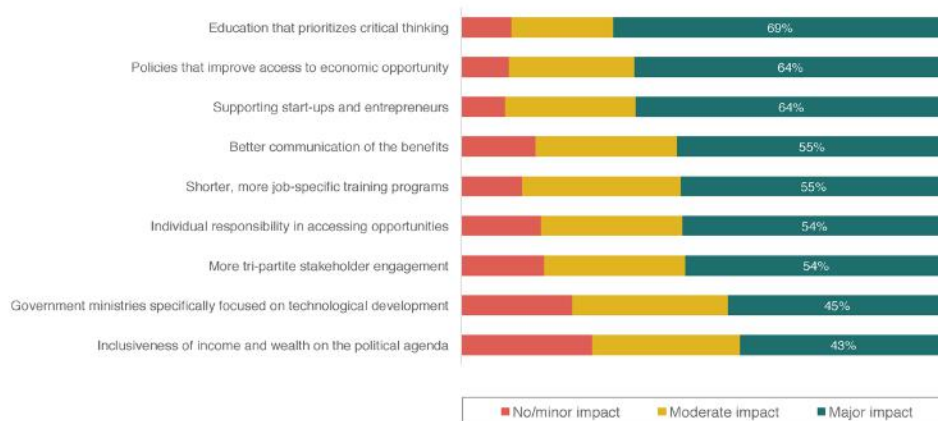


Chart 4.1 **Top suggestions to deal with future challenges**



Source: USC Marshall Survey 2017 (350 respondents)

Changing Mindset

Through our interviews, we overwhelmingly heard that individuals need to accept personal responsibility to thrive in a changing world and not rely on traditional education systems to guarantee employment. Government and business leaders who are visible on the national stage and in local communities have a real opportunity to communicate and shape this new mindset.

New Individual Mindset

Lifelong learning: The prevalent social contract of a 16-year education followed by long-term employment is no longer the norm. Instead, people need to look at a lifetime of learning and constantly upgrade their skills to keep pace with technological progress.

Self-responsibility: People need to build intrinsic motivation to harness the benefits of progress. This comes from adopting an entrepreneurial spirit: knowing that you will not always succeed, and showing curiosity, creativity and grit.

Business acknowledges it is not only individuals that need to change their mindset, government and business need to also.

New Government Mindset

Future-ready strategies: Populist movements account for the demands of a few, and the response is typically short-term measures that follow election cycles. For example, several economies implement minimum wage policies just before major elections, rather than having institutional studies drive these policies. There is a need to build a cohesive, long-term strategy to deal with changes in the external environment. This forward-looking policy needs to:

- Not oversell the benefits about policies, and
- Send the right signals to business and individuals about the outlook on the future and the drivers of change.

Build strong partnerships to overcome limitations: Governments are limited by borders and need to work with international bodies and multinational companies to implement widespread change initiatives. Businesses can establish standards for the future of work at a global scale.

New Business Mindset

Re-engage with community: Not everything can be resolved through government-led programs. The common perception is that businesses should be responsible for driving growth, while governments should ensure equal access to opportunities, effective safety nets, and socioeconomic stability.⁵¹ It has been said before, but business acknowledges it must do more to not engage in “race to the bottom” practices and contribute more to the communities in which they operate.

Business case for social responsibility: Often businesses respond to economic pain points but there is a business case for more socially responsible practices which cannot be quantified on a balance sheet. Companies should setup retraining units for existing employees loyal to the company. In many cases, this can help companies avoid competing with high tech companies and needing to pay premium salaries for talent with trainable skills.


Case Study (4.1)

The Mindset for the Future Economy

Singapore's Committee on the Future Economy (CFE) was initially convened in January 2016 to create pioneering programs that focused on the future of business work. The group aims to empower Singapore people with deep skills and inspire them to take part in life-long learning. CFE aims to support business in becoming more innovative and nimble. Furthermore, it is looking at ways to make the city “vibrant, connected to the world, and continually renewing itself” through government coordinated and inclusive approaches. Key aspects of this mindset include: staying open to trade, talent, and ideas; taking calculated risks to become more innovative, and bold; as well as resilient and willing to change with the evolving environment.

Additionally, the report highlights the roles for: (1) Business – to become innovative and nimble, (2) Government – to be coordinated, inclusive, and responsive, (3) Individuals – to go beyond the pursuit of the highest possible academic qualifications early in life. A particular emphasis has been put on bridging the skills gap in the labor market for individuals that have a combination of technical, managerial and critical thinking skills needed to stay competitive in the job market.

While it is still too early to measure the results of CFE programs, this pioneering, long-term strategy exemplifies a coordinated commitment among business and government to drive comprehensive change in the mindset of all stakeholders.⁵²⁵³



“You need to develop a citizenship culture. Make people participate in politics. Have everyone pay taxes, even the poor. Provide information on what the government does with the money. Make it clear who uses public services and how much benefit each individual is getting.”

*—South America,
Business Interviewee*

Reinvent Lifelong Education and Training

Business agrees that segmented programs are needed to improve economic accessibility. Several case studies show success in segmenting the lower income and skilled workforce, and providing specific service toward this demographic:

Micro-resources tailored for impacted demographics. Many training institutes in APEC are aware of this need and provide additional support for lower skilled and income workers. SkillsFuture Singapore as well as the General Assembly in the U.S. has a favorable credit policy for example, as well as scholarships and refunds on tuition to reduce barriers for these groups.

MSME focused re-training programs. Studies show that MSMEs do not have as much capabilities as bigger firms to train employees. Providing tax incentives to institute training hours can help them significantly.

Reconsider the format of programs. The format, especially the length of the program, changes accessibility of the program to many demographics. Program designers should take these factors into consideration when implementing new programs.

Support initial education. In many economies, university degrees serve as a huge factor for future earnings. Providing accessible education for all children is the key to reducing future inequality. A good practice example of economies pursuing this goal includes President Duterte of the Philippines who has signed the Universal Access to Quality Tertiary Education Act. The measure aims to provide subsidies to students in 112 state universities and colleges across the economy, local tertiary schools as well as institutions accredited with the Technical Education and Skills Development Authority.⁵⁴

Business states that the majority of businesses will need to be incentivized to support re-training programs and justify investment.

Employers need to be incentivized to provide or sponsor trainings, and make sure that their company has a role or function which leverages the acquired skills.

Emphasize the benefits of retraining to business. As the necessary skills change rapidly, the skill-premium effect occurs. The cost to build up a workforce with those valuable skills will then increase. A great way to incentivize business would be to visualize the cost and benefits. By understanding how much cost is actually incurred on hiring new talents from outside business, the financial benefits of training the current workforce can be more readily identified:

Case Study (4.2)

Developing In-demand Skills

As the Australian economy evolves, there is a need for a high-functioning system of training and education to deliver the skills needed to maintain a strong and prosperous economy. The Australian government embarked on significant Vocational, Educational and Training (VET) reforms to facilitate such an endeavor. The goal has been to improve job quality, job outcomes and maintain the status of VET to adapt to the current job ecosystem. These reforms have focused on enhancing the skills needed to meet evolving business needs and support greater mobility between occupations. The apprenticeship system was also reinvigorated to increase participation in these trainings. VET has successfully provided quality of training and education to over 1.2 million students—including some 230,000 international students involved in vocational education and training.^{55 56}

- AT&T, for example, has decided to focus on training their existing employees to prepare for the technological progress in cloud-computing and invested \$250 million on employee education and professional development programs, and more than \$30 million on tuition assistance annually. After three years, AT&T has successfully reduced its time spent on product-development cycle by 40% and accelerated time needed to revenue by 32%.⁵⁹
- Georgia Quick Start in the U.S., provides customized workforce training for companies creating jobs in Georgia. This program is a great example of how government works with business to quantify the needs for skills training. Rather than hiring new skilled talent, business communicates the necessary skills so that trainings are made available at schools.

Invest to understand future skill gaps.

The skills necessary for future jobs continue to change with evolving business needs. Workers need to obtain core skills such as cognitive, social, behavioral, and technical skills which help multi-industry employability. However, business tends to focus on skills needed for positions in the current moment. If this approach to hiring does not change, the skills gap in the labor market will continue to widen.

Skill prediction. Business has the desire to help the government collect data on necessary skills in the market as well as stock of the existing skills, which will enable better skill matching. Chile, for example, has shared the responsibility of public employment service between the central and municipal government.

The streams for action include: (1) cooperating effectively with relevant labor market actors; (2) linking the funding of municipal employment offices to a set real-time situation of provincial labor markets; (3) improving capacity to collect and use labor market information; and (4) introducing a multi-channel delivery

approach to reach a more diverse clientele. Together, these four strategic lines of action have translated into higher placement rates, with the number of people placed in jobs by the labor offices increasing from 5,634 in 2009 to 70,492 in 2014.

- Laboratoria in Peru is taking advantage of a market need to empower young women by teaching them coding skills that enable them to develop a professional and sustainable career in the technology sector. It identified young women with Lenovo, AT&T, Telefonica, the government of Chile, Citi Foundation, Microsoft, MIT and Peery Foundation.
- The Tanah Datar district within West Sumatra Province, Indonesia implemented innovative education policies following the 2001 decentralization of many services. One such policy is the Stronger Incentives Policy, which is aimed at providing teachers with examples of new teaching methods and increasing their teaching incentives. The Stronger Incentives Policy rewarded highest performing teachers by a trip abroad to Australia for a week of English training or to Malaysia and Singapore for school visits.

Case Study (4.3)

Work Ready

Work Ready New Hampshire (Work Ready NH) in the U.S. is an example of a business driven pipeline for workers. This program is tuition-free and provides 60-hours of training to help workers develop soft skills (effective communication, interpersonal skills, etc.) and foundational skills (applied math, locating and reading information). Now in its fifth year, the program has a 78% graduation rate with over 2,500 people completing the program. A 2010 study of three such programs found that participants were more likely to be employed two years after the program than those were not enrolled and earned almost 30% more.^{57 58}



Enhance Job Mobility

Job mobility is key to ensuring workers can take advantage of new opportunities. The least educated workers tend to be the least mobile, which hinders adjustment in regions where there is a disproportionate number of low-skilled labor.⁶⁰

Some of the possible approaches business has suggested to improve job mobility and reduce financial constraints on relocation include:

Investment in accessible infrastructure.

Disproportionate economic growth among regions can result in geographical accessibility barriers for jobs and trainings. Providing public transport infrastructure can reduce this financial constraint.

Implementation of housing policies that subsidize relocation costs.

Reducing the high costs of mobility in terms of rental housing prices, social housing, commuting expenses, and more help to alleviate the challenges associated with relocation. These barriers have a strong effect on the financial stability of low-income families.

Case Study (4.4)

Public Infrastructure in Korea

Republic of Korea is shifting from car-centered transport towards people-centered mobility. In Seoul, more than 60% of rides are by metro or bus. Massive investment in transport infrastructure has driven this trend, especially in road-connectivity between cities. Also, by making urban public transport more accessible across social groups, including the poor, elderly and also, making it available to women, economic opportunities are made more accessible. The city officials in Seoul leveraged data from form of calls and texts to map traffic and design the infrastructure.⁶¹



Forward Looking Micro-Policies

If tailored to each individual economy's needs and sub-regions within, business agrees micro-policies will facilitate re-employment. The size and makeup of both active and passive micro-policies policies should vary across economies. Japan and the U.S., for example, spend less than 1% of GDP on both active and passive programs while Nordic countries have much more generous programs.⁶²

A number of components are needed for an active labor market policy to be successful. Early engagement with displaced workers is critical and can greatly improve outcomes. These programs incentivize workers to boost their job search activity with benefit sanctions and mandatory participation. Examples of specifics in past successful policies include that workers must apply for job openings, meet with employment counselors, and attend training programs.

Credit policies can facilitate funding for the self-employed or investments in human capital of displaced workers.⁶³ Housing policies should foster a well-functioning mortgage market and can improve geographic mobility. Additionally, regional policies can fix economies with more impacted regions. Tackling dislocations within communities early is important to ensuring these negative impacts do not become entrenched within communities. For example, displaced workers from the manufacturing sector tend to be older and less educated and, in turn, take longer to return to work.

Long spells of unemployment can lead to higher mortality, lower achievements and worse overall health. Policies that support competitiveness and productivity will be better able to find job opportunities for displaced workers.

Case Study (4.5)

Flexicurity in Denmark

Job mobility is unusually high in Denmark (approximately one quarter of all employees are new to their employers every year) and long-term unemployment is also among the lowest in the EU: in 2012, it was 2.1% less than half the EU (28) average of 4.7%. This is because Denmark spends 1.5% of the GDP into active labor program, which is tied to unemployment insurance. Flexicurity represents both an attempt to balance social and economic interests in the search for consensus between two dominant social ideologies in Europe and an attempt to respond to rapid changes in technology and market conditions brought about by globalization. After one month without a job, the unemployed engage in mandatory activities designed to help them find work such as interview training, counseling and the monitoring of the job search. After six to nine months, if still unemployed, an individual must take part in training or labor market related education with a view to upgrading skills and improving the prospects of gaining employment.⁶⁵

Case Study (4.6)

Toyota in Australia

A dramatic shift in car manufacturing in Australia between the 1970s to the mid-2000s from domestic to Asian and European cars forced domestic closures and layoffs. Toyota Australia established its DRIVE (Dedicated, Ready, Individual, Vocation, Energized) program to support its employees impacted by the closure of automotive manufacturing to obtain the appropriate skills and training while they are still employed to best position themselves for future employment opportunities. The anticipated benefits of DRIVE are increased employee awareness, career and training advice, skilling and training, and job support. Individuals will be supported through resume and application writing, interview preparation, skills recognition, and career planning.⁶⁴

Leveling the Playing Field

How wealth is “pre-distributed”, not “re-distributed” in our economies today is not arbitrary—it is based on decisions made whether by choice or by implicit inaction. It will take a collective sense of responsibility to level the playing field for future generations that includes:

Real action-oriented dialogue between business, government, and labor—time that all parties put political rhetoric aside to find real solutions.

Business can play a unique role that is beyond the frame that corporate social responsibility has historically encompassed. Governments are facing extreme partisanship making their roles of providing safety nets more difficult than ever.⁶⁶ As stated in a recent BCG article, “Searching for practical solutions to hard challenges is precisely the forte of business.”⁶⁷ Businesses interact across-border lines and serve as the ambassadors of good practices when it comes to distributing wealth in a more equitable way. As we enter the next wave of globalization and technological progress, businesses can be at the forefront

of shaping supply chains and connections with customers to create a more meaningful impact.”⁶⁸

Further transparency would enhance trust in business and increase fairness.

The world has moved towards the more information, the better, and the same goes for business. If the practices are fair, they should be transparent. Doing so would build trust in employees, as well as customers. In fact, studies have shown that pay secrecy leads to decreased performance.⁶⁹ Letting employees and the public see salaries, will only improve productivity and economic growth.

Promoting workers to become owners of their own capital.

Employee Stock Ownership Programs are one example of how employees can build long-term assets. While these types of programs exist in the U.S., more and more multi-national companies are beginning to offer them up in People's Republic of China, Japan, and other economies across the Asia-Pacific.

New types of support systems, like Universal Basic Income, will be essential as the nature of jobs evolves

While there are tests in Europe, Canada, and other places around the world, the closest existing program is the Alaska Permanent Fund, which divvies out the earnings from oil production to future generations.⁷⁰ In Ontario, Canada, they are testing a form of Universal Basic Income among 4,000 people over three years in three demographically different communities. In fact, in the 1970s, Canada tested the concept in Manitoba with a program known as “Minimum Income” or “minimum.”⁷¹ Families of four would receive \$16,000 in today's Canadian dollars. Results in a rural town of Dauphin found that majority of participants remained in the workforce, women felt like they could take longer maternity leaves, and teenagers felt less pressured to drop out of high school to find additional work. The program eventually ended due to a change in political offices, but the lessons provide a window into what is possible.⁷²



“Seeing how Alaska put this dividend in place reminded me of a lesson I learned early at Facebook: organizations think profoundly differently when they're profitable than when they're in debt. When you're losing money, your mentality is largely about survival. But when you're profitable, you're confident about your future and you look for opportunities to invest and grow further.

—Mark Zuckerberg,
CEO of Facebook, July 4, 2017

Create Synergistic Communities

Engage multiple stakeholders.

Uneven economic growth is often the result of “wicked problems” and societal inefficiencies that are often considered intractable and multi-faceted. They require an ecosystem approach to be fully addressed, including forward looking micro-policies for entire industries and or regions/locations, programs that nurture the development of MSMEs, as well as an information, communication and technology (ICT) infrastructure that increases access to economic opportunities. By engaging multiple stakeholders, we can create synergistic ecosystems that address complex problems from multiple fronts.

Create virtuous circles.

Businesses that strive for a triple bottom-line (including the 3Ps: people, planet, profit) provide financial and strategic benefits to the community and government. Social variables impacting people should focus on monetizing outputs such as employment, job growth, relative poverty, and female labor participation rate that deal with the bottom line and the flow of money. Business believes these cycles could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors.

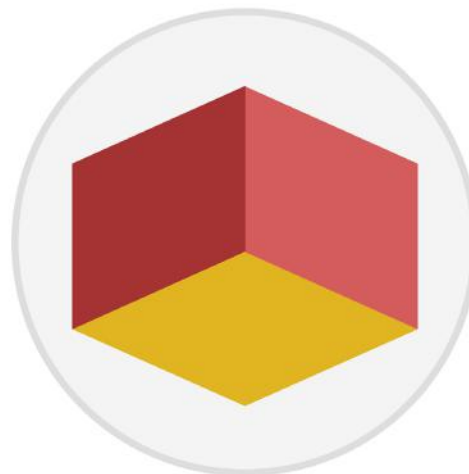
Case Study (4.7)

Papua New Guinea’s Enterprise Centre

ExxonMobil’s Papua New Guinea (PNG) Liquefied Natural Gas (LNG) created the Institute of Banking and Business Management Enterprise Center to create economic opportunities for the local community and build up the capacity of companies and contractors, as well as suppliers and vendors. The remote and undeveloped terrain in PNG provides challenges for businesses seeking suppliers, contractors, and employees. The economy as a whole has an unemployment rate of 31.37% with a significant portion of the population participating in the formal economy. In addition to providing business training, mentoring, and advisory services to local businesses, the Enterprise Centre has created an employment and supplier database with over 1,500 registered businesses. opportunities.⁷³

Virtuous cycles participating in tripartite conversations

GOVERNMENT
provides more tax and policy incentives for businesses that are providing social programs



BUSINESS
are stewards for programs that empower workers and MSMEs

LABOR AND MSMEs
have access to economic opportunity and are less reliant on social programs

Renewed Focus on Nurturing Micro, Small, and Medium-Sized Businesses

Most formal jobs in emerging markets are with MSMEs, which also create 4 out of 5 new positions.⁷⁴ A World Bank Group study suggests there are between 365-445 million MSMEs in emerging markets: 25-30 million are formal MSMEs; 55-70 million are formal micro enterprises; and 285-345 million are informal enterprises.⁷⁵ Moving informal MSMEs into the formal sector can have considerable advantages for the MSME (e.g., better access to credit and government services) and to the overall economy (e.g., higher tax revenues, better regulation).

Improve MSME's access to finance. Governments and businesses should simplify the ability for MSME's to unlock sources of capital to enable this potentially dynamic sector to grow and provide further jobs.

Support MSME capability development. Strengthening the human and institutional capacities of MSME's becomes critical to their growth which would lead to further employment. Public-private-dressing job displacement. sector dialogue is critical for MSME's to achieve market access and a position in global value

chains. Capability building, technical assistance, and business matching are aspects which would accelerate MSME growth. Incubators and universities would serve as a catalyst to stimulate business ideas and MSME curiosity.⁷⁶ Also, easing policies and regulations in setting up and operating cross-border businesses, becomes an enabling environment for increased MSME development.

Specific programs focused on vulnerable sections of the society, such as women and the elderly, will be essential to addressing job displacement.

Develop digital competitiveness. Improve the ecosystem through R&D to enable MSME digital competitiveness and focus on trade in services.⁷⁷



Case Study (4.8)

Financing MSMEs

Hong Kong's SME Loan Guarantee Scheme (SGS) provides loan guarantee to small and medium enterprises (SMEs) to help them secure loans from the participating lending institutions (PLIs) for acquiring business installations and equipment or meeting working capital needs of general business uses. The cumulative amount of loan approved in the past 15 years is HK\$51 Bn. It offers different types of loans and funding schemes such as funds, partner-ship programs, incubators, rebates and patent application support.⁷⁸

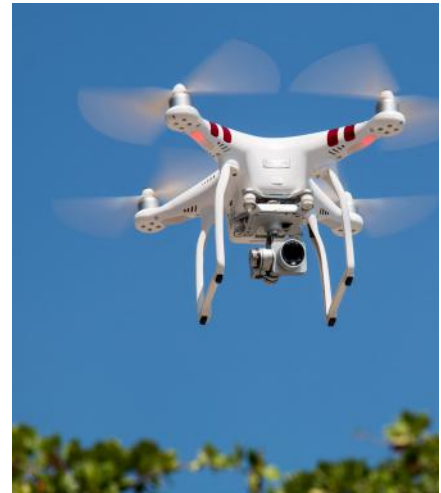
"Startups are the only solution to overcome the flat growth."

— Asia, Business Interviewee

Case Study (4.9)

R&D Support

The Industrial Technology Research Institute (ITRI) is a nonprofit R&D organization engaging in applied research and technical services that has nurtured more than 240 MSME's in four decades in Chinese Taipei. Its research helps small businesses stay competitive against larger businesses that would otherwise be able to afford large R&D departments, and thus compete on a global scale. As a result, many of the startups supported by ITRI have been able to tap into new markets.⁸⁰



Case Study (4.10)

Pumping Up Exports

Pro-Chile is an initiative of the Ministry of Foreign Affairs in charge of promoting the exportable supply of Chilean goods and services and contributing to the diffusion of foreign investment and the promotion of tourism. Pro-Chile has various programs such as Mujer Exporta which is aimed at companies with potential exporters, whose representatives are women entrepreneurs. Pro-Chile has a network of over 50 trade offices worldwide and 15 regional offices throughout the economy, with specialized teams that contribute to positioning Chile's attributes in international markets.⁷⁹



Case Study (4.10)

Enabling E-commerce

Malaysia's Digital Economy Cooperation (MDEC) is partnering with China's Alibaba group to establish a regional logistics center and e-commerce platform near the Kuala Lumpur International Airport by 2019. The Malaysian Trade Minister said "the government hoped the project would boost the contribution of the economy's 650,000 MSMEs to exports from the current 18% to 23%. This new project will allow MSME's to conduct cross-border trade without burdensome administrative hurdles and allow streamlined import and export procedures. Cross-border collaboration is helping Malaysian MSME's ultimately become more competitive.⁸¹

Tripartite Discussions

In order to address skills gaps in the labor market, collaborative conversations between workers, employers, and governments are needed. Additionally, academia needs to be incorporated to create a more robust pipeline of workers.

Deeper understanding of the challenges facing the modern worker.

It is critical for business, government, labor and academia to define the modern worker and engage in discussions specifically targeting people that are the historically left behind or vulnerable such as the youth, displaced, and elderly workers. To remedy the past of historically leaving them out of the conversation, representatives of these groups are needed at the table when policies are designed so that their perspective and nuanced experience is effectively considered. Labor recognizes that there are even different factions in their view.

“It is difficult for business to understand what the consumer needs or wants without observing or speaking with the consumer. Similar to business, how can government and business know what the disenfranchised need without listening to them at the table?”

*— North America,
Business Interviewee*

Case Study (4.11)

Philippines Tripartite Banking Industry

The National Union of Bank Employees (NUBE) insisted on the creation of the Banking Industry Tripartite Council (BITC) in 2000 to represent a place where labor and management could work out disagreements peacefully and collaborate to benefit the industry. In 2001, after the Asian financial crisis, the Philippines government was going to push for more bank consolidations. Therefore, NUBE encouraged the BITC to develop protocols on how banks could reduce job losses during mergers and acquisitions.⁸²



Renewing the Narrative

The current narrative describes benefits in terms of high level economic statistics and historical, upward moving charts. We have found it is difficult and nearly impossible for the majority of people to translate these benefits in a meaningful way to how the model improves their daily lives. The lack of a memorable and relatable story for benefits is the main reason why costs have been able to obtain a disproportionate voice in the conversation. Costs of globalization, trade, and technological are experienced very directly. Whether it is losing one's job due to outsourcing or an inability to access resources to re-skill oneself, costs are largely felt and recognized by individuals in their daily lives.

Instead of describing benefits this way...

International trade between 1950 and 2015 allowed the world's GDP to grow at an average annual rate of 3.8%, a rate much higher than that experienced in previous periods when trade was not as pervasive.

Explain them this way...

International trade has allowed David Ickert to employ hundreds of employees in Olney, Texas. David and his company Air Tractor manufacture and export agriculture and forestry fire fighting airplanes to Argentina, Brazil, Australia, and Canada. International trade makes up over 50% of Air Tractor's sales. Without international trade, half the people would not have jobs at Air Tractor and they would be forced to relocate away from the town where their families have been for generations in order to find gainful employment.

This personal and relatable story line is needed to truly renew the globalization, trade, and technological progress narrative.

In a very real way, the success of the narrative also depends on what is expected and not expected. Individuals have come to expect affordable consumer goods as-

sociated with globalization but they don't expect increased competition from international companies. It is when individuals experience what is not expected that the narrative takes a negative turn. The current narrative seems to emphasize the benefits of globalization but downplays the costs, which leaves people disillusioned. The narrative must be transparent and acknowledge the risks and ripple effects globalization, trade, and technological progress can have. It is when the narrative does not encompass the entire conversation that individuals have a lack of trust in the economic model, and more importantly, those helping shape the global economy.

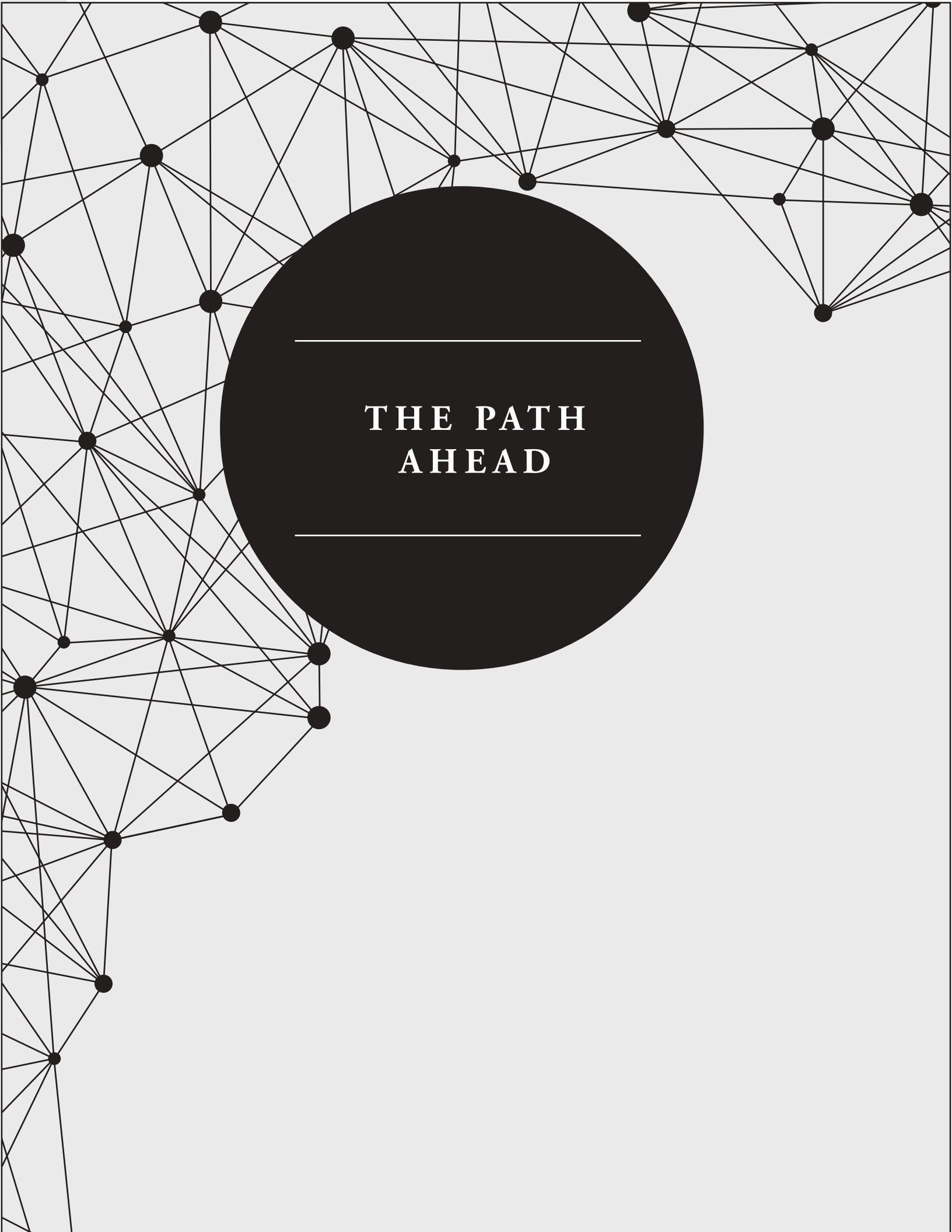
The importance of a better understood narrative

It's important to acknowledge that the purpose of renewing the narrative is not only to better communicate benefits, but also to revitalize the social contract made in economies. By allowing populations to fully comprehend the benefits and risks of globalization, trade, and technological progress, and accept them, economies are able to obtain the social license to continue with trade liberalization.

Case Study (4.11)

US-Peru Free Trade Agreement

A Peruvian campaign to increase public awareness of globalization increased public support for free trade policies from 40%-60% in 2004 to 80%. In 2009, the United States-Peru Free Trade Agreement (PTPA) went into effect. For Peru, it was the first major trade agreement and incorporated groundbreaking provisions concerning the protection of the environment and labor rights. The Peruvian government worried about the pushback the deal would receive and set out to create educational material to drive a narrative around the benefits of the deal and communicate it to the general public. Between 2004 and 2006 they held more than 400 seminars all over the economy during all stages and included businesses during the negotiation process. Due to businesses voicing their opinion, the Peru-China FTA included some provisions to protect sectors like textiles that are vulnerable to Chinese competition. Peru now has 20 FTAs with 52 economies and nearly 95% of Peru's exports are covered by FTAs.⁸³



**THE PATH
AHEAD**

Preparing ABAC for the future

In every economy, governments aim to maximize prosperity for their citizens. However, rising economic nationalism can hurt the broader economy as trade inherently relies on collective action. Business and government leaders within the APEC region can work together to increase the number of and access to economic opportunities to make growth more inclusive for all. Pure GDP growth and wealth creation does not directly translate to a fair distribution of rewards resulting in the creation of winners and losers in trade.

As ABAC continues to represent the voice of business in the Asia-Pacific region, it will be important to promote government policies and business activities that maintain an even playing field that ensures a free and fair trading environment. The challenge facing ABAC members is representing the interests of their respective economy within the context of the organizational body. Although ABAC has a collective power to represent business within their economies, the nuanced experiences of each economy can get lost in the organization's singular voice on trade and investment issues which need to be addressed on both a local and transnational level. APEC and ABAC need to continue fostering collaboration across-borders and renew interest in multilateral and/or bilateral agreements that have coherence with other trading agreements, ensure consistency of business transactions, and a reduction the complexity and transaction costs for MSMEs.

A Renewed Role for Business

Throughout our interviews, business leaders expressed an urgent need to reduce unnecessary friction from transaction costs which are inconsistent and pervasive within and between economies. It is crucial for bilateral and/or multilateral agreements to demonstrate coherence so that these standards are understood by

all so that performance indicators can be effectively upheld and policies can be efficiently enforced. MSMEs in particular are discouraged from participating in the global economy due to complexities in understanding different barriers and regulations across economies and regions. In a previous ABAC-USC Marshall report in 2015, transaction costs were found to be approximately 30-40% higher for MSMEs. On the other hand, large multinational companies are well-placed in this environment to navigate complex trade agreement guidelines and benefit greatly from global trade and technological exchange.

As our world continues to open up and globalization and technological progress continue to affect businesses, the need for cross-border approaches to inclusive growth become increasingly apparent. It is important to focus on collective action to solve problems. We have seen that bilateral agreements do not always work especially in the trade of goods where benefits are gained from removing tariffs or in today's increasingly complex economy where manufacturing and production no longer rely on resources from a single economy. Based on the USC Marshall report to ABAC in 2016, lowering customs transaction costs by 5% resulted in savings of \$58.7 billion over five years. What might be a short-term good for few may not always be in the best interests for everyone. It is vital that economies understand that what may be marginal gains over time can still result in the accumulation of significant benefits. Economies need to find a way to capture value, work together to turn what is now viewed as a zero-sum game into a positive-sum game, and remove transaction barriers. In this way, we can ensure that the disenfranchised segments of society still benefit and everyone becomes collectively better off.

Moving Forward

We began this project as a research team eager to understand how economies and businesses reacted to recent events like Brexit and interpreted the noisy social media environment fraught with nationalistic angst. After conducting over 450 interviews and 351 surveys with business, government, academia and civil society organizations, we learned that better access to opportunities, collaborative action and a renewed narrative will better enable APEC economies to take advantage of globalization and technological progress. Our interviews and surveys challenged many people in business to take stock of the problems at hand, and examine their role in relation to the government. Our findings point out a general positivity about the direction of each economy, but there needs to be further communication between businesses and government in driving well-implemented policies forward.

A background network diagram consisting of numerous black dots (nodes) connected by thin black lines (edges). The nodes are distributed across the page, with a higher density on the left side, creating a complex web-like structure.

**ECONOMY
SPECIFIC DATA**

Rubric Description

Based On Interview And Survey Responses


	Extent of Anti-Globalization	Inclusive Growth	Understanding the Narrative
	Strong anti-globalization rhetoric by politicians, popular press and social media. Interviewees raised concerns about ability to continue with open policies; Major changes in trade policies expected.	The consequences of globalization and technological progress have disproportionate impact. Interviewees noted no effective change policies.	Economy demonstrates poor understanding of the logic behind global economic model and there are no active government programs for education. Interviewees noted little understanding of importance of openness.
	Growing opposition to global openness by segments of society with popular press questioning benefits. Interviewees strongly believe that openness to the global economy will become a topic of concern in the near future.	The consequences of globalization and technological progress have not been managed effectively by existing policies. Interviewees believe that growth has helped spread the benefits but nothing structural exists.	Interviewees commented on general levels of ignorance around how the global economy works within society. Politicians understand but lack political will to follow.
	Largely indifferent with politicians and media sentiment generally split on benefits. Interviewees noted growing levels of discontent which could be “harnessed” by activists to question merits of openness.	Interviewees and respondents acknowledge existence of policies that have not moved the needle too far on inequality.	Uneven understanding with population divided between the formal and informal sectors. Interviewees noted general support for the model because leaders support it, but society cannot articulate a strong argument for it.
	Generally positive acceptance among majority of citizens and engaged politicians supporting openness. Interviewee comments are generally positive about sentiment in society but noted some opposition.	Interviewees believe that the benefits of globalization and technological progress are distributed, but long term inclusive programs still have opportunities.	General levels of understanding of the importance of engagement with the global economy. There is overall support for participating in the global economy and the popular press reflects public sentiment.
	Strong positive pro-globalization position articulated in popular press, politicians, and public. Interviewees acknowledge active support for openness.	There are strong inclusive policies available and implemented. Interviewees express confidence in the economy’s inclusive growth for the future.	Active education of general population exists, leading to sophisticated discussion in the popular press. There is a high level of understanding amongst the population of the global economy and how it works.

Effectiveness of Adjustment Programs	Trust in Government	Trust in Business
<p>There are few or no adjustment policies such as out-of-work insurance and/or training programs. Interviewees could not provide names of such policies.</p>	<p>High frustration with government policies exist, and business perceives low competence, inclusivity, and integrity. Interviewees noted that government policies were not working and do not support businesses.</p>	<p>Predatory business practices, lack of worker skill development, and violation of labor rights exist amongst businesses. Interviewees raised concerns with how businesses have been operating in their economies.</p>
<p>There are adjustment policies in place but have minor or no effect. Interviewees do not think the current policies are effective.</p>	<p>There is a stable political system but no existence of forward thinking policies. Interviewees point out a lack of adjustment or forward planning policies that could potentially mitigate any issues.</p>	<p>Labor rights exist, but there is poor adherence with a lack of focus on worker skill development. Interviewees pointed out that businesses do not generally contribute to the communities they are based in, however they do adhere to labor rights laws.</p>
<p>There are adjustment policies in place. Interviewees noted that these have had moderate effect on improving job mobility of the current work force.</p>	<p>Business trusts government policies but not in its executional capabilities. Interviewees indicated that government would be less able to implement any policy updates or changes effectively if any new ones were introduced.</p>	<p>Trust in business planning exists but not in its executional capabilities within the community. Interviews showed willingness of business to be part of the solution but shared doubt that these could be executed flawlessly without governmental support.</p>
<p>There are adjustment policies in place and they are effective in improving job mobility of the current work force.</p>	<p>There is high trust in government policy making with medium trust in its execution. Interviewee comments are generally positive but have some reservations about the government's ability to execute.</p>	<p>There is high trust in business planning but medium trust in executing community centric programs. Interviewees showed a general positivity toward businesses but noted that execution may be challenging.</p>
<p>Proactive policies are in place and are effective in improving job mobility and enabling individuals to train themselves for the future.</p>	<p>Business has very high trust in government and are perceived to be competent with integrity. Interviewees are very confident in the government's judgment and ability to carry out required adjustments.</p>	<p>There is very high trust in business with ample worker skill development opportunities available. Interviewees had a positive view of business' ability to collaborate with government for inclusiveness.</p>

Willingness of Business to engage	Preparedness for Future Challenges	Likelihood of Trigger	Business Optimism
<p>Inclusive growth is not on government or business' agenda at this point in time. Interviewees expressed little intention to engage and work with governments.</p>	<p>Interviewees do not partake in discussions in the economy with regards to the anticipated challenges of globalization and technological progress.</p>	<p>There is an acute level of social discontent and very high chance of populist uprising in the next 5 years. Interviewees raised concerns that an uprising is likely to occur.</p>	<p>Interviewees predicted declining revenues, cross-border activities, capital investments and global expansion in the next 3-5 years. They expect reduction in hiring of domestic and foreign workers, and ease of finding employees with relevant skills to become more difficult.</p>
<p>Seen as entirely government's responsibility as inclusive growth should be owned by the government. Interviewees noted that business is not responsible.</p>	<p>Economy is very unprepared for future challenges and there is no forward planning. Interviewees could not mention potential solutions which can be implemented in the economy.</p>	<p>Population exhibits strong social discontent with a high chance of a populist uprising in the next 5 years. Interviewees are concerned by an uprising should there be other trigger events.</p>	<p>Interviewees are pessimistic regarding growth, investments and worker hiring in the next 3-5 years.</p>
<p>Interviewees reflected a willingness to help support government programs but indicated that business would not be taking the lead.</p>	<p>Interviewees exhibit long term thinking but no cohesive plan created with the government.</p>	<p>Interviewees noted growing social discontent and increasing chances of a populist uprising in the next 5 years.</p>	<p>Interviewees expressed some optimism regarding growth and investment in the next 3-5 years. However, they have some reservations regarding worker hiring.</p>
<p>Interviewees noted that while businesses are willing to create opportunities and put in effort to change things, they would require government support.</p>	<p>Interviewees are aware of plans regarding future challenges but do not think the plans will be effective to combat them.</p>	<p>Slight social discontent but there is a low chance of a populist uprising. Interviewees commented that while general rumblings of discontent exist, there is positive sentiment about the future.</p>	<p>Most interviewees are optimistic about growth prospects, investments and worker hiring in the next 3-5 years.</p>
<p>Business is willing to lead efforts in inclusive growth programs, with interviewees showing a strong willingness to engage with communities, with or without government support.</p>	<p>Economy is well-prepared with short-term and long-term plans to address future challenges and clearly defined goals. Interviewees mentioned solutions already implemented in the economy.</p>	<p>Interviewees noted overall social stability and no likelihood of a populist uprising.</p>	<p>Interviewees predicted increasing revenue growth, cross-border activities, capital investments and global expansion in the next 3-5 years. They expect increases in hiring of domestic and foreign workers, and ease of finding employees with relevant skills to improve.</p>

Metric Definitions

Metric	Definition	Source
Income GINI	The Income GINI measures the extent to which the net distribution of income amongst individuals or households within an economy deviates from a perfectly equal distribution. A GINI index of 0 represents perfect equality and an index of 100 represents perfect inequality. The five-year trend is based on the absolute difference in net-income GINI over the last five most recent years available. Source: WEF Report	
Poverty Rate %	From CIA Fact Book: National estimates of the percentage of the population falling below the poverty line are based on surveys of sub-groups, with the resulted weighted by the number of people in each group. Definitions of poverty vary considerably among nations. For examples, rich nations generally employ more generous standards of poverty than poor nations. Source: WEF Report	
Wealth GINI	The Wealth GINI measures the difference in distribution of wealth – a GINI index of 1 represents complete inequality and an index of 0 represents complete equality. The five-year trend is based on the absolute difference in wealth GINI between 2012-2016. Source: WEF Report	
Median Income	This is the median of daily per capita income/consumption expenditure in 2011 in USD per person. The data are drawn from nationally-representative household surveys, which are conducted by national statistical offices or by private agencies under the supervision of government or international agencies and obtains from government statistics offices and World Bank Group country departments. Source: EuroMonitor	
Corruption Perception Index	This index aggregates data from 13 different data sources that provide perceptions of business people and country experts of the level of corruption in the public sector. Standardized data sources are rated on a scale from 0 to 100, with 0 being the highest level of perceived corruption, and 100 being the lowest level of perceived corruption. Source: Transparency International	

Metric	Definition	Source
Social Inclusion	<p><i>This number represents the percentage of variation in socioeconomic status between schools and the index is calculated as $100*(1-\rho)$, where ρ stands for the intra-class correlation of socioeconomic status, i.e. the between-school variation in the PISA index of –social, economic, and cultural status of students, divided by the sum of the between-school variation in students’ socioeconomic status and the within-school variation in students’ socioeconomic status.</i></p> <p><i>Source: WEF Report</i></p>	
Social Protection	<p><i>This is an aggregate measure of the following topics: efficiency in public goods and service provision, social safety net protection, benefit-to-cost ratio, adequacy of social insurance, adequacy of social assistance, unemployment insurance.</i></p> <p><i>Source: WEF Report</i></p>	
GDP Spend on Social Protection	<p><i>This indicator shows the total public expenditure on social protection and health as a percentage of GDP. Total annual public social protection and health expenditure is the sum of expenditure, including benefit expenditure and administration costs, of all existing public social security/social protection/health schemes in the country. The scope covers nine classes of benefits: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors’ benefit, plus other income support and assistance programmes, including conditional cash transfers, available to the poor and not included under the above classes.</i></p> <p><i>Source: WEF Report</i></p>	
Social Safety Net	<p><i>The extent to which a formal social safety net provides protection to the general population from economic insecurity in the event of job loss or disability is assessed on a scale of 1 to 7, with 7 representing full protection and 1 representing not at all.</i></p> <p><i>Source: WEF Report</i></p>	
Quality of Vocational Training	<p><i>The quality of vocational training in each country is assessed on a scale of 1 to 7, with 7 being the best rating, and 1 being the worst.</i></p> <p><i>Source: WEF Report</i></p>	
Ease of Finding Skilled Employees	<p><i>The extent to which companies in each country can find people with the skills required to fill their vacancies is rated on a scale from 1 to 7, with 7 being the best rating, and 1 being the worst.</i></p> <p><i>Source: WEF Report</i></p>	

Metric	Definition	Source
Small Business Ownership	<i>This is an aggregate measure of the following topics: new business registered, attitudes toward entrepreneurial failure, PCT patent applications filed, time required to start a business, cost of starting a business, time required to resolve insolvency, cost of resolving insolvency, cost of enforcing a contract, time required to enforce a contract, time required to prepare and pay taxes.</i> Source: WEF Report	
Business & Political Ethics	<i>This is an aggregate measure of the following topics: judicial independence, diversion of public funds, irregular payments in tax collection, ethical behavior of firms, public trust in politicians, irregular payments in public contracts, favoritism in decisions of government officials.</i> Source: WEF Report	
Ease of Doing Business	<i>Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. The parameters are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.</i> Source: World bank's Ease of doing business index	
Basic & Digital Infrastructure	<i>This is an aggregate measure of the following topics: quality of overall infrastructure, efficiency of ground transport, access to electricity, transport infrastructure, slum population (urban), dwellings without basic facilities, internet users, fixed broadband internet subscriptions, active mobile broadband subscriptions, mobile cellular tariffs, fixed broadband internet tariffs.</i> Source: WEF Report	
Education & Skills	<i>This is an aggregate measure of the following topics: access to education and skills development, quality of education and skills development programs, equity of available education and skills development programs.</i> Source: WEF Report	
Employment & Labor Compensation	<i>This is an aggregate measure of the following topics: economic participation and opportunity as well as wage and non-wage compensation.</i> Source: WEF Report	
Youth Unemployment	<i>This measure refers to the share of the labor force aged between 15 and 24 years without work but available for and seeking employment.</i> Source: WEF Report	

***Note: For the following reasons, data/rankings could be missing: 1) Different source of data from the rest of the data points across economies 2) Unavailable data 3) Lack of common standards to define data across economies.**

Australia

Australia is committed to globalization and free trade, with minimal likelihood of a reversion in trade outlook. The economy rates highly when it comes to inclusive growth, but business engagement is critical to establish right future skills changing with technological progress.



Extent of Anti-Globalization

Australia has ten Free Trade Agreements currently in place. Additionally, the economy is included in TPP and PACER, but these deals are not yet in force. Australia is pursuing a number of additional FTAs – a few examples being in Peru, India and Indonesia.

Inclusive Growth

While median income and wealth GINI are strong, the economy's rating surrounding poverty rate and social inclusion are areas with room for improvement.

Understanding of the Narrative

The economic model is understood by most stakeholders, but there are small pockets of backlash against globalization, trade and technological advancements.



Effectiveness of Adjustment Programs

Australia ranks highly in the APEC region with regards to adjustment programs. However, the quality of vocational training is an area that has an opportunity for improvement.

Trust in Government

Overall, Australians have trust in the government, but decreasing opportunity in Western Australia and increased real estate prices in major cities are a potential cause of future frustration.



Trust in Business

Australian labor rights are strongly enforced, but advancements in technology and job loss due to the occasional inability to penetrate the global value chain are potential areas of frustration.

Willingness of Business to Engage

Majority of the interviewees believe that inclusive growth should be government's responsibility with business involvement. However, future skills training, keeping in mind the future challenges of industrial revolution 4.0, will need to be led by business. Vocational training programs need to be led by business going forward.



Business Optimism

Based on interviews and survey respondents, business within the Australian economy is generally optimistic about the future business. Australian business, and in certain instances in conjunction with the Australian government, is finding the appropriate position within the global value chain.

Preparedness for Future Challenges

Australia has policies to adjust workers and rates well with respect to inclusive growth. Industrial revolution 4.0 is going to shift the nature of the labor force and MSME's competitiveness in the export markets, based on its adoption.

Likelihood of a Trigger

Overall social stability with a minimal likelihood of populist uprising against globalization, trade, and technological progress. In general, the outlook is to increase trade and become more interconnected globally.



Inclusion

	Value	APEC Rank
Median Income (\$'000s)	73.3	1
Income GINI (in %)	31.8	4
Poverty Rate (in %)	12.8	N/A
Wealth GINI (in %)	68.2	2
Social Inclusion (in %)	74.7	7

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.9	3
GDP Spend on Social Protection (in %)	17.9	5
Social Safety Net*	5.6	2
Quality of Vocational Training*	5.0	6

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	5.7	4
Business and Political Ethics*	5.5	4
Ease of Doing Business (World Rank)	15	7
Basic and Digital Infrastructure*	5.4	4

Demographics

	Value	APEC Rank
Education and Skills*	5.7	2
Ease of Finding Skilled Employees*	5.1	4
Employment and Labor Compensation*	4.4	10
Youth Unemployment (in %)	13.3	8

Top 3 Future Challenges

1. Re-tooling in preparation of Industrial Revolution 4.0
2. Global Value Chains—Outsourcing of higher skilled labor
3. Economic Nationalism—Increased complexity in cross-border trade from bilateral approaches

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
3. Narrative—Better communicate the benefits of trade, globalization and technological progress to all

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Brunei Darussalam

Brunei is committed to increase its global interconnectivity as a part of Brunei Vision 2035. However, it is imperative for Brunei to successfully diversify the economy away from oil and develop adequate technological infrastructure that will nurture MSMEs within the economy.



Extent of Anti-Globalization

Brunei believes that access to economies of scale that globalization provides are always good for the economy. More than 90% of the respondents said that they support trade openness.

Inclusive Growth

While Brunei has achieved almost all of the targets of the Millenium Development Goals, lack of equal access to opportunity and low growth of wages are sources of frustration.

Understanding of the Narrative

Over 90% of the respondents believe that better understanding of the benefits of trade, globalization and technological progress will have a major positive impact on the economy.



Effectiveness of Adjustment Programs

Brunei has strong adjustment programs especially in education and healthcare and has adequate job training programs.

Trust in Government

Over 50% of the respondents expressed strong confidence in government, however, about 55% of respondents also expressed their frustration with government mismanagement of policies and programs.



Trust in Business

Over 85% of the respondents showed strong confidence in business, however, about 50% of respondents have also expressed concerns around business not prioritizing worker skill development.

Willingness of Business to Engage

Business believes that government should lead education initiatives and future skills training programs, however, business should play a crucial role in supporting and building MSMEs.



Business Optimism

Over 80% of the business respondents believe that the future looks positive with increasing revenue growth and increasing cross-border business activity. While more than 85% of the respondents are looking to increase overall hiring, over 70% of respondents expressed concerns over finding employees with relevant skills.

Preparedness for Future Challenges

Over 80% of the respondents identified inadequate technological infrastructure and diversification from oil as two key future challenges. About 50% also mentioned their concerns over regulations restricting the movement of people.

Likelihood of a Trigger

Over 50% of the respondents said that there is no likelihood of a potential uprising against globalization and over 90% respondents believe that the world is moving towards increased global interconnectness.



Inclusion

	Value	APEC Rank
Median Income (\$'000s)	38.5	8
Income GINI (in %)	N/A	N/A
Poverty Rate (in %)	N/A	N/A
Wealth GINI (in %)	N/A	N/A
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	N/A	N/A
GDP Spend on Social Protection (in %)	N/A	N/A
Social Safety Net*	N/A	N/A
Quality of Vocational Training*	N/A	N/A

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	N/A	N/A
Business and Political Ethics*	N/A	N/A
Ease of Doing Business ^s (World Rank)	72	16
Basic and Digital Infrastructure*	N/A	N/A

Demographics

	Value	APEC Rank
Education and Skills*	N/A	N/A
Ease of Finding Skilled Employees*	N/A	N/A
Employment and Labor Compensation*	N/A	N/A
Youth Unemployment (in %)	5.9	3

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Global Value Chains—Outsourcing of higher skilled labor
3. Economic Nationalism—Regulations restricting the movement of people

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Business Ecosystems—Supporting start-ups and entrepreneurs
3. Business Ecosystems—More engagement between government, business, NGOs, labor, social enterprise

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

^s 2018 Data Available at DoingBusiness.org

Canada

While, Canada is committed to globalization and free trade, with minimal likelihood of a reversion in trade outlook, the adjustment program implementation needs to be improved. Business engagement is critical in order to establish the right future skills to address the future challenges.



Extent of Anti-Globalization

Canada has 11 FTA's currently in force, and trade accounts for 65% of Canada's economy. Canada recently signed the CETA free trade deal with Europe and is pursuing free trade talks with China. 100% of interviewees believe increasing cross-border trade is the future prospect for Canada.

Inclusive Growth

While financial inclusion and social mobility is strong, MSME development and wealth inequality are opportunities for improvement.

Understanding of the Narrative

The economic model is understood by most of the stakeholders, however, the ability to address some of the future challenges is questionable. We believe that the narrative needs to be changed.



Effectiveness of Adjustment Programs

Canada should improve the design of its programs as well as the manner in which these policies are evaluated. Employment insurance does not address long term job displacement. Also, the under-employed workers need to be addressed through effective skill training.

Trust in Government

Business views Canada has the right tri-partite discussions but the slow reactivity and implementation gaps of government policies might result in future frustration.



Trust in Business

While Canadian labor rights are strongly enforced by business as well as labor organizations, job loss due to technological advances are viewed as a potential area of frustration.

Willingness of Business to Engage

Business believes that government should lead the improvement of inclusive growth, however, business believes future skills and MSME's need to be equally led by business as well.



Business Optimism

Business is optimistic with regards to future growth, hiring and investments. They believe that finding employees with the right skills could become a challenge going forward. Increase in domestic worker hiring, instead of increasing foreign worker headcount is the way forward.

Preparedness for Future Challenges

While Canada has policies to adjust workers, they do not have a long-term plan to address future challenges. Industrial Revolution 4.0 is going to shift the nature of the labor force and MSME's competitiveness in the export markets, based on its adoption.

Likelihood of a Trigger

Overall there is social stability and no likelihood of populist uprising against globalization, trade, and technological progress in the next 5 years. Outlook is to increase emphasis in the short-term on globalization.



Inclusion

	Value	APEC Rank
Median Income (\$'000s)	47.4	5
Income GINI (in %)	31.4	3
Poverty Rate (in %)	12.6	N/A
Wealth GINI (in %)	73.2	5
Social Inclusion (in %)	83.0	1

Adjustment Policies

	Value	APEC Rank
Social Protection*	5.2	1
GDP Spend on Social Protection (in %)	18.6	4
Social Safety Net*	5.5	3
Quality of Vocational Training*	5.3	3

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.9	7
Business and Political Ethics*	5.3	5
Ease of Doing Business (World Rank)	22	8
Basic and Digital Infrastructure*	5.4	5

Demographics

	Value	APEC Rank
Education and Skills*	5.6	4
Ease of Finding Skilled Employees*	5.2	3
Employment and Labor Compensation*	4.4	8
Youth Unemployment (in %)	13.5	10

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Global Value Chains—Increased outsourcing of services and manufacturing jobs
3. Economic Nationalism—Increased complexity in cross-border trade from bilateral approaches

Top 3 Future Solutions

1. Business Ecosystems —Supporting start-ups and entrepreneurs
2. Education—Move towards education that prioritizes critical thinking
3. Education—Shorter, more job-specific training programs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Chile

Chile has reaped the benefits of globalization which along with the commodity super-cycle helped propel the economy forward. It becomes necessary for business and government to work together to identify future opportunities and drive inclusive growth.



Extent of Anti-Globalization

Chile is pro-globalization and is expected to be more integrated in the global value chains and hence, are leading the efforts for setting up multilateral agreements across the Pacific and Latin America. Business acknowledges that globalization in Chile has had a positive impact on the population - income per capita is considerably higher and the growth is strong.

Inclusive Growth

So far the economic growth has helped improve the opportunities in Chile, but with growth slowing, there is potential for wealth redistribution. In the recent past, GINI coefficient has shown an improvement but income inequality still exists.

Understanding of the Narrative

The economic model is understood by most stakeholders, however, the ability to address some of the future challenges is questionable. Business believes that the narrative needs to be changed.



Effectiveness of Adjustment Programs

Chile spends 0.53% of GDP on labor programs (vs. 1.31% across OECD economies), on primarily passive programs. Growth has been effective in ensuring support for displaced workers, however, there is no effective adjustment program in place. Active policies need to be developed for future. Start-up initiatives are a step in the right direction.

Trust in Government

Business in Chile trusts its government, but has concerns with reforms that are undertaken. The recent labor and tax reforms have mixed responses regarding its execution. Government's lack of pro-activeness in addressing disruptions is one of the top frustrations with government.



Trust in Business

Business is accused of prioritizing their interests over the communities interests. Also, the focus on worker skill development is limited, which results in further frustrations with business practices.

Willingness of Business to Engage

Business believes that government should lead the improvement of inclusive growth, however, business believes future skills needed and, supporting social enterprise, should be led by business as well.



Business Optimism

Business is optimistic with regards to future growth and investments, however they believe that growth needs to be sourced across different industries which might impact hiring. They believe that finding employees with the right skills could be a challenge going forward.

Preparedness for Future Challenges

No effective programs currently exist for adjustment. Unemployment benefits exist, but are not far-reaching enough. There needs to be discussion at the national level across sectors on reskilling efforts to address displaced workers due to technological progress. Also, Chile needs to develop a more diverse economy to ensure immunity from economic shocks.

Likelihood of a Trigger

Chile enjoys overall social stability and a low likelihood of populist uprising against globalization, trade, and technological progress over the next 5 years.



Inclusion

	Value	APEC Rank
Median Income (\$'000s)	20.6	10
Income GINI (in %)	47.1	15
Poverty Rate (in %)	2.1	N/A
Wealth GINI (in %)	80.5	10
Social Inclusion (in %)	54.9	12

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.0	10
GDP Spend on Social Protection (in %)	10.4	7
Social Safety Net*	3.9	10
Quality of Vocational Training*	4.6	8

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.5	11
Business and Political Ethics*	4.2	8
Ease of Doing Business (World Rank)	57	15
Basic and Digital Infrastructure*	4.9	11

Demographics

	Value	APEC Rank
Education and Skills*	4.7	12
Ease of Finding Skilled Employees*	4.7	9
Employment and Labor Compensation*	4.8	6
Youth Unemployment (in %)	16.1	19

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Regulations restricting the movement of people
3. Global Value Chains—Outsourcing of higher skilled labor

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
3. Education—Shorter, more job-specific training programs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

People's Republic of China

China is strongly focused on pushing its globalization forward with the Belt and Road Initiative (B&R) and with a growing economy, there is little concern about adjustment policies. However, as the economy continues to mature, growing income disparity and aging population needs will demand greater attention going forward.



Extent of Anti-Globalization

China is very focused on pursuing a pro-globalization stance, most characterized by its commitment to B&R which is aimed at committing resources to building out new trading routes, relationships, exchanges of ideas and technologies.

Inclusive Growth

Growing income disparity and widening gap between top-tier and lower-tier cities limit equal access to education, employment, healthcare resources, and diverging asset accumulation abilities albeit positive wage growth. However, initiatives such as Healthy China 2030 are concrete steps which demonstrate China's commitment to prioritize people's health concerns going forward.

Understanding of the Narrative

The economic model is generally understood as China has experienced the impacts of a closed economy firsthand, and is now benefiting from globalization through different facets in everyday life. Greater discussion on education and adjustment policies will help to garner public support.



Effectiveness of Adjustment Programs

Lack of active adjustment programs to prepare and transition workforce amid various economic and demographic headwinds. Greater discussion in this area will help prevent an overreliance on youth workforce productivity and economic growth in addressing the needs of the disadvantaged groups.

Trust in Government

While policy misalignments and implementation hurdles dampen the public's opinions in government execution capabilities, China's strong commitment in B&R and various national social programs strengthen public trust in government's forward-looking ability.



Trust in Business

65% of survey respondents show confidence in business ability to drive overall economic growth. However, concerns over labor rights and environmental exploitations dampen trust in business.

Willingness of Business to Engage

Business tends to believe that government should be primarily responsible for driving inclusive growth. However, business leaders are increasingly recognizing their responsibilities to shape and lead future skills training programs for the workforce.

Business Optimism

Over 50% of survey respondents anticipate positive growth in revenue, cross-border activities, capital investments, and global expansion in the next 3-5 years. Moreover, business do not expect significant challenges in meeting its hiring needs, especially with a vast number of highly educated youth entering the workforce.



Preparedness for Future Challenges

Overall high level of awareness and substantial investments in technological infrastructures have been made to prepare for China's transition amid Industrial Revolution 4.0. However, the lack of retraining programs and stagnant teaching practices draw concerns over the workforce's readiness for future disruptions in their industries.

Likelihood of a Trigger

Overall social stability and no likelihood of populist uprising against globalization, trade, and technological progress in the next 5-10 years. B&R ensures a positive outlook toward globalization, while strengthening the ties and exchanges with other economies.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	10.9	14
Income GINI (in %)	50.0	18
Poverty Rate (in %)	11.1	N/A
Wealth GINI (in %)	81.9	12
Social Inclusion (in %)	58.2	11

Adjustment Policies

	Value	APEC Rank
Social Protection*	3.8	11
GDP Spend on Social Protection (in %)	6.8	12
Social Safety Net*	4.4	7
Quality of Vocational Training*	4.2	11

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.8	8
Business and Political Ethics*	4.2	9
Ease of Doing Business (World Rank)	78	17
Basic and Digital Infrastructure*	5.1	9

Demographics

	Value	APEC Rank
Education and Skills*	4.9	9
Ease of Finding Skilled Employees*	4.6	10
Employment and Labor Compensation*	4.8	4
Youth Unemployment (in %)	N/A	N/A

Top 3 Future Challenges

1. Economic Nationalism—Regulations restricting the movement of people
2. Industrial Revolution 4.0
3. Economic Nationalism—Increasing non-tariff barriers

Top 3 Future Solutions

1. Business Ecosystems—Supporting start-ups and entrepreneurs
2. Narrative—Promote individual responsibility in accessing opportunities
3. Narrative—Better communicate the benefits of trade, globalization, and technological progress to all

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Hong Kong, China

102

HKC has always been committed to the promotion of globalization and free trade, with low possibility of reversion going forward. However, the widening of the income inequality gap remains a persistent issue, and the implementation process of adjustment programs has areas of improvement.



Extent of Anti-Globalization

As a founding member of WTO, HKC is also actively involved in other prominent multilateral organizations (e.g. APEC, ADB, and AIIB). 100% of interviewees believe globalization is a force for good that drives economic and inclusive growth.

Inclusive Growth

Despite high access to education and healthcare, as well as a strong female workforce participation, the widening of the income inequality gap remains a persistent issue.

Understanding of the Narrative

Economic model is well understood and supported by most stakeholders. However, a more prominent discussion around solutions to narrow income inequality will help to garner public support.



Effectiveness of Adjustment Programs

While sufficient funding and resources have been allocated for adjustment programs, results have been lackluster. Possible reasons include a lack of proactiveness, a cumbersome application process, and a backward-looking policy design.

Trust in Government

43.5% of survey respondents expressed increasing levels of distrust in government. Lack of forward-looking policies, increasing bureaucratization, and the inability of government to pass crucial legislations have lowered the level of trust in government. However, there is a hint of optimism wherein the July election of a new Chief Executive might result in positive change.



Trust in Business

Over 50% of survey respondents show confidence in business' ability to drive overall economic growth. However, stagnant income growth has created some level of dissatisfaction.

Willingness of Business to Engage

While business tends to believe that government should be primarily responsible for driving inclusive growth, majority of business acknowledge their responsibilities in shaping and leading future skills training programs for the workforce. Little evidence of any high level of awareness of the scale and immediacy of the challenge.

Business Optimism

Over 60% of survey respondents anticipate positive growth in revenue, cross-border activities, capital investments, and global expansion in the next 3-5 years. However, business does not expect to increase headcount in the near future.



Preparedness for Future Challenges

As a services-dependent economy, HKC has high exposure to the growing risk of job losses and displacement due to automation amid Industrial Revolution 4.0.

Likelihood of a Trigger

Slight social discontent but overall a relatively low chance of populist uprising against globalization, trade, and technological progress in the next 5 years. Interviewees indicate that the public still shows a high level of trust in the benefits of a free and open economy.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	41.0	8
Income GINI (in %)	53.9	20
Poverty Rate (in %)	19.7	N/A
Wealth GINI (in %)	N/A	N/A
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection (\$B)	7.6	N/A
GDP Spend on Social Protection (in %)	2.8	17
Social Safety Net*	N/A	N/A
Quality of Vocational Training*	N/A	N/A

Synergistic Communities

	Value	APEC Rank
Infrastructure Expenditure (\$B)	11.9	N/A
GDP Spend on Infrastructure (in %)	3.7	N/A
Ease of Doing Business (World Rank)	4	3
Basic and Digital Infrastructure*	N/A	N/A

Demographics

	Value	APEC Rank
Education and Skills*	N/A	N/A
Ease of Finding Skilled Employees*	N/A	N/A
Employment and Labor Compensation*	N/A	N/A
Youth Unemployment (in %)	9.3	7

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Increasing non-tariff barriers
3. Global Value Chains—Outsourcing of higher skilled labor

Top 3 Future Solutions

1. Business Ecosystems—Supporting start-ups and entrepreneurs
2. Business Ecosystems—More engagement between government, business, NGOs, labor, social enterprise
3. Education, Move towards education that prioritizes critical thinking

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Indonesia

While, Indonesia believes globalization is good, the preferred methods of future trade interaction, such as bilateral trade agreements, might not result in long-term success of the economy. Indonesia needs to focus on improving access to education, healthcare and infrastructure while building a strong domestic MSME sector.



Extent of Anti-Globalization

Globalization has brought prosperity to Indonesia in the past. However, there is a sentiment of nationalism in the economy and policy makers are more inclined towards bilateral trade agreements.

Inclusive Growth

While the economic growth has been strong (4-5% annually), there are several opportunities for improvement - access to good quality education, nurturing MSMEs and addressing income inequality.

Understanding of the Narrative

Indonesian economy historically depended on commodities as their competitive advantage and now needs to build new areas of strength. Business and most of the government leaders understand the narrative but the people need to be better educated about the narrative.

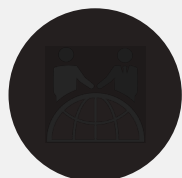


Effectiveness of Adjustment Programs

Indonesia should focus on building safety nets that are thought through and make it easier for people to take advantage of the programs. There is a need for additional skill training to address skill gaps in the labor market.

Trust in Government

Business leaders believe that Indonesia has the appropriate venues for meaningful tripartite discussions but most of these associations cater to the major conglomerates in the economy.



Trust in Business

There is a lack of a level playing field for MSMEs as the top 1% population controls 50% of the wealth, most of which is perceived to be owned by the conglomerates.

Willingness of Business to Engage

Business believes that domestic capital is insufficient and government needs to create policies that invite more FDI into the economy in 3 key areas - healthcare, education and infrastructure. Businesses are willing to engage especially in these key areas as it improves their ability to do business in Indonesia.



Business Optimism

Business believes that the high growth prospect of the Indonesian economy coupled with the quick adoption of technology (especially smartphones) amongst the young population will result in more investments in the near future from both domestic and foreign investors.

Preparedness for Future Challenges

While Indonesia acknowledges the issues of healthcare, education and poor infrastructure, the policy makers are not aware of the challenges posed by Industrial Revolution 4.0 to Indonesia and are currently not planning to build safety nets to tackle them.

Likelihood of a Trigger

There is no likelihood of a potential uprising against globalization. There is a general consensus that globalization and technological progress is good for the economy.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	6.8	17
Income GINI (in %)	42.3	13
Poverty Rate (in %)	36.4	N/A
Wealth GINI (in %)	84.0	14
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	3.1	15
GDP Spend on Social Protection (in %)	2.6	16
Social Safety Net*	4.1	9
Quality of Vocational Training*	4.3	10

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	3.6	16
Business and Political Ethics*	3.8	10
Ease of Doing Business (World Rank)	91	19
Basic and Digital Infrastructure*	4.2	15

Demographics

	Value	APEC Rank
Education and Skills*	4.8	11
Ease of Finding Skilled Employees*	4.6	11
Employment and Labor Compensation*	3.9	17
Youth Unemployment (in %)	31.3	16

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Global Value Chains—Outsourcing of higher skilled labor
3. Global Value Chains—Increased reshoring of services and jobs

Top 3 Future Solutions

1. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
2. Education—Move towards education that prioritizes critical thinking
3. Business Ecosystems—Supporting start-ups and entrepreneurs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Japan

Japan is committed to globalization with minimal likelihood of a reversion in trade outlook. Technological shock is mitigated by the labor shortage due to aging population. The main challenge will be creating adjustment programs to enable equal opportunity and job mobility, especially with two-polarized labor market.



Extent of Anti-Globalization

Japan benefits hugely from its liberalized export including the auto industry, as well as imports. Japanese leaders and government have held many tripartite forums to talk and discuss about the benefits of TPP and proactive policies to support them. Main concern of the Japanese population is around social safety nets and education system.

Inclusive Growth

While Japan has strong safety nets, the dualism in the labor market has increased income inequality. As Japanese labor market still holds characteristics of life time employment, it is difficult for dislocated workers to improve their job mobility. This also contributes to lower living standards and productivity as compared to top half of OECD economies.

Understanding of the Narrative

Japanese government has shown its willingness and ability to share and discuss the benefits of trade through tripartite forums. Thus, the economic model is understood by most of the stakeholders. On the other hand, the current political conversation has focused more on adjustment policies and education systems. Japanese policy makers need to stimulate more discussion on the policies to mitigate future challenges.



Effectiveness of Adjustment Programs

Idea of lifelong learning is still weak in Japan. Companies used to hire employees for lifetime and train them with OJT. With the change in lifelong employment, this gap is not filled. Safety net, on the other hand, is effective, but is also burdensome with aging population.

Trust in Government

There are mixed views on the current administration, with variance among age demographics. The overall approval rating for Abenomics and its result has been high and stable for some time. Almost 50% of the respondents are unsure about the future trend regarding this trust.



Trust in Business

Business ethics remain high among APEC economies. Recently, discussion on overworking has been active, and some companies have started to move towards better work-life balance. Almost 50% of the respondents are unsure about the future trend regarding this trust.

Willingness of Business to Engage

Business believes that government should take the lead in setting up new forms of adjustment policies. As companies look for skilled individuals, they are willing to support overhaul of education and training programs.

Business Optimism

There are mixed reviews on the effectiveness of Abenomics, but macro economic indicators such as youth employment rate and median income are improving. Thus, the businesses are optimistic for their growth and investment. With aging population, many businesses are concerned about difficulty in finding the right employee with relevant skillset.



Preparedness for Future Challenges

Business leaders point out the ineffectiveness of the current education and training system to prepare current and future labor force for technological progress. Many have pointed out the decline in the quality of education due to lack of funding and capacity. Also, no policy maker has been able to re-define distribution of wealth with aging demographic.

Likelihood of a Trigger

Overall social stability and no likelihood of populist uprising against globalization, trade, and technological progress in the next 5 years. Japanese political campaigns focus more on adjustment policies and safety nets.



Inclusion

	Value	APEC Rank
Median Income (\$'000s)	45.1	7
Income GINI (in %)	30.8	2
Poverty Rate (in %)	16.1	N/A
Wealth GINI (in %)	63.1	1
Social Inclusion (in %)	78.0	5

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.8	4
GDP Spend on Social Protection (in %)	22.4	1
Social Safety Net*	5.0	5
Quality of Vocational Training*	4.9	7

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	5.2	6
Business and Political Ethics*	5.5	3
Ease of Doing Business (World Rank)	34	10
Basic and Digital Infrastructure*	5.5	3

Demographics

	Value	APEC Rank
Education and Skills*	5.6	5
Ease of Finding Skilled Employees*	4.8	8
Employment and Labor Compensation*	4.3	12
Youth Unemployment (in %)	5.9	2

Top 3 Future Challenges

1. Economic Nationalism—Rejection of collective cross-economy action on global challenges
2. Global Value Chains—Outsourcing of higher skilled labor
3. Economic Nationalism—Increasing non-tariff barriers

Top 3 Future Solutions

1. Business Ecosystems—Supporting start-ups and entrepreneurs
2. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
3. Education—Move towards education that prioritizes critical thinking

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Republic of Korea

While Korea has been doing well over the past couple of decades, forces are coming to an apex. A rapidly aging population, high youth unemployment, and one of the worst income inequality rates in the region mixed with increasing scandals of business and government entanglement put the economy in a time of crisis.



Extent of Anti-Globalization

Korea's businesses are largely dependent on foreign markets. Korean economy has been growing based on trade, it remains an export-oriented economy and has benefited a great deal during the last five to six decades thanks to liberalization.

Inclusive Growth

Korea has one of the highest youth unemployment rates. While only a small percentage of the labor force is unionized (approximately 10%), they are still very vocal. All respondents in the survey noted the lack of job mobility as a major contributor to frustration.

Understanding of the Narrative

All respondents believe that there needs to be better communication on the benefits of trade, globalization, and technological progress to all. Most of the media is controlled by conglomerates and the government, so Korea has to secure media independence in order to tell both sides of the story.



Effectiveness of Adjustment Programs

Korea has high social inclusion with its own Trade Adjustment Assistance program that aims to contribute to the local industrial system and build social infrastructure.

Trust in Government

All respondents observed a movement towards distrust of government in Korea. Thirty to forty years ago when Korea was developing, people came back to Korea for patriotism, but that does not exist anymore with the younger generation. The government is not looking at these issues to try to find motivation for the talent to stay.



Trust in Business

Bigger companies, namely chaebols, are getting bigger and have more power which does not lead to an encouraging environment for MSMEs. Instead, smaller companies or startups and talent are going abroad to other businesses. As more scandals arise from business leader's ties with politics, the public is getting disenchanted with the chaebol system.

Willingness of Business to Engage

All respondents believe that businesses should lead on social enterprise development and 60% believe that business should lead on skills retraining. Businesses do feel a sense of responsibility for their employee's livelihoods and communicating that it is not just about the bottom line.

Business Optimism

Businesses acknowledge the need to be interconnected at a global level. Korea grew tremendously due to its exports and willingness to engage. Some business executives acknowledge the need to bring foreign investors into Korean companies or factories in order to see how business is done and vice versa send Korean business leaders to companies abroad to learn.



Preparedness for Future Challenges

Korea is vulnerable to tensions between U.S. and China. The economy's conglomerates are currently facing anti-dumping provisions, especially since the November 2016 U.S. election. Korea needs to be better prepared even though it spends a considerable amount of money on education.

Likelihood of a Trigger

In our survey, 29% and 43% respondents believe a populist movement is likely and somewhat likely, respectively. Although it will most likely not be against globalization, tensions with other economies could exacerbate it. The recent affiliations between conglomerates and government, as well as stagnation in growth, experienced acutely by recent graduates, could lead to backlash.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	36.0	9
Income GINI (in %)	29.8	1
Poverty Rate (in %)	14.4	N/A
Wealth GINI (in %)	71.9	4
Social Inclusion (in %)	78.9	4

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.6	6
GDP Spend on Social Protection (in %)	9.2	8
Social Safety Net*	3.6	13
Quality of Vocational Training*	3.9	15

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	5.5	5
Business and Political Ethics*	3.6	11
Ease of Doing Business (World Rank)	5	4
Basic and Digital Infrastructure*	5.2	7

Demographics

	Value	APEC Rank
Education and Skills*	5.5	7
Ease of Finding Skilled Employees*	4.8	7
Employment and Labor Compensation*	4.2	14
Youth Unemployment (in %)	10.0	6

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Rejection of collective cross-economy action on global challenges
3. Global Value Chains—Increased outsourcing of services and manufacturing jobs

Top 3 Future Solutions

1. Narrative—Better communicate the benefits of trade, globalization and technological progress to all
2. Education—Move towards education that prioritizes critical thinking
3. Business Ecosystems—Supporting start-ups and entrepreneurs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Malaysia

Malaysia is firmly committed to cross-border trade and is actively pursuing trade agreements with new economic partners. Overall, business and government understand the importance of and are dedicated to global connectivity.



Extent of Anti-Globalization

Business officials all acknowledge the importance of globalization to Malaysia's economic growth. Although there is a strong willingness to engage in cross border activity, there is concern and discussion about allowing external competition to enter the economy too quickly and not giving domestic companies enough time to prepare.

Inclusive Growth

Business leaders advise that inclusive growth efforts are concentrated on top line growth to close inter-economy development disparities and not intra-economy income and wealth gaps.

Understanding of the Narrative

There is an uneven understanding of globalization, trade, and technological progress within the economy. Business leaders are largely in favor of the current economic model but there is uneven understanding amongst low to middle skilled workers in how the economic model benefits their day to day lives.

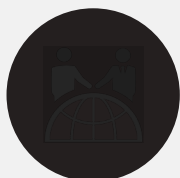


Effectiveness of Adjustment Programs

Out of work insurance, job placement services, job training programs, and education systems exist but are described as ineffective. Interviewees believe it is an individual's responsibility to adjust to new market demands with minimal government support.

Trust in Government

Domestic policy mismanagement is described as prevalent within the economy and timely policy implementation can be improved.



Trust in Business

There are strong sentiments indicating business can prioritize the interests of shareholders over social and community concerns. Business officials acknowledge that there is a lack of concentration on worker development.

Willingness of Business to Engage

Business has consistently expressed desire to work with government in shaping cross border trade agreements to best align domestic economic interests with international opportunities. However, this commitment decreases when addressing pure domestic economic development where business believes adjustment initiatives are primarily government's responsibility.

Business Optimism

Malaysian business strongly believes that the benefits of globalization, trade, and technological progress will continue. Business acknowledges there are challenges to overcome today and in the future, but business believes revenue, hiring, and cross-border trade will increase, particularly with Malaysia's commitment to pursuing more FTA's.



Preparedness for Future Challenges

Malaysia has put in place an economic and policy development program named the Eleventh Malaysia Plan 2016-2020 that is aligning its domestic policy development with the goal of becoming an advanced and inclusive economy by 2020. Although a plan is in place, business admits better progress can be made to meet the 2020 timeline and overcome future challenges.

Likelihood of a Trigger

Business is largely committed to globalization, trade, and technological progress and pursuing more cross-border trade agreements. Some within the economy express frustration towards access to opportunity but the majority of discontent is directed towards domestic policy mismanagement and not the globalization economic model.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	19.0	11
Income GINI (in %)	38.4	10
Poverty Rate (in %)	2.7	N/A
Wealth GINI (in %)	80.0	9
Social Inclusion (in %)	71.7	9

Adjustment Policies

	Value	APEC Rank
Social Protection*	3.5	12
GDP Spend on Social Protection (in %)	3.0	14
Social Safety Net*	5.1	4
Quality of Vocational Training*	5.3	3

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.5	10
Business and Political Ethics*	4.6	7
Ease of Doing Business (World Rank)	23	9
Basic and Digital Infrastructure*	5.1	8

Demographics

	Value	APEC Rank
Education and Skills*	4.4	14
Ease of Finding Skilled Employees*	5.3	2
Employment and Labor Compensation*	4.8	5
Youth Unemployment (in %)	10.2	7

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Increasing non-tariff barriers
3. Global Value Chains—Increased reshoring of services and jobs

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Narrative—Better communicate the benefits of trade, globalization, and technological progress to all
3. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Mexico

1 1 2

With the Mexican economy heavily integrated into NAFTA, the business sector is coping with high levels of uncertainty impacting investment decisions. After two decades of stable economic policies, reactions to rhetoric from the US may sway voters to make populist choices. Providing better access to opportunities for more citizens, expanding financial inclusion, and improving education and skills upgrading remain priorities.



Extent of Anti-Globalization

The majority of Mexican citizens recognize the benefits that have come from moving to an open economy even after experiencing the adverse impacts of NAFTA. Economic and political stability have led most to be pro-globalization. However, slowing growth has produced discontent with ineffective government policies, especially among lower skilled workers, which could produce calls for protectionism.

Inclusive Growth

Mexico is challenged by both income and wealth inequalities which are high even when compared to other Latin economies. Almost 50% of the citizens live in poverty. Large segments of society remain trapped in vicious cycles of low wages, with low skills, and low job mobility. Better access to education and new job opportunities are a priority.

Understanding of the Narrative

Most citizens have a basic understanding of the importance of integrating with the global economy. Sadly, for most this derived from experiencing the adverse effects of NAFTA. However, Mexico is split between the north and the south. Northern states have engaged much more actively in trade. Understanding of the narrative in southern states is very low.



Effectiveness of Adjustment Programs

Mexico has very few social safety net programs and domestic policies for mitigating the impact of trade competition and disruptive innovations have not performed well. Mexico has relied almost exclusively on growth to create new jobs, and its informal economy to absorb those dislocated by external shocks.

Trust in Government

Trust in government is extremely low. Inefficient bureaucracy, ineffective policies, political incompetence, and high levels of corruption combine to produce some of the highest levels of distrust in government in APEC. However, business and citizens lack understanding of many innovative government programs. Better dialogue could potentially lower levels of distrust.



Trust in Business

General levels of confidence in business are relatively high. However, perception of corruption and unequal access to opportunities remain areas of concern. Citizens have high levels of discontent with entitled elite who are perceived to capture economic benefits.

Willingness of Business to Engage

The Mexican business sector is assessed positively for its intention to assume leadership in engaging with inclusive growth challenges. Business leaders acknowledge a need to lead in training, supporting MSMEs, and preparing for the future. However, business needs to move beyond intentions to own the globalization narrative and improve inclusive growth in Mexico.

Business Optimism

Despite uncertainties generated by the renegotiation of NAFTA, Mexican businesses remain highly optimistic about both domestic and international opportunities. Businesses are rapidly seeking to diversify investments away from North America.



Preparedness for Future Challenges

Mexico is buffered against future challenges from automation because of its abundance of low cost labor. This will provide short-term cover but will not prepare Mexico well for the future. Efforts to improve STEM education and skill enhancing training are crucial; but these initiatives lack resources and commitment.

Likelihood of a Trigger

There is an elevated potential for a populist backlash. Slower overall growth, specifically in southern Mexico, anti-Mexican rhetoric from the US, and continued adverse impacts of trade competition in certain sectors, have the potential to combine for a rejection of policies of openness and global engagement.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	15.3	12
Income GINI (in %)	46.1	16
Poverty Rate (in %)	11.0	N/A
Wealth GINI (in %)	77.9	8
Social Inclusion (in %)	60.3	10

Adjustment Policies

	Value	APEC Rank
Social Protection*	3.4	13
GDP Spend on Social Protection (in %)	7.7	9
Social Safety Net*	3.1	16
Quality of Vocational Training*	4.2	12

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.0	14
Business and Political Ethics*	2.7	17
Ease of Doing Business (World Rank)	47	13
Basic and Digital Infrastructure*	4.8	12

Demographics

	Value	APEC Rank
Education and Skills*	4.2	16
Ease of Finding Skilled Employees*	4.4	13
Employment and Labor Compensation*	4.3	11
Youth Unemployment (in %)	9.6	8

Top 3 Future Challenges

1. Facilitating synergistic communities for opportunity creation is critical; offer finance access to MSMEs
2. Inefficient government, corruption, and the lack of "springboard" policies to promote inclusive growth
3. Inadequately educated and trained workforce who cannot capture better jobs in global value chains

Top 3 Future Solutions

1. Promoting a mindset change in citizens that they are responsible for their own ongoing skill development
2. Upscaling Mexico's participation in global value chains with more job-specific training programs
3. More dialogue needed between government, business, and labor, on preparing for the future

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

New Zealand

New Zealand is committed to globalization and free trade, with minimal likelihood of a reversion in trade outlook. Inclusive growth and adjustment programs are rated well, but business engagement is critical to establish right future skills changing with technological progress.



Extent of Anti-Globalization

New Zealand has free trade agreements with 16 WTO nations. A few notable FTAs are the Australia, NZ FTA, the AANZFTA and the P4. Additionally, New Zealand is pursuing FTAs with the EU, India and an upgraded agreement with China. A number of FTAs have been included, but not yet in force, including TPP and PACER Plus.

Inclusive Growth

New Zealand rates relatively highly across the APEC region with regards to inclusion. However, there is an opportunity for improvement when it comes to poverty rate and income GINI.

Understanding of the Narrative

New Zealand understands the value and importance of being integrated into the global economy. However, increased immigration concerns and FDI has raised concerns around real estate prices and availability of jobs.



Effectiveness of Adjustment Programs

New Zealand adjustment policies rank very highly across the APEC region. In particular, New Zealand has very strong social safety nets and social protection measures in place.

Trust in Government

New Zealanders have a healthy relationship with government as corruption levels are very low. However, environmental concerns and increasing real estate prices in major metropolitan areas have the potential to be a future trigger.



Trust in Business

Overall, New Zealanders have a relatively strong amount of trust for businesses, but concerns regarding environmental issues are a potential trigger for future frustration.

Willingness of Business to Engage

Business believes that government should lead the improvement of inclusive growth, however, business believes future skills and MSME's need to be equally led by business as well.



Business Optimism

Based on interviews and survey results, business is optimistic with regards to future growth, hiring and investments. However, an uncertain political future is a potential cause of concern for business within the economy.

Preparedness for Future Challenges

While New Zealand has strong social safety nets in place, there is an opportunity for improvement in regards to proactive adjustment policies.

Likelihood of a Trigger

Overall social stability exists and a small likelihood of populist uprising against globalization, trade, and technological progress in the next 5 years. Outlook is to increase emphasis in the short-term on globalization.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	47.2	6
Income GINI (in %)	36.0	7
Poverty Rate (in %)	9.9	N/A
Wealth GINI (in %)	69.1	3
Social Inclusion (in %)	83.0	2

Adjustment Policies

	Value	APEC Rank
Social Protection*	5.2	1
GDP Spend on Social Protection (in %)	21.2	2
Social Safety Net*	5.7	1
Quality of Vocational Training*	5.4	2

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	5.9	2
Business and Political Ethics*	6.3	1
Ease of Doing Business (World Rank)	1	1
Basic and Digital Infrastructure*	5.1	9

Demographics

	Value	APEC Rank
Education and Skills*	5.7	1
Ease of Finding Skilled Employees*	5.0	6
Employment and Labor Compensation*	4.5	7
Youth Unemployment (in %)	15.0	13

Top 3 Future Challenges

1. Economic Nationalism—Increasing non-tariff barriers
2. Economic Nationalism—Regulations restricting the movement of people
3. Industrial Revolution 4.0

Top 3 Future Solutions

1. Narrative—Better communicate the benefits of trade, globalization and technological progress to all
2. Business Ecosystems—Supporting start-ups and entrepreneurs
3. Business Ecosystems—More engagement between government, business, NGOs, labor, social enterprise

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Peru

Peru has visibly seen the benefits of free trade and globalization through reduction in poverty levels and effective stakeholder management by policy makers. Frustrations in Peru are directed towards mismanagement of adjustment policies.



Extent of Anti-Globalization

Peru is dependent on trade and committed to integrating their economy with large consumer economies. Globalization has helped formalize the economy, provide access to a range of goods and technology, as well as establish labor and environmental standards, leading to significant pro-globalization sentiment.

Inclusive Growth

Regional inequality is a huge concern for Peru, with non-coastal areas having limited access to infrastructure like healthcare and education. These regions also tend to be out of the sphere of influence of national policy making and are less likely to benefit from globalization.

Understanding of the Narrative

The globalization and free trade narrative has been clearly communicated to all stakeholders, beginning with the US-Peru FTA. Businesses are engaged during deal negotiations and encouraged to pivot and diversify in the face of increased competition from international suppliers. As a result, leading Peruvian companies have specialized to succeed in open markets. Public outreach through roadshows helped clarify the benefits of FTAs to the general public.

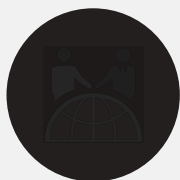


Effectiveness of Adjustment Programs

The Peruvian government has several initiatives in place, but these tend to be politically motivated rather than strategic and often suffer from poor implementation. Most business executives are skeptical of the effectiveness, and often even unaware of the existence of these policies.

Trust in Government

Government is seen to be ineffective largely due to corruption scandals and lack of long term strategic planning for adjustment policies. Policy implementation is viewed as ineffective and there is lack of trust in government allocation of spending.



Trust in Business

International businesses are perceived to offer better standards of work, but are also viewed as exploitative of natural resources by local communities. Some businesses have engaged with these communities to get "social permits" and contributed to public benefit infrastructure in those areas.

Willingness of Business to Engage

Businesses are considered more efficient in driving community development and infrastructure. Businesses have taken an active role in public works to get the benefits of tax credits and are open to future endeavours which would offer more transparent resource utilization of taxes.

Business Optimism

Most business sectors are optimistic about growth opportunities, although some sectors feel left behind. Business is concerned about political uncertainty that impacts their long term planning capabilities.



Preparedness for Future Challenges

With low wages, and highly manual tasks in the agro industries, the economy perceives minimal risk of automation in the labor market. While Peru has been investing in technology to drive transparency of government, there are no other significant forward-looking policies to manage for future challenges.

Likelihood of a Trigger

Anti-globalization movements in Peru are sectorally isolated, usually against the mining industry. Corruption scandals and populist movements have contributed to political uncertainty, although there is unlikely to be a reversion of globalization.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	11.8	13
Income GINI (in %)	45.1	15
Poverty Rate (in %)	9.0	N/A
Wealth GINI (in %)	80.7	11
Social Inclusion (in %)	49.1	13

Adjustment Policies

	Value	APEC Rank
Social Protection*	2.7	17
GDP Spend on Social Protection (in %)	6.9	11
Social Safety Net*	3	17
Quality of Vocational Training*	4	14

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.2	12
Business and Political Ethics*	3.1	15
Ease of Doing Business (World Rank)	54	14
Basic and Digital Infrastructure*	3.9	16

Demographics

	Value	APEC Rank
Education and Skills*	4	17
Ease of Finding Skilled Employees*	4	14
Employment and Labor Compensation*	4.3	13
Youth Unemployment (in %)	14.0	12

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Global Value Chains—Increased outsourcing of services and manufacturing jobs
3. Global Value Chains—Outsourcing of higher skilled labor

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Education—Shorter, more job-specific training programs
3. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

The Republic of The Philippines

While The Philippines is committed to technological progress, globalization and free trade, with minimal likelihood of a reversion in trade outlook, the adjustment program implementation needs improvement. Business and government engagement is critical in order to establish the right future skills to address the future challenges.



Extent of Anti-Globalization

The Philippines has a positive acceptance among most citizens, engaged politicians generally supporting openness. Interviewee comments are mostly positive about sentiment in society and government but noted some growing opposition.

Inclusive Growth

The costs and consequences of globalization and technological progress have not been managed effectively by the existing adjustment policies. Unequal access to opportunities as well as income inequality has been increasing, especially in the islands and rural areas outside of Manila.

Understanding of the Narrative

The Philippines must demonstrate credibility and translate better what is actually happening so every citizen can understand both government and business strategy. Everyone should be educated about globalization basics.



Effectiveness of Adjustment Programs

There are policies to mitigate the adjustment costs but their effectiveness has not been satisfactory. Adjustment programs tend to be for specific sectors only and they aren't very clear or popular.

Trust in Government

Tripartite discussions have been proposed and integrated but the labor force needs to be certain that their jobs won't be displaced and that the government will create and communicate programs to adjust successfully.



Trust in Business

Since there are big differences between the rich and the poor, people are voicing their opinions and distrust in business' capabilities to foster inclusive growth.

Willingness of Business to Engage

Businesses acknowledge that they have some responsibility but the government has to look at policy reform to create more programs that benefit the majority of the population.

Business Optimism

Businesses are willing to engage and work with labor and government moving forward. The Philippines is being recognized in global value chains and businesses are willing to work together to increase trade and connectivity. Business executives and leaders are aware of the benefits of openness and want to let them trickle down to the employees and labor unions.



Preparedness for Future Challenges

The Philippines is still pretty far behind in terms of infrastructure and providing connectivity to everyone so it will be hard to catch up as technology and globalization continue to move so fast.

Likelihood of a Trigger

Slight social discontent but overall a relatively low chance of populist uprising against globalization, trade, and technological progress in the next 5 years. One of the biggest fears is business process outsourcing/call centers becoming automated since that could decrease jobs, causing protest.

Severely Negative



Significantly Positive

The Republic of The Philippines

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	7.1	16
Income GINI (in %)	41.7	12
Poverty Rate (in %)	37.6	N/A
Wealth GINI (in %)	83.4	13
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	3.1	14
GDP Spend on Social Protection (in %)	1.6	17
Social Safety Net*	3.1	15
Quality of Vocational Training*	4.4	9

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	3.6	17
Business and Political Ethics*	3.1	16
Ease of Doing Business (World Rank)	99	20
Basic and Digital Infrastructure*	3.6	17

Demographics

	Value	APEC Rank
Education and Skills*	4.4	15
Ease of Finding Skilled Employees*	4.5	12
Employment and Labor Compensation*	4.1	15
Youth Unemployment (in %)	15.7	14

Top 3 Future Challenges

1. Economic Nationalism—Regulations restricting the movement of people
2. Economic Nationalism—Increasing non-tariff barriers
3. Industrial Revolution 4.0

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Business Ecosystems—Supporting start-ups and entrepreneurs
3. Narrative—Better communicate the benefits of trade, globalization, and technological progress to all

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Papua New Guinea

120

A developing economy Papua New Guinea is experiencing growing pains as they actively seek to become more economically integrated in the APEC region. Business leaders, however, have a strong sense of awareness around the areas where the economy can improve and promote inclusive growth.



Extent of Anti-Globalization

Papua New Guinea's resource-rich economy has 6 FTAs and primarily trades with economies in the Asia-Pacific region and Europe. From 2014-2016, trade accounted for 30.9% of the economy's GDP.

Inclusive Growth

The key challenge for Papua New Guinea will be rebalancing the government provided tax concessions given to multinational companies and revenue for social programs that improve the standard of living for citizens.

Understanding of the Narrative

Business and government leaders in Papua New Guinea have a sensible awareness of the narrative around TTG but have not yet begun to create adjustment programs that address future issues.

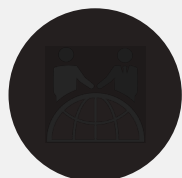


Effectiveness of Adjustment Programs

The Department of Labour and Industrial Relations is currently being overhauled after the agency came under scrutiny for mismanagement.

Trust in Government

Citizens and permanent residents have tenuous trust in government institutions due to a lack of overall transparency.



Trust in Business

Multinational companies have created and led initiatives that help to build the workforce and MSMEs. However, there is still a lack of trust in business to be a true steward of the community.

Willingness of Business to Engage

In the perceived void of comprehensive government programs that target inclusive growth, businesses have stepped up to fund programs that increase the ease of doing business in Papua New Guinea.

Business Optimism

The abundance of resources and opportunities for existing firms to grow have sparked optimism but the business environment remains challenging. Additional collaboration between business and government is needed to create a stronger foundation for sustained economic growth.



Preparedness for Future Challenges

Government and business leaders are primarily focused on addressing current issues and have not had the capacity to fully prepare for future challenges.

Likelihood of a Trigger

There is social discontent among citizens for the perceived lack of economic opportunities.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	N/A	N/A
Income GINI (in %)	50.9	19
Poverty Rate (in %)	39.9	N/A
Wealth GINI (in %)	N/A	N/A
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	N/A	N/A
GDP Spend on Social Protection (in %)	N/A	N/A
Social Safety Net*	N/A	N/A
Quality of Vocational Training*	N/A	N/A

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	N/A	N/A
Business and Political Ethics*	N/A	N/A
Ease of Doing Business (World Rank)	119	21
Basic and Digital Infrastructure*	-	

Demographics

	Value	APEC Rank
Education and Skills*	N/A	N/A
Ease of Finding Skilled Employees*	N/A	N/A
Employment and Labor Compensation*	N/A	N/A
Youth Unemployment (in %)	5.4	2

Top 3 Future Challenges

1. Economic Nationalism—Regulations restricting the movement of people
2. Global Value Chains—Outsourcing of higher skilled labor
3. Industrial Revolution 4.0

Top 3 Future Solutions

1. Education—Move towards education that prioritizes critical thinking
2. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
3. Business Ecosystems—More engagement between government, business, NGOs, labor, social enterprise

Bottom Ranked

17-21

13-16

9-12

5-8

1-4




Top Ranked

* On a scale of 1 to 7

The Russian Federation

1 2 2

The following rankings were based largely on secondary data, primarily the World Economic Forum's 2016 Inclusive Growth and Development Report. The World Economic Forum's study closely parallels the inclusive growth research objective of this year's ABAC research project and is therefore considered a relative measure to determine the following rankings.

	Extent of Anti-Globalization	Government and business leaders acknowledge the importance of international trade to their economy and are supportive of international trade agreements, particularly with regards to oil exports. Overall, the economy can show reservation towards entering many trade agreements.
	Inclusive Growth	Per the World Economic Forum, the Russian Federation ranks 4.14 (1 is the worst and 7 is the best) on its overall inclusive growth scale. The economy's Wealth GINI is ranked 92.3 (1 is perfect equality and 100 is complete inequality).
	Understanding of the Narrative	Business and government leaders understand the benefits of international trade for the economy's development but agree more can be done to communicate the benefits throughout the economy.
	Effectiveness of Adjustment Programs	Per the World Economic Forum, the Russian Federation ranks 3.38 (1 is extremely inefficient and 7 is extremely efficient) in distributing public goods and services. The economy ranks 3.47 for social safety net protection (1 is not at all and 7 is full protection). Social protection describes the extent to which an economy provides protection from economic insecurity.
	Trust in Government	Per the World Economic Forum, public trust in politicians is 3.34 (1 is extremely low and 7 is extremely high).
	Trust in Business	Per the World Economic Forum, ethical behavior of firms is ranked 3.92 (1 is the worst and 7 is the best).
	Willingness of Business to Engage	With regards to employer and labor union relations in the Russian Federation, the World Economic Forum ranks the economy 4.09 (1 is generally confrontational and 7 is generally cooperative). Secondary information to support business involvement in inclusive growth was limited.
	Business Optimism	Business understands the importance of international trade for continued economic growth and expects increased global connectivity. Business is confident revenues and hiring will increase with continued global development.
	Preparedness for Future Challenges	Per the World Economic Forum, the economy's basic and digital infrastructure is ranked 5.12 (1 is the worst and 7 is the best). Additionally, its health services and infrastructure is ranked 5.03 (1 is poor and 7 is excellent). The economy's ranking to retain necessary talent is 3.32 (1 is top talent leaves to pursue other opportunities and 7 is talent stays in-economy).
	Likelihood of a Trigger	Through secondary research and in accordance with the ranking rubric, there is slight social discontent with the natural economic influence of global connectivity but overall a relatively low chance of populist uprising against globalization, trade, and technological progress in the next 5 years.



The Russian Federation

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	8.7	15
Income GINI (in %)	32.8	5
Poverty Rate (in %)	0.5	N/A
Wealth GINI (in %)	92.3	17
Social Inclusion (in %)	79.5	3

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.5	7
GDP Spend on Social Protection (in %)	16.0	6
Social Safety Net*	3.5	14
Quality of Vocational Training*	4.1	13

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.7	9
Business and Political Ethics*	3.4	13
Ease of Doing Business (World Rank)	40	11
Basic and Digital Infrastructure*	5.2	6

Demographics

	Value	APEC Rank
Education and Skills*	5.3	8
Ease of Finding Skilled Employees*	3.8	17
Employment and Labor Compensation*	5	2
Youth Unemployment (in %)	13.7	11

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Increasing non-tariff barriers
3. Economic Nationalism—Rejection of collective cross-economy action on global challenges

Top 3 Future Solutions

1. Wealth Distribution—Force fairness and inclusiveness of income and wealth on the political agenda
2. Business Ecosystems—Supporting start-ups and entrepreneurs
3. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Singapore

Singapore has historically demonstrated how economic integration can bring widespread benefits. While there is still an undercurrent of tension around immigration and the competition for jobs, government and business leaders are taking a forward-looking approach to life-long learning programs for their citizens.



Extent of Anti-Globalization

Global trade has historically been a driver for Singapore's economy. A proponent of globalization, Singapore has an extensive network of 32 trading partners with 21 FTAs. In 2016, trade accounted for 318.42% of the economy's GDP. All interviews agreed that trade will remain crucial for the growth of Singapore's economy.

Inclusive Growth

Meritocracy and social mobility are policy priorities towards an inclusive society in Singapore. Median monthly household income from work grew by 2.6% in real terms in 2016. Although the Gini coefficient declined to 0.458 in 2016, the lowest for Singapore in a decade, it is still among the highest in the APEC region, especially for an advanced economy.

Understanding of the Narrative

Business and government leaders in Singapore have started to reassess the narrative around technological progress, trade and globalization and over recent years began interweaving this mindset throughout a variety of their adjustment programs.



Effectiveness of Adjustment Programs

Singapore is in the process of ramping up long-term, multi-faceted structural adjustment programs and initiatives. The economy looks forward to seeing positive outcomes to the 2014 SkillsFuture movement, a life-long learning program. However, current employment figures do not yet reflect these intended improvements to social development and workforce employability.

Trust in Government

Citizens have high public trust in the political process. They have strong trust in government to formulate and execute the policies that affect their well-being. This trust has enabled citizens to effectively voice their discontent through the ballot box and have their concerns efficiently addressed.



Trust in Business

Singapore's industrial relations strategy is based on tripartism around Trade Associations and Chambers (TACs), unions, enterprises and individuals. The stakeholders involved are empowered to collaborate on mutually beneficial approaches to tackling challenges. TACs are valuable multipliers, leading industry-level initiatives and supporting enterprises to scale up and make inroads in overseas markets.

Willingness of Business to Engage

Businesses in Singapore are encouraged to work closely with the Government to create even more vibrant and sustainable programs that are not constrained by borders.



Business Optimism

Overall, business remains relatively optimistic. However, multinational companies have some concerns over policy changes that have occurred over the past decade that restricting their hiring and movement of people throughout the region. Furthermore, MSMEs have voiced a need for additional programs and support for financial inclusion.

Preparedness for Future Challenges

Singapore set up the Committee on the Future Economy (CFE) with members from both business and government. CFE identifies strategies that will keep Singapore's economy competitive in the global market, especially in the areas of technology, labor and global trade.

Likelihood of a Trigger

Citizens effectively signaled their discontent in the 2011 election when they used the ballot box to diminish the long term ruling party, People's Action Party (PAP). With effective change of policies, the PAP secured a strong mandate with a popular vote share of 69.9% at the last election.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	65.6	3
Income GINI (in %)	40.9	11
Poverty Rate (in %)	N/A	N/A
Wealth GINI (in %)	74.0	6
Social Inclusion (in %)	74.8	6

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.2	8
GDP Spend on Social Protection (in %)	2.8	15
Social Safety Net*	4.3	8
Quality of Vocational Training*	5.6	1

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	5.8	3
Business and Political Ethics*	6.2	2
Ease of Doing Business (World Rank)	2	2
Basic and Digital Infrastructure*	5.8	1

Demographics

	Value	APEC Rank
Education and Skills*	5.7	2
Ease of Finding Skilled Employees*	5.1	5
Employment and Labor Compensation*	5.2	1
Youth Unemployment (in %)	7.0	4

Top 3 Future Challenges

1. Global Value Chains—Increased outsourcing of services and manufacturing jobs
2. Industrial Revolution 4.0
3. Economic Nationalism—Increased complexity in cross-border trade from bilateral approaches

Top 3 Future Solutions

1. Education—Shorter, more job-specific training programs
2. Education—Move towards education that prioritizes critical thinking
3. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Chinese Taipei

Chinese Taipei has historically been innovative and open to foreign markets, though it is fighting an uphill battle against the “Made in Taiwan” image with the associated low costs. Strides are being made to position the economy as a leader in industries of the future, but they may face a human capital problem.



Extent of Anti-Globalization

As one executive stated, “Chinese Taipei is what it is because we have not isolated ourselves.” On the other hand, some small businesses want a “semi-globalization” approach to help local businesses stay competitive. Since the economy is not considered independent, many feel as if they are left out of the competitive advantage FTAs afford.

Inclusive Growth

Interviewees cited an “M shape of income distribution” similar to other advanced nations. On the positive end, home ownership is very high, which will give future generations wealth to inherit. This can provide a cushion as younger generations experience stagnating wages.

Understanding of the Narrative

Over 60% of respondents believe that better communicating the benefits of trade, globalization, and technological progress will make a difference. For the most part, business, government, labor and nonprofits are in favor of globalization, but its a matter of how it is managed, especially in relation to China.



Effectiveness of Adjustment Programs

Many interviewees cited the single-payer universal basic healthcare system a major source of security and equity. As the population ages, the economy is concerned about social security. As the nature of jobs evolves, with more people freelancing and contracting, social safety nets will need to change.

Trust in Government

According to our survey, 73% of respondents believe there is distrust in government. Some interviewees already working in Industry 4.0 don't believe the government is investing in the industries of the future. Others advocate for more data transparency and more agility to the needs of business.



Trust in Business

According to our survey, only 36% of respondents believe there is distrust in business. As Chinese Taipei is made up of many small businesses, there is a stronger trust relationship.

Willingness of Business to Engage

There is a perception that business and government should equally lead jobs and skills training. Interviewees supported this notion. Large multinational corporations cited jobs skill training programs in conjunction with government. The economy has also experienced rapid growth of social enterprises.

Business Optimism

Most business respondents were confident in seeing increased revenue growth, cross-border activity, an increase in capital investments and more indications that the global market will continue to expand. There is a major concern with talent leaving the economy for other opportunities that could potentially harm growth.



Preparedness for Future Challenges

The economy is investing in becoming an expert at supply chain management of the future. This means incorporating software and service with the longheld reputation in affordable, quality hardware. These future challenges will need to be met with a rapidly changing workforce and inspite of talent often leaving to work elsewhere.

Likelihood of a Trigger

While 50% of respondents did not think a populist movement was likely, 50% said it is somewhat to extremely likely. In 2014, students in the Sunflower Movement protested against an FTA deal with China, demanding transparency. Any populist uprising will most likely deal with relations with China, as opposed to isolationism.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	N/A	N/A
Income GINI (in %)	33.6	6
Poverty Rate (in %)	1.5	N/A
Wealth GINI (in %)	N/A	N/A
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	N/A	N/A
GDP Spend on Social Protection (in %)	3.48	13
Social Safety Net*	N/A	N/A
Quality of Vocational Training*	N/A	N/A

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	N/A	N/A
Business and Political Ethics*	N/A	N/A
Ease of Doing Business (World Rank)	11	6
Basic and Digital Infrastructure*	N/A	N/A

Demographics

	Value	APEC Rank
Education and Skills*	N/A	N/A
Ease of Finding Skilled Employees*	N/A	N/A
Employment and Labor Compensation*	N/A	N/A
Youth Unemployment (in %)	13.18	11

Top 3 Future Challenges

1. Economic Nationalism—Increased complexity in cross-border trade from bilateral approaches
2. Economic Nationalism—Increasing non-tariff barriers
3. Economic Nationalism—Rejection of collective cross-economy action on global challenges

Top 3 Future Solutions

1. Narrative—Promote individual responsibility in accessing opportunities
2. Wealth Distribution—Emphasize policies and programs that improve access to economic opportunity
3. Narrative—Better communicate the benefits of trade, globalization, and technological progress to all



* On a scale of 1 to 7

Thailand

Thailand has been battling stagnant GDP growth over the past 5 years. High inequality, political uncertainty, a year-long period of mourning, and an aging population are placing high stress on Thailand's economic system. Mitigating the decline of the working age population and enhancing the productivity of the shrinking labor force will be a priority, so Thailand is focusing its efforts on Thailand 4.0, its Industrial Revolution 4.0 initiative.



Extent of Anti-Globalization

Thailand has 23 active FTAs and has a positive trade balance of 36.6 in 2016. The economy's largest trade partners are United States, China, Japan, and Hong Kong. Thailand's world class medical industry is a strong example of the benefits of globalization. Thailand participates in a number of trade organizations including WTO, APEC, IOR-ARC-, and ASEAN.

Inclusive Growth

Thailand has rolled out an affordable national healthcare program. However, typically lower income households are the main users of the plan and many of Thailand's premier hospitals do not participate in the program. Also, Thailand has implemented several unsuccessful subsidy programs, such as rice buyback and first-car buyer schemes, that have handicapped the Thai economy.

Understanding of the Narrative

As a primary beneficiary of globalization, Thailand largely recognizes the benefits of globalization in both day-to-day life and business.

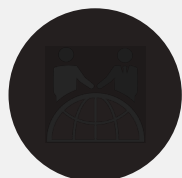


Effectiveness of Adjustment Programs

While there are national vocational training programs, many are actually driven by NGOs and businesses. Quality and accessibility of these programs is inconsistent and insufficient. There is little in terms of job displacement insurance.

Trust in Government

Presently, there is a lack of clarity on the future direction of the government. The current military junta has promised to transition to a democracy, but the timeline is unclear. Unstable politics and poor economic program execution has resulted in stagnant economic growth, resulting in Thailand falling behind many of its ASEAN peers.



Trust in Business

While there is a lack of trust in the Thai government, trust in business is strong. Business has been successful at propelling several industries forward including tourism and healthcare.

Willingness of Business to Engage

Businesses recognize the need for greater cooperation with government to shape economic direction and to build the educational foundation of the future.

Business Optimism

Overall, businesses are optimistic about future growth and opportunity, but there is concern over the direction of the government and import/export restrictions on non-key agricultural products.



Preparedness for Future Challenges

Thailand is emphasizing Thailand 4.0, its Industrial Revolution 4.0 initiative, but lacks the human capital and education system needed to transform the economy.

Likelihood of a Trigger

While there is presently social stability, lack of clarity into the future of Thailand's government increases the likelihood of a social uprising which would impact globalization, trade, and technological progress over the next 5 years.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	6.5	18
Income GINI (in %)	44.5	14
Poverty Rate (in %)	0.9	N/A
Wealth GINI (in %)	85.9	15
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	4	9
GDP Spend on Social Protection (in %)	7.2	10
Social Safety Net*	3.9	10
Quality of Vocational Training*	3.9	16

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	3.9	15
Business and Political Ethics*	3.3	14
Ease of Doing Business (World Rank)	46	12
Basic and Digital Infrastructure*	4.5	14

Demographics

	Value	APEC Rank
Education and Skills*	4.9	10
Ease of Finding Skilled Employees*	3.9	15
Employment and Labor Compensation*	4.4	9
Youth Unemployment (in %)	3.4	1

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Economic Nationalism—Increasing non-tariff barriers
3. Economic Nationalism—Regulations restricting the movement of people

Top 3 Future Solutions

1. Narrative—Better communicate the benefits of trade, globalization, and technological progress to all
2. Promote individual responsibility in accessing opportunities
3. Business Ecosystems—Supporting start-ups and entrepreneurs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

United States

The United States has seen a shift towards trade protectionism. Populist political rhetoric has focused on an “America First” message which has specifically targeted multilateral trade agreements, offshoring and immigration. Public opinion is deeply divided on the way forward for globalization.



Extent of Anti-Globalization

The United States is divided by its focus on immigration issues and offshoring, particularly in the manufacturing sector. While the U.S. continues to support trade, there are shifts in public discourse on tariffs and penalties, and other issues that have been affected by globalization. Currently, there is a significant anti-globalization sentiment actively shared on social media.

Inclusive Growth

There is uneven distribution of the benefits of globalization amongst the population in the U.S. and particularly affects the areas of the economy that rely heavily on manufacturing. Growing income disparity and the lack of adjustment policies have further exacerbated the problem. Among OECD economies, U.S. ranks poorly on inclusiveness metrics.

Understanding of the Narrative

It is difficult to offer an overall assessment for the US. The educated population understand the narrative well, hence a green, alternatively large portions of the US population have a poor understanding about the economics of trade and globalization, hence a red. Significant segments of the US disproportionately blame trade for their frustrations, due to public rhetoric by motivated parties such as unions, social media commentators for alternative purposes.

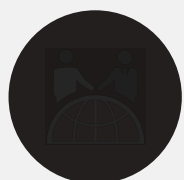


Effectiveness of Adjustment Programs

U.S. adjustment programs rank relatively poorly among OECD economies. U.S. faces a serious challenge of cross-government agency coordination in directing resources to segments of economy adversely impacted. Additionally, jurisdictional conflicts between Federal and State agencies, which has led to ineffective implementation of adjustment programs.

Trust in Government

Across segments of the population, there is rising frustration with government agencies to create effective policies to deal with societal problems. Rising inequality has led to anti-establishment sentiment, particularly among lower socio-economic sectors. Government agencies are considered inefficient, and out-of-touch with the needs of the broader US population.



Trust in Business

Large segments have high levels of distrust for US businesses - they believe business is focused only on investors' own interests and not on workers and communities. Many US businesses have been leaders in off-shoring and automation, which has created high levels of job loss and insecurity among workers, contributing to an overall high level of distrust.

Willingness of Business to Engage

There are some businesses who are willing to step in to help the communities and have done so, but this has not been acted upon in a collective way. Additionally, interviewees noted that there is no collective action working to bring governments and businesses together to make an impact.

Business Optimism

US businesses are highly optimistic about opportunities in US and global markets. US business benefits from the largest single market in the world and perceives an optimistic future for growth. Additionally, US business continues to expand all elements of their supply chains, including both high and low-skilled activities to best of breed partners around the world.



Preparedness for Future Challenges

While the US possesses some of the best tertiary institutions in the world, which are at the cutting edge of skills and capability development, basic education at primary and secondary level lag substantially. Major improvements in curriculum emphasising STEM and focusing on future skills are needed. The rate of technological change is impacting policy-makers ability to create forward looking labor market policies.

Likelihood of a Trigger

Social discontent is high and increasingly divided amongst social and income groups. Since the 2016 elections, there have been more general aggressive questioning of the current economic model and stronger voices presenting anti-globalization views. In many sectors, there has been an emergence of different forms of nationalism.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	59.0	4
Income GINI (in %)	37.0	8
Poverty Rate (in %)	17.5	N/A
Wealth GINI (in %)	86.2	16
Social Inclusion (in %)	73.0	8

Adjustment Policies

	Value	APEC Rank
Social Protection*	4.7	5
GDP Spend on Social Protection (in %)	19.9	3
Social Safety Net*	4.8	6
Quality of Vocational Training*	5.1	5

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	6.0	1
Business and Political Ethics*	4.7	6
Ease of Doing Business (World Rank)	8	5
Basic and Digital Infrastructure*	5.5	2

Demographics

	Value	APEC Rank
Education and Skills*	5.6	6
Ease of Finding Skilled Employees*	5.4	1
Employment and Labor Compensation*	4.1	16
Youth Unemployment (in %)	13.4	9

Top 3 Future Challenges

1. Economic Nationalism—Regulations restricting the movement of people
2. Economic Nationalism—Rejection of collective cross-economy action on global challenges
3. Economic Nationalism—Increased complexity in cross-border trade from bilateral approaches

Top 3 Future Solutions

1. Education—Shorter, more job-specific training programs
2. Education—Move towards education that prioritizes critical thinking
3. Business Ecosystems—Supporting start-ups and entrepreneurs

Bottom Ranked

17-21

13-16

9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7

Viet Nam

132

One of the fastest growing economies in the world, Vietnam has averaged 6% annual GDP growth since the 2000s. It has evolved into a middle-income economy, but there are substantial differences in economic conditions by province and ethnic group. Cheap labor is a big competitive advantage, but as the cost of doing business increases, continued modernization of agriculture will be key as labor intensive processes will move elsewhere.



Extent of Anti-Globalization

Vietnam has 16 active FTAs and has a positive trade balance of 2.1 in 2016. The economy's largest trade partners are China, United States, Japan, and Republic of Korea. Vietnam participates in a number of trade organizations including AFTA, WTO, APEC, ASEAN, and FAO.

Inclusive Growth

Effectiveness of social policies is inconsistent. Positives include a literacy rate above 94 % and an affordable national healthcare plan with over 80% participation by the Vietnamese population. However, there are substantial differences in economic conditions by province and ethnic group. There is also significant inequality of opportunity between the very wealthy and most Vietnamese citizens.

Understanding of the Narrative

As a primary beneficiary of globalization, Vietnam largely recognizes the benefits of globalization in both day-to-day life and business.



Effectiveness of Adjustment Programs

While there are adjustment programs in existence (vocational training, trade schools, etc.), their effectiveness is dampened because very few have access to the free training programs.

Trust in Government

There is a general mistrust towards the government as businesses and individuals are concerned about corruption.



Trust in Business

The mistrust towards government trickles down to businesses, although to a lesser extent, because of the government's control over strategic industries.

Willingness of Business to Engage

Business recognizes the need for greater cooperation with government to shape economic direction and to build the educational foundation of the future.

Business Optimism

Business believes growth will continue into the foreseeable future. While local businesses are feeling lightly threatened by the entry of global MNCs into the Vietnamese business landscape, businesses are still confident there is ample opportunity for growth and partnerships.



Preparedness for Future Challenges

While literacy is high, there is a widespread lack of confidence in the education system, which enforces historical rhetoric that many feel does not promote career readiness. Furthermore, lack of technical talent will slow Industrial Revolution 4.0 developments.

Likelihood of a Trigger

Overall there is social stability and no likelihood of populist uprising against globalization, trade, and technological progress over the next 5 years. There is expected to be emphasis on globalization in the short-term.

Severely Negative



Significantly Positive

Inclusion

	Value	APEC Rank
Median Income (\$'000s)	3.8	19
Income GINI (in %)	37.9	9
Poverty Rate (in %)	12.0	N/A
Wealth GINI (in %)	74.8	7
Social Inclusion (in %)	N/A	N/A

Adjustment Policies

	Value	APEC Rank
Social Protection*	2.9	16
GDP Spend on Social Protection (in %)	N/A	N/A
Social Safety Net*	3.7	12
Quality of Vocational Training*	3.6	17

Synergistic Communities

	Value	APEC Rank
Small Business Ownership*	4.1	13
Business and Political Ethics*	3.4	12
Ease of Doing Business (World Rank)	82	18
Basic and Digital Infrastructure*	4.6	13

Demographics

	Value	APEC Rank
Education and Skills*	4.6	13
Ease of Finding Skilled Employees*	3.9	15
Employment and Labor Compensation*	4.8	3
Youth Unemployment (in %)	6.0	3

Top 3 Future Challenges

1. Industrial Revolution 4.0
2. Global Value Chains—Increased outsourcing of services and manufacturing jobs
3. Global Value Chains—Outsourcing of higher skilled labor

Top 3 Future Solutions

1. Business Ecosystems—More engagement between government, business, NGOs, labor, social enterprise
2. Business Ecosystems—Supporting start-ups and entrepreneurs
3. Education—Move towards education that prioritizes critical thinking

Bottom Ranked

17-21

13-16

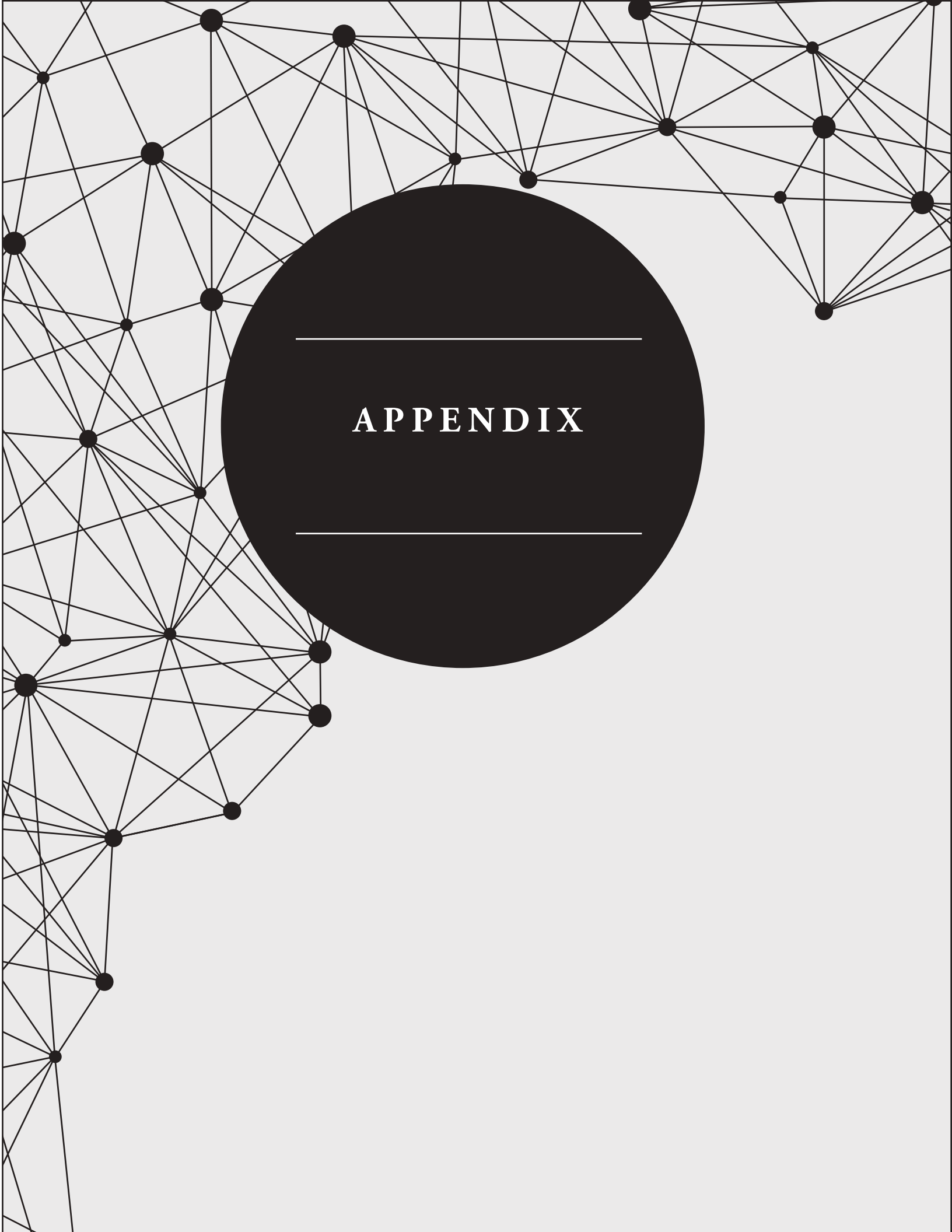
9-12

5-8

1-4

Top Ranked

* On a scale of 1 to 7



APPENDIX

Limited Research Scope

The explicit purpose of this report is capture the concerns from APEC businesses on the changing nature and narrative of globalization, trade, and technological progress, and how it compares to government, and labor perspectives. This study is intentionally a field research project predicated on interviews, and limited to conditions in the 2017 project period. This report is not intended to substitute existing econometric studies. Rather, it is an exposé that illustrates the perspectives reported by individuals, industries, and economies.

The validity and generalizability of any and all findings and conclusions of this report is constrained by the quality and knowledge of set of business executives, government officials, nonprofit and thought leaders available for interview. The team made every attempt to account for perspectives across all economies, as well as the ABAC and APEC Secretariats, to interview a representative sample of business executives and “multipliers.” However, the findings of the report are directly limited to the quality and comprehensiveness of the information received from the interviews.

Limited numbers of interviews were obtained in Brunei and Russia and limited questionnaire responses with Indonesia, Malaysia, Papua New Guinea, Russia, Singapore, . For these economies substantial use of secondary information was used to complement the data received during the few interviews completed in each of these economies.

Twelve researchers and a faculty advisor conducted research and analysis. In most cases, one interviewer conducted all or a majority of the interviews within each economy. Larger economies were assigned multiple researchers. Interviewees were identified through connections through APEC or USC, cold outreach, and referrals.

Whether the project scope captures a fair sample of executive opinions across APEC economies is open to interpretation. The findings in the report are based primarily on repeated themes, and consistently identified barriers and impediments. The team acknowledges that qualitative frequency analysis forms the foundation of the findings, which is a major limitation of this study.

Participating Organizations

7-11 Corporate	Bamboo Capital	CUHK APEC Study Center
Accenture	Bell Potter Securities Limited	<i>Deloitte</i>
Action for Economic Reforms	Bolsa de Comercio de Santiago	<i>Department of Foreign Affairs and Trade, Australia</i>
AmBank Group	BTM Financial LLC	<i>Department of Trade and Industry - Bureau of International Trade Relations, Philippines</i>
America Indochina Management Ltd	Business Council of Papua New Guinea	<i>Department of Trade and Industry - Bureau of SME Development, Philippines</i>
Ananda Development Public Company Limited	Business New Zealand - Manufacturing NZ	<i>Department of Trade and Industry - Competitiveness Bureau, Philippines</i>
ANZCO Foods	Celulosa Arauco y Constitución S.A.	<i>Department of Trade Commerce and Industry (DTCI), Papua New Guinea</i>
APEC Affairs Task Force, Multilateral Trade Affairs Division, Bureau of Foreign Trade, Ministry of Economic Affairs	Center for International Studies UC	<i>dev.f</i>
APEC Malaysia E-commerce Conference	Center of Economic Studies of the Private Sector (CEESP)	<i>DIRECON</i>
Asian Trade Centre (ATC)	Chilean Foundation of the Pacific	DUOC UC
Asociación de Gremios Productores Agrarios del Perú - AGAP	Chinese Manufacturers' Association of Hong Kong	Eastern Broadcasting Company and WI Partner Group
Auckland Chamber of Commerce	Cisco	Employers' and Manufacturers' Association (EMA) Northern
Auckland Tourism, Events & Economic Development	Coca-Cola FEMSA	EUREKA CO. LTD
Auckland University	CoffeeWorks	Federation of Hong Kong Industries
Austrade	COMCE	Federation of Malaysian Manufacturers
Australian APEC Study Centre	COMEXI	Fingerplus
Australian Financial Review	Comisión Federal de Competencia Económica - COFECE	Fonterra
Australian Industry Group	Communitech	Foreign Trade Society of Peru - ComexPeru
Australian Services Union	CONFIEP	Fubon Financial Holding Co., Ltd.
Ayala Land Inc.	Council of Small Business Australia	Fundación Chilena del Pacífico
Baker McKenzie	CTE TECH Corp.	G&S Global Advisors Inc.

General Assembly	Intel	Korean International Trade Association (KITA)
GIC Private Limited	International Center for Development in Islamic Finance	KYB Corporation
Global Affairs Canada	International Education Association of Australia	KYOEI HIGH OPT Co.,Ltd
Global Technologies Ltd	International Enterprise (IE) Singapore	Lan Kwai Fong Group
Grupo Raffo	International Labour Organization	Laxan Corporation
GS1 Global Office	InterTrust Head Hunting	Li & Fung Limited
Holmsgreen Holdings Co., Ltd.	Inversiones Torca Ltda.	Lima Chamber of Commerce - CCL
Hong Kong Efficiency Unit	Invest Ottawa	LVK Group of Companies
Hong Kong Employees Retraining Board	Iron Duke Partners	Makati Business Club
Hong Kong General Chamber of Commerce	J.P. Morgan in Australia & New Zealand	Malaysian International Chamber of Commerce & Industry (MICCI), Malaysia
Hong Kong Trade and Industry Department	Japan Association of Corporate Executives	Malaysian Palm Oil Board
Hong Kong Trade Development Council	Japan Federation of Hire-Taxi Associations	Manufacturers Council of Papua New Guinea
Hong Kong-APEC Trade Policy Study Group Limited	Japanese Agricultural Cooperatives	Manufacturing Industry, Science and Technology Section, Economic Planning Unit, Malaysia
Ideaspace	Japanese Trade Union Confederation	Mendicant Group
IMI International	Jardine Matheson Holdings Limited	Microsoft
INADEM - National Institute of Entrepreneurs	Jeffrey Frankel, Harvard	Milken Institute
Industrial Technology Research Institute	JG Summit Holdings Inc.	Ministry of Economy, Trade and Industry
Information Technology and Innovation Foundation	KAIST	Ministry of Foreign Affairs of Chile
Institute of Malaysian & International Studies (IKMAS)	Keidanren	Ministry of Foreign Affairs of Japan
Institute of Strategic & International Studies (ISIS) Malaysia	Kenan Institute Asia	Ministry of Foreign Affairs Republic of Indonesia
Instituto Mexicano para la Competitividad (IMCO)	Kinross Minera Chile Ltda.	Ministry of Foreign Affairs, Republic of China

Ministry of International Trade and Industry, Malaysia	New Zealand Treasury	Reshoring Initiative
Ministry of Trade and Industry Singapore (MTI)	Nippon Telegraph and Telephone East Corporation	RICOH Company, Ltd.
Ministry of Trade and Tourism of Peru - MINCETUR	Nomura Research Institute, Ltd.	RM Capital Partners
Ministry of Trade Republic of Indonesia	NX Ramen	SAI Derecho & Economía
Mitr Phol Group / Thai Chamber Commerce	NZ Inc Strategies	SaiGon3 Garment Joint Stock Company
Mitsubishi Heavy Industries, Ltd.	Pacific Economic Cooperation Council	Sammy Chang
Mitsubishi Research Institute, Inc.	Panasonic Corporation	Santiago Times
MITSUI & CO., LTD.	Parliament of Australia	Sarus Capital
Mizuho Research Institute Ltd.	Parliament of Victoria	Scotiabank - Peru
Monetary Authority of Singapore (MAS)	PCHome	SE Lab
Mr. James Shaw	PECC New Zealand	Seagate Technology (Thailand) Ltd
Nafoods Group	Philippine Association of Service Exporters Inc.	Secretaría de Economía
Nanyang Technological University, Singapore	Philippine Exporters Confederation	Secretaría de Economía
National Development Council	Piaggio	SENSEI PLACE, Inc
National Information and Communications Technology Authority (NICTA)	PIKOM The National ICT Association of Malaysia	Seoul National University
National Institute of Advanced Industrial Science and Technology	PNG Chamber of Mines and Petroleum	Singapore Press Holdings
National Union of Bank Employees	PricewaterhouseCoopers México	Singapore University of Technology & Design
Nearshore Americas	ProChile	SPH Media Fund
Nearshore Delivery Solutions	ProMéxico	Sunwah Group
New Zealand Institute of Economic Research	PwC	Taiwan Labor Front
New Zealand Ministry of Foreign Affairs and Trade	Render Farm Studios	Taiwan—USA Industrial Cooperation Promotion Office

Target DDI Chile	US-ASEAN Business Council
Tecnologico de Monterrey	Vega Corporation
Thai Bankers' Association	Victoria University
Thai Chamber of Commerce	Vietnam Trade Alliance
Thailand Board of Trade	Wesfarmers Limited
The Competitiveness Intelligence Unit	Wolverine Korea Ltd.
The Dairy Companies Association of New Zealand	World Bank
<i>The Federation of Thai Industries</i>	World Economic Forum
The Pivotal Point	World Trade Organization
Think Thank of the New Power Party, Chinese Taipei	World Vision International, Papua New Guinea
TIPS Town	
Top Glove	
<i>Toyota Australia</i>	
TV Plus	
UNAM	
<i>UNI Global Union</i>	
Universidad de Chile -Instituto de estudios internacionales	
University of Michigan Ross School of Business	
University of Philippines	
Uppsala University/London School of Economics	
<i>US Embassy and Consulate in Thailand</i>	
US Embassy in Australia	
<i>US Embassy in Hanoi</i>	

THE RESEARCH TEAM



*Christina Baggao | United States | Co-Lead
Researcher for Singapore and Papua New Guinea*

Christina holds a Bachelor of Arts in Political Science from the University of California, Santa Barbara. She brings over seven years of experience in the nonprofit sector working on federal economic development programs and social enterprises. Upon receiving her MBA, Christina will pursue a career in the consulting industry.



*Matthew Fargotstein | United States | Co-Lead
Researcher for Malaysia and The Russian Federation*

Matt has over six years of experience as an international expansion consultant helping companies enter new markets and scale operations overseas. He graduated with a bachelor's degree in Finance from the University of San Diego and after earning his MBA, he will pursue a global strategy role within the e-commerce sector.



*Jessica Gelzer | United States | Project Manager
Researcher for Chinese Taipei and Republic of Korea*

Jessica graduated Phi Beta Kappa from Occidental College with a degree in Urban and Environmental Policy. Throughout her career, she's developed communications and advocacy campaigns to move the needle of public opinion on issues related to healthcare, the environment, economic justice and other leading social issues. She is currently a Brittingham Lab MBA Society and Business Fellow. After earning her MBA, she hopes to work at the intersection of business and social impact.



*Sze Yen Chan | Singapore
Researcher for The People's Republic of China and The United States*

Sze Yen graduated with a bachelor's degree in Psychology and Asian Studies from the University of Michigan, Ann Arbor. Prior to business school, she worked in Singapore as an account manager in advertising, working across industries on branding strategy and creative campaigns. After earning her MBA, she hopes to work in marketing and strategy within the luxury industry.



*David Chillura | United States
Researcher for New Zealand and Australia*

David graduated from Georgetown University with a degree in Business Management. He has experience in a number of industries, notably financial services and nonprofit. Additionally, he did his internship in consulting and will continue work in that field upon graduation.



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Researcher for Canada and Chile*

Nishant holds a bachelor's degree in Industrial Engineering and a Marketing post-graduate degree from India. He has six years of experience at Procter & Gamble (P&G) managing sales teams, and leading go-to-market projects. Post earning his MBA, Nishant will pursue a career in the consulting industry.



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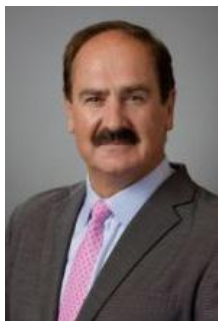
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Researcher for Peru and The United States*

Madhurika holds a bachelor's degree from St. Xavier's College, Mumbai. Prior to business school, she worked in television marketing across brand strategy and consumer insights. After receiving her MBA, Madhurika will join EY in their Customer Advisory practice.



*Sarah Wright | United States
Researcher for Republic of Korea and Republic of the Phillipines*

Sarah holds a bachelor's degree in Spanish for the Professions from the University of Colorado. Prior to business school, she taught English in Santiago, Chile and worked on the Content Acquisition team at Dish Network. After earning her MBA, she hopes to work in international marketing in the media and entertainment industry.



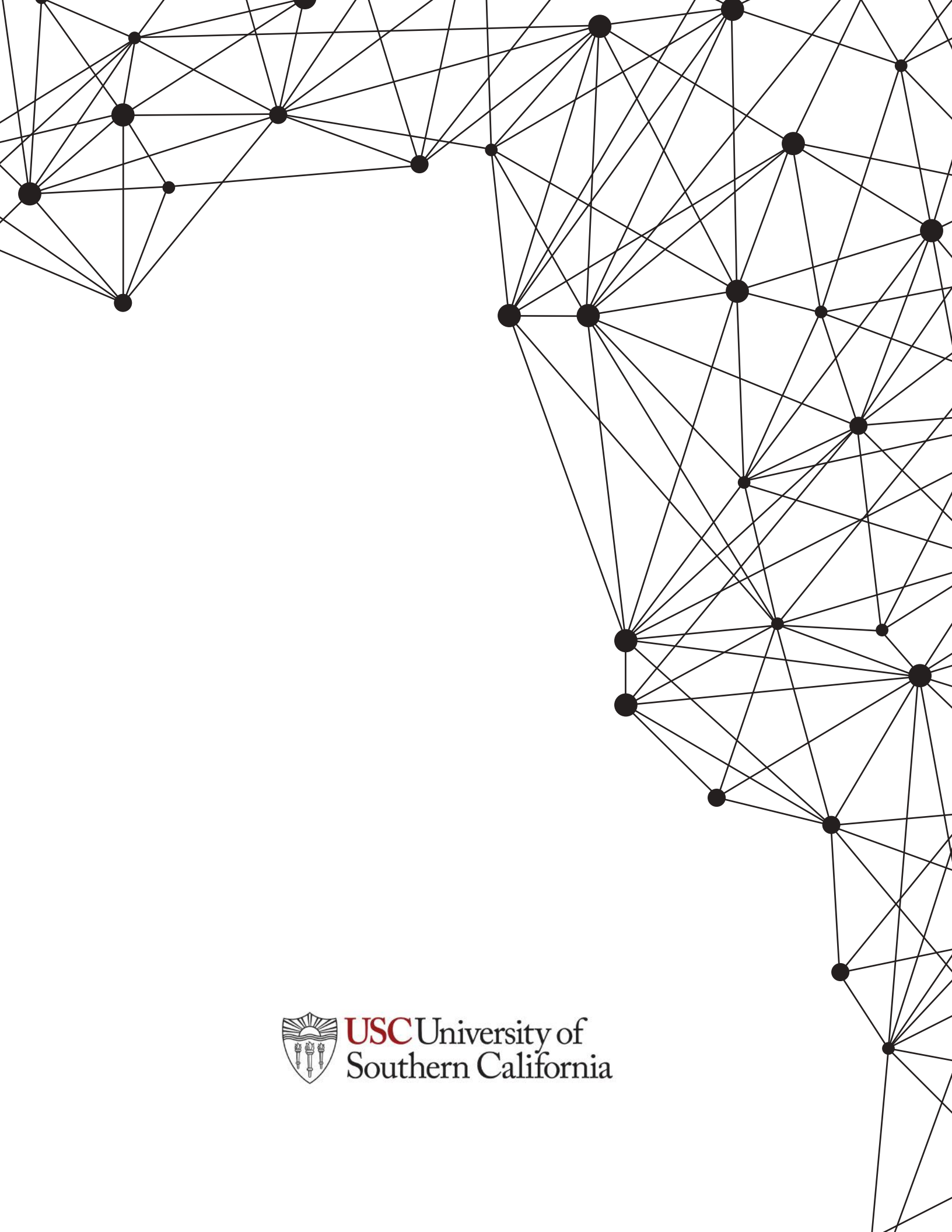
*Carl Voigt, PhD | New Zealand | Faculty Director
Researcher for Mexico*

Carl Voigt is a professor of clinical management & organization. He has worked jointly with ABAC since 2005 to direct teams of MBA researchers on 13 research projects for ABAC. He is a strategist and specializes in teaching business, corporate, and global strategy, and management courses in University of Southern California Marshall's undergraduate, MBA and EMBA programs.

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