



Pacific  
Economic  
Cooperation  
Council



**STATE  
OF THE  
REGION  
2024-2025**

# ABOUT THE PACIFIC ECONOMIC COOPERATION COUNCIL

The Pacific Economic Cooperation Council (PECC) is a non-profit, policy-oriented, regional organization dedicated to the promotion of a stable and prosperous Asia-Pacific. Founded in 1980, PECC brings together thought-leaders from business, civil society, academic institutions, and government in a non-official capacity. Together, PECC members anticipate problems and challenges facing the region, and through objective and rigorous analysis, formulate practical solutions. The Council serves as an independent forum to discuss cooperation and policy coordination to promote economic growth and development in the Asia-Pacific. PECC is one of the three official observers of the APEC process.

[www.pecc.org](http://www.pecc.org)

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## Message from the Co-Chairs of PECC

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we are pleased to present our report on the State of the Region. The report provides an assessment of the key issues affecting the Asia-Pacific. We are indebted to the 500 respondents to our annual survey who took the time to share with us their views on regional developments. This survey is not a survey of public opinion but of the regional policy community – stakeholders from business, government, academia, media, and civil society.

The report has two components: views on the economic outlook and priorities for policymakers; and a thematic chapter on ageing populations, productivity, and economic growth in the Asia-Pacific. We are greatly indebted to Dr Sang-Hyop Lee for writing the latter chapter.

Respondents' views on growth for their own economies as well as the Asia-Pacific were positive. About 46 percent of respondents thought that growth for the region would be stronger or much stronger over the next 2-3 years. Views on the prospects for growth for respondents' own economies were similar at 41 percent expecting stronger growth for their own economies. Southeast Asians expressed the most optimism, with 56 percent of respondents positive on growth for their economies.

There was considerable variation of respondents' views on growth for their economies, likely reflecting how the risks to growth will impact them. On the positive side, concern over the risk of inflation and the rising cost of living have dissipated, after having been cited as the top risk to growth over the last 2 years. This year, the top five issues cited as risks to growth all have explicit international dimensions:

- Geopolitical tensions and associated sanctions;
- Increased protectionism and trade wars;
- Climate change;
- Geo-economic fragmentation; and
- Global supply chain issues.

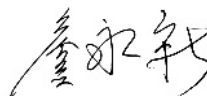
Reducing these risks requires greater international cooperation, as regularly championed within APEC.

When respondents to the survey were asked to provide advice for APEC leaders, they identified priorities that largely aimed at ameliorating these risks. However, there were some notable differences. Adapting to ageing populations and rapid technological change were both identified as priority focus areas, even though they were listed among top risks to growth. Moreover, while climate change was chosen as a risk to growth, it was ranked even more highly as a policy focus area. These differences in rankings between risks to growth and policy priorities may reflect differences in the timeframes over which these risks may be realized and over which they can be mitigated.

We welcome the work done by APEC this year on 'Empower, Include, Grow,' which has focused on promoting: trade and investment for inclusive and interconnected growth; innovation and digitalization in support of transition to the formal and global economy; and sustainable growth for resilient development. These efforts provide important steps toward achieving the vision set by APEC Leaders in 2020 of "an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations." What makes APEC unique is that while members share a common goal, economies can take different paths towards its achievement. In this regard we emphasize the important role that APEC plays in providing a platform for regional leaders to have genuine and frank dialogue but also its work at the technical level to build trust and understanding of the reasons why different policy approaches are taken.



**Richard Cantor**  
Co-Chair



**Zhan Yongxin**  
Co-Chair



Contributed by **Mr Eduardo Pedrosa**,  
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Coordinator of the State of the Region Report  
[With input from the Editorial Committee and  
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# Asia Pacific Economic Outlook

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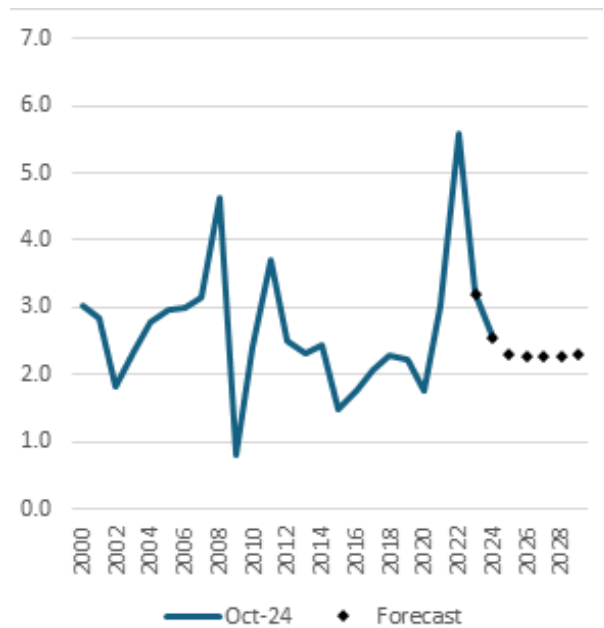
## Economic Outlook

The Asia-Pacific region is projected to grow at 3.4 percent in 2024, four basis points higher than forecasts made in early 2023. Looking further ahead, over the 2-3 years, growth is expected to moderate to 2.9 percent over the next few years as shown in [Figure 1](#). This is about one percentage point lower than growth between the Global Financial Crisis and the Covid-19 pandemic. The forecast for the region's GDP growth has improved since the forecast was made October last year. Looking further ahead and broader measures of growth, while the region made considerable success increasing GDP per capita and reducing poverty over the past three decades, the trade driven growth model is increasingly fragile as discussed below, moreover, in spite of the overall benefits of trade, there is a perception that income inequality has been rising, with many blaming globalizations.<sup>1</sup>

Figure 1. GDP Growth



Figure 2: Inflation



Source: IMF World Economic Outlook and Analysis by PECC International Secretariat

Inflation is forecasted to moderate to around 2.3 percent over the coming years, levels similar to those during the pre-Covid period (see [Figure 2](#)). While overall inflation is expected to slow, some factors may impact the forecast - food prices; wage growth; the direction of interest rates, and housing prices. Given the Asia-Pacific's heterogeneity, these issues will impact people in different ways. For example, food prices will impact the real cost of living for lower income household in some economies and others will be affected more by interest rate changes.

<sup>1</sup> Zia Qureshi, Rising inequality: A major issue of our time, Brookings (2023)

Figure 3: Growth Expectations for Respondents own economies, the Asia-Pacific and the Global Economy

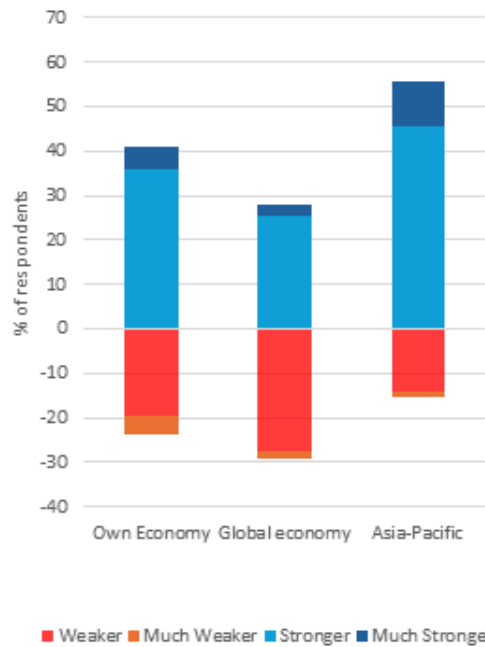
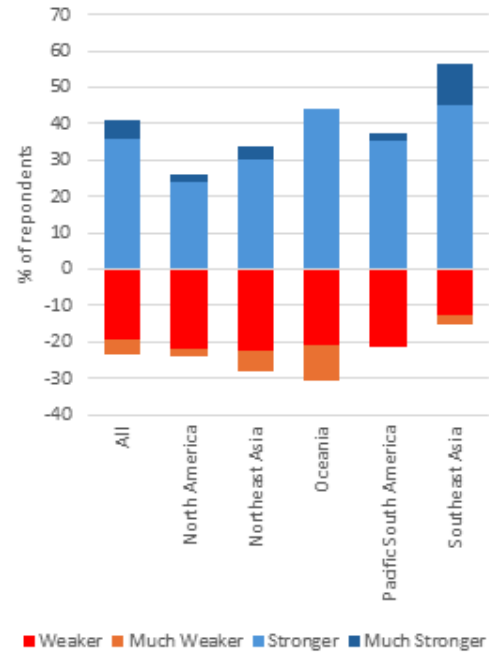


Figure 4: Growth Expectations for Own Economy



Source: PECC State of the Region Survey 2024

Contrary to forecasts, a large percentage of respondents of PECC's annual survey on the State of the Region were optimistic about growth prospects over the next few years. As shown in Figure 3, respondents to the survey were considerably more optimistic for the Asia-Pacific as whole, compared to their own economies while views on the global economy were evenly divided.

Respondents from Southeast Asia were by far the most optimistic about growth for their own economies with 41% expecting stronger or much stronger growth over the next 2-3 years (see Figure 4). Views were evenly split among respondents from North America with 24% expecting stronger growth and 26% weaker. The level of uncertainty on growth is likely connected to perceptions of risk and the impact they will have over the coming years.

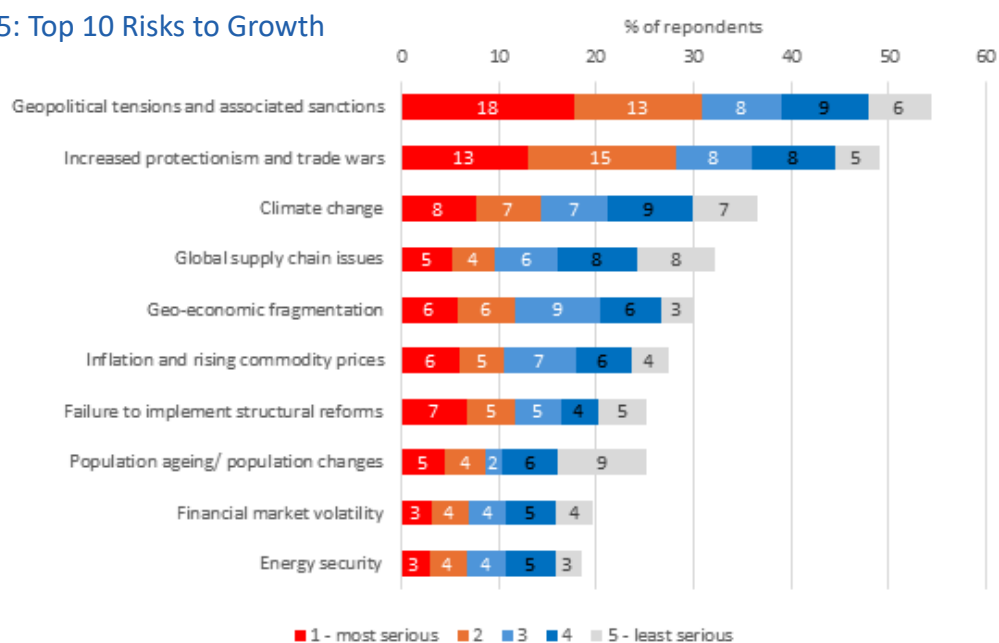
## Risks to Growth

In setting out the Bogor Goals, regional Leaders set the objective of “enhancing trade and investment liberalization in the Asia-Pacific.”<sup>2</sup> Thirty years on, regional stakeholders expressed concerns over the risks to growth posed by trade-related issues. Despite the recently adopted Putrajaya Vision which sees trade and investment as one of the drivers for its achievement, looking forward to 2040, if current trends continue, the trade driven growth model will be increasingly fragile.

Of the top 5 risks to growth as shown in Figure 5, all, were trade-related in different ways to trade:

1. Geopolitical tensions and associated sanctions
2. Increased protectionism and trade wars
3. Climate change
4. Global supply chain issues
5. Geo-economic fragmentation

Figure 5: Top 10 Risks to Growth



Source: PECC State of the Region Survey 2024

### Top 5 Risks to Growth

Concerns over inflation and the rising cost of living have dropped since last year and the year before. Last year, 52 percent of respondents selected inflation as a top 5 risk to growth compared to 27 percent this year.

<sup>2</sup> APEC Leaders' Declaration 1994. [https://www.apec.org/meeting-papers/leaders-declarations/1994/1994\\_aelm](https://www.apec.org/meeting-papers/leaders-declarations/1994/1994_aelm)

## Geopolitical Tensions and Associated Sanctions

Geopolitical tensions and associated sanctions were the most frequently selected risk among regional stakeholders. The perception of the risk it poses was equally shared among sub-regions and stakeholder groups. Among the sub-regions, respondents from North America and Northeast Asia selected it as one of the top 5 risks to growth. However, more respondents from Oceania selected it as the most serious risk. Southeast Asia respondents were slightly less concerned with 47 percent selecting it as a top 5 risk to growth, and 15 percent as the most serious risk (see [Figure 6](#)).

Figure 6: Geopolitical Tensions and Associated Sanctions a Risk to Growth as a Risk to Growth

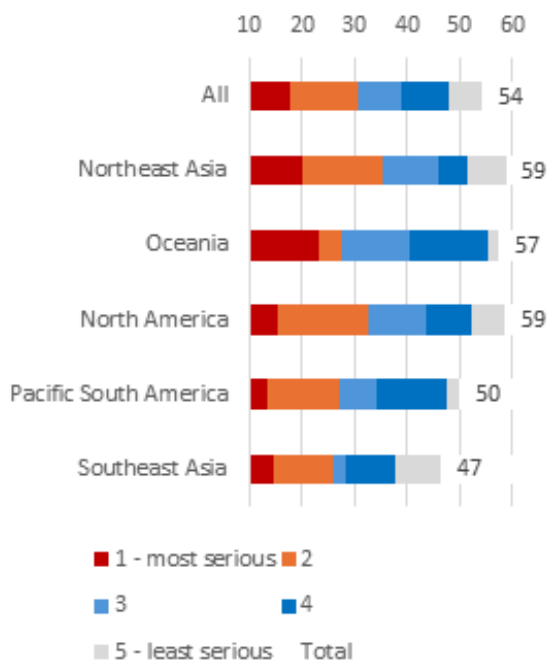
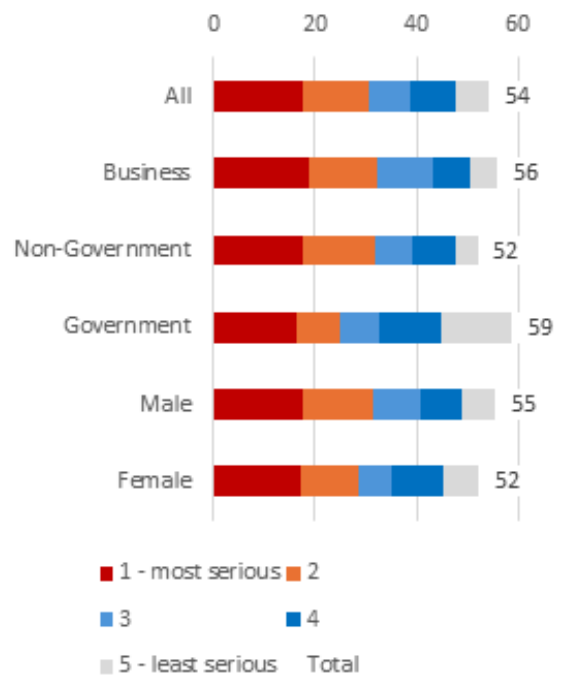


Figure 7: Perceptions of Geopolitical Tensions as a Risk to Growth and Associated Sanctions by Group



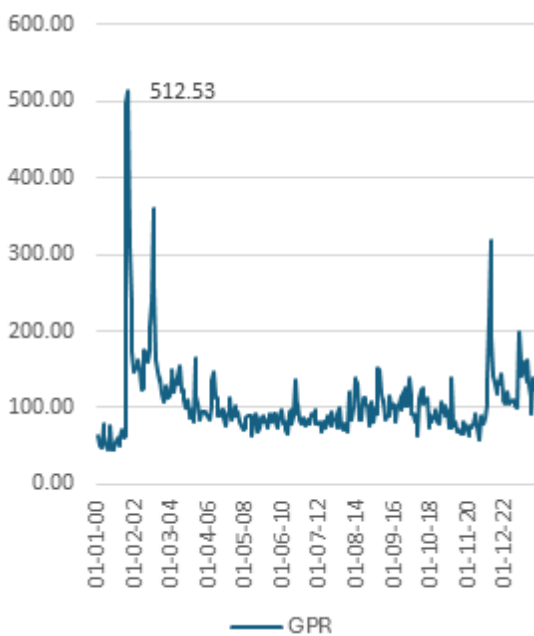
Source: PECC State of the Region Survey 2024

Among different stakeholder groups, businesses were the most concerned. Although the total percentage of respondents who selected geopolitical tensions and sanctions as a top 5 risk to growth was lower than other groups, they tended to see it as having a more serious risk (see [Figure 7](#)). While both female and male respondents had it as a top risk to growth, a slightly lower percentage of women selected it as a top 5 risk. The difference in the degree of seriousness between them was closer, at just one percentage point (see [Figure 7](#)).

In addition to an increase in the perceptions of geopolitical tensions, other measures have also been on the rise. An index of geopolitical risk which measures the number of mentions of related topics in newspaper articles shows the spikes in risks over the past 24 years. (See [Figure 8](#)). Analysis by the authors of the index argue that high levels of risk can:

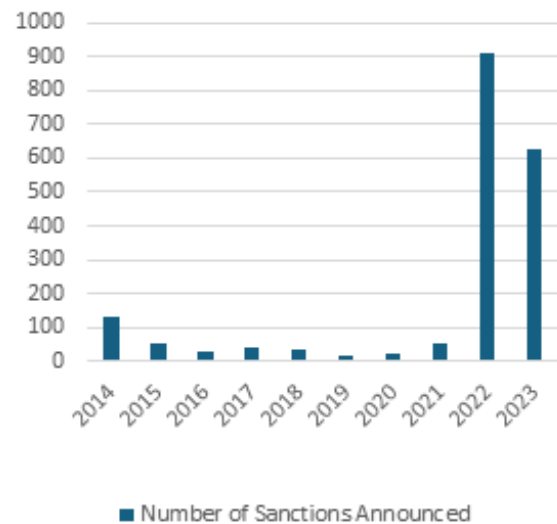
1. Heighten perception of disastrous outcomes
2. Make investment in risky projects less attractive.
3. Lower consumer confidence

Figure 8: Geopolitical Risk Index



Source: Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk"

Figure 9: Sanctions Announced



Source: Norman Eisen et al, "The Brookings Sanctions Tracker"

The other element in this risk is associated sanctions. While there are gaps in the data, one tracker of sanctions imposed also shows an increase over recent years. The data in [Figure 9](#) shows only the number of sanctions imposed on entities by: Australia; Canada; the European Union; Japan; New Zealand; Switzerland; the United Kingdom and the United States.

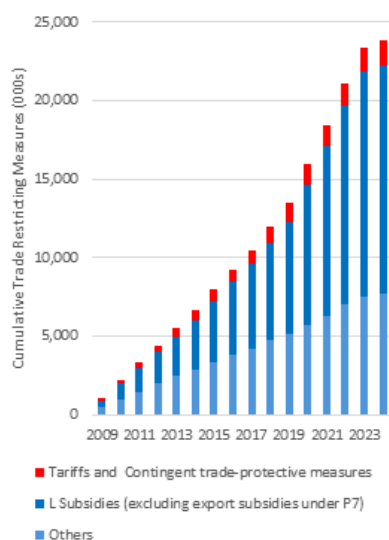
## Increased Protectionism and Trade Wars

Stakeholders in the region have expressed high concerns about protectionism since 2010. While APEC and G20 Leaders have made statements on trade restrictions, that language has changed since then. Between 2009 and 2023, the evolution of language indicates an important nuance in how APEC (and other organizations) see freer trade.

- In 2008, APEC Leaders firmly reject(ed) all forms of protectionism and reaffirm our commitment to keep markets open and refrain from raising new barriers to investment or to trade in goods and services and instruct our Ministers to continue to regularly review our adherence to these commitments.
- While in 2023, APEC Leader reaffirm(ed) our determination to deliver a free, open, fair, non-discriminatory, transparent, inclusive, and predictable trade and investment environment. We also reaffirm the importance of the rules-based multilateral trading system, with the World Trade Organization (WTO) at its core, which continues to catalyse our region's extraordinary growth."

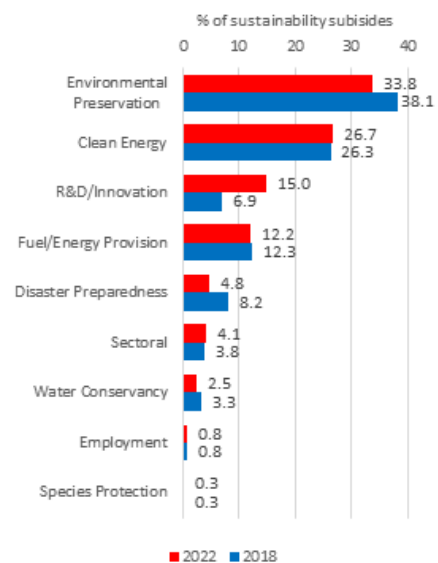
During the early phase of this period in the aftermath of the Global Financial Crisis protectionism was described as 'creeping'<sup>3</sup>. However, since then the number of trade restricting measures has increased exponentially. That change in language is reflected in the enormous increase over the past 14 years of cumulative trade restrictive measures. Moreover, the types of policies have changed from more transparent tariffs to more opaque subsidies (see Figure 10), with little end in sight of their withdrawal. Some of these actions might be justified to fund the accelerate actions of low emissions/renewable energy, greater transparency is necessary to avoid the spreading of trade disputes.

Figure 10: Cumulative Trade Restricting Measures



Source: Global Trade Alert

Figure 11: Sustainability Related Subsidies



Source: World Bank Green Subsidies Database

<sup>3</sup> Shawn Donnan, "WTO warns of creeping protectionism", Financial Times

Efforts have been made by the IMF, OECD, World Bank, and WTO to provide greater transparency on subsidies. As shown in [Figure 11](#) there has been a shift in subsidies towards research and development such as assisting public research institutions on climate related issues. Relatively few subsidies have been used for employment, such as re-skilling and to clean energy companies creating jobs. Even fewer subsidies have gone into biodiversity. This is one area where further work is needed and how APEC can respond to it in the context of the Bangkok Goals, especially in “Promoting environmental conservation, sustainable use and management of natural resources, as well as halting and reversing biodiversity loss”<sup>4</sup>

While some subsidies may be needed to promote sustainable growth, dialogue and transparency would help regional economies to share best practices, economies of scale, and avoid misunderstanding of the intent of policies.

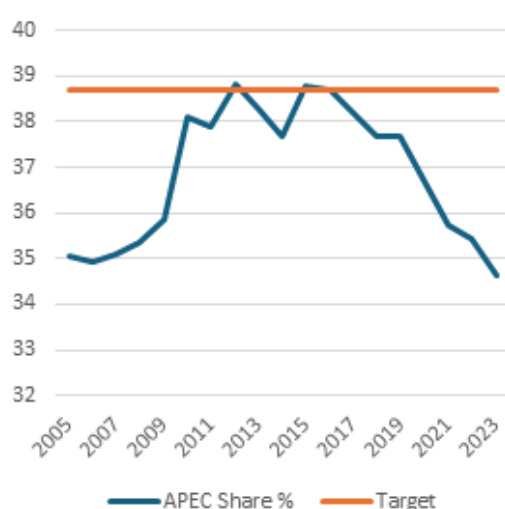
As described above, there is a perception that issues related to trade and investment were among the top 5 risks to growth. While growth in the trade of goods has slowed, the services sector, especially those that can be delivered digitally have the potential to drive growth.

In 2015, APEC Leaders agreed to a Services Cooperation Framework, which included a long-term APEC Services Competitiveness Roadmap in 2016. While it was a long-term Roadmap, it is coming to its conclusion in 2025. The key targets the Roadmap set were:

- Ensuring an open and predictable environment for access to services markets by progressively reducing restrictions to services trade and investment;
- Increasing the share (%) of services exports from APEC economies in the total world services exports so that it exceeds the current share in world services exports by 2025;
- Increasing trade in services in the APEC region so that, by 2025, the compound average annual growth rate exceeds the historic average of 6.8 per cent and the share (%) of value-added of the services sector in the total GDP of the APEC region exceeds the global average level by 2025.

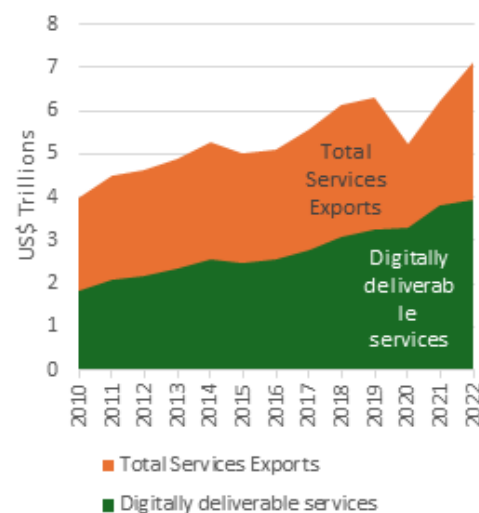
<sup>4</sup> APEC Leaders’ Declaration on the Bangkok Goals on Bio-Circular-Green (BCG) Economy

Figure 12: APEC Share of World Services



Source: World Trade Organization

Figure 13: Digitally Deliverable Services



Source: UNCTAD

Instead of increasing, APEC members' share of global exports services has fallen since it peaked in 2016 (see Figure 12). Although APEC members exports of services has increased significantly, world exports of services have grown at a faster rate. The latest numbers suggest that APEC members will not reach the targets set in 2016. One possible reason is that APEC members restrictions on trade in services has not significantly improved since 2016 and remain above OECD levels.<sup>5</sup> The review in 2025 provides an opportunity to set out new work programs to benefit from services trade, particularly taking into consideration the increasingly rapid changes in technology and environment impacting on the delivery of services. An area of focus for future work is good regulatory practices for services.

Specific areas of work are<sup>6</sup> :

- Capacity-building work to help economies implement the agreed WTO disciplines on services domestic regulation that will be applied both regionally and multilaterally
- Deepen its work in digital trade to develop a common regulatory framework for the region that can support the realization of the FTAAP vision.
- Bringing discussions of artificial intelligence as an integral part of economic and trade policy analysis rather than viewing it only as a technology.
- Identify the regulatory framework suitable for the region to deal with services-delivered applications for AI deployment.

<sup>5</sup>APEC Services Competitiveness Roadmap Mid-term Review APEC Policy Support Unit (2021), <https://www.apec.org/publications/2021/10/apec-services-competitiveness-roadmap-mid-term-review>

<sup>6</sup> Sherry Stephenson and Mia Mikic, Good Regulatory Practice for Services in APEC: Precedents, Principles and Challenges (PECC)

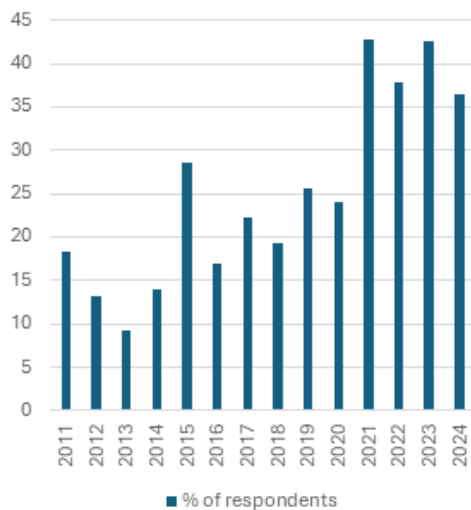
## Climate Change

Since the Covid Pandemic, perceptions of the risk of climate change to economic growth have been elevated. From 2011 to 2019, the average percent of respondents who selected climate change as a top 5 risk to growth was 19%, however from 2020 to 2024, the average climbed to 37 percent.

The Paris Goal of reaching peak emissions in 2025, and to “limit the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels” seems far from being achieved.

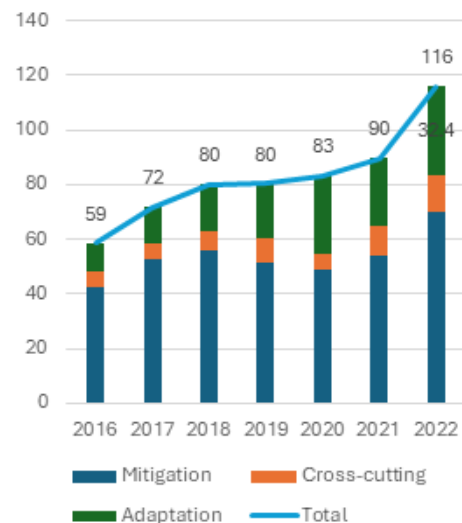
The immediate economic risk to growth has been increased number of natural disasters as well as their intensification of their impact.

Figure 14: Climate Change as a Risk to Growth



Source: PECC State of the Region Survey

Figure 15: Climate Change Finance



Source: OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/19150727-en>

While mitigation efforts are critical to achieving these targets, the agreement to support efforts by developing economies of US\$100 billion a year in 2020 was only reached in 2022. Moreover, while Article 9.1 of the Paris Agreement calls for a balance between financing, between adaptation and mitigation, less than 28 percent went to adaptation<sup>7</sup> (see Figure 15)

<sup>7</sup> Paris Agreement, [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

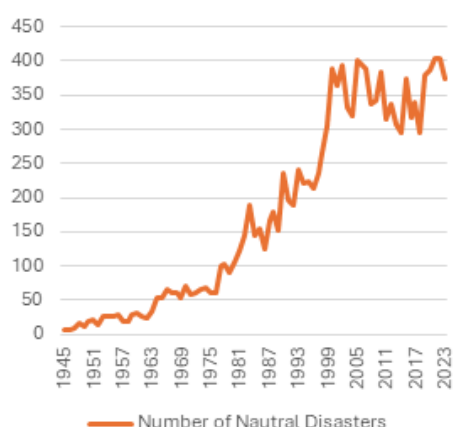
The Intergovernmental Panel on Climate Change (IPCC) estimates that developing economies alone will need US\$127 billion per year by 2030 and US\$295 billion per year by 2050 to adapt to climate change. Other analysis come to similar conclusion but are significantly higher. UNEP’s Adaptation Gap Report estimates that the finance required are between US\$194 billion and US\$366 billion per year, 50 percent higher than earlier estimates.<sup>8</sup>

APEC members have a crucial role to play in this effort. The third driver of the APEC 2020 Putrajaya Vision of Strong, Balanced, Secure, Sustainable and Inclusive Growth includes, among others, the objective of ensuring that “the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies.” The Bangkok Goals on the Bio-Circular Green Economy on “enhancing adaptive capacity, including mainstreaming adaptation measures into policies, strategies and planning, as well as disaster and emergency preparedness and management” provide an additional mandate to work on adaptation.

The risk that climate change poses to economic growth is being underlined by both the human and economic losses due to extreme weather events. An assessment in 2024 by the Office of the National Committee for Disaster Reduction and the Ministry of Emergency Management in China reported more than 26 million people across China were affected by natural disasters in July, over 1.1 million people needed to be relocated, and direct economic losses amounting to US\$10.7 billion.<sup>9</sup>

Similarly, climate related disasters in the Philippines has resulted in the displacement of 612,234 people, and infrastructure losses estimated at US\$ 73.4 million. While the National Centers for Environmental Information in the United States conservative estimate of weather and climate disasters in 2023 at US\$92.9 billion<sup>10</sup>. In Peru, hosts of APEC 2024, Cyclone Yaku called an infrastructure damage of US\$323 million<sup>11</sup>.

Figure 16: Number of Natural Disasters in the Asia-Pacific



As shown in Figure 16, the number of natural disasters taking place has been steadily rising since 1945. While there is variation over the years, the number of natural disasters is almost double compared to the 1970s and 1980s. As discussed above, the economic costs today are large, but looking further ahead, even if net-zero emissions are achieved, the physical risks are large.

Source: International Disaster Database, “EM-DAT, CRED / UCLouvain, Brussels, Belgium – [www.emdat.be](http://www.emdat.be)

<sup>8</sup> Underfinanced, Underprepared, Inadequate investment and planning on climate adaptation leaves world expose, United National Environment Program, (2023) <https://www.unep.org/resources/adaptation-gap-report-2023>

<sup>9</sup> Natural disasters affect 26 million <https://www.chinadaily.com.cn/a/202408/10/WS66b6a6b6a3104e74fdb9527.html>

<sup>10</sup> 2023: A historic year of U.S. billion-dollar weather and climate disasters, <https://www.climate.gov/news-features/blogs/beyond-data/2023-historic-year-us-billion-dollar-weather-and-climate-disasters>

<sup>11</sup> Heavy rains cause \$323 million in infrastructure losses [https://www.businessinsurance.com/Heavy-rains-cause-\\$323-million-in-infrastructure-losses/](https://www.businessinsurance.com/Heavy-rains-cause-$323-million-in-infrastructure-losses/)

Figure 17 shows the physical risk for 16 APEC economies from the Network for Greening the Financial System (NGFS), the economic cost from climate change is considerable.

Looking at two possible scenarios, business-as-usual (current policies) compared to net-zero, losses to GDP are significant.

Looking at two aspects of physical risks, a few observations can be made.

- Acute Risks: from climate and weather related events and acute destruction of the environment
- Chronic Risks arise from progressive shifts in climate and weather patterns or gradual loss of ecosystem services

Damage from both acute and chronic risks are high. Acute risks are estimated at 4.5 percent of loss of baseline GDP, while damages coming from chronic risks at 3 percent.

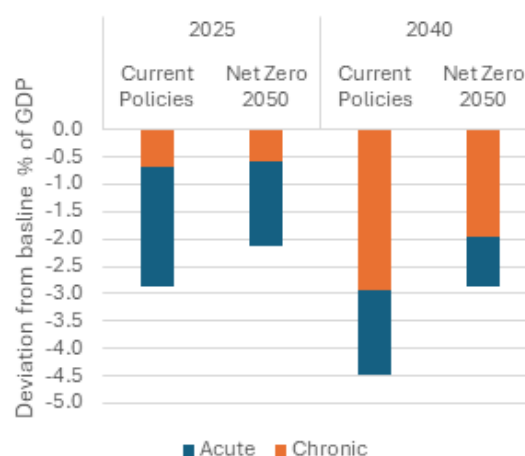
Even if net-zero emissions are achieved, in 2040, the loss to baseline GDP from acute risks is estimated to be 2.9 percent and from chronic risks at 1.9 percent.

APEC has two specific goals to reduce its emissions:

- Reduce energy intensity by 45% in 2035, relative to a 2005 baseline
- Doubling the share of modern renewables in the APEC energy mix for the period 2010 to 2030.

The APEC Energy Overview produced by the Asia Pacific Energy Research Centre (APERC) estimates that APEC members were on target to meet these goals. As of 2020, APEC-wide final energy intensity had improved 26%, leaving an additional 19% to meet the 2035 goal and renewables share of final consumption has increased from 6.0% in 2010 to almost 9.5% in 2020.

Figure 17: Long-Term Economic Damage from Climate Change



Source: Network for Greening the Financial System (NGFS)

APEC's Putrajaya Vision called for the promotion of

“Economic policies, cooperation and growth which support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet.”

This has been affirmed over successive APEC Leaders' Declarations since then and an explicit connection to APEC's trade.

The Aotearoa Plan of Action call for cooperation to

“develop, encourage and exchange best practice policies, including on trade, including APEC's work on facilitation of trade in environmental goods and services; and public finance, including tax policy and rationalising and phasing out inefficient fossil fuel subsidies that encourage wasteful consumption, while recognising the importance of providing those in need with essential energy services.”

APEC's Bangkok Goals on Bio-Circular-Green (BCG) Economy and most recently the San Francisco Principles on Integrating Inclusivity and Sustainability into Trade and Investment Policy provide further guidance on the connection between climate and trade policy. However, as outlined in a recent PECC Policy Brief <sup>12</sup>, there are four key areas where trade and investment policies are in fact contributing to rather than alleviating carbon emissions:

Carbon leakage

Tariff and NTB escalation

Subsidies

The incompatibility of specific trade rules with climate policies

Work on these issues within the context of APEC's goal of a Free Trade Area of the Asia-Pacific can provide a platform for regional economies to begin discussions on policies and practices that address these issues. For example, on the use of subsidies as discussed above.

<sup>12</sup> Rory McLeod, June 2024, FTAAP Policy Brief, Trade and Climate Change

## Global Supply Chain Issues

Global Supply Chain issues were the third highest risk to growth for their economies. During the pandemic, supply chain became increasingly stretched compounding the impact of demand-side issues. Problems with the ‘just-in-time’ production model were well-known before the pandemic, for example, the third phase of APEC’s Supply Chain Facilitation Action Plan endorsed by APEC members in 2022 identified the following chokepoints to supply chains<sup>13</sup>:

Inefficient digitalization of end-to-end supply chains

Chokepoint 1

Inadequate infrastructure development to support robust multi-modal connectivity and logistics networks

Chokepoint 2

Insufficient cooperation on data flows and cross-border payments to support increasingly digitalized supply chains

Chokepoint 3

Lack of understanding of green supply chain management practices and increasing pressure for supply chains to be sustainable

Chokepoint 4

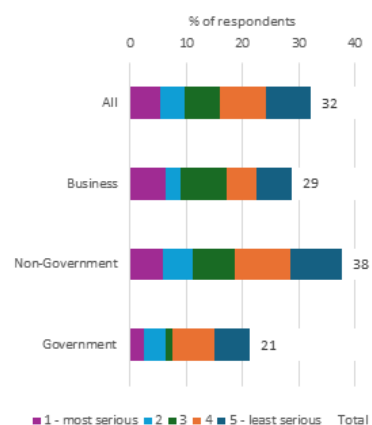
Lack of targeted support to facilitate MSMEs’ access and integration into global supply chain

Chokepoint 5

Since 2010, APEC members’ scores on Chokepoint 2 have improved by an average of 6 percent with much of the improvement in recent years. However, non-APEC regional economies have done better, improving by 9 percent over the same period.

Although fewer business respondents selected supply chain issues as a risk to growth, a larger proportion ranked it as the most serious risk. However, there is a risk that businesses become complacent over the risks that extended supply chains pose to them.

Figure 18: Perceptions of Global Supply Chain Risk



Source: PECC State of the Region Survey 2024

<sup>13</sup>Measuring Progress on the Supply Chain Connectivity Framework Action Plan 111, APEC Policy Support Unit, [https://www.apec.org/publications/2023/09/measuring-progress-on-the-supply-chain-connectivity-framework-action-plan-\(scfap-iii\)-2022-2026-indicators-and-policy-practices](https://www.apec.org/publications/2023/09/measuring-progress-on-the-supply-chain-connectivity-framework-action-plan-(scfap-iii)-2022-2026-indicators-and-policy-practices)

During the pandemic, mentions of supply chain issues surged by 57 percent, but this figure has since declined by 22 percent from 2022-2023<sup>14</sup>. For example, auto manufacturers were hit by supplier closures and cross-border supplies estimates at the time suggested that companies such as Honda and Nissan to sell 250,000 fewer cars<sup>15</sup>. Global supply chains are once again being tested with major shipping lanes at risk.

The perception of the risks to growth as well as supporting data poses a significant challenge to the pursuit of the APEC's Putrajaya Vision of an "open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations".

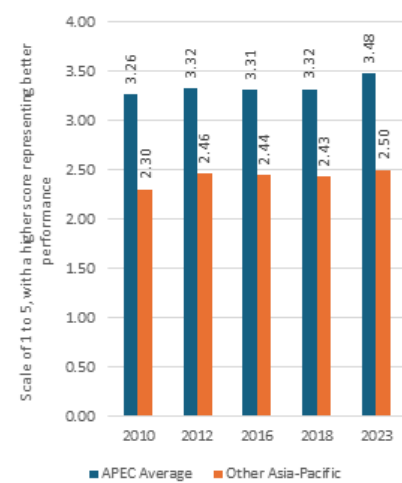
The high percentage of respondents who selected trade-related issues as top 5 risks to growth will test the resolve and ability of APEC members to achieving that vision through the trade and investment driver which, among others, emphasizes the need to work together to deliver 'a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment.

## Priorities for APEC

This year, respondents to PECC's State of the Region survey were asked to select the top 5 priorities for APEC Leaders discussions: As show in Figure 20 the following were those selected by all respondents:

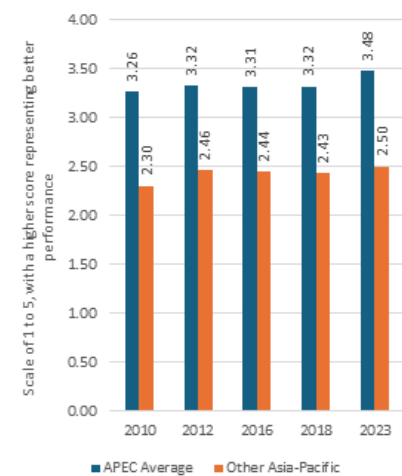
- Ameliorating geopolitical and trade conflicts in the region
- Updating and promoting APEC's vision for an FTAAP
- Addressing rapid technological change and AI
- Enhancing supply chain resilience
- Addressing ageing populations in the region

Figure 19: Infrastructure Score



World Bank: Logistics Performance Index

Figure 20: Priorities for APEC Leaders' Meeting 2024



World Bank: Logistics Performance Index

<sup>14</sup> Global Data: <https://www.globaldata.com/data-insights/macroeconomic/global--supply-chain-management-mentions-in-company-filings-2084196/>

<sup>15</sup> How Covid led to a \$60 billion global chip shortage for the auto industry <https://www.cnbc.com/2021/02/11/how-covid-led-to-a-60-billion-global-chip-shortage-for-automakers.html>

## Ameliorating geopolitical and trade conflicts in the region

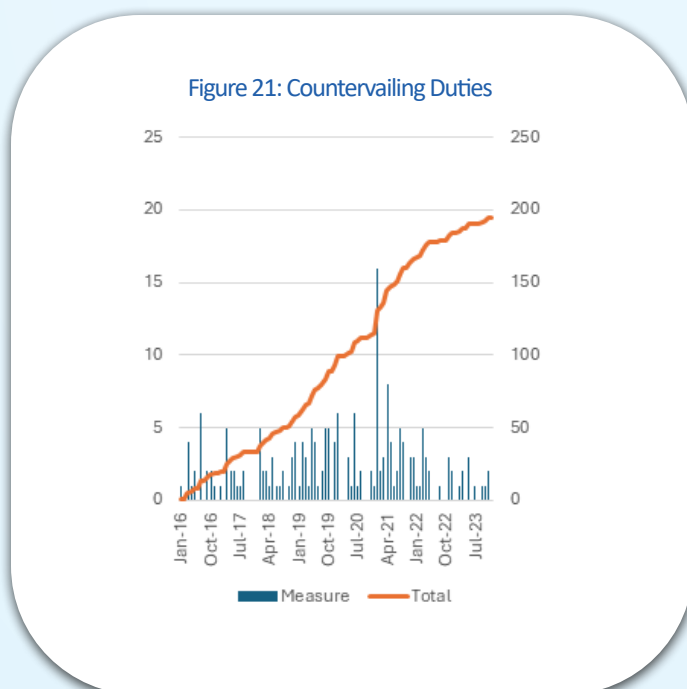
Reflecting respondents concerns over the risk that geopolitical tensions and associated sanctions pose to economic growth, they were also ranked as the top issue for APEC leaders to discuss at their meeting in November. While recognizing that APEC is an economic forum, the backdrop to making progress is fraught with geopolitical disagreements spilling into trade policy. However, two of APEC's modus operandi could be the reason behind stakeholders thinking:

- APEC's convening power. APEC provides an opportunity informal bilateral and multilateral dialogue.
- APEC's technical work. As a non-binding forum, cooperation at the technical level across a wide range issues, provides an opportunity for dialogue on critical issues facing individual economies. For example, inclusion<sup>16</sup>, sustainability, digital economy and artificial intelligence.<sup>17</sup>

## Updating and promoting APEC's vision for an FTAAP

APEC's priority this year of a renewed vision to the Free Trade Area of the Asia Pacific (FTAAP) is timely given the changes that have taken place since Leaders' instructed officials to undertake further studies on ways and means to promote regional economic integration, including a Free Trade Area of the Asia-Pacific as a long-term prospect.<sup>18</sup> Significant changes have taken place in the ways in which trade takes place in addition to growing concerns over the political commitment to freer trade.

As shown in Figure 21, the number of counter-vailing duties has been steadily increasing over the past 10 years.<sup>19</sup>



Source: WTO Database of Countervailing Duties

<sup>16</sup> <https://www.apec.org/press/blogs/2024/human-capital-investment-key-in-navigating-the-shift-from-informal-to-formal-economy>

<sup>17</sup> <https://apecperu.pe/2024/08/24/foreign-ministry-organizes-high-level-dialogue-on-the-governance-of-artificial-intelligence-in-the-asia-pacific/>

<sup>18</sup> [https://www.apec.org/publications/2024/05/a-new-look-at-the-free-trade-area-of-the-asia-pacific-\(ftaap\)-review-of-apec-s-collective-progress](https://www.apec.org/publications/2024/05/a-new-look-at-the-free-trade-area-of-the-asia-pacific-(ftaap)-review-of-apec-s-collective-progress)

<sup>19</sup> Data from the WTO Database on Countervailing Duties refers only to procedures that led to the application of trade remedy measures which were in force on or after 01/01/2020. Historical information on trade remedy actions referring to measures and investigations which were terminated before 31/12/2019 is currently being verified

The survey's results underscore the support for this year's priority on a renewed vision of an FTA-AP. To address the changes that have taken place in the trade environment, in 2022, as mentioned above, PECC established a task force to undertake research on 3 issues that APEC could or should address as part of its FTAAP work program. These were:

- Good Regulatory Practice for Services in APEC: Precedents, Principles and Challenges ahead for an FTAAP;
- Mutual Recognition of Professional Services: Promoting more open and integrated services for the region's prosperity; and
- Trade and Climate Change

These are all issues where significant work can be done under the umbrella of FTAAP, looking at current practices in regional trade agreements and possible work programs for APEC.

## Addressing rapid technological change and Artificial Intelligence

Respondents selected addressing rapid technological change and artificial intelligence (AI) as the third priority for APEC Leaders' discussions. The speed of adoption of technology has increased at an ever-faster pace. For example, while it took 3 years for Facebook to have 50 million users, WeChat reached that number in one year, and ChatGPT in one month. Government policy, let alone international norms are playing catch in this environment but the time available for the ability to adjust to change has been greatly reduced. The enormity of the shift and its social and economic implications are equally as important to address.

While technological change and innovation are inevitable, the socio-economic impact, social expenditure has also been on the rise, but at a slower pace than that of the change in technology. Among OECD economies, in 1990 social expenditure accounted for 16 percent of government expenditure, in 2021 it had reached 21 percent. In addition to rapid technological change, rapidly ageing populations also poses a challenge to policy-makers as discussed in the following chapter.

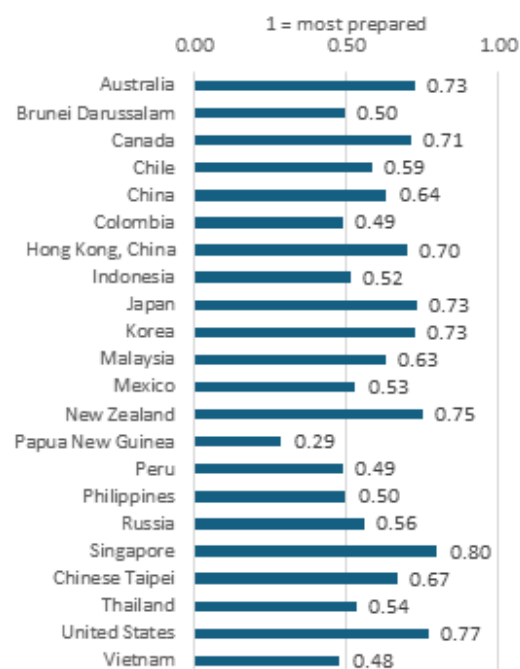
Figure 22 shows Asia-Pacific economies scores on the IMF's Artificial Intelligence Preparedness Index. The index is composed of four dimensions:

- Digital infrastructure;
- Human capital labour market;
- Technological innovation; and
- Legal frameworks.

Unsurprisingly, there are significant levels of preparedness among Asia-Pacific economies. Some of the results bear close consideration in addressing policy aimed at harnessing AI. From a policy perspective, while advanced and higher middle-income economies need to invest more on regulatory issues to benefit the most from the use of AI, emerging and developing economies need to focus on infrastructural development and building a digitally skilled labour force. For all economies, social safety nets<sup>20</sup> and retraining for AI-susceptible workers are crucial to ensure inclusivity.

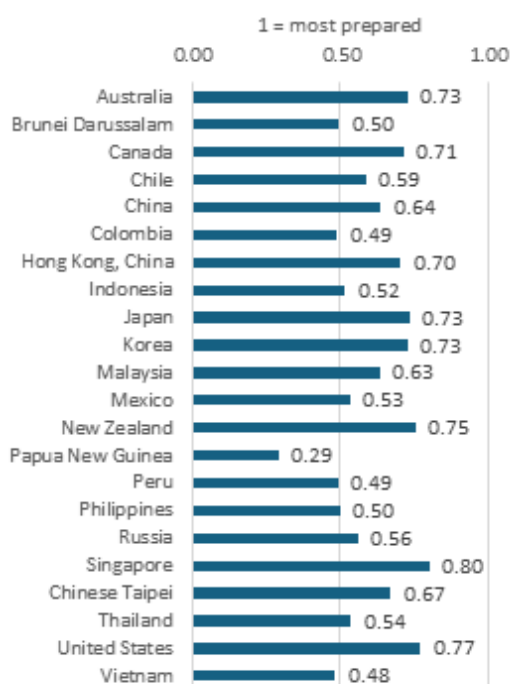
One of APEC's priorities this year is addressing informality and the transitioning to the formal economy. IMF research indicates that displaced jobs with lower complementarity occupations may face job loss and move to informality.

Figure 22: IMF Artificial Intelligence Preparedness Index



Source: AI Preparedness Index  
<https://www.imf.org/external/datamapper/datasets/AIPI>

Figure 23: Human Capital and Labor Market Policies

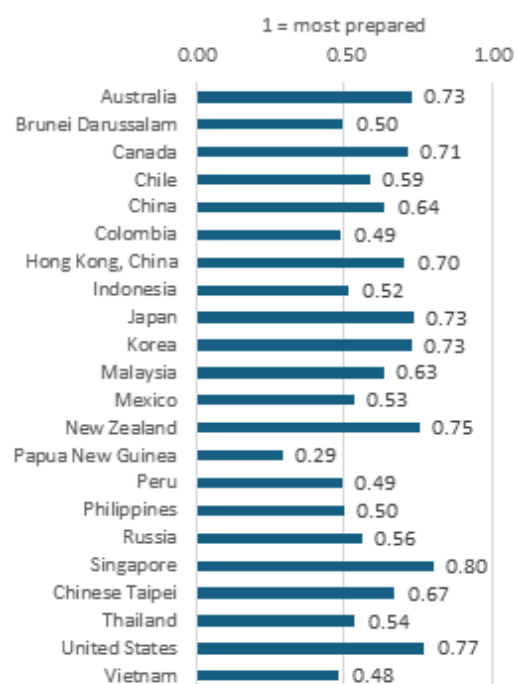


<sup>20</sup> AI Preparedness Index (AIPI), <https://www.imf.org/external/datamapper/datasets/AIPI>

This risk makes policies focused on human capital and labour market all the more important. However, the fiscal space for implementing these policies is constrained. During the pandemic, as shown in Figure 25, gross government expenditure for APEC members has been increasing, especially since the Global Financial Crisis.

The IMF analysis on the fiscal situation mirrors those on the impact of AI. Changes are needed to mitigate the costs of the adjustment and to garner public support for needed fiscal adjustment. The policies adopted involves making difficult choices, the IMF argues that ‘cuts in public investment have the largest output losses and hurt long-term growth prospects, while reducing social transfers hurts vulnerable households and raises inequality.

Figure 25: Gross Government Expenditure for APEC Members



Source: World Bank

Advanced economies should advance entitlement reforms, reprioritize expenditures, and increase revenues where taxation is low.

Emerging market and developing economies have greater potential to mobilize tax revenues—by broadening tax bases and enhancing revenue administration capacity—while strengthening social safety nets and safeguarding public investment to support long-term growth <sup>21</sup>.

At the same time, the revenue base for many advanced economies as well as emerging economies, might shrink over the coming years with ageing populations. In short, as with AI, emerging economies need to focus on human capital and labour market reforms.

## Enhancing supply chain resilience

Supply chain resilience has been identified by respondents to PECC’s annual survey since the pandemic. APEC has been ahead of the curve in its work with the various iterations of the Supply Chain Connectivity Framework Action Plan. This area of work is also closely linked to APEC’s work on connectivity with its three pillars of physical connectivity, institutional connectivity and people-to-people connectivity. As discussed in the earlier section on risks to growth, global supply chain issues ranked third among risks to growth.

<sup>21</sup> Global Public Debt Is Probably Worse Than It Looks, <https://www.imf.org/en/Blogs/Articles/2024/10/16/global-public-debt-is-probably-worse-than-it-looks>

Measuring meaningful progress on these issues is complicated by the risks to maritime trade from climate change and geo-political conflicts. UNCTAD underscores the critical role maritime transport plays as the backbone of international trade, responsible for over 80% of the global movement of goods<sup>22</sup>.

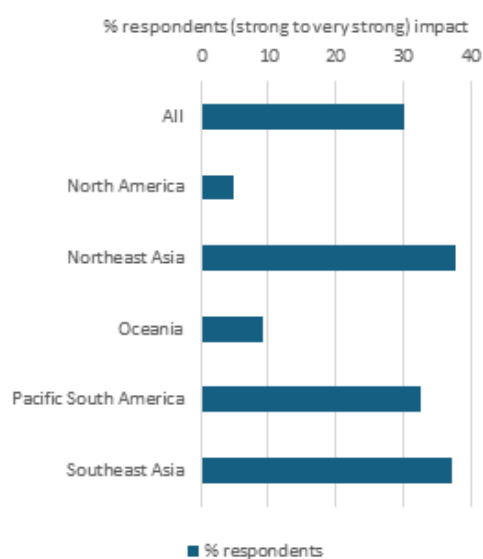
Following the pandemic, supply chain visibility has become more urgent to ensure business continuity. However, research conducted by Zippia suggests that only 6 percent of their survey respondents had full supply chain visibility while 69 percent had no visibility.<sup>23</sup> In addition to transportation and visibility issues, while increased deployment of technology to manage supply chain is part of the solution, there are costs involved. For example, according to research by IBM, 70 percent of organizations experienced a significant or very significant disruption to operations from a data breach.<sup>24</sup>

## Addressing Ageing Populations in the Region

Addressing Ageing Populations in the Region was also among the top 5 priorities for APEC leaders. As discussed in the following chapter, the impact of ageing populations in the region is becoming increasingly important.

A report from the G20 estimates that ageing populations will exert pressure on public finances. IMF analysis suggests that between now and 2050, absent policy changes and reforms, outlays for pension and health care could increase by around 7 and 6 percentage points of GDP in advanced and emerging G-20 countries respectively<sup>25</sup>.

Figure 24: Impact of ageing populations fiscal burden especially for healthcare and pensions



Source: PECC State of the Region Survey

As shown in Figure 24, perceptions of the level of impact on ageing posed by ageing population varies across the region. Northeast Asian and Southeast Asian respondents were most concerned reflected either or both (in some cases) rapidly ageing populations and limited fiscal space to provide healthcare and pensions.

One solution to ageing populations is increasing female labour force participation. One measure underlined in APEC's La Serena Roadmap is to support policies to close the gender pay gap and improve women's access to non-discriminatory, high-quality employment and decent work in both rural and urban areas. However, as discussed in the following chapter, there are significant difference in perceptions of what needs to be done to increase female labour participation.

<sup>22</sup> Review of Maritime Shipping, (UNCTAD), 2024, <https://unctad.org/publication/review-maritime-transport-2024>

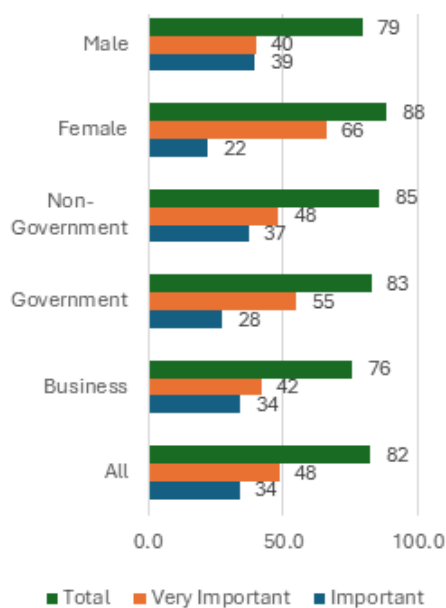
<sup>23</sup> Surging Tech Trends That Are Reshaping Supply Chain Visibility, Evan Morris, Techperspective <https://techperspective.net/2021/11/18/surging-tech-trends-that-are-reshaping-supply-chain-visibility/>

<sup>24</sup> IBM, Cost of a Data Breach Report 2024

<sup>25</sup> Macroeconomics of Aging and Policy Implication (IMF)

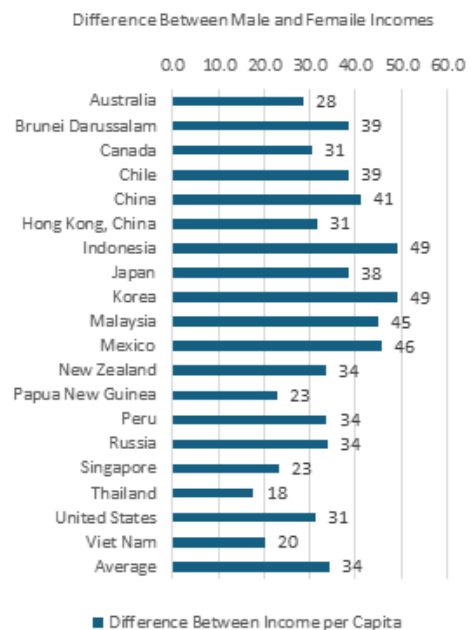
Figure 26 shows significant differences in views among business, government and non-government. Significantly fewer respondents from businesses thought that equal pay for equal work was very important, and this underscores the importance of the work APEC is undertaking to implement La Serena Roadmap for Women and Inclusive Growth. Moreover, the perception of the need to address salary differences, data from the UN indicates that, on average men earn 34 percent more than women (see Figure 27).

Figure 26: Equal Pay for Equal Work



Source: PECC State of the Region Survey

Figure 27: Difference in Incomes between Males and Females

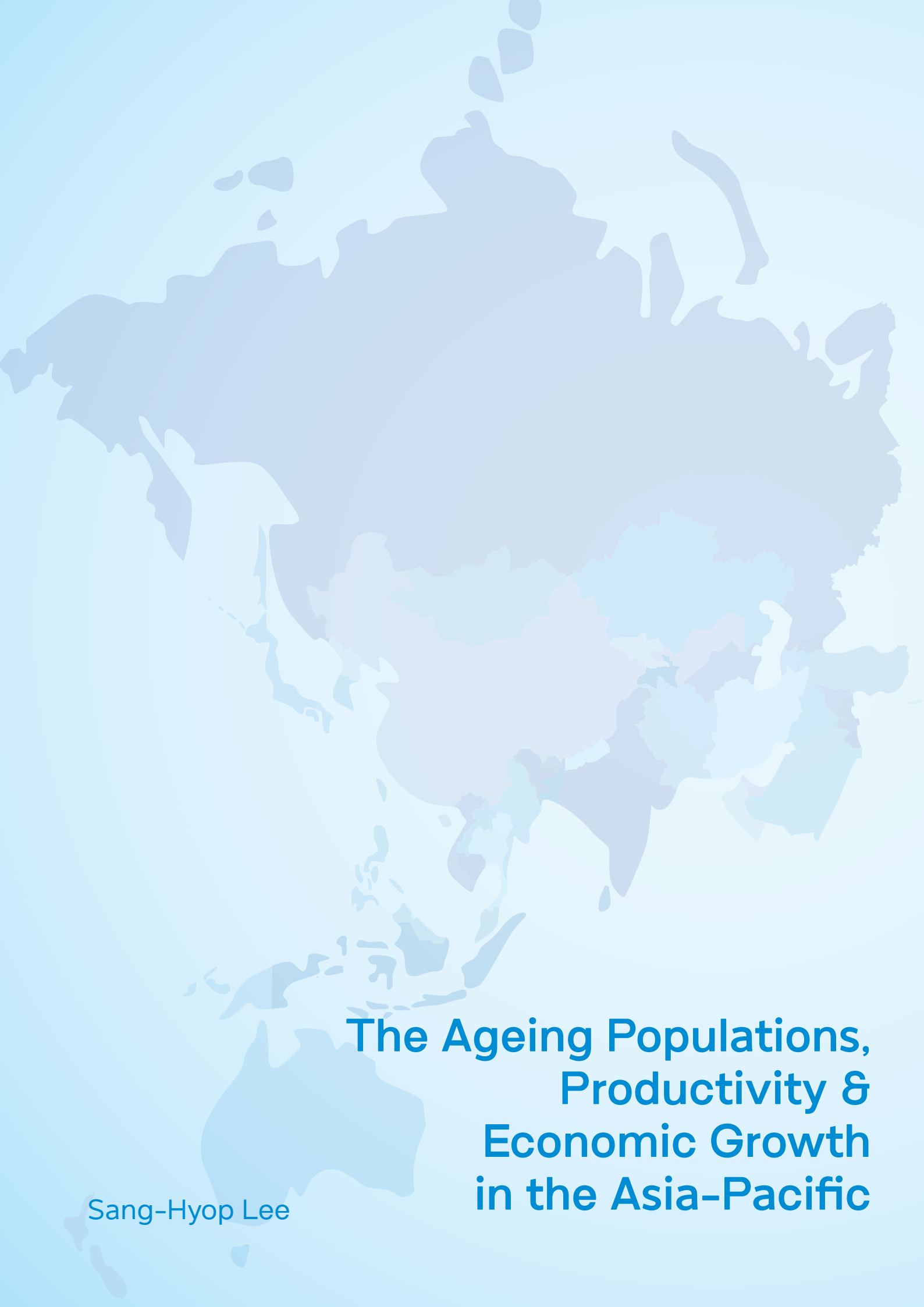


Source: UN Development Index

## Conclusion

While economic forecasts indicate a decline in the region's growth rate over the next few years, respondents to this year's State of the Region are significantly more optimistic. The top risks to growth identified by PECC's survey respondents were all related to trade issues. New growth models centered on innovation hold promise for the future but require the adoption of inter-operable regulatory frameworks, including a meaningful post-2025 services sector roadmap, as well as human resource development and social security to benefit from these technologies.

APEC's dialogue mechanism that fosters cooperation among a diverse range of economies moving towards the same objective taking different paths remains one of its key strengths. However, this requires a realistic assessment of the current geo-economic context to identify areas of cooperation specific to current circumstances.



# The Ageing Populations, Productivity & Economic Growth in the Asia-Pacific

Sang-Hyop Lee

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Immigration.

Extending Retirement Age

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Key Takeaway Points

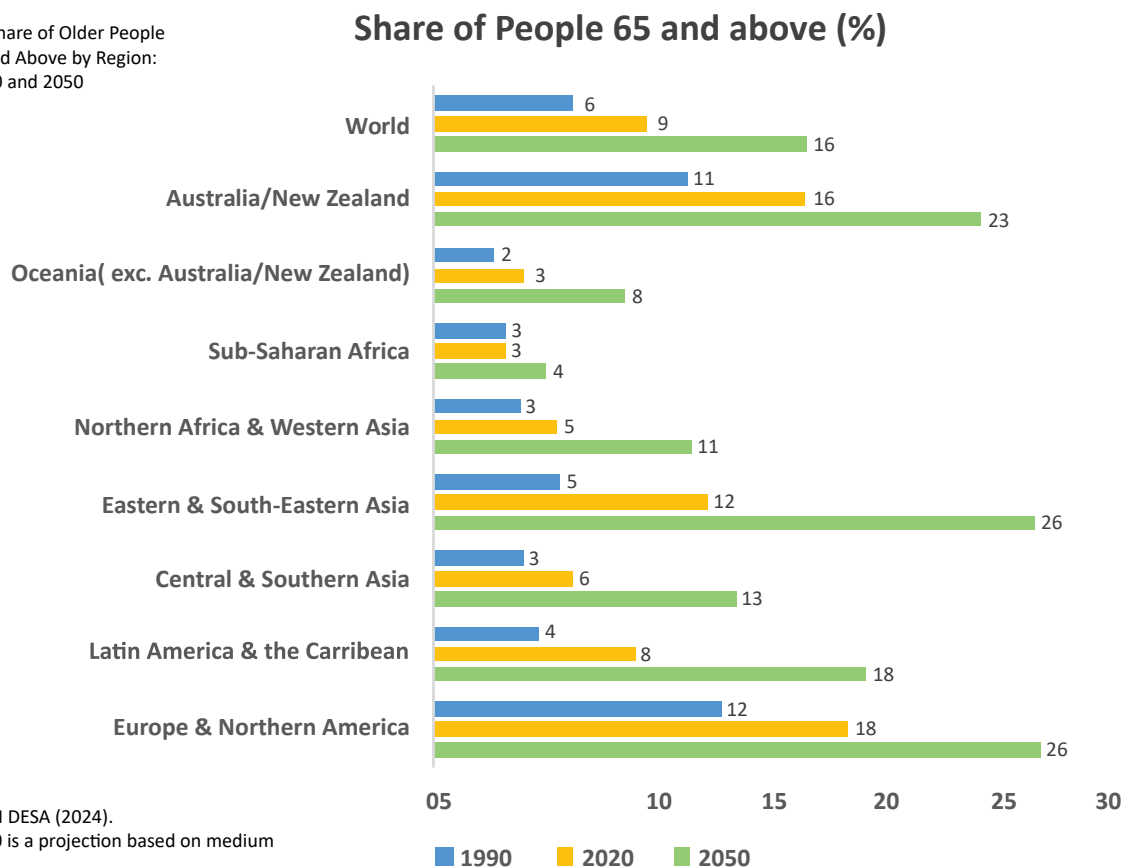
REFERENCES

The objectives of this thematic chapter of PECC State of the Region Report are to shed light on the demographic trends and their implications for the region, report and to develop a policy response framework with particular focus on productivity and growth as well as fiscal sustainability issues. This chapter will build upon and synthesize existing literature on the topic with specific reference to the Asia-Pacific. Furthermore, it will use PECC's annual State of the Region survey to help elucidate stakeholders perceptions of the issue and what should be done about it.

## Rapid Population Ageing

With a rapid decline in fertility and an increase in life expectancy, many economies in the world are ageing very rapidly. Between 1990 and 2020, the percentage of the older population ages 65 and above globally has increased gradually, from 6.1 percent in 1990 to 9.3 percent in 2020. By region, the Europe and Northern America are still the oldest regions in the world, while Sub-Saharan Africa and Oceania (excluding Australia and New Zealand) are still the youngest regions in the world with little or modest changes in terms of the share of older people (Figure 1).

Figure 1. Share of Older People  
Ages 65 and Above by Region:  
1990, 2020 and 2050

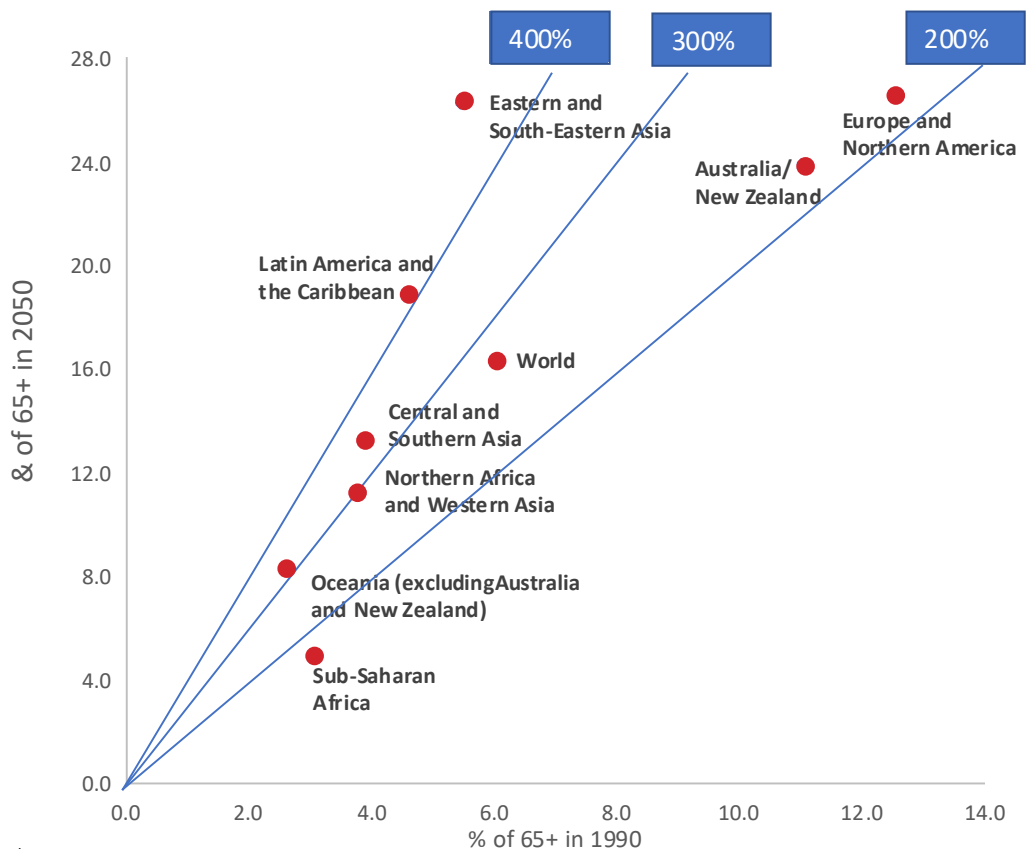


But when it comes to the speed of the ageing process, it is happening most rapidly in Northeast Asia and parts of Southeast Asia, Latin America, and the Caribbean. Rapidly Asia-Pacific. primarily because fertility rates have declined more rapidly there than elsewhere.

By 1990, the share of the population aged 65 and older had exceeded 10 percent only in Europe, Canada, the United States, Australia, and New Zealand, but by 2050, almost all economies except for African economies and several small island economies in the Pacific will surpass this level, including a majority of low-income ones.

In short, the percentage of elderly people will have more than tripled in the 60 years between 1990 and 2050 throughout all sub-regions in the Asia-Pacific. It will have more than quadrupled in East and Southeast Asia and Latin America and the Caribbean (Figure 2).

Figure 2. Share of Older People Ages 65 and Above by Region: 1990 and 2050



Source: UN DESA (2024).

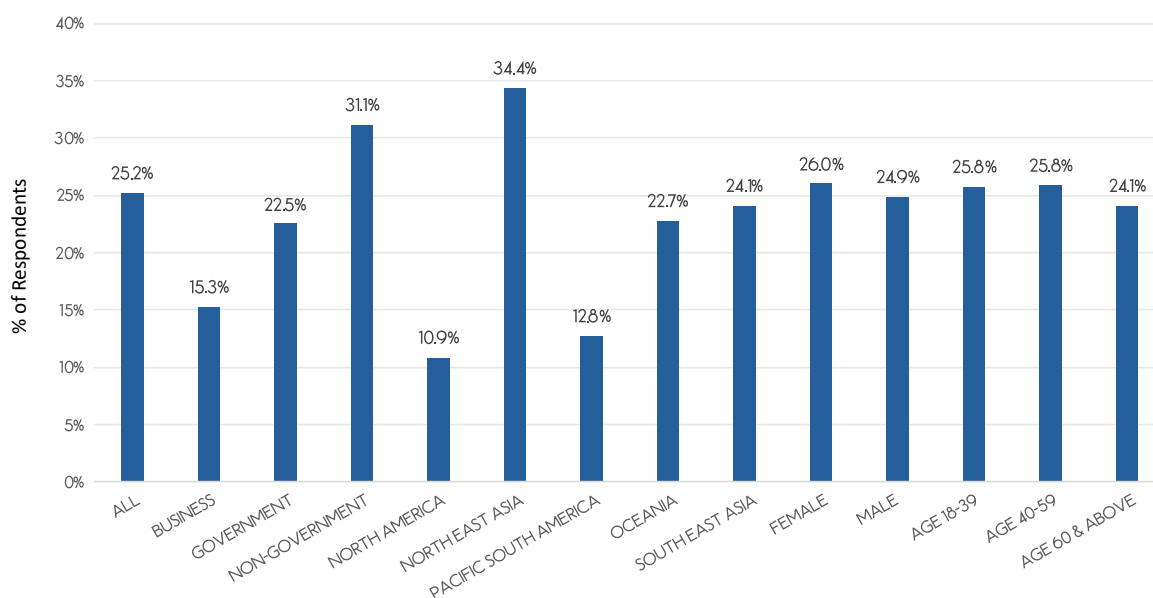
Note: 2050 is a projection based on medium variants.

## Population Ageing as a Challenge

The rapid population ageing is one of the most important economic and social challenges in the region since it hinders sustainable growth, stresses social cohesion and may aggravate intergenerational gaps and conflicts. The market system alone has very limited power to deal with the challenge. The elderly in developing economies are particularly vulnerable because of the generally insufficient public support system for the elderly. Private support, once provided by large families, has weakened, aside from its burdens on the fewer productive workers. In short, this challenge presents a severe risk to APEC's goal of increased prosperity through balanced, inclusive, sustainable, innovative, and secure growth.

SOTR 2024 survey results (Figure 3) shows respondents recognize this, viewing population ageing as among the top 5 risks to growth for their economies. But although 31 percent of non-government respondents considered population ageing a top risk to their economy, only 15 percent of business ones did. An even larger disparities were seen among sub-regions with 34 percent of those from Northeast Asia regarding it as a top risk as opposed to only 13 percent of those from Oceania. This is consistent with both the level of ageing and its speed, as shown in figures 1 and 2 (Figure 3).

Figure 3. Perceptions of Population Ageing as a Risk by Sub-Region and Sector



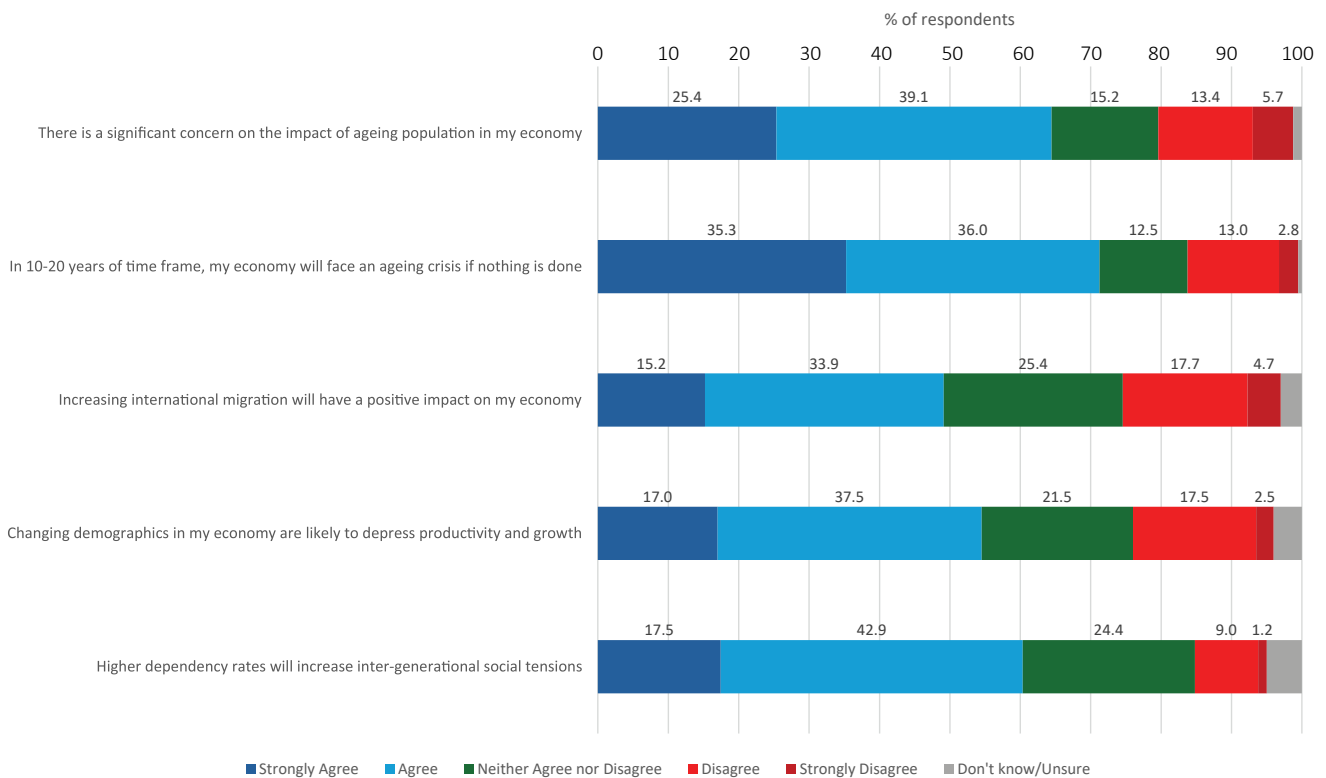
Source: PECC State of the Region Survey (2024)

Question: Please select the top five risks to growth for your economy over the next 2-3 years.

Please select only (5) risks, using a scale of 1-5?

However, the survey highlights the short-term risk, as the question was asked about the risk over the next 2-3 years. In reality, population changes usually occur over a long period of time so that the risk continues. Figure 4 shows that about 65 percent of respondents (strongly) agreed that there is a significant concern on the impact of ageing population in their economy. Moreover, 71 percent also agreed that their economies will face an ageing crisis in 10-20 years of time frame if nothing is done (Figure 4).

Fig 4: Perceptions of Population Ageing



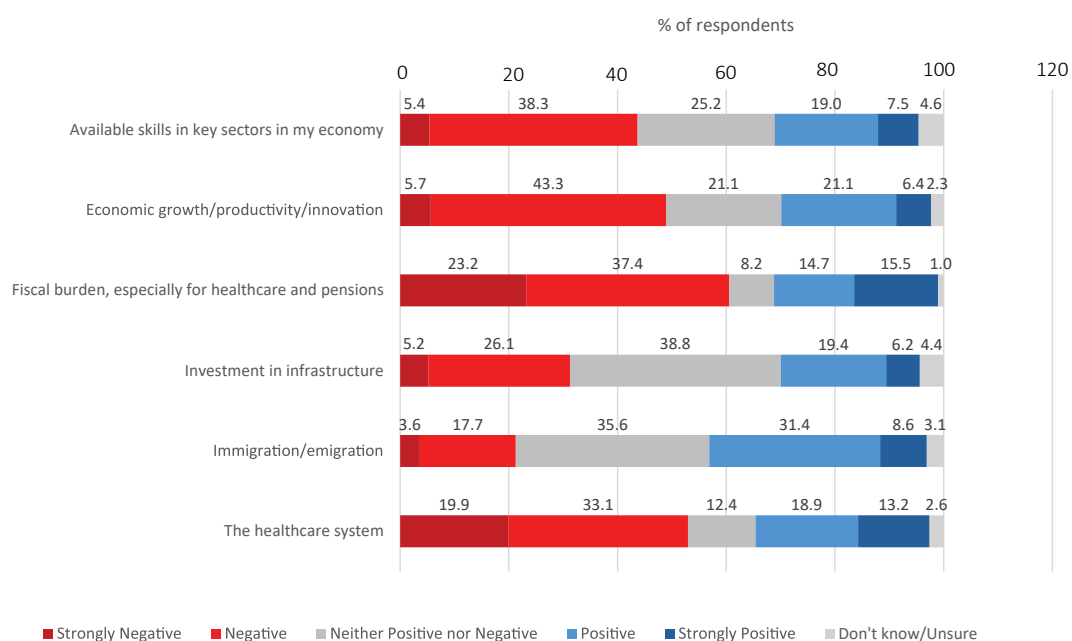
Population ageing presents many challenges to societies and economies, but three are especially important (Mason and Lee 2002).

The **first** challenge is health care for the elderly, whose health care needs are not only greater but also quite different than those of the young. How should economies reform their health care systems to ensure that sufficient resources are available and that they are used equitably and efficiently to meet the needs of the elderly? Individual health care expenditures increase substantially in the last few years of a person's life. Thus, even if older people are healthier than in the past and live longer, spending on health care will rise because the proportion of the population in the last few years of life will rise.

The **second** challenge is assuring economic security for the elderly. What are the respective responsibilities of the family, the state, and the elderly themselves to meet the financial burdens of extended periods of retirement? In particular, the studies on the impact of ageing on public finances emphasize the close connection between age and tax revenues on the one hand and public benefits provided on the other. In general, prime-age adults fund government programs while children and seniors depend on them. An increase in the population of prime-age, taxpaying adults improves leads to an increase in an economy's fiscal balance while an increase in the dependent child or senior populations leads to a decline in fiscal balance and deteriorating public finances.

The **third** challenge is that of sustaining economic growth. How and how much will population ageing slow economic growth? What policies can assure that a robust level of growth continues? The demographic phenomenon undermines the capacity of the productive population to support the non-productive population. An ageing population implies a fall in the working-age population that, without productivity improvement, will lead to lower output. All in all, while demographic trends in Asia were conducive to economic growth in the past (the years when an earlier "baby boom" increased the share of the workforce in the total population), but the retirement of these boomers means that growth will be markedly less or even negative in the future.

Fig 5: Impact of Ageing Populations on Aspects of the Economy



These concerns are well reflected in SOTR survey responses (Figure 5).

While projected impacts vary, the overall concern about population ageing include:

- Fiscal burdens especially healthcare and pensions
- Pressure on healthcare system
- Slowdown of economic and productivity growth
- Lack of skills in key sectors

On the other hand, 40 percent of survey respondents thought population ageing will have a (strongly) positive impact on immigration. Only 21 percent of people responded that population ageing will have a negative impact on immigration. Thus, those surveyed also think population ageing are needed for some economies, because immigrants play a vital role in filling future occupational shortage such as seniors' healthcare and new IT workers. This is in line with the question about the negative productivity impact by sector: stakeholders responded that the positive impact of ageing will be larger in service sectors. On the other hand,, the negative impact will be biggest in construction and agricultural sectors, where application of automation or artificial intelligence would be much less than that in manufacturing or service sectors (Figure 6).

All concerns were also notably higher for males and older respondents, compared with their counterparts (Figure 7).

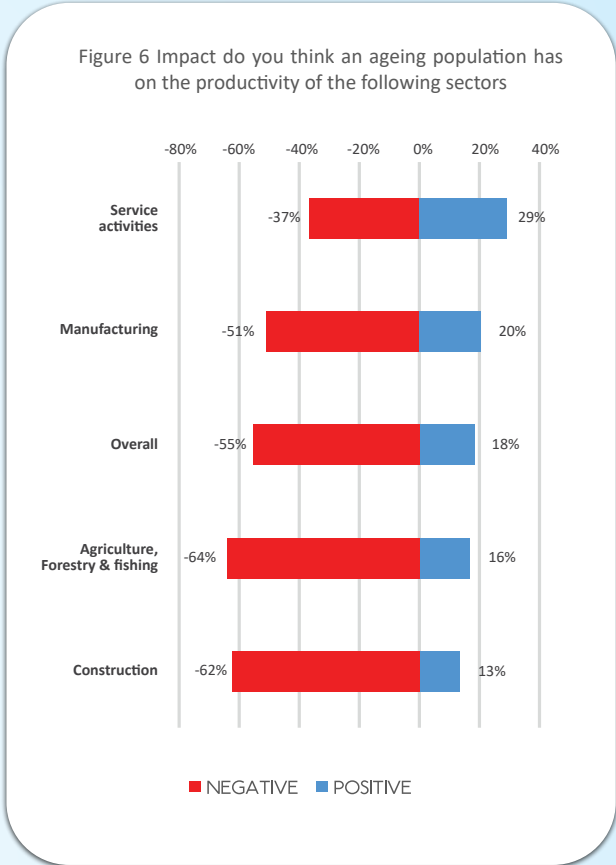
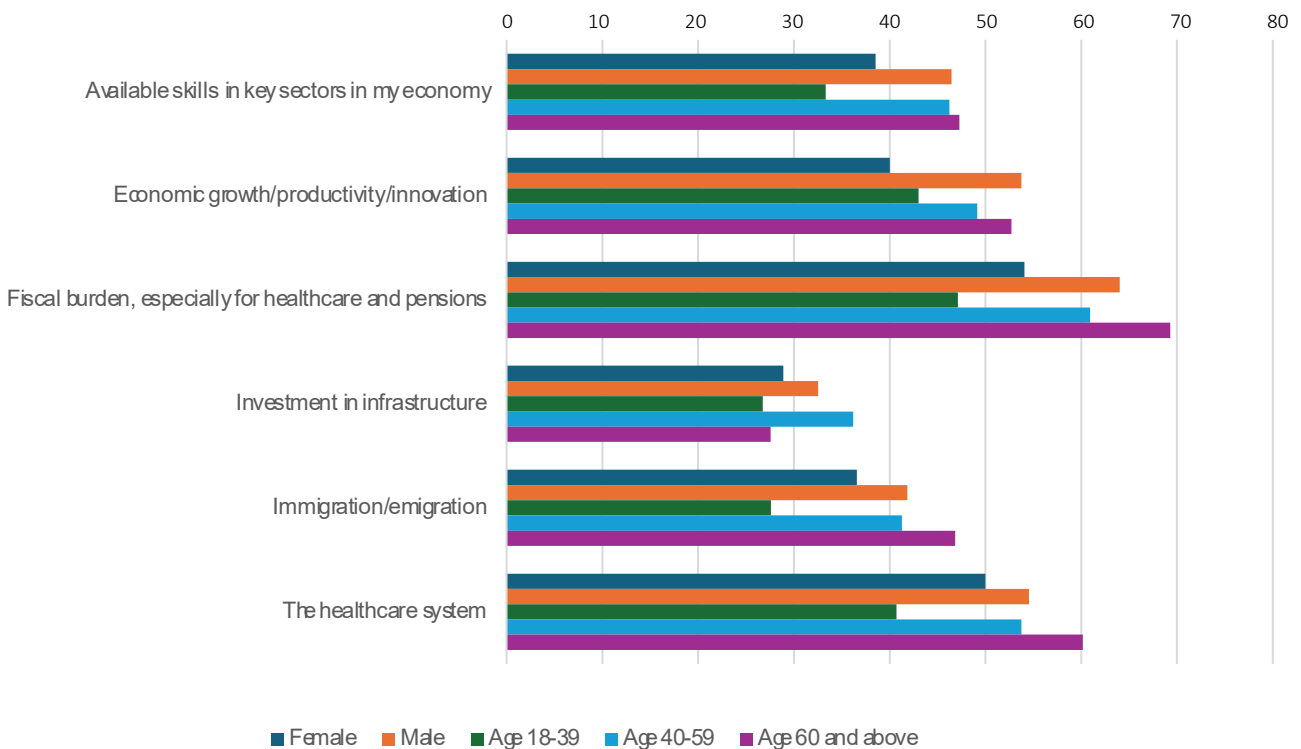


Fig 7: Perceptions of the Impact of Ageing by Gender and Age Group



## Policy Responses to Population Ageing

Societal and governmental responses to population ageing can lead to very different outcomes. A greater investment in human capital will lead to higher productivity. If, for example, workers accumulate assets in anticipation of living longer, population ageing may possibly lead to a more favourable outcome for the economy.

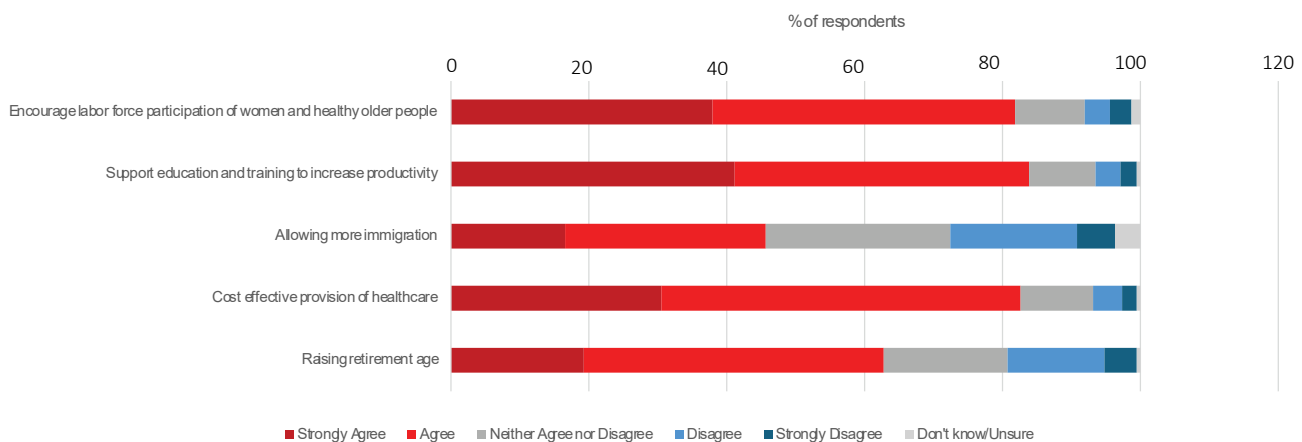
Older people are also living longer and healthier. If the rapid growth of older populations is accompanied by a healthier, talented and more productive seniors prolonging their years in an older workforce, the negative effects on economic growth will be much lower. Increasing women's labour force participation will have a similar effect.

Allowing more immigration ---might mitigate the speed of ageing as well. Hence, the next few decades are a critical period for the Asia-Pacific and the world as a whole. As ageing proceeds, individual strategies and governmental policies towards strengthening work capacity and health of the elderly or alternatives to strengthen labour productivity will assume increased importance. The decisions made regarding these issues will have far-reaching implications.

## Immigration.

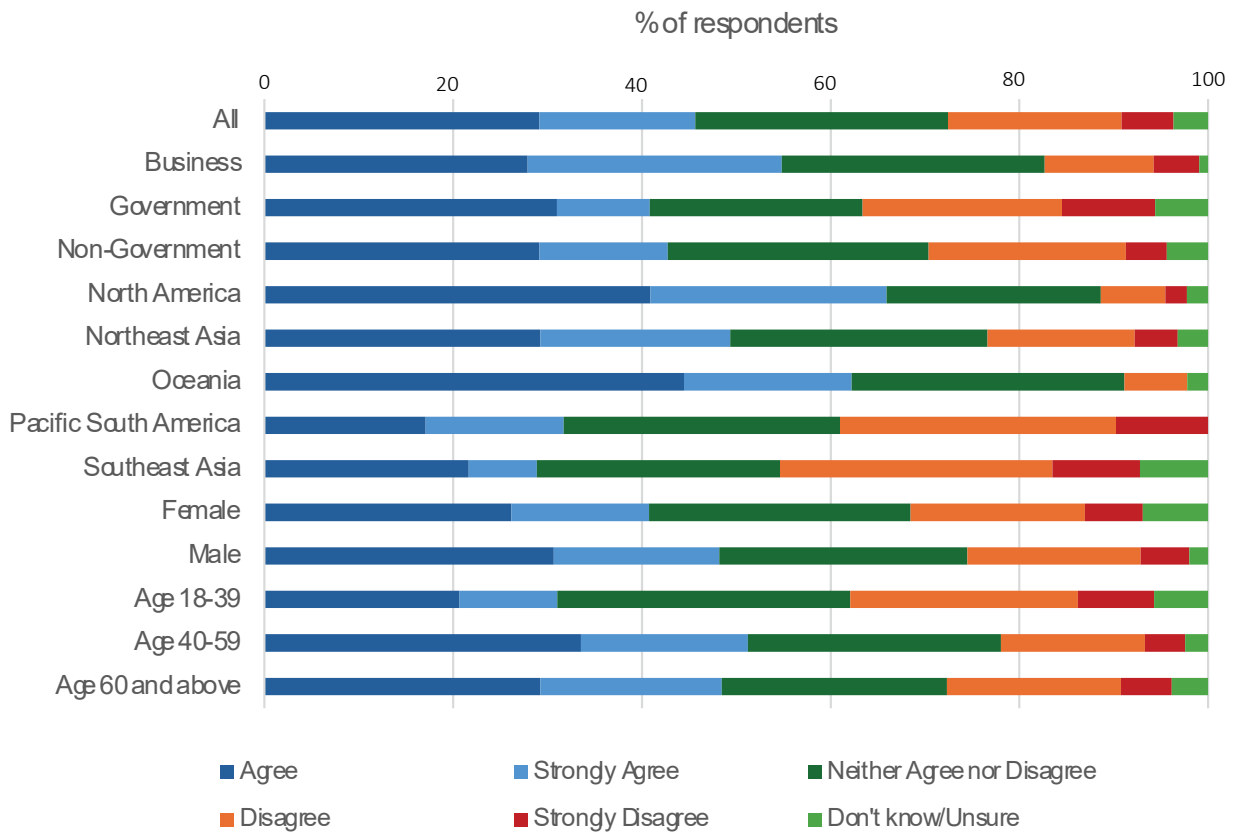
Figure 8 illustrates that respondents' views about these issues reflect their concerns shown in Figure 6. The majority of respondents indicated that increasing quality (productivity) and quantity (labour force participation of healthy older people and women and older retirement age) as well as cost-effective provision of healthcare are priorities for combating the negative impact of population ageing.

Figure 8: Policies to Address Negative Impact of Population Ageing



Increasing quality and quantity will promote economic growth and productivity, and cost-effective provision of healthcare will reduce the fiscal burden. However, only 45 percent of respondents agreed that allowing more immigration can (or “is a desirable strategy for combatting”) combat the negative impact of population ageing

Figure 9: Views on Immigration as a way to Combat Negative Impact of Ageing



The view about immigration depends a lot on the level of stake. While 57 percent of business respondents thought that immigration can be an effective way of mitigating the negative impact of population ageing, only about 40 percent of government and civil society respondents agreed.

This is because immigration of younger workers reduce costs of production and health insurance, directly benefiting businesses. By region, receiving economies, such as in North America and Northeast Asia, implied much stronger effect of immigration combatting negative impact of population ageing in their own economies (Figure 9).

## Extending Retirement Age

A solution frequently offered for a shrinking working-age population is to extend the retirement age. While the majority of respondents (58 percent) report that between 64-66 (21 percent), between 66-68 (17.4 percent) or between 68-70 (19.4 percent) are appropriate retirement ages on average, male and older people supported much higher appropriate retirement age.

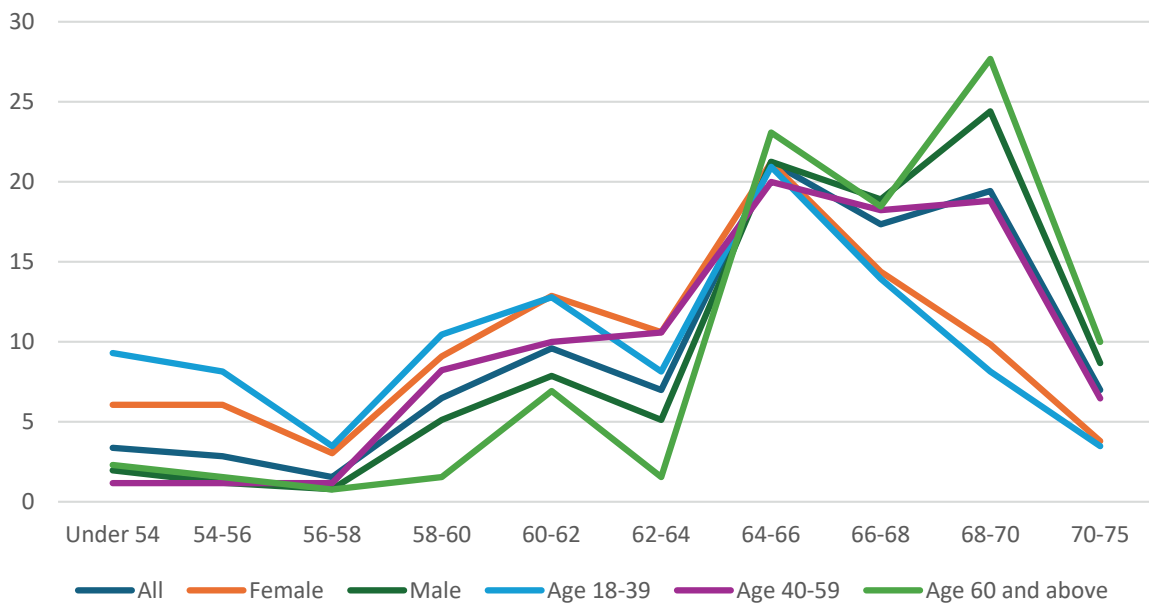
For example, respondents over 60 gave the strongest support to the 68-70 retirement age range. A tenth of this age group even believed that the appropriate retirement age is during the 70-75 interval. The logic behind this idea is powerful; if people are living longer and healthier, they should work longer. In fact, this is one of the most common policies that governments have adopted, usually impelled by the need to keep their pensions system solvent (Figure 10).

However, respondents also think extending the retirement age is less effective in maintaining productivity than using AI or robots, enhancing education system, or increasing female labour force participation (Figure 11).

This is in large part because people think raising retirement age has a bigger impact on fiscal sustainability. In addition, Lee and Ogawa (2011) simulated the effect of raising pensionable age on production in dozens of economies, and found the outcome varied significantly across economies for several reasons.

First of all, economies vary greatly in population age structure, consumption, labour force participation, and productivity of the elderly.

Fig 10: Views on the Appropriate Retirement Age



Second, economies vary greatly in the way they fund the lifecycle deficit: i.e. the reallocation system. Retirees in some economies heavily rely on publicly provided pay-as-you-go pension and healthcare systems, while the other, especially in many developing Asian economies, still rely more on encouraging personal or corporate savings and asset-based reallocations

Thus, raising the pensionable age can have a bigger financial impact for the government where pay-as-you-go pension system is more prevalent.

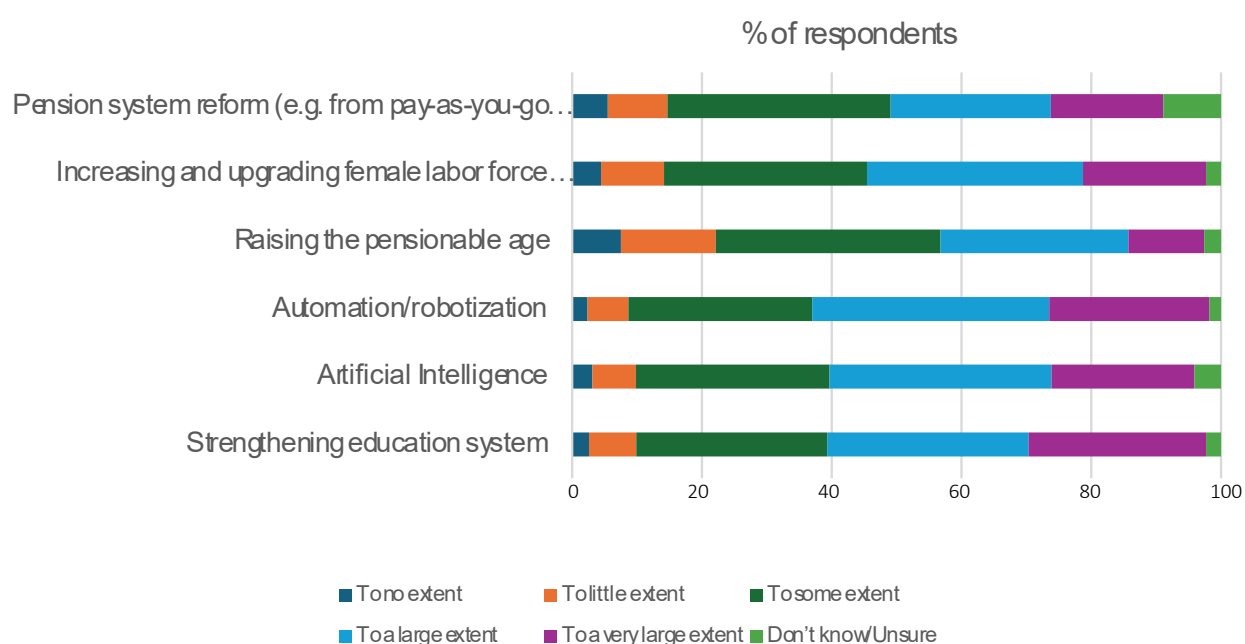
Another important factor is the share of self-employed labour in an economy. Because returns to human capital investment are more likely to be high for the young and also for employees as compared with the self-employed, wages peak at younger ages than self-employment income does.

In addition, older people are more likely to work as self-employed or in the agricultural or service sectors, whereas young people are more likely to be employed in the formal sector. The formal sector is growing and hiring young workers, whereas older workers tend to continue in the jobs that they have held for years.

Because mandatory retirement and age discrimination in the formal sector often discourage or, in some instances, prohibit continued employment by older workers, older workers are more likely to find new jobs in the informal sector as self-employed workers.

This highlights the importance of policies that maintain the productivity of older workers for these economies. The solution to the ageing problem in these economies might not be just delaying retirement and continuing to work in low earnings sectors. Rather it may have to be a more fundamental change in the society, including boosting productivity for the elderly, not just keeping them in the low paid labour markets.

Fig 11: Ways to Mitigate potential loss of GDP and productivity arising from an ageing population



## Addressing the Fertility Challenge: Work-Life Balance

Both working longer and increasing productivity of seniors are potentially important responses to population ageing, but they do not address the low fertility problem helping to cause this challenge. In many economies the elderly are heavily and increasingly dependent on workers who fund public pension and healthcare programs through taxes. Low fertility means fewer future taxpayers on whom the elderly can rely on.

There are several factors which affect fertility rates, but two components are most important. One is the ease of entry into adult roles such as finishing school, getting a job, and establishing an independent household. The other is the ease of reconciling parental and work roles.

Fig 12: Incentive to Improve Home and Work Balance to Increase Fertility

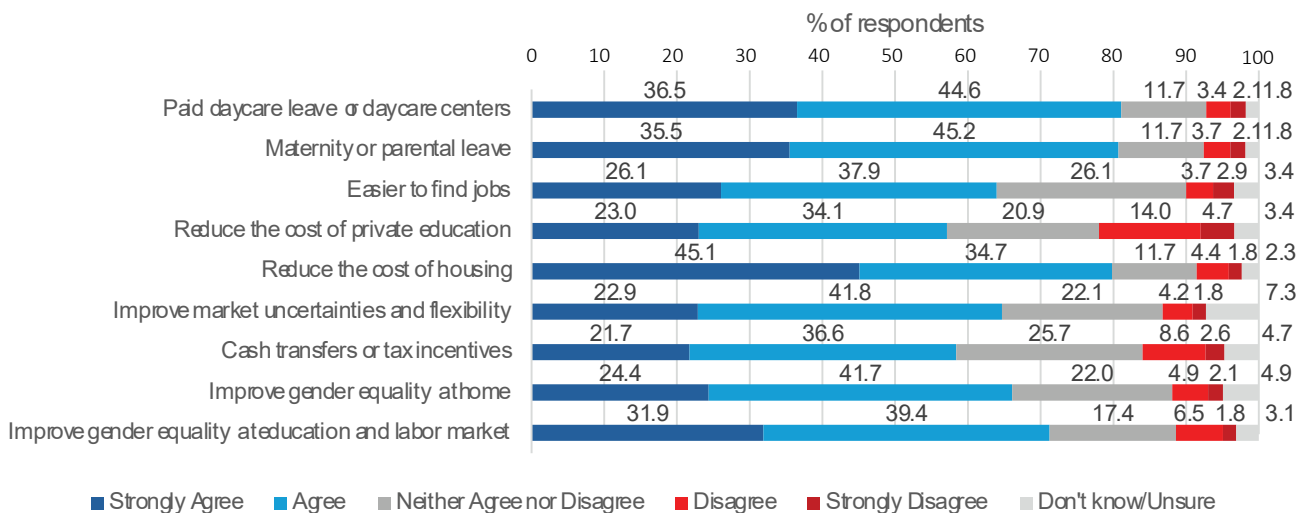
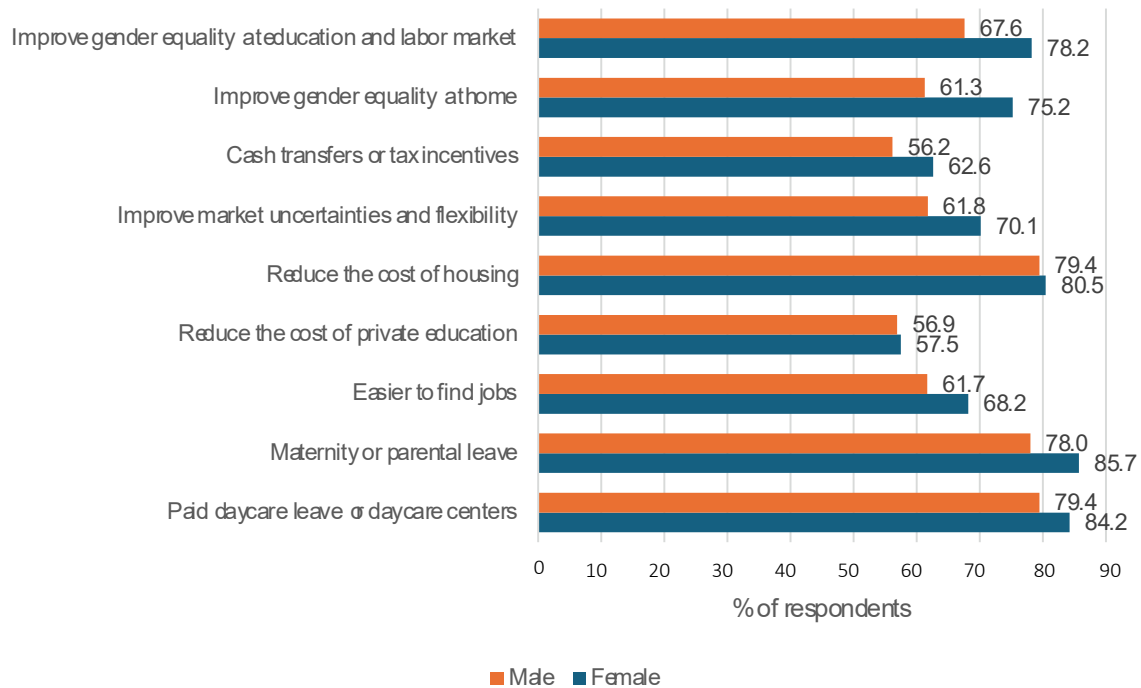


Figure 12 presents survey respondent views about what kind of responses can provide incentives to improve home-work balance to favour fertility. While 70 to 80 percent of respondents (strongly) agreed that conventional policies such as paid daycare centres, maternity or parental leave, easy entry to job market (improved flexibility), and improving gender equity in both housework and job market can provide strong incentives, a much lower percentage of people thought reducing private cost of education (57 percent) or cash transfers or tax incentives (58 percent) helped.

This is consistent with findings even in the economies with the highest private education cost such as Korea because low fertility is not due to just financial constraints, but perhaps even more to time constraints. It is hard for households to improve balance between work and home. This is especially true where the burden of raising a child is mostly borne by women.

Fig 13: Incentives to Improve Work Life Balance



It is also interesting that the highest percentage of respondents mentioned reducing the cost of housing to improve the work - home balance to increase fertility. This might be due to a substantial increase in housing costs in recent years, which discourages people from marrying early in child-bearing years and having offspring.

The responses by gender also highlights a perception gap between men and women. For all choice questions on the survey, the percentage of men (strongly) agreeing to those responses are considerably lower than that of women (Figure 13).

In particular, the gap is largest for issues of gender equality. While about 9-10 percent of men (strongly) disagree that improving gender equality at home, in education, or at work would improve home and work balance, less than 5 percent of women share this view (Figure 14).

Changes in labour force participation rates, especially women's labour force participation rates, have an important impact on the size and key characteristics of the labour force. The trend, however, varies a lot across the world and among the APEC economies. In general, the trend toward higher labour force participation of women appears to be prominent in upper-middle- or higher-income economies where gender equality and a satisfactory work-home balance are more likely to be achieved compared with lower income economies.

Fig 14: Initiatives to Increase Fertility

% of respondents who disagreed that the following incentives could to improve home and work balance?

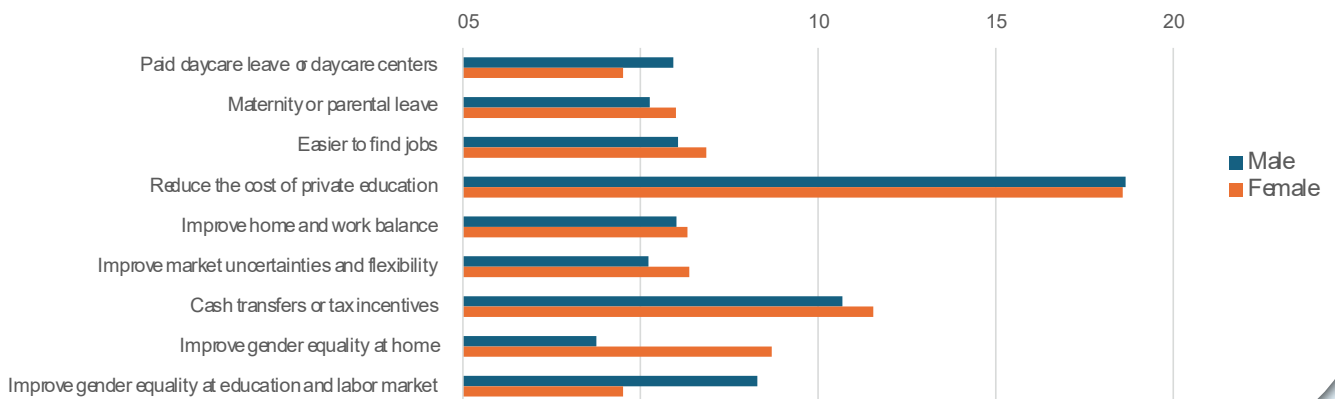


Figure 15 shows how respondents think about the effectiveness of various actions for increasing female labour force participation and achieving gender equality. While over 80 percent of those surveyed answered that equal pay, flexible work hours and a flexible labour market, and more access to STEM education for women are key elements, a much lower percentage mentioned an increase in minimum wage or increased availability of financial services for women. The low response to an increase in minimum wage is understandable as this can have a negative impact on employment and females are more likely to receive low minimum wages than male counterparts.

Again, these responses are notably different by gender. For all selections, the percentage of men (strongly) agreeing to those responses are considerably lower than that of women (Figure 16), implying significant gender gaps in perceptions of gender-related issues, such as female labour force participation, gender equality, and balance between home and work.

Figure 15

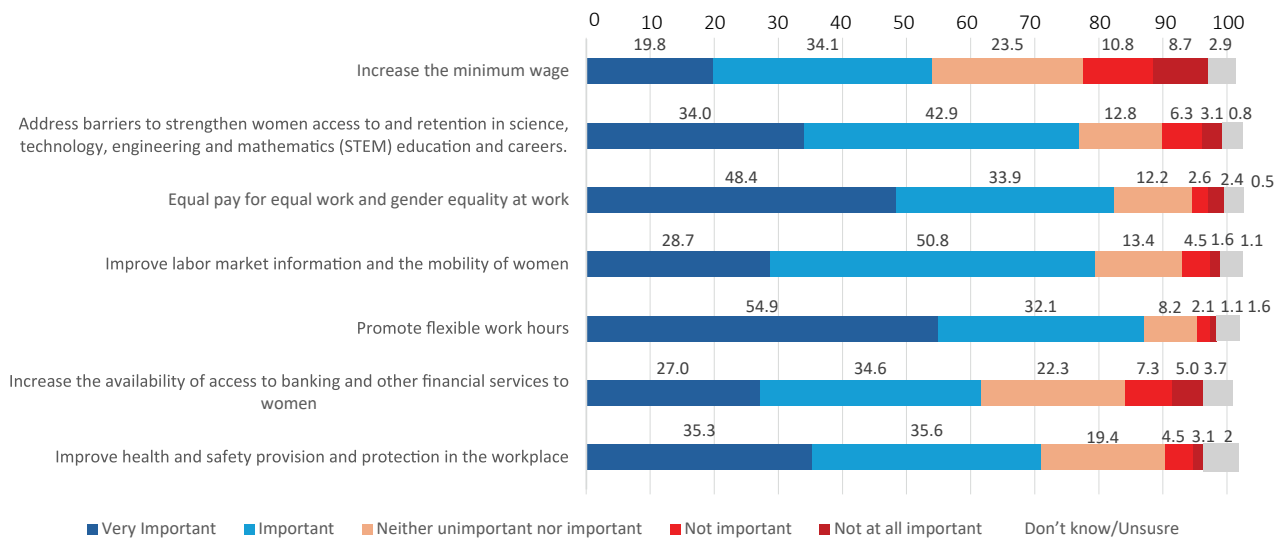
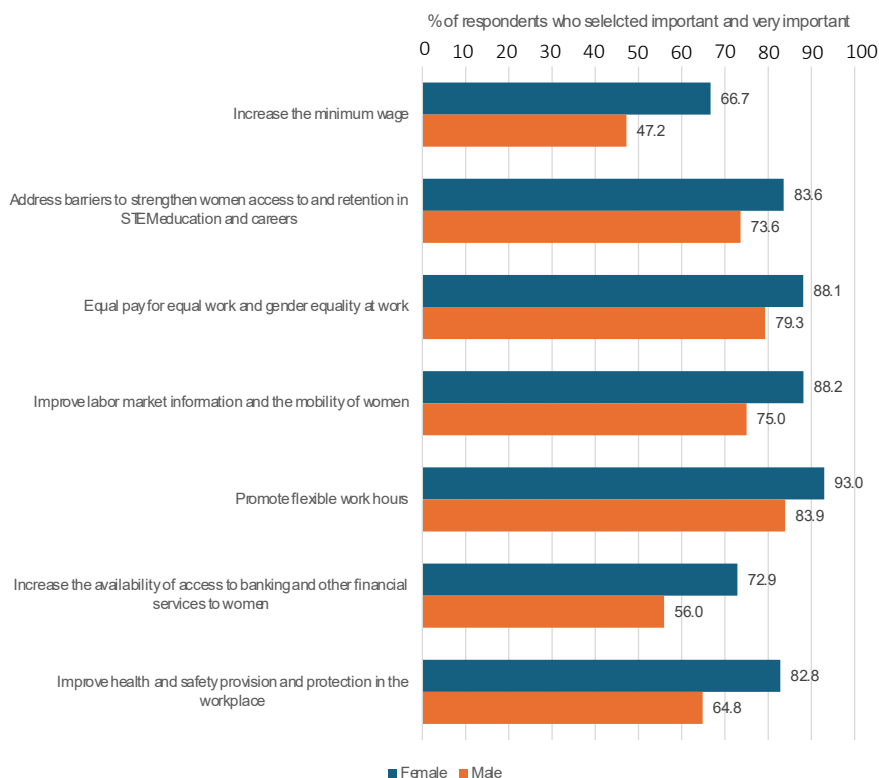


Fig 16: Actions to increase Female Labor Force Participation and Gender Equality in the Labor Market - Female vs Male



## Automation

It also should be noted that there is a small, but a growing body of literature on the role of robots/AI on demand for labour (e.g. Autor et al. 2003, Goos et al. 2009, Acemoglu and Autor 2011, Autor 2015, Frey and Osborne 2017, Acemoglu and Restrepo 2017, 2018). Although the results are mixed, they largely agree upon one thing; some technologies displace jobs, while others create jobs. The latter may be more important. In fact, unemployment rates in most OECD members have been on a downward trend. This is because new jobs are being created at a faster rate than they are being lost and greater opportunities are opening up to participate in the labour market for many people who were formerly excluded (OECD 2019). Similarly, in Asian developing countries ADB (2018) found that rising demand due to new technology has offset job displacement driven by automation.

# What is the effect of technological advances on the relationship between population ageing and growth?

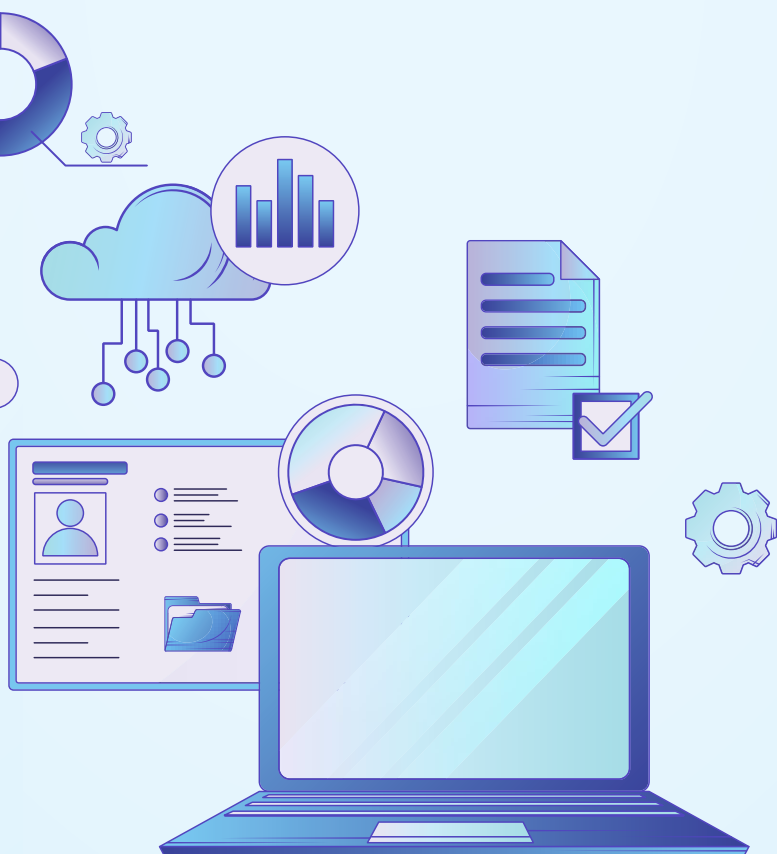


This is a new emerging topic and there are only handful of studies in spite of the perceptions reflected in Figure 11. There are several signs that older people in general are less innovative, which suggests that technological progress and adaptation becomes slower as economies age (e.g. Derrien et al. 2020, Basso and Jimeno 2021). However, Acemoglu and Restrepo (2017) came to the opposite conclusion--population ageing actually encourages firms to adopt more automation technology, boosting productivity and growth.

ADB (2018) also explores the possibility that technological advances in automation and artificial intelligence, by supplementing and complementing the experience of older workers, may mitigate the negative effect of ageing. It argues that technological innovation of this kind may transform work and the workplace so that senior workers are encouraged to stay longer in the labour market and at the same time even become more productive.

For example, automation that make the same task less demanding manually and physically also makes the workplace more friendly to old workers. Park et al (2020) also find higher robot density favors an old population since old age groups become less disadvantaged relative to prime age adults.

Although the research is still somewhat inconclusive, one thing has become clearer. Even if much new technology may create jobs and also increase productivity, some will hurt workers already in routine and manual-labour jobs. New technologies may require skills that favors young workers since older workers may not possess those skills and on average will learn them less quickly. Without adequate skills development or retraining, older workers face hurdles in seizing the opportunities that new technologies provide. This mismatch between demand for new skills and the fact of population ageing will play a key role in the future of labour, and add another layer of heterogeneity to the already substantially different job markets across regions and within regions, economies and sectors.



## Priorities for APEC Leaders

Respondents were asked to select the top 5 issues that they thought APEC Leaders should address at their meeting in November.

The top 2 were:

Ameliorating geopolitical and economic/trade conflicts in the region

Addressing rapid technological change & AI

Addressing ageing population and its impacts on growth

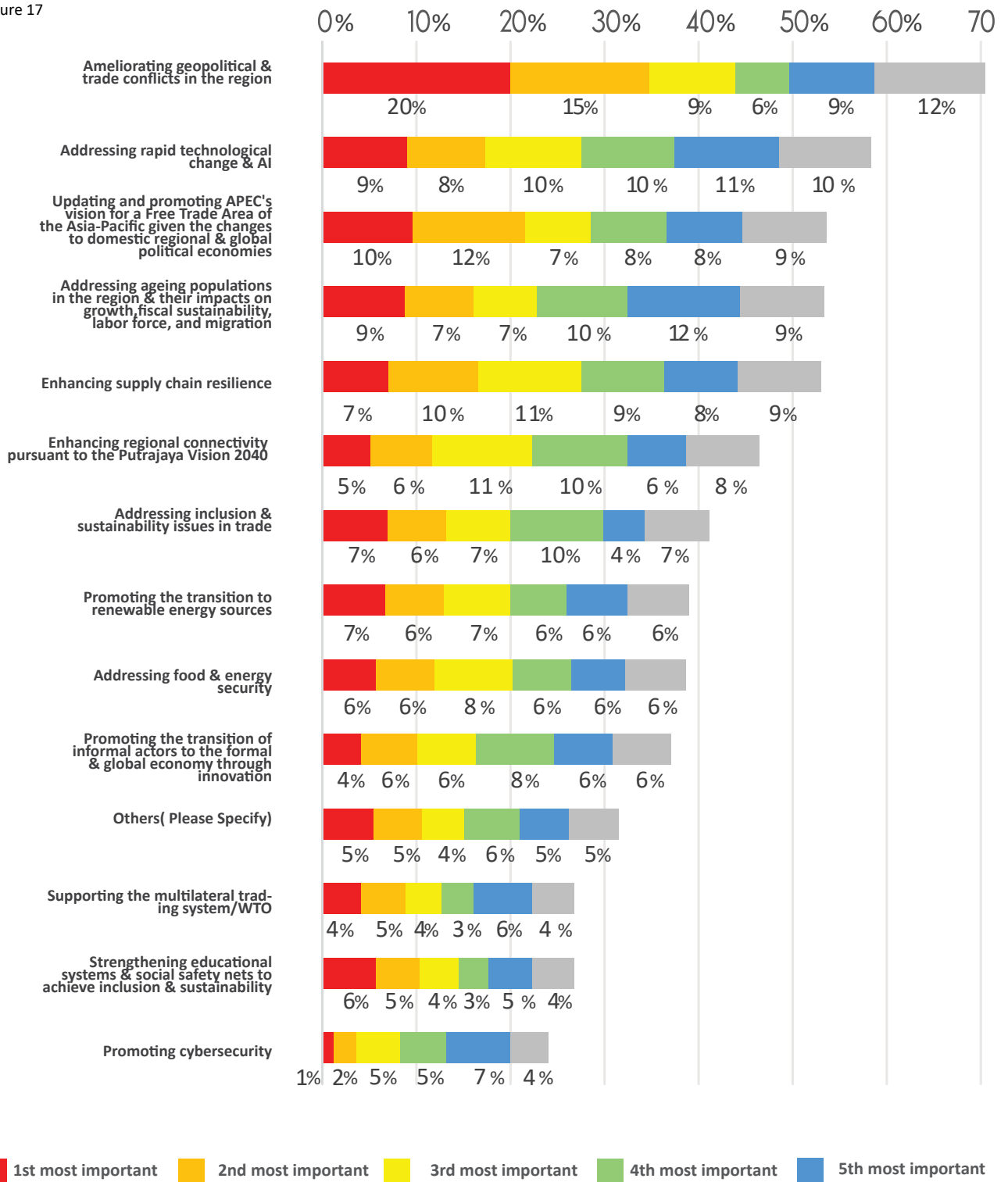
Updating and promoting APEC's vision for an FTAA.?

Strengthening supply chain resilience

The 3 issues are followed by:

While ameliorating geopolitical and trade conflicts and strengthening supply chain resilience were top agenda items last year, it is very interesting to see that these stakeholders included issues related with population ageing and technological changes this year (Figure 17).

Figure 17



Source: PECC State of the Region Survey (2024)

Question: Please rate how important you think the following actions to increase female labor force participation as well as gender equality in labor market in your economy? % answered important or very important

# Key Takeaway Points

## 01

Many governments have considered policies to mitigate the economic effects of population ageing by increasing the pensionable age. Our survey showed many older respondents agree with this. However, surveys show that this can have a limited effect on growth in the economies as a whole and on labour-based incomes for the elderly if they are working in low productive sectors.

This suggests some areas of improvement for labour market and old-age support policies. In some economies, removing labour market rigidities can be pivotal to improving the situation. It is crucial to make the wage system and labour market more flexible, transitioning from seniority-based to performance-based wage systems.

---

## 02

Second, as the pensionable age is raised, it is expected that job creation suitable for elderly workers will emerge as a core agenda for labour market policies. It is necessary to set clear goals for the elderly's job program from an integrated perspective with the old-age support system.

While increasing the employment of the elderly or utilizing health capacity to work is usually the mainstream stated goal, it is perhaps more important to change the structure of aged employment to enhance the productivity of older workers. For those with relatively high productivity or ability, it is necessary to strengthen training programs for productivity improvement. It is also valuable to give increased attention to how new technologies can be more "senior friendly."

---

## 03

Labor markets are under pressure from the technological progress and greater integration of economies through global supply chains. This provides opportunities for people with appropriate skills or capability of learning these, but a challenge for those with low or obsolete skills. At the same time, digitalized business models may more frequently employ workers as self-employed contract workers rather than as standard salaried and more job-secure employees. a challenging task. It will require a continuous successful reskilling and upskilling effort on an unprecedented scale.

People are living and working longer but facing more frequent job changes and increased risk of skill obsolescence. This in turn may exacerbate earnings inequalities based on educational background and age providing those at risk with better job prospects should be the policy priority to achieving more inclusive and sustainable economies and societies. Retraining and redeploying workers, especially older workers, into new occupations for long term will be a challenging task. It will require a continuous successful reskilling and upskilling effort on an unprecedented scale.

---

## 04

Population ageing also substantially strengthens the case for promoting female labour participation in the workforce in a healthy, fertility-friendly way. For example, more and better child-care facilities and generous maternity and paternity leave can have positive effects on female participation. Survey results demonstrate that a main reason for low fertility is a difficulty of making balance between work and home. sensitive, the economic benefits should be carefully examined and explained.

Demography in itself can be also influenced by government policies. Economies with very low fertility rate should also consider pursuing effective pro-natalist policies. Exploring in a more systematic way of what kinds of policies are most cost-effective is key. There are also a number of opportunities for the region to leverage its demographic diversity through regional cooperation and integration. For example, immigration and investment would offer potentially large returns. While often politically sensitive, the economic benefits should be carefully examined and explained.

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**ANNEX :  
RESULTS OF ASIA-  
PACIFIC POLICY  
COMMUNITY SURVEY**

## RESPONDENT PROFILE

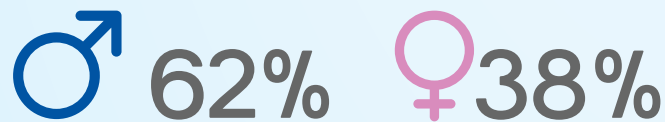


### Annex : Results of Asia-Pacific Policy Community Survey

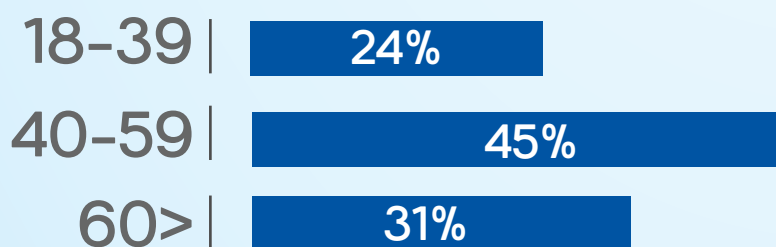
This annex presents the findings of a survey of the Asia-Pacific policy community conducted by the Pacific Economic Cooperation Council from 11 July to 13 September 2024. The survey was disseminated through: PECC member committees, the APEC Business Advisory Council, APEC Policy Support Unit, Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI), UK-ASEAN Business Council, Papua New Guinea APEC Team, Russia APEC Team, EU-ASEAN Business Council.

This is not a survey of public opinion but rather, a survey of those whose views influence policy-making, especially at the regional level as some of the questions require a knowledge of ongoing regional initiatives. However, we believe that those surveyed include those who are responsible for influencing and often making decisions on various aspects of their economy's positions within different regional groups.

## GENDER



## AGE GROUP



## AFFILIATION



**38%**  
ACADEMIC  
RESEARCH



**6%**  
CIVIL SOCIETY



**1%**  
MEDIA



**27%**  
BUSINESS



**20%**  
GOVERNMENT



**7%**  
OTHERS

The guidance for identifying panelists is as follows:

### Government

Panelists should be either decision-makers or senior advisors to decision-makers. As a guide, the government respondents in previous years included a number of former and current Ministers, Deputy and Vice-Ministers, Central Bank Governors and their advisors for Asia-Pacific issues, current APEC Senior Officials, and a number of former APEC Senior Officials.

### Business

Panelists should be from companies who have operations in a number of Asia-Pacific economies or conduct business with a number of partners from the region. This might include each economy's current ABAC members as well as past ABAC members. In last year's survey, these included CEOs, vice presidents for Asia-Pacific operations, and directors of chambers of commerce

### Non-government: Research Community/Civil Society/Media

Panelists should be well-versed in Asia-Pacific affairs, being the type of people governments, businesses, and the media would tap into to provide input on issues related to Asia-Pacific cooperation. These included presidents of institutes concerned with Asia-Pacific issues, heads of departments, professors, and correspondents covering international affairs.

1. What are your expectations for economic growth over the next 2-3 years compared to the last year for the following? Please select/tick the appropriate box.

	Your Own Economy	The Global economy	The Asia Pacific
Much Weaker	4%	2%	1%
<b>Weaker</b>	<b>19%</b>	<b>27%</b>	<b>14%</b>
About the same	34%	41%	27%
<b>Stronger</b>	<b>36%</b>	<b>26%</b>	<b>46%</b>
Much Stronger	5%	2%	10%
Don't know/Unsure	2%	2%	2%
Total	100%	100%	100%

2. Please select the top five risks to growth for your economy over the next 2-3 years. Please select ONLY five (5) risks, using a scale of 1-5. Please write 1 for the most serious risk, 2 for the next most serious risk, 3 for the next third highest risk, 4 for the fourth highest risk and 5 for the least serious risk.

	5- least serious	4	3	2	1- most serious
Another health pandemic	5%	3%	3%	1%	1%
Climate change	7%	9%	7%	7%	8%
Energy security	3%	5%	4%	4%	3%
Failure to implement structural reforms	5%	4%	5%	5%	7%
Financial market volatility	4%	5%	4%	4%	3%
Food security	4%	2%	2%	3%	3%
Geo-economic fragmentation	3%	6%	9%	6%	6%
Increased protectionism and trade wars	5%	8%	8%	15%	13%
Geopolitical tensions and associated sanctions	6%	9%	8%	13%	18%
Inflation and rising commodity prices	4%	6%	7%	5%	6%
Population ageing/ population changes	9%	6%	2%	4%	5%
Global supply chain issues	8%	8%	6%	4%	5%
Rising interest rates	4%	2%	3%	3%	1%
Rising income inequality	5%	3%	4%	4%	4%
Slowdown in world trade growth	7%	4%	6%	5%	5%
Slower growth in major economic partners	5%	6%	5%	5%	5%
Unfavorable currency alignments	3%	1%	2%	1%	1%
Unsustainable debt	3%	3%	4%	5%	1%
Adapting to rapid technological change (AI)	7%	5%	7%	5%	2%
Shortage of available skills/talent	6%	5%	5%	3%	4%

### 3. Please state your level of disagreement/agreement with the following statements

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Don't Know/ Unsure	Total
There is a significant concern on the impact of ageing population in my economy	6%	13%	15%	39%	25%	1%	100%
In 10-20 years of time frame, my economy will face an ageing crisis if nothing is done	3%	13%	13%	36%	35%	1%	100%
Increasing international migration will have a positive impact on my economy	5%	18%	25%	34%	15%	3%	100%
Changing demographics in my economy are likely to depress productivity and growth	3%	18%	22%	38%	17%	4%	100%
Higher dependency rates will increase inter-generational social tensions	1%	9%	24%	43%	17%	5%	100%

### 4. Please rate how you think ageing populations will impact the following in your economy?

	Strongly Negative	Negative	Neither Positive nor Negative	Positive	Strongly Positive	Don't Know/ Unsure	Total
Available skills in key sectors in my economy	5%	38%	25%	19%	7%	5%	100%
Economic growth/productivity/innovation	6%	43%	21%	21%	6%	2%	100%
Fiscal burden, especially for healthcare and pensions	23%	37%	8%	15%	15%	1%	100%
Investment in infrastructure	5%	26%	39%	19%	6%	4%	100%
Immigration/emigration	4%	18%	36%	31%	9%	3%	100%
The healthcare system	20%	33%	12%	19%	13%	3%	100%

### 5. Please share your view on how much the following can combat the negative impact of population aging in your economy?

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Don't Know/ Unsure	Total
Raising retirement age	5%	14%	18%	43%	19%	1%	100%
Cost effective provision of healthcare	2%	4%	11%	52%	31%	1%	100%
Allowing more immigration	6%	18%	27%	29%	17%	4%	100%
Support education & training to increase productivity	2%	4%	10%	43%	41%	1%	100%
Encourage labor force participation of women & healthy older people	3%	4%	10%	44%	38%	1%	100%

**6. Please share your view on how much the following can mitigate potential loss of GDP and productivity arising from an ageing population?**

	To no extent	To little extent	To some extent	To a large extent	Very large extent	Don't Know /Unsure	Total
Strengthening education system	3%	7%	29%	31%	27%	2%	100%
Artificial Intelligence	3%	7%	30%	34%	22%	4%	100%
Automation/robotization	2%	6%	28%	36%	25%	2%	100%
Raising the pensionable age	8%	15%	35%	29%	12%	3%	100%
Increasing and upgrading female labor force participation	4%	10%	31%	33%	19%	2%	100%
Pension system reform (e.g. from pay-as-you-go to funded scheme)	6%	9%	34%	25%	17%	9%	100%

**7. Please share your view on how much the following can provide incentive to improve home and work balance to increase fertility?**

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Don't Know/Unsure	Grand Total
Paid daycare leave or daycare centers	2%	3%	12%	45%	37%	2%	100%
Maternity or parental leave	2%	4%	12%	45%	36%	2%	100%
Easier to find jobs	3%	4%	26%	38%	26%	3%	100%
Reduce the cost of private education	5%	14%	21%	34%	23%	3%	100%
Reduce the cost of housing	2%	4%	12%	35%	45%	2%	100%
Improve market uncertainties & flexibility	2%	4%	22%	42%	23%	7%	100%
Cash transfers or tax incentives	3%	9%	26%	37%	22%	5%	100%
Improve gender equality at home	2%	5%	22%	42%	24%	5%	100%
Improve gender equality at education and labor market	2%	6%	17%	39%	32%	3%	100%

### 8. Please rate how important you think the following actions to increase female labor force participation as well as gender equality in labor market in your economy?

	Not at all important	Not important	Neither unimportant nor important	Important	Very Important	Don't know /Unsure	Total
Increase the minimum wage	9%	11%	24%	34%	20%	3%	100%
Address barriers to strengthen women access to and retention in science, technology, engineering and mathematics (STEM) education and careers.	3%	6%	13%	43%	34%	1%	100%
Equal pay for equal work and gender equality at work	2%	3%	12%	34%	48%	1%	100%
Improve labor market information and the mobility of women	2%	4%	13%	51%	29%	1%	100%
Promote flexible work hours	1%	2%	8%	32%	55%	2%	100%
Increase the availability of access to banking and other financial services to women	5%	7%	22%	35%	27%	4%	100
Improve health and safety provision and protection in the workplace	3%	4%	19%	36%	35%	2%	100%

### 9. What impact do you think an ageing population has on the productivity of the following sectors?

	Strongly Negative	Negative	Neither positive nor Negative	Positive	Strongly Positive	Don't know /Unsure	Total
Overall	8%	47%	23%	14%	4%	3%	100%
Agriculture, forestry and fishing	16%	47%	16%	11%	6%	4%	100%
Construction	18%	45%	22%	9%	4%	3%	100%
Manufacturing	9%	41%	25%	16%	4%	3%	100%
Service activities	6%	31%	31%	23%	6%	3%	100%

### 10. What do you think is an appropriate retirement age?

Under 54	3%
54-56	3%
56-58	2%
58-60	6%
60-62	10%
62-64	7%
64-66	21%
66-68	17%
68-70	19%
70-75	7%

**11. What do you think should be the top 5 priorities for APEC Leaders to address at their upcoming meeting in November?**  
Please select **ONLY five (5)** issues, using a scale of 1-5, please write 1 for the issue you think is most important, 2 for the next most important issue, 3 for the third most important, 4 for the fourth most important and 5 for the fifth most important.

	1st Most Important	2nd Most Important	3rd Most Important	4th Most Important	5th Most Important
Addressing ageing populations in the region and their impacts on growth, fiscal sustainability, labor force, and migration	9%	7%	7%	10%	12%
Ameliorating geopolitical and trade conflicts in the region	20%	15%	9%	6%	9%
Addressing food and energy security	6%	6%	8%	6%	6%
Promoting cybersecurity	1%	2%	5%	5%	7%
Addressing rapid technological change & AI	9%	8%	10%	10%	11%
Updating and promoting APEC's vision for a Free Trade Area of the Asia-Pacific given the changes to domestic regional and global political economies	10%	12%	7%	8%	8%
Enhancing supply chain resilience	7%	10%	11%	9%	8%
Supporting the multilateral trading system/WTO	4%	5%	4%	3%	6%
Promoting the transition to renewable energy sources	7%	6%	7%	6%	6%
Enhancing regional connectivity pursuant to the Putrajaya Vision 2040	5%	6%	11%	10%	6%
Strengthening educational systems and social safety nets to achieve inclusion and sustainability	6%	5%	4%	3%	5%
Addressing inclusion and sustainability issues in trade	7%	6%	7%	10%	4%
Promoting the transition of informal actors to the formal and global economy through innovation and digitalization	4%	6%	6%	8%	6%



**MEMBER  
COMMITTEES**

# MEMBER COMMITTEES

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