

PECC's Report on Work in the Field of Innovation
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- Ambassador Chen Xu, APEC 2026 SOM Chair, Senior Officials

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to report to you on the work in the field of innovation that we have been undertaking to promote the vision of an Asia-Pacific community. We are committed to supporting APEC's 2026 theme, "*Building an Asia-Pacific Community to Prosper Together*" and the three priorities: *Openness, Innovation, and Cooperation*.

In this spirit, PECC has continued to leverage its tripartite network of governments, businesses, and academic and thinktank institutions to deliver evidence-based research insights, foster inclusive and effective dialogues, and provide forward-looking and actionable solutions.

Our work on innovation this year is driven by three initiatives. The first one is the **State of the Region (SOTR) 2026-2027**, which has the theme of "*AI Adoption in the Asia-Pacific: Pathways to Economic Opportunities*." PECC's work has identified that current research often overlooks the highly heterogeneous patterns of AI adoption across our region. To address this gap, our study maps out the state of AI adoption in the Asia-Pacific, and examines how AI alters the value chains of specific sectors. It also investigates complex interplay between legal and regulatory environment and the adoption trajectories, as well as offers policy recommendations to foster regional collaboration. Results from the expert opinion survey will be incorporated into the findings. The report will be presented during the APEC Economic Leaders' Week in November, serving as a useful resource to help drive the implementation of the APEC AI Initiative and broader discussions on AI cooperation.

Moving from the regional trends to specific applications, our Signature Project, **Enabling AI for Trade Facilitation in APEC**, seeks to identify ways economies can achieve efficiencies in cross border trade through the adoption of AI technologies. This project provides a practical roadmap to enable the region to further enhance its paperless trade and operate effectively in a high-performance, automated environment. Following the successful Roundtable on "AI for Trade Facilitation" held on the margins of SOM 1, the project team is undertaking research on the adoption of AI at intersection of customs agencies and businesses. The study evaluates policy gaps, regulatory and capacity challenges, and data-sharing constraints affecting the adoption of AI by both governments and businesses and offers feasible recommendations. The report will be released during SOM 3.

Finally, we are continuing our **International Project on AI**, which has advanced the discussion of various topics including responsible AI, SMEs' AI adoption, inclusive sectoral transformation, socio-economic impact of AI, and cooperation in AI Governance. Examples of past activities include the high-level dialogue in Peru and Responsible Adoption of AI events in San Francisco in 2024, the “Asia Pacific AI Governance Accelerator” Conference in France in 2025, and the Conference on “Asia-Pacific AI Governance Accelerator and Preparing for AI Transformation” in Singapore in 2025. Building on the momentum, we will convene the **PECC Workshop on “AI and Innovation to Prosper Together”** during the APEC Digital Weeks in Chengdu. Using our Track 1.5 mechanism, the workshop will: (1) map frontier AI capabilities, value chains, and trade implications across APEC economies; (2) strengthen AI safety and risk management as an enabler; and (3) provide practical insights to inform the APEC Digital and AI Ministerial Meetings.

Thank you very much again for the opportunity to provide the PECC report.