

Asia-Pacific Forum 2021

“Process of Asia Pacific Cooperation in the Post Pandemic Era:
Opportunities and Prospects”

Opening Remarks

Mr. Masakazu TOYODA

The speaker welcomes the participants, and talks briefly about the history of the forum, his role, and his previous experience. He notes that he is pleased to be able to hold this Asia-Pacific Forum in cooperation with CIRD, given that both organizations as well as the forum itself are celebrating anniversaries. He subsequently recaps the topics that the forum has discussed in the preceding few years before setting out the two-session format that the event will take, the first session being entitled “Growth Strategy of Asia-Pacific” and focusing mainly on a post-pandemic recovery, with the second session being entitled “Economic Integration and Trade System of Asia-Pacific”. The speaker says that although Asia is becoming increasingly integrated, there are still many challenges. He notes the diversity of Asia and his view that it is possible for countries to learn from each other’s best practice while respecting their differences. The speaker explains that while the forum will last only for one day and be online due to Covid-19, he anticipates a lively and fruitful discussion leading to a constructive outcome.

Opening Remarks and Keynote Speech

Mr. CHI Fulin

Promote Asia-Pacific economic cooperation for an integrated regional market

Recommended and facilitated by Prof. Zhang Yunling, CIRD started to participate in the Asia-Pacific Forum from this year on. With Japan Economic Foundation and the experts here today, we will work together for this think tank cooperation platform to promote regional cooperation and sustainable development in Asia-Pacific.

2021 marks the 30th anniversary of China’s participation in APEC. In his remarks at 28th APEC Economic Leaders' Meeting on November 12th, president Xi Jinping said, “Openness is the lifeline of Asia-Pacific cooperation. We need to uphold open regionalism, follow the guidance of the APEC Vision 2040 in advancing regional economic integration, and work for the early realization of a high-standard Free Trade Area of the Asia-Pacific (FTAAP).”

Against the background of unprecedented global changes and the covid-19 pandemic,

economies at Asia-Pacific region are facing many common challenges. Choosing cooperation is a strategic choice and the fundamental way out.

1. Take building up an integrated regional market as a key objective.

To tap the potential of long-term growth in the Asia-Pacific region, the choice of route would be working together for the early realization of FTAAP by building up an integrated regional market as a major objective.

In recent years, Asia-Pacific region has become the major driver for world economic growth. APEC member states contributed more than 70% of the world GDP growth in 2019, rising from around 50% in 2000. As a member state, China has contributed around 30% of the global GDP growth for a number of consecutive years. During this period, the total GDP of the region has been increased from 55.9% to 60.4% of the global total.

To promote FTAAP, we are facing not only challenges of unilateralism, nationalism and exclusive regionalism, but also diverging growth of regional economies and uncertainty of regional economic recovery. Against such a special background, we need to promote an open, balanced, coordinated and inclusive Asia-Pacific economic landscape, by aiming at building an integrated regional market, with FTAAP as an instrument, with enhanced interconnection of infrastructure as a guarantee and on the basis of promoting full economic recovery of the region.

2. Initiate the harmonization of rules, regulations, standards and management practices.

RECP is to take effect from next year, and this is a historic breakthrough for the regional economic integration in Asia-Pacific.

At the same time, we need to be aware that there have been fragmentation and different levels in opening for FTAs in the region. Trade barriers of regional economies remain comparatively high, leading to the lag of the regional economic integration and making it difficult to maximize the utilization of cooperation potentials in the region.

China has formally applied to join CPTPP, and it takes “promoting institutional opening in rules, regulations, standards and management practices” as a major measure for higher level of opening-up. Now we need to study how to benchmark high-level economic and trade rules for Asia-Pacific economic cooperation, to prepare internal roadmaps and timetables for opening-up efforts, we shall also try to coordinate the interests among countries with different development levels, and promote reform and opening-up accordingly, based on our respective competitive

advantages, for early realization of FTAAP. What's more, when faced with new features and new trends for the tertiarization- and digitalization- driven globalization, economies in Asia Pacific region need to take the initiative to develop open and inclusive regional government rules.

3. Enhance practical cooperation in such areas as public health security and population ageing.

Covid-19 pandemic and population ageing are important variables that affect sustainable growth.

Currently, the challenge of pandemic remains critical. Economies in Asia-Pacific need to enhance cooperation in virus testing, as well as R&D in vaccines, medical supplies and medical equipment, in order to promote circulation of critical supplies, to build up a secure and reliable medical supply chain to fight covid-19, and to ensure regional public health security.

In addition, population ageing and low fertility have become common challenges for the Asia-Pacific region. It is estimated that by 2050, a quarter of the population in the Asia-Pacific region will be over 60 years old, which is three times the number in 2010. To address population aging, the Asia-Pacific economies need policy exchanges and mutual learning, and should carry out practical cooperation in many fields such as nursing, elderly care, introducing ageing facilities, and developing elderly care industries.

4. Deepen people-to-people exchange with that of think tanks, education and youth as priorities.

- Support and facilitate more think tank exchange and cooperation, utilize the unique role of think tanks in offering intellectual support, positively influencing public opinions, and effectively communicating positions through track II dialogues.
- Enhance exchange and cooperation in education, especially in the opening and cooperation of vocational education in tourism, elderly care and health care, efforts should be made to promote mutual recognition of diplomas, degrees and professional qualifications.
- Carry out various cultural exchange for youth. Joint efforts could be made to develop and offer Asia-Pacific Young Leaders Program in economy & trade, academia, culture and environmental protection. I understand that Asia-Pacific Forum is an important platform for think tank cooperation in the region, and I would like to suggest further efforts could be made to establish a think tank alliance for the Asia-Pacific.

5. Take Hainan Free Trade Port as one of the platforms for Asia-Pacific economic cooperation.

Hainan Free Trade Port could be an important economic cooperation platform for the Asia-Pacific region, as it has a favorable geographical location as a hub in the region, and it is a connecting point to a huge market of 1.4 billion consumers.

I would like to suggest to set up industrial parks and innovation parks, with tourism, medical care, marine and digital industries as the priority, at Hainan Free Trade Port. These parks will mainly be aiming at cooperation among Asia-Pacific economies. At the same time, we need to attract relevant Asia-Pacific institutions to set up offices in Hainan, making joint efforts to utilize platforms like Boao Forum for Asia to further exchange and cooperation.

This year marks the 30th anniversary of CIRD. Promoting regional economic integration of the Asia-Pacific has been one of CIRD's research priorities. CIRD has been continuously co-organize CJK Cooperation Dialogue with its counterparts, it also initiated Revitalizing Northeast and Regional Cooperation of Northeast Asia Forum, international forum of Hainan Free Trade Port and Regional Cooperation with Southeast Asia with its partners. Hereby, we welcome think tanks and scholars of this Asia-Pacific Forum to participate CIRD's academic activities, which aim to promote regional cooperation.

Session 1: Growth Strategy of Asia-Pacific

Moderator

The moderator states that he is always honored to moderate the forum, and says that he distributed four questions to the panelists in advance. The first question concerns the panelists' views on economic growth in their own country against the backdrop of the ongoing pandemic and vaccination campaigns, given his assertion that a high level of economic growth is required to achieve structural reform encourage trade liberalization. The second question concerns the positive impact of digitalization on growth in each of the relevant countries. The third question concerns the cost of green growth, and the fourth question concerns the role that SMEs, especially startups, play in promoting structural economic reform. The speaker goes on to invite the panelists to give their 5-minute presentations.

Panelist A

The panelist asserts that China is still the main driving force in the Asia-Pacific area,

and while there is a general downturn in the Chinese economy, it is still on course to meet projections. The main theme of policy in China is to make the country more open by opening more sectors and becoming more rule-based (especially in terms of the digital economy.) The panelist points to China's application to join the CPTPP, but expresses pessimism, stating that a lot depends on Japan's policy.

In terms of restructuring, the main effect is from carbon policy, and the many sudden actions taken this year have caused problems. Green development should take place through cooperation rather than each country approaching it individually.

The panelist expresses concern at the Biden administration's policy of decoupling. The strategic competition-based framework in the Indo-Pacific, strongly supported by Japan, challenges the cooperation-based framework in the Asia Pacific, and this has created uncertainty. This presents a challenge to the Asia-Pacific, but one way to deal with this would be to link the RCEP and CPTPP rather than compete.

China has a clear policy: continue to open the country and join any kind of rule-based system.

Panelist B

The panelist states that the Korean economy is doing well, except for a few problems. Despite a contraction in the previous year, this year the economy will bounce back to around 4.3% growth, but there is a serious unemployment problem, with youth unemployment standing at 10%. Household and government debt is also rising quickly.

Concerning macroeconomic issues in the Asia-Pacific, ongoing Covid-19 vaccination campaigns have provided growth momentum, but there are questions over its durability. In terms of collective action, early-vaccinated high-income countries and vaccine manufacturers should support regional vaccine production in the near-term and COVAX through financing and technology transfer as the pandemic will only end when all countries have overcome it.

Supply chain disruption has resulted in nationalism and protectionism, so the risk of dependence on a few countries needs to be overcome by diversifying to achieve resilience. The panelist proposes cross-border vertical foreign direct investment for this, and says Greenfield and M&A should be encouraged in supply chain networks to create jobs.

The Asia-Pacific economy should make a stronger, concrete commitment to grow green growth to meet the target of the United Nations Climate Change Conference, and become carbon neutral should be seen as an opportunity rather than a risk.

SME and startups in the Asia-Pacific need to be a part of the innovation and manufacturing ecosystem, and the panelist urges Asia-Pacific economies to create an open SME knowledge platform for regional collaboration.

In light of the soon to be enacted RCEP, the already enacted CPTPP should expand to become the most advanced and wide-reaching rule-based trade and investment framework in order to shun protectionist policies.

Finally, the panelist argues that APEC and G20 should be made more effective and robust for a better free trade and investment system to ensure inclusive growth, and concludes that Asia-Pacific economies should stick to a rule-based regional trade and investment system.

Panelist C

The panelist says that innovation and manufacturing represent a possible way forward in dealing with Covid-19. All countries in the Asian region have tried to adapt to Covid-19, with businesses evolving and creating new and strategic plans. This is becoming quite evident in India, with Q3 results showing continued expansion and resulting in the fourth consecutive quarter of growth. The Indian economy is bouncing back with 7.8% growth expected, and 8.4% the following year. The panelist remarks that India has now given a first shot of Covid-19 vaccine to 82% of its population, with 45% having had their second shot, thus increasing the insulation of economic activity. The country has exported 197 million doses to surrounding countries and Africa, and mutual cooperation is creating greater engagement abilities.

The Indian government's response has also evolved. GST collection is rising, and exports have rebounded, and increasing credit expansion is being observed in India, and these three factors have greatly influenced monetary and fiscal policy.

The panelist notes the importance of technology and mentions fintech-related initiatives in India, placing importance on a potential fintech corridor between India and Singapore. The panelist then mentions that according to the ADB's SME monitor, SMEs account for 99% of enterprise in cottage industries, and 33% of GDP in South Asia. This illustrates their importance, and the panelist asserts that MSMEs need to be focused on. Efforts in India are concentrated on ensuring access to credit for them, and this is why exports are bouncing back. With regards to policy coordination, the panelist suggests Indonesia's leadership of the G20 and India's in 2023 will be important.

Panelist D

The panelist states their intention to discuss post-pandemic prospects for Myanmar, starting with the Covid-19 situation. Myanmar's partial vaccination rate is 31.7%, with a full vaccination rate of 20%. The data suggests that Covid-19 is under control, and businesses have resumed their functions in line with their contracts.

Although economic growth was forecast to be 1.8% by the ADB in 2020, Covid-19, a state of emergency, and international pressure on the business sector have resulted in growth being down. The ILO estimates that 3.2 million jobs have been lost, there is difficulty in accessing financial and banking services, reduced mobility, weakened consumption, investment, and trade, operations have been disrupted, and there is instability in the exchange rate.

Digitalization is Covid-19-driven in Myanmar, which has a cash dominant financial system. The country has a mobile subscriber rate of 1.5 times the population, meaning many people have two or more mobile phones, but only half the population has access to the internet.

While Myanmar has many laws on environmental conservation, it still has a long way to go in terms of clean technology. The panelist notes that there are many opportunities for investment, including renewable energy, resilient smart electricity grids, waste management systems, and electric vehicles like cars and trains, although there are challenges in terms of human resources, technical requirements, and natural resource management.

MSMEs comprise more than 99% of business in Myanmar, and contribute 36% of GDP. The informal economy presents a large challenge, and even though there are laws in place, there is a lack of enforcement. It is important for MSMEs to understand laws and regulations. While human resource and competency challenges remain and illegal trade has a large impact on SME growth, there are opportunities to leapfrog to a cleaner, digitized future.

The panelist notes that in the post-pandemic era there will still be challenges due to the political crisis and sanctions, but there are also opportunities. The country is struggling and needs help from the Asia-Pacific if it is to avoid a contraction of 18% as the World Bank expects.

Panelist E

The panelist states that in the Covid-19 pandemic in Vietnam, there have three factors behind economic performance: how Covid-19 has been controlled, good policy to respond to the pandemic and support people and business, and utilization of FTAs.

Vietnam has been successful in controlling the first three outbreaks, but the fourth has caused problems and economic growth has been affected. Vaccination has now picked up pace and the policy has changed to living with Covid-19.

Social, fiscal, and monetary has been geared to supporting people, and the pace of investment has been picked up, particularly in infrastructure. However, the scale of the measures has been smaller than other countries in terms of GDP and based mainly on monetary policy. Vietnam managed to keep growing last year, but this year is unable to keep pace with the recovery of partners in many areas. The hope is for high economic growth of 6.5% next year.

The Vietnamese government is currently drafting a new program for recovery over the next two years that have a larger scale in terms of GDP, and structural and institutional reform shall continue along with this. Vietnam will deepen its focus on building macroeconomic resilience, private sector development, and leveraging its advantages in terms of integration.

The panelist notes that Vietnam is also promoting innovation and startups with innovation centers in Hanoi, Ho Chi Minh City, and Da Nang, and an attempt will be made in a few years to develop a financial center, perhaps in Ho Chi Minh City.

Moderator

The moderator thanks the panelists and declares that proceedings will now move on to comments on the five presentations from discussants.

Discussant A

From the perspective of the research that ERIA does, we have noted some markers for the coming years. Our concern is mostly development in Asia and the Asia-Pacific. Liquidity infusion is becoming more difficult for developing Asia, making it difficult to implement any growth strategy, and this will continue to be a concern in the coming months.

Limited mobility of people gives Southeast Asia a unique problem in the services sector. Rebuilding demand for goods and services is important as trade has remained average throughout this crisis, but incomes have been impacted negatively in greater degree. Growth strategies will have to be inclusive, and they must examine the entire future of work. New strategies and perspectives for growth in post pandemic world will be required.

From a global perspective, supply chains in Asia have been resilient to trade tensions and the pandemic, thus far. At the same time, there is a realignment towards the

economic architecture of the Indo-Pacific. While the US and EU pledge to be important contributors, it will likely be Asia itself that will define the new economic linkages in the Indo Pacific economic architecture.

With the G20 coming to the global south, will it become more inclusive and take into account the concerns of developing economies? If it does, and includes mechanisms for recovery from the pandemic, then the G20 can be an important indicator of the future of multilateralism.

Discussant B

The COVID pandemic has provided an opportunity to reflect on our pace of working and the content of development, particularly in terms of modes of production and consumption, our role in the universe, our relationship with the external environment and our internal humble self, that is worthy of our efforts in promoting civilization.

The business community in Taiwan has recently been discussing the environment and social governance, discussing matters beyond GDP and going beyond shareholder supremacy. Instead of these things, the focus is on climate change, carbon footprint, carbon neutrality, net zero, green credit, and supply chain greening.

Discussant C

Two important issues require our core attention: how to optimize the benefits of digital transformation and to reduce its adverse effects, and how to efficiently and effectively transition to a greener and sustainable economy. These are two of three priorities that Indonesia will tackle at the G20 next year, the other one being how to strengthen global health systems.

Indonesia would like to work on its digital transformation and transition to a green economy, but there are challenges. Indonesia still needs to deal with the pandemic and to strengthen its economic recovery, although the situation has improved a lot over the last four months. Covid-19 transmission is largely under control and the economy is fast growing, but Indonesia is still struggling to make rapid progress in terms of the digital economy. Indonesia still needs, among other things, better digital connectivity as well as a sufficient digital and supportive regulatory framework to maximize the benefits of digital technology.

To transition to a green economy, Indonesia, and most countries in Asia-Pacific, still require a lot of investment and financing. Moreover, transition to a greener economy requires a big shift of paradigm and a significant change in its existing

economic institutions. With the support of the global community and greater cooperation with other Asia-Pacific countries, I'm optimistic that Indonesia and other developing countries in the Asia-Pacific can achieve this.

Discussant D

I'd like to discuss two main points.

The first point is that countries in Asia need to rethink their economic development model instead of balancing between sectors. In the case of Thailand, for example, the belief was that the country is well-balanced in terms of manufacturing goods and agricultural products yet also having a really big tourism sector. But when the COVID pandemic happened, the tourism sector halted and this created a lot of economic hardship for many Thai people. The economy needs to have a more balanced portfolio, while being more inclusive as well as more environmentally friendly.

My second point is that looking forward to a post-COVID world, I think there will be new development objectives. The focus in the past was largely on efficiency, and we used just-in-time production. But in the future, we will need to have multiple development objectives - not only for efficiency and growth but also for risk management. As well as just-in-time, there will also be just-in-case for contingencies. There will also be new constraints in development since households, the corporate sector, and the government have a greater financial burden and fiscal burden from fighting the pandemic. We need to be not only more resilient, but also more efficient in terms of using resources. Digitalization can be a tool to achieve this.

Moderator

The moderator thanks the discussants for their contributions.

Before the start of the discussion, the moderator notes that they are glad that the nations are dealing with the pandemic well, and while there are still uncertainties, the economies have overcome the most serious difficulties. The moderator also notes the importance of the digital economy as it is growth driver that will provide the leeway for reform, liberalization, and cooperation. This is also a growth driver, and thus a virtuous cycle will be formed.

The moderator now moves the proceedings on to the discussion with audience participation.

Discussion

Discussant C

I will start by looking at digital transformation. It is sure to be the future of our economy, and will bring a lot of benefits to our economic growth and economic development. There are naturally many things that need to be done, not only in terms of connectivity issues or domestic regulatory framework to support the digital economy, but the creation of an international arrangement on the digital economy because this digital transformation has actually already transformed the way transactions are performed, not only in the domestic economy but also across borders. More supportive rules and arrangements will also be required at the regional level. I think countries in the Asia-Pacific need to speed up this kind of action.

Moderator

This is an important point. We need rules for data flow, e-commerce and other such matters. Are there any other views on this?

Discussant D

I think digitalization is really important for recovery and generating new growth in the post-COVID world. However, the obstacles in Thailand, as I'm sure they are in other countries, are in the government sector. Digital government services are very important. The private sector has already quickly transformed its business model, and people can work from anywhere. Transactions can be conducted online, but problems always arise when the government is involved.

There are so many matters in government legislation and regulations that are outdated and have to be upgraded so that we can move forward to the digital economy.

Participant A

While I do support the idea of promoting the digital economy, I would like mention possible negative impacts of the digital economy or digitalization. One is possible unemployment. As we know, digitalization tends to reduce the demand for labor, and this leads to unemployment. When unemployment comes into the picture, I would like to know how the labor market will respond. This is related to regulation in the labor market, and if we have a flexible labor market, the cost of unemployment can be reduced. So, I would like to ask the panelists what the labor market situation is in their country, and is the country ready to deal with any unemployment which may arise from digitalization?

Panelist B

In Korea, there is a well-developed digitalization background across all sectors. When many factories and services providers started to adopt a digitalization program, we see that a lot of people become unemployed, especially at SMEs. Rather than giving a direct subsidy to help deal with the current pandemic, I have suggested that the government provide some vouchers for a very comprehensive digital training program because the people who work at SMEs are off work anyway while factories are shut down. This is one thing we can do, encouraging digitalization at the very starting point for self-employed people. But many business sectors above those self-employed people and many companies have started to adopt digitalization. As such, the Korean education system is now trying to make digital courses, courses on AI, and other such major compulsory courses from elementary to middle and senior high school, and even at college. So, I think we really need to institute a digital training program throughout the entire education system.

This is our national agenda, but Asia-Pacific-wide, I would like to emphasize that the region needs to agree on a digital open e-commerce platform for our struggling SMEs. This should be our region-wide effort.

Moderator

Are there any comments on the negative aspects of digitalization?

Discussant A

Labor is substitutable in the digital economy, but this substitutability has not exactly been calculated. Establishing policies for the replacement of labor is a huge challenge before governments at this time, more so, in those countries where the digital economy is emerging. Because the degree of substitutability is still largely unknown, it becomes a challenge from a policy perspective.

However, the digital economy and digitalization increase the productivity of skilled labor while being likely to reduce the participation of unskilled or low-skilled labor. Manufacturing is not going to go away in the digital economy, and while the nature of manufacturing may change, low-skilled labor will still be required. So, countries are more or less going back to the same drawing board: how much investment in manufacturing and how much investment in the digital economy. Getting that balance right is the immediate priority for most of the developing Asia.

Panelist A

I think digitalization is the main trend for the future. It's developing very fast in China, both in terms of the breadth and depth of its coverage and depth. The coverage reaches almost every area; production, commercial activities, human lives, finance, and culture – almost everything. This trend will develop further.

One of the big effects in China is the connecting of rural areas, which can overcome the traditional gap between rural areas and urban areas, allowing rural areas to join this digitalization framework for selling, production, technology, and so on. This mainly damages traditional trades, so they have to readjust. Government tax systems and human life also have to adjust. For SMEs, it's both an opportunity and challenge, but the challenge I think, even to some extent as a threat, is to the traditional ways of business and so they have to adjust. In some cases, the cost is very huge. However, as I mentioned, that's a trend we have to accept due to the speed of technological development.

Participant B

It is quite interesting to hear that while we have to promote digitalization, there are some negative aspects of digitalization that we have to overcome. What are your views on the negative aspects of clean energy promotion, and how can they be overcome?

Moderator

I will first get all of the questions.

Participant C

I have some comments and a question. I would like to raise four issues that need to be considered when it comes to the digital economy and digitalization.

The first issue is the regulatory framework. I fully agree that a rules-based approach to the digital economy is important. China has seen rapid development of its digital economy recently, but of course, it has also encountered some critical matters that need to be tackled. The first is data security, the second is inclusive and nondiscriminatory policy on the part of large companies, the third is the protection of vulnerable individuals, because China has seen many vulnerable individuals losing a lot of their wealth because of this P2P online credits or online loans, and the fourth is how to balance this encouraging innovation while regulating monopolies. While in the early stages of the development of digital economy there should be

sufficient freedom for startups and different tech companies to develop, we have to prevent the trend of these big companies become monopolies in the industry.

The second issue is infrastructure. The development of the digital economy heavily depends on infrastructure. China benefits a lot from lower rates for broadband and mobile phone fees, and this is the basic infrastructure for utilizing the ICT technology, especially now when it comes to introducing 5G technology. This is going to be another big push in the development of digital economy. 5G probably has done well in Korea, and China is also trying to catch up.

The third issue is logistics. With e-commerce, we need to have very efficient, effective and cost-efficient logistics.

The fourth issue is the flow of capital. How to regulate cross-border capital flows and transactions potentially needs to be considered. In addition, how to coordinate the policy of different countries in terms of taxation in the economies of the region is also a pertinent issue.

I would like to know about infrastructure and regulatory framework in other countries. The digital economy is still at an early stage of development, so we need to have a lot of effective discussions in consideration of an overall regulatory framework for the Asia-Pacific region to make sure it is conducive to the development of region's digital economy.

Panelist D

I would like to respond to what was said about the negative aspects of the digitalization. Myanmar is an LDC. 67% of the population live in rural areas and are not well educated. These people need jobs, and they don't have the capacity to learn about digitalization or such things.

Because Myanmar is an LDC, for trading and services, digitalization works. But the local ecosystem needs to grow more because there is a high level of superiority in the surrounding countries concerning digital issues. But for the manufacturing sector, 60% of MSMEs are in the food industry. They don't have the money to invest for the technology, they still use manual workers. Digitalization is good in some aspects for Myanmar, but there is a lot of unemployment and half of the population, more than half are young women in the rural areas, so we do need manual work. Digitalization is good, but we cannot make it our only focus. The investment, the technology, the capacity, all of these are still a big requirement for the country, and we need to provide jobs to those from the rural areas and who want to migrate to the rural areas.

Panelist B

I would like to provide a couple of comments on digitalization. While the pandemic accelerated digitalization, it also really created a digital divide, especially in Korea. Microbusiness is still really at the infant stage of digitalization, so we need to pay attention to how we can ensure the microbusiness goes digital. The second issue is the substitutability of digitalization for labor. In Korea, I was really surprised that untapped industries suddenly mushroomed, especially delivery services. I think digitalization can also create new job opportunities, while making progress on the digital service-ization of your economy.

Panelist E

I have three observations. Firstly, before Covid-19 in Vietnam, digitalization created a lot of jobs rather than unemployment pressure because people could use many different platforms for doing business, creating millions of jobs. After Covid-19, digitalization creates unemployment pressure because firms changed their way of doing business from contact to contactless. Overall, it has made a positive contribution by keeping firm in business.

Secondly, the informal sector is a problem. We tried to provide social support to people, but actually accessing employees in the informal sector was difficult. I think ASEAN and Asia should focus more on social security systems, and digitalization can help.

Lastly, the new energy sector. Vietnam has an advantage in developing solar and wind energy, but faces two problems. One is policy, because technology changes quickly, you cannot keep the appropriate policy with a change in technology. The second is the need to have a very systematic approach in developing the solar, wind, and new energy because you need to have a grid system to suit the electricity generation.

Moderator

Thank you so much for having had a good discussion. I would especially like to thank the panelists and the discussants for contributing excellent material to our discussion.

Without drawing any conclusions, it seems everybody agrees that in order to promote or strengthen resilience of global supply chains, we need some sort of rule-based trade and investment regime.

I would like to add that we need some sort of evidence-based policymaking process

to be applied to important policy decisions for digitalization and green growth.

Session 2: Economic Integration and Trade System of Asia Pacific

Panelist A

The panelist states that nowadays the world is facing major challenges to its economic growth. The key factors to address the situation are firstly, adhering to the multilaterally-agreed rules of the road, which enable the market to operate as freely and as fairly as possible. Secondly, using the long-standing consultative mechanisms such as ASEAN, APEC, which will be more important than ever so that smaller and medium sized countries have an ability to raise concerns in a multilateral context. Thirdly, adherence by signatories to the high standards set down under CPTPP and RCEP will also be important - especially if additional signatories to these agreements are accepted. Fourthly, while the CPTPP and RCEP include new rules not covered by the WTO, much more needs to be done to develop rules to reflect and manage the rapid changes occurring in the digital economy. Fifth, continued peace and stability in the Asia Pacific remains paramount to ensure ongoing economic prosperity.

Panelist B

The panelist says that lots of issues that need to be considered to achieve sustainable, resilient, inclusive, and dynamic economic growth. One of the most important factors is to establish and manage a free, open, transparent, rules-based economic/business environment, which will facilitate international/regional movement of goods, services, data/information, and people, contributing to expansion/ intensification/ diversification of GVCs. For developing countries, the speaker believes that economic cooperation/assistance from developed economies is necessary. While for developed economies, they are supposed to provide economic assistance (trade adjustment assistance) such as temporary income compensation, human resource development (education and (re)training, digital skills) and the development of SMEs for their own countries as well as for developing countries.

Panelist C

The panelist states that more rules are needed on the field of digitalization, which has been booming during the pandemic and has much promise. For example, signing Digital Economy Agreements (DEAs) with other partners, will be helped to address

issues and be potential pathfinders. Secondly, sustainability and carbon: There are economic and trade issues that arise from the increased attention and commitments to climate action. There may also be concerns over the effects of Carbon-Based Adjustment Measures (CBAM) proposed by the EU or other carbon leakage policies set by our non-Asian trade partners. At the same time, opportunities for cooperation arise and Green Economy Agreements be another path-finding effort. Thirdly, bilateral initiatives: The economic ties with other regions like the EU and with the Pacific Alliance in Latin America will be of importance. In themselves they are important and with Sino-American tensions. In this regard, what had been seen is somewhat like the bilateral FTAs in the early 2000s that then were expanded into ASEAN-wide agreements. As they progress, these can later be open to more partners and also integrated into economic trade and investment agreements.

Discussant A

We should not pass over “rules-based” with too little deliberation. “Rules based” should not be interpreted as a single unchanging set of rules. We must always expect innovation and change to pose challenges to existing rules. There is no international authority to create and enforce rules across the sphere of economic cooperation. Rules are “legally binding” if their rupture would be embarrassing and embarrassment usually comes at little cost. No single economy can impose rules on the international system with any degree of validity. International rules have to be negotiated and agreed. They will inevitably prove to be inadequate in the face of technology and other changes. So the maintenance of rules, as much as the formulation of rules, has to be a matter of negotiation and agreement. “Rules-based” has to be understood as “relationship-supported”.

Discussant B

There are some key issues that need to be addressed in the area of digitalization. The first one is rule-based competition. Secondly is labor security and protection. Thirdly, we are also supposed to pay more attention on data access, privacy and security issues. Meanwhile, regional cooperation must be strengthened in order to better address cross-border issues and challenges.

Discussant C

We need some soft approaches like having arrangement on SMEs. Digitalization has potential to divide the region, but it also has the ability to facilitate the region

economy activities. It is important that we work with the digitalization, collaboration, cooperation within the region, because each region would be a part of the chain, the third point the speaker would like to talk is SMEs, every countries in the region depend heavily on SMEs, yet they have been very little integration approach on SMEs, the CPTPP has got very good chapter on SMEs, we need to consolidate on this and have a real collaboration on SMEs, so that SMEs can be very resilience. Let SMEs to be a tool for greater economy integration within the region.

Discussion

1. I would like to discuss on SMEs issues, I do agree with all the comments. Secondly for the political issue, I have some experience in Japan in formulating SMEs policies, all political parties they support SME. Because of the political influence that SMEs have, 99% Japanese firms are SMEs, but 70% employees they work for SMEs, so supporting SMEs, you get the vote. I think what is needed is to promote competitiveness of SMEs, that is the way that we achieve economy goals

2. I want to ask a question. In the first session I indicated that it is important that the membership expansion at the CPTPP, but what is the entry criteria for the existing CPTPP member to decide which country would be accepted or rejected. I know the existing member can access those countries who wants to join?

3. I think we must be open about the idea I mentioned how digital economy might be different? We look a way to integrate the issues into our existing trade tides, but there are so little about digital economy before. I think digitalization is new factor that deserve attention, which would also be very important for economy integration. As for this, I do want to know the American initiative, I don't know whether people should be open to discuss on some elements like investment, digital or other elements of cooperation with them.

Closing Remarks

Masakazu Toyoda

The speaker expresses his gratitude to the moderators and the participants in the discussions. He notes that he found it interesting to hear about the negative aspects of digitalization in the first session, but that these shouldn't stop this important movement.

Finally, the speaker reiterates his gratitude for the insightful discussion today.

The concluding remarks A: while many positive signals have been captured from the speeches of experts, and of course there are also problems. She believes what the keynote speech suggested that speeding up the establishment of an Asia-Pacific free trade area is a very important main stay and the path choice. Besides, in order to promote an open Asia-Pacific economy, while advancing a high level of openness, it is necessary to consider how to include low-income countries, developing countries, low-income groups, and small and medium-sized enterprises. Finally she states that hope the Asia-Pacific Forum will continue to play an important role on these important topics.

The concluding remarks B: The discussion was interesting to hear some negative perspective about that, but those negative aspects should not stop those important movement, the most important thing is how to overcome those negative aspects and maximize the benefit of digitalization, green energy etc, and it is important that we learn from each other in Asia-pacific region. For the second session, everybody agree that the rule based competition is very important, but there are still some limitations to overcome to move further liberalization, perhaps the soft approach might be important and I say not only ASEAN country, but also Asia-Pacific region need to work together for the world economy.