



Asia Pacific's Time

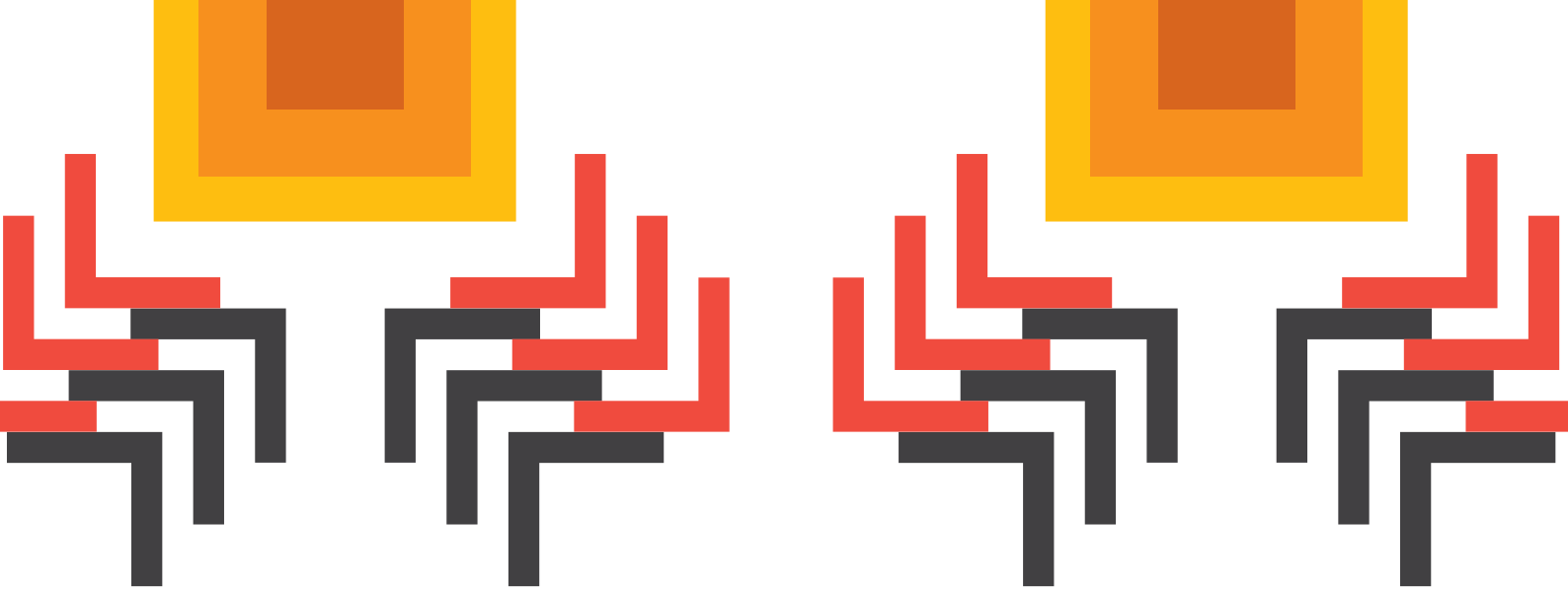
We must act now

Executive Summary

November 2020

www.pwc.com/asiapacific





Foreword

Note from PwC Asia Pacific Chairman and Senior Partners

Asia Pacific is at an important juncture in its journey. The fundamentals that underpinned the region's dramatic growth and prosperity over the past three decades are not sufficient to carry us through this era of continuous disruption. Governments, businesses and society all need to take a more proactive approach to secure the region's future and fulfil its potential towards greater and more inclusive development and prosperity.

We have heard from business leaders across the region, the severity of the challenges they now face, and the importance of reshaping the direction of their organisations. However, many have feelings of caution and apprehension in making decisions in this time of uncertainty. As we all look beyond COVID-19, PwC aspires to alleviate some of this anxiety and ambiguity, and ultimately help our clients build trust and confidence with their stakeholders.

Following the recent signing of the world's largest trade agreement, the Regional Comprehensive Economic Partnership (RCEP), this first report in our series of perspectives on the Asia Pacific region, sets out five growth pillars that will enable a resilient future and the new roles key stakeholders will have to play. Acknowledging the immense diversity across the region, the report presents growth strategies for Asia Pacific whilst recognising that local customisation is not only required, but is critical for successful implementation.

We are committed to working with you on this journey. PwC's purpose of building trust in society and solving important problems is even more relevant now, as individuals, businesses, society and nations, look to recover and rebuild for an inclusive future. As Asia Pacific emerges from 2020, arguably the most challenging year of this century so far, stakeholders from across the region need to rekindle hope by breaking down barriers and working together to shape a brighter future for generations to come. The luxury of time is over, we must act now.

Raymund Chao

PwC Asia Pacific Chairman
Chairman, PwC China

Tom Seymour

Chief Executive Officer, PwC Australia

Eddy Rintis

Territory Senior Partner, PwC Indonesia

Koichiro Kimura

Group Chairman, PwC Japan

Soo Hoo Khoon Yean

Territory Senior Partner, PwC Malaysia/Vietnam

Mark Averill

Chief Executive Officer, PwC New Zealand

Alex Cabrera

Chairman, PwC Philippines

Yeoh Oon Jin

Executive Chairman, PwC Singapore

Joseph Chou

Chairman & Chief Executive Officer, PwC Taiwan

Chanchai Chaiprasit

Chief Executive Officer, PwC Thailand

Van Dinh Thi Quynh

Country Senior Partner, PwC Vietnam

Time to act



Time to act



Over the past three decades, the Asia Pacific region has grown significantly based on strong fundamentals, including expanding consumer markets and a maturing manufacturing base that attracts foreign investment. These factors enabled the region to triple its share of world Gross Domestic Product (GDP) to almost 40 per cent since 1960, with per capita income also rising sharply, leading to the creation of a new middle class and a large domestic consumer base. The percentage of the population living in extreme poverty has steadily declined and, coupled with great improvements in healthcare and education, average life expectancy and education levels have grown. Technology and globalisation have played critical roles in this rapid growth, resulting in Asia Pacific now accounting for more than one third of global merchandise trade.

Historically, these growth factors have enabled the region to absorb and overcome disruptive events such as the SARS outbreak, trade wars and environmental disasters, all whilst dealing with political and social instability, as well as weak infrastructure in many countries. These factors also provided the region time to transition from relatively passive growth, to being more proactive and self-determined going forward, addressing opportunities such as Industry 4.0, regional growth and innovation, labour reskilling and environmental sustainability.¹

However, the impact from COVID-19 has accelerated the necessity to act.

The signs of slowing growth were becoming evident before the pandemic, with trade protectionism and geopolitical tension already causing shifts in the markets, pushing companies to adopt new strategies to rebalance their supply chains. Furthermore, changing demographics in various parts of the region are raising employment and productivity concerns. While some economies need to skill or re-skill their rising youth population to create employment opportunities, others face the challenge of an ageing workforce that needs urgent attention.

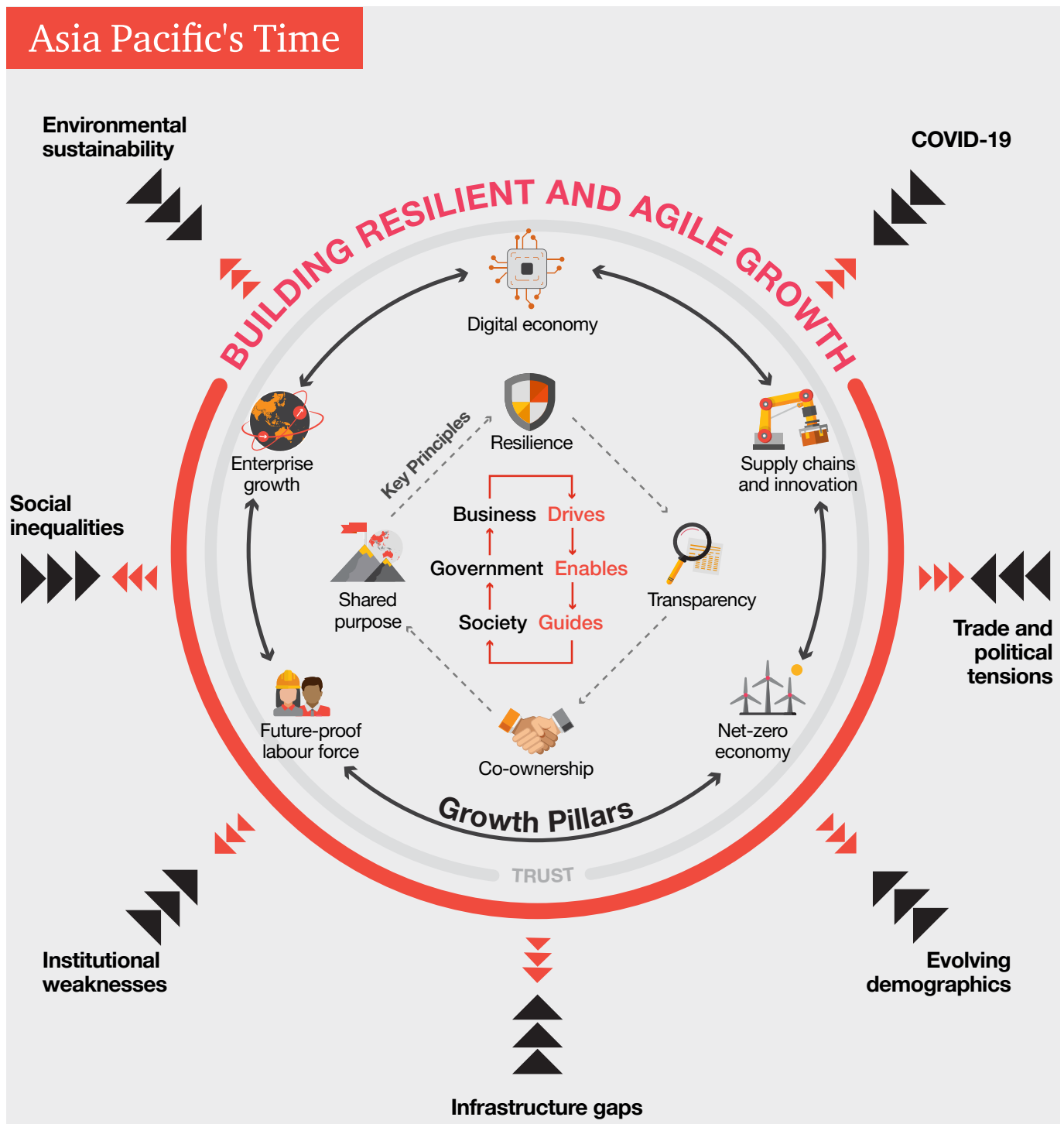
Finally, the disproportionate impact of climate change is affecting food security in the region, and the population's overall health is under threat from environmental disasters and human activity, such as harmful emissions and improper waste management. While Asia Pacific has shown great resilience in the face of past challenges, gradual change is no longer enough. Almost overnight, opportunities have transformed into urgent needs that must be addressed through strong leadership with a fresh vision, supported by policies that facilitate government, business and societal collaboration.

Asia Pacific is now at a crossroads. The region can no longer hope that the factors which drove its historical strong growth will be sufficient to steer it through these challenging times. Instead, stakeholders must take new actions to supplement global investment with visions and strategies that are centred on Asia Pacific. The era of passive growth is over; it is now time to act. It's Asia Pacific's time.

The time to act is now

Asia Pacific needs to drive action. The COVID-19 pandemic has severely impacted the region, but it has also provided opportunity for stakeholders to realign their future path based on strategic intent and focus. This will require collective action, starting with establishing a bold vision centred on sustainable, resilient growth, that also embraces cross-border collaboration and investments. It will require governments, businesses and society to be prepared to step away from some approaches that made them successful in the past and think about what they need for today and tomorrow. Stakeholders must use the pandemic to re-think their priorities and focus on areas most relevant to the region's future success.

This report outlines five growth pillars that underpin the future of Asia Pacific. These pillars are positioned as solutions to the challenges affecting the region and accentuate the strengths that can help it better withstand the uncertainties of tomorrow. Achieving this resilient growth will require stakeholders to drive greater regional attention to their target markets and value chains, while focusing on digitalisation and sustainability through various operational areas. People and society will remain the most critical factors, and actions to upskill the existing and future workforce and build trust among the population need to be considered and incorporated at every step of this journey.



The five pillars outlined in this report are:

1



Advancing the digital economy

Pushed by changing industry dynamics and consumer trends, and accelerated by the pandemic, companies now need to advance the process of digital adoption in order to stay competitive. To achieve this, they need to first identify the right areas for digitalisation and then prioritise suitable deployment of technological solutions at appropriate junctures across their value chain. However, such rapid digitalisation also leads to security and data-related risks that need immediate attention. This requires companies to adopt preventive measures on cyber resilience, with governments facilitating regulations and public-private partnerships to defend against cybercrime.

2



Enabling regional enterprise growth

With global uncertainty rising, enterprises need to take a proactive role in expanding their regional presence to successfully tap into the growing opportunities across Asia Pacific. This can be achieved by adopting a capability-driven regionalisation strategy based on three foundational areas: operational performance, product and process innovation, and go-to-market excellence. Digital adoption, leveraging partnerships, and strengthening local talent and culture are also critical, serving as three key enablers for companies to grow regionally and drive faster execution. Regional expansion in the services sector is a high-potential area that needs special focus. Growing digitalisation, accelerated by COVID-19, is creating new revenue opportunities for regional firms, especially in areas such as education, healthcare, entertainment, and Information and Communication Technology (ICT) services. Businesses and governments therefore need to focus their efforts towards boosting trade in services across the region.

3



Rebalancing supply chains and fostering innovation

Growing opportunities across Asia Pacific, rising uncertainties due to trade tensions, and the impact of COVID-19 have made it imperative for companies to restructure their global supply chains and transition to new regionally integrated networks. These technology-enabled, regional supply chains will help businesses better manage their procurement, production and distribution networks to achieve higher transparency and greater resilience. A rapidly changing environment also necessitates reshaping innovation ecosystems to develop hubs that encourage participation from multiple stakeholders — where businesses and start-ups can work together to drive the development of new products and solutions, governments can act as facilitators, academic bodies as collaborators, and funding bodies as enablers to create and promote future champions.

4



Expanding and future-proofing the labour force

Achieving growth in Asia Pacific will require a relevant and skilled workforce, both today and in the future. This can be achieved through reskilling programs that align to the specific needs of companies and employees, while encouraging broader partnerships between government and industry to drive upskilling effectiveness. Governments will have to take a lead in realigning the education system, first by identifying its priorities for future growth and the associated sectors and skills required, followed by articulating the new roles and responsibilities that everyone will have, including those in education, business, and society.

5



Building climate change resilience towards a net-zero future

Asia Pacific is highly vulnerable to climate change and therefore needs to champion the cause and drive action to create a more sustainable future. The first focus needs to be on building solutions for a circular economy to move towards net-zero climate impact, by promoting collaboration between governments, businesses and society to reduce our environmental impact. The second focus is on the need to promote innovation and greater adoption of agritech solutions across the developed and developing parts of Asia Pacific to enhance agricultural productivity and achieve greater food security in the region.

The five pillars are not mutually exclusive but interconnected. For example, advancing the digital economy will require upskilling the workforce and will also be critical for achieving sustainability, as well as building regional hubs and innovation ecosystems. Thus, to achieve impact, the five pillars need to be considered holistically for execution, while being customised and adapted based on the maturity of the specific country and environment in which they are being implemented.



Need for a collective effort by all stakeholders

These pillars come with their own sets of considerations and dependencies. Geopolitical tensions, the impact of the COVID-19 pandemic, infrastructural and institutional voids in markets, as well as constraints around issues such as work-force mobility will take time to overcome and can limit the pace of growth that these pillars promise to achieve for the region. However, this should not limit action; Asia Pacific

must take action now. Waiting for a time free of uncertainty is futile. Businesses and governments must live with complexity and progress towards resilience. Successful implementation of these pillars can only be achieved through a collaborative approach by all stakeholders centred on re-establishing trust through four key principles.

1



Shared purpose

Balancing the interests of all stakeholders, to jointly achieve not only short term-goals but to also focus on the long term wellbeing of Asia Pacific.

3



Transparency

Efficient information sharing of government policies and business practices while clearly communicating their impact on society and environment.

2



Resilience

Building the capacity to withstand future shocks, and the ability to adjust for, and recover from, sudden fluctuations.

4



Co-ownership

Each party contributing through its strengths to collectively achieve results that are individually not possible without inefficient use of time or resources.

All stakeholders must perform complementary roles in building a robust future for Asia Pacific, with businesses driving execution and providing new solutions that overcome the existing and emerging challenges in the region. Leading businesses should drive the digitalisation of value chains, prioritising adoption in areas that can enable stronger reliability and agility, while managing risks and ensuring cyber readiness. Companies also need to be more proactive in expanding across the region, by enhancing their core capabilities to improve operational and supply chain performance, innovation and go-to-market excellence. Finally, upskilling and adopting a sustainable approach to products and business models will be critical for success.

To support this, governments must play an enabling role by working with other stakeholders to define a holistic and inspiring vision for the future and backing that up with effective and aligned policy-making. Government support is also crucial to boosting regional trade in services, reducing trading costs, strengthening regulatory cooperation and sharing technical policy assistance across markets. Another critical role for governments will be to support upskilling, as well as enabling access to capital and expertise for firms, especially small and medium enterprises (SMEs) so that they can expand regionally as well as adopt new technologies.

Governments and businesses need to note that while planning and strategising is important, the speed and agility of execution makes the difference. Hence there needs to be greater empowerment, responsibility and accountability at all levels, coupled with a focus on simplified implementation, moving away from unnecessary complexity and red tape. All policies and actions need to consider society at its core.

The future of the region needs to be shaped by small, aligned steps that improve quality of life, not by sudden, major changes. It is these series of micro-decisions that will drive most impact, as well as forge the legacy for government and business leaders for the years ahead. To achieve this, constant guidance is needed from society. Citizens need to shift from being passive consumers to active partners, using multiple channels — the most obvious being social media — to ensure governments and businesses hear how demands and priorities are changing and understand the need for constant dialogue to ensure there is relevance to, and balance with society.

Binding all this is a crucial need for stakeholder collaboration that extends beyond individual nations. Collective action at a regional level will become imperative to dealing with the opportunities facing Asia Pacific and strengthening prospects for balanced economic and human development going forward. This interregional collaboration needs to be action-oriented and should not be limited only to participation from government leaders. Sharing expertise and working together on any developmental area, whether it is healthcare, education, trade, infrastructure development, e-commerce, or others, does not require a top-down approach. All countries and participants have a role to play, ranging from individual entrepreneurs to small, medium and large businesses, along with government and multi-lateral agencies, academic institutions, and social sector organisations.

Moving forward

Asia Pacific faces an immediate need to collectively move towards a new future. Guided by a common purpose and enabled by technology, the region can potentially achieve a faster pace of positive change and generate greater impact than ever before. This will require a unified approach, and therefore it is critical that governments, businesses and society collaborate and work together to further accelerate the adoption of these five pillars. Restoring trust among populations and societies will also be central to execution, and stakeholders need to adopt the key principles of a shared purpose, resilience, transparency, and co-ownership. The situation is urgent, but a bold vision and an open mind-set can help achieve inclusive, sustainable and resilient growth for the billions of people residing in Asia Pacific.



Bob Moritz

Global Chairman of
the PwC Network

The potential of the Asia Pacific region to positively impact the rest of the world is immense. The region can deliver sustainable and inclusive growth by working closely with local, regional, and global stakeholders."



Manila, Philippines



Endnotes

- 1 United Nations, Statistics Division - Department of Economic and Social Affairs, December 2019; United Nations Development Programme, 2019 Human Development Report, December 2019; International Telecommunication Union, World Telecommunication/ICT Indicators Database, October 2019; Asia Power Watch, 'The future of Asian FTAs and trade blocs after Covid-19', May 2020

Contacts

Asia Pacific

Raymund Chao

PwC Asia Pacific Chairman
Chairman, PwC China
raymund.chao@cn.pwc.com

Christopher Kelkar

PwC Asia Pacific Vice Chairman, Operations
Global Alignment Leader
christopher.s.kelkar@pwc.com

Sridharan Nair

PwC Asia Pacific Vice Chairman, Markets
sridharan.nair@pwc.com

David Brown

PwC Asia Pacific Deals Leader
d.brown@hk.pwc.com

Calum Davidson

PwC Asia Pacific Transformation Leader
calum.davidson@hk.pwc.com

Matt Graham

PwC Asia Pacific Assurance Leader
Markets Leader, PwC Australia
matt.graham@pwc.com

Sean Gregory

PwC Asia Pacific Risk & Quality Leader
sean.gregory@pwc.com

Damon Hickey

PwC Asia Pacific Alignment Leader
damon.hickey@hk.pwc.com

Pauline Ho

PwC Asia Pacific Human Capital Leader
pauline.ho@pwc.com

David McKeering

PwC Asia Pacific Consulting Co-Leader
Markets Leader, PwC Australia
david.mckeering@pwc.com

Peter Ng

PwC Asia Pacific Tax Leader
peter.ng@cn.pwc.com

Bob Saada

PwC Asia Pacific Consulting Co-Leader
bob.d.saada@pwc.com

David Wijeratne

Growth Markets Practice Leader, PwC Singapore
david.wijeratne@pwc.com

Australia

Tom Seymour

PwC Asia Pacific Vice Chairman, Australia
Chief Executive Officer, PwC Australia
tom.seymour@pwc.com

Pete Calleja

Markets Leader, PwC Australia
pete.calleja@pwc.com

Matt Graham

PwC Asia Pacific Assurance Leader
Markets Leader, PwC Australia
matt.graham@pwc.com

David McKeering

PwC Asia Pacific Consulting Co-Leader
Markets Leader, PwC Australia
david.mckeering@pwc.com

China

Raymund Chao

PwC Asia Pacific Chairman
Chairman, PwC China
raymund.chao@cn.pwc.com

Thomas Leung

Markets Leader, PwC China
thomas.w.leung@cn.pwc.com

India

Shyamal Mukherjee

Chairman & Territory Senior Partner, PwC India
shyamal.mukherjee@pwc.com

Sanjay Tolia

Markets Leader, PwC India
sanjay.tolia@pwc.com

Indonesia

Eddy Rintis

PwC Asia Pacific Vice Chairman, Indonesia
Territory Senior Partner, PwC Indonesia
eddy.rintis@pwc.com

Ay Tjhing Phan

Markets Leader, PwC Indonesia
ay.tjhing.phan@pwc.com

Contacts

Japan

Koichiro Kimura

PwC Asia Pacific Vice Chairman, Japan
Group Chairman, PwC Japan
koichiro.kimura@pwc.com

Yukinori Morishita

Markets Leader, PwC Japan
yukinori.morishita@pwc.com

South Korea

Hoonsoo Yoon

Chief Executive Officer, Samil PwC
hoonsoo.yoon@pwc.com

Hwa-Joo Bae

Markets Leader, Samil PwC
hwa-joo.bae@pwc.com

Malaysia

Soo Hoo Khoon Yean

PwC Asia Pacific Vice Chairman, Malaysia/Vietnam
Managing Partner, PwC Malaysia
khoon.yean.soo.hoo@pwc.com

Nurul A'in Abdul Latif

Markets Leader, PwC Malaysia
nurul.ain.abdul.latif@pwc.com

New Zealand

Mark Averill

PwC Asia Pacific Vice Chairman, New Zealand
Chief Executive Officer, PwC New Zealand
mark.averill@pwc.com

Joanne Robinson

General Manager Markets, PwC New Zealand
jo.n.robinson@pwc.com

Philippines

Alex Cabrera

PwC Asia Pacific Vice Chairman, Philippines
Chairman, PwC Philippines
alex.cabrera@pwc.com

Roderick Danao

Markets Leader, PwC Philippines
roderick.danao@pwc.com

Singapore

Yeoh Oon Jin

PwC Asia Pacific Vice Chairman, Singapore
Executive Chairman, PwC Singapore
oon.jin.yeoh@pwc.com

Kok Weng Sam

Markets Leader, PwC Singapore
kok.weng.sam@pwc.com

Taiwan

Joseph Chou

PwC Asia Pacific Vice Chairman, Taiwan
Chairman & Chief Executive Officer, PwC Taiwan
joseph.chou@pwc.com

Kevin Lin

Markets Leader, PwC Taiwan
kevin.lin@pwc.com

Thailand

Chanchai Chaiprasit

PwC Asia Pacific Vice Chairman, Thailand
Chief Executive Officer, PwC Thailand
chanchai.chaiprasit@pwc.com

Niphan Srisukhumbowornchai

Markets Leader, PwC Thailand
niphan.srisukhumbowornchai@pwc.com

Vietnam

Van Dinh Thi Quynh

Country Senior Partner, PwC Vietnam
dinh.quynh.van@pwc.com

David Tay

Markets Director, PwC Vietnam
david.tay@pwc.com

www.pwc.com/asiapacific

© 2020 PwC. All rights reserved.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC our purpose is to build trust in society and solve important problems. PwC is a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

127079159