

Media title: While trade tension mounts, confidence in APEC remains high

author: Ha Vy

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Business leaders across the Asia-Pacific remain confident that their companies' revenues will grow over the next 12 months, despite increasing trade frictions. Besides, Vietnam and China are top targets for cross-border investment.



Business leaders throughout APEC trust in good revenue flows and look to digital technology in the year ahead (Source: Ecns.cn)

In its latest survey of 1,189 business leaders across the 21 Asia-Pacific Economic Co-operation (APEC) economies, PwC found that 35 per cent were very confident of revenue growth, down slightly from 37 per cent a year ago, while a net 51 per cent plan to increase investments over the next year.

PwC carried out the survey in the lead up to the APEC CEO Summit which takes place this week in Port Moresby, the capital of Papua New Guinea.

Business confidence about trade and investment outlook

Business leaders in the United States and Thailand were among the most confident, with 57 and 56 per cent 'very confident' of revenue growth, while respondents in China and Mexico – two of the largest trading partners of the US – showed below average confidence at 25 and 21 per cent.

In comparison, 33 per cent of respondents in Vietnam indicated that they are 'very confident' of their companies' short-term growth prospects, with another 48 per cent being 'somewhat

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confident.' International trade is likely to continue being a source of growth for Vietnam-based firms, including 40 per cent expecting an increase in revenue opportunities thanks to new bilateral trade agreements and 34 per cent anticipating such opportunities to arise from new multilateral agreements.

In addition to being positive on revenue growth, a net 51 per cent of business leaders in the APEC are planning to raise levels of investment, up from 43 per cent two years ago. The biggest winners across the APEC from foreign investment will be Vietnam, China, the US, Australia, and Thailand, with Vietnam holding the top position for the second consecutive year.

Workforce development high on the agenda

The employment market is also looking positive with 56 per cent of business leaders in the APEC (also 56 per cent in Vietnam) creating more jobs and only 9 per cent (Vietnam: 14 per cent) actively reducing headcount as a direct impact of technology on their workforce.

However, the right talent is not always readily available and business leaders are struggling to find the people that they need with the right skills and experience, PwC's survey shows. The gap is felt acutely across science, technology, engineering, and maths (STEM) skills with 65 per cent of APEC business leaders (Vietnam: 76 per cent) stating that their governments need to do more to train STEM professionals and only 14 per cent (Vietnam: 4 per cent) feeling their government is doing enough in this area.

This sentiment was also reflected when business leaders were asked what could be done to make growth more inclusive for more people across the APEC. The number one factor that business leaders identified was expanded access to high-quality education at all levels followed by improved transport.

"The issues of training and education are very clearly on the top of the agenda for business leaders in the APEC, giving a clear message to heads of state as they meet this week in Port Moresby about what more help could be given to businesses to secure long-term success," said Raymund Chao, who heads the PwC delegation at the APEC Leaders' Week in Papua New Guinea.

Moving forward by going digital

APEC business leaders are also well aware of the need to invest more in becoming digital. With the internet economy projected to reach over \$200 billion in Southeast Asia alone by 2025, the top two investment priorities for business leaders are digital customer interactions and digital skills for their workforce.

"When asked what policies are needed in order for Vietnam to advance in the digital economy, Vietnam-based CEOs ranked 'improvements to the digital infrastructure' at the top. While businesses need to determine their infrastructure requirements and communicate them, the government's role is to understand these requirements and introduce policies and regulations for the sustainable development of digital infrastructure," said Dinh Thi Quynh Van, general director of PwC Vietnam.

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Business leaders also know they need to do more when it comes to being digital. Only 15 per cent of business leaders describe their use of Artificial Intelligence (AI) as highly competitive, while 33 per cent do not use AI at all. The companies that describe themselves as highly competitive at AI are clear on what they need to do to build on their perceived lead: increase investments, build more capability in AI, and invest in local startups.

However, while technology can provide part of the answer to sustainable growth, it also presents challenges in the new trade environment with moving data across borders identified as the area where businesses have experienced the biggest increase in new barriers in the last year – 20 per cent – up from 15 per cent in 2017.

“As the APEC’s businesses become more digital and embrace new technologies such as AI, data flows will increasingly become the fuel that will drive global trade. Dealing with concerns about increased barriers to data flow will remain a priority for business for some time,” added Raymund Chao.

By Ha Vy