

Keynote Address by Tan Sri Abdul Wahid Omar

Chairman of Universiti Kebangsaan Malaysia

**“The Challenges of Implementing Shared Prosperity
in Post- Pandemic APEC Economies”.**

1. This Covid-19 pandemic we are facing is totally unprecedented that is piercing through economies, corporates, societies and individuals alike. With more than 31 million confirmed cases and 962,000 deaths globally as reported by the World Health Organisation as at 22 September 2020, the pandemic is also causing both medical and economic shocks in the APEC region.
2. In a policy brief issued by the APEC Secretariat entitled “APEC in the Epicentre of Covid-19”, the pandemic is expected to cause the region’s economic growth to decline by 2.7 percent in 2020 this year, compared to the 3.6 percent growth in 2019. This reduction in growth translates to an estimated output loss of USD 2.1 trillion due to the economic fallout from the pandemic. This is compounded by an additional 23 million people becoming unemployed in 2020. Clearly this pandemic is causing severe impact on lives and livelihood of the people.
3. The unprecedented shock to the global economy requires a well-targeted and coordinated regional response towards socioeconomic recovery, including greater support for healthcare systems and increased social protection.
4. There are two important concepts that form the overarching theme of the hosting year of APEC 2020 by Malaysia. These include:

- i. human potential;
- ii. shared prosperity.

Additionally, this theme includes a notion of “future”, which should be taken as the future after the Covid-19 pandemic. The future after the Covid-19 pandemic reflects the human potential to prosper and face the impending challenges ahead, especially in a world with potentially more restrictions and cross border movement of goods and persons, the changing nature of global value chains and supply chains and the enhanced digitalization of every segment of the society.

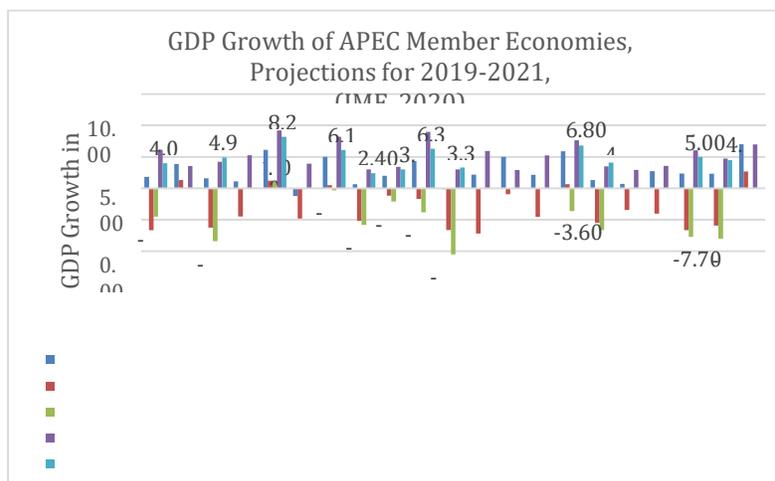
5. Originally, shared prosperity is a development-related concept that aims to increase the purchasing power and the elimination of wide income gaps within the society.

Shared prosperity is a goal with two elements, namely, ensuring economic growth and equitable distribution of the economic benefits. The concept reflects the fact that as countries grow their economies and lift millions out of poverty, they may also experience growing inequality if not dealt with properly.

6. Based on the Malaysia's Shared Prosperity Vision 2030, shared prosperity aims at creating an economy that can achieve a balanced and sustainable growth, along with fair and equitable wealth distribution across all members of the society, income groups, geographical regions and supply chains. In other words, trade and investment narratives will move beyond the creation of wealth, jobs and development into ensuring societal well-being as well.
7. In the context of APEC, shared prosperity means there should not be anyone left behind or marginalized from mainstream development in all the 21 APEC member economies. There is a collective realization among the APEC economies that wealth created by trade and investment within the region is not equally distributed. While the region is more connected, there exists however, a wider disparity with the new era of globalization thereby leaving a large segment of the society marginalized. And the biggest challenge in 2020 is how to reposition APEC economies post pandemic.
8. According to the APEC Secretariat, since the founding of APEC, the combined GDP of 21 APEC member economies has increased from USD 23.5 trillion in 1990 to USD 66.2 trillion in 2018, thus growing at an average of 3.7 percent per year. This economic growth has led to rising average incomes, contributing to vast reductions in poverty and an expanding middle class, driven mainly by trade, which in turn is driven by new technologies. Since the Bogor Declaration in 1994, the majority of APEC member economies have had their per capita income increased by more than 2 percent, except for four economies, Brunei Darussalam, Japan, Mexico and Papua New Guinea.
9. However, the APEC Secretariat also states that this growth has not been shared equally. The wealth gap also exists among APEC member economies. Long-term trends are moving toward more inequality rather than less as income gaps between poorer and richer segments of the population widen. In 2015, it has been reported that the poorest 40 percent of the population of APEC and the richest 5 percent of the population earned roughly the same share of the region's total income – around 18 percent for each group and it is expected that this income inequality will continue to get wider.

Equally important, based on data available from 14 APEC economies, income disparity remains critical particularly between the top and the bottom segments of the society.

10. APEC economies face declining economic growth potential as a result of the Covid-19. Declining growth is mainly due to the sharp decline in the domestic demand; lower tourism and business travel; trade; and the decline in production linkages and production network.



	AU	BN	CA	CH	CH	CH	IN	JP	KO	MY	ME	NZ	PN	PE	PH	RU	SI	T	TH	US	VN
	S	BN	N	L	I	HK	D	N	R	MY	X	NZ	G	R	PH	S	N	W	TH	US	VN
2019	1.8	3.8	1.6	1.1	6.1	-1.1	5.0	0.6	2.0	4.3	-0.1	2.1	5.0	2.1	5.9	1.3	0.7	2.7	2.3	2.3	7.0
2020	-6.1	1.3	-6.1	-4.1	1.1	-4.1	0.5	-5.1	-1.1	-1.1	-6.1	-7.1	-0.1	-4.1	0.6	-5.1	-3.1	-4.1	-6.1	-5.1	2.7
2020 (rev)	-4.1		-8.1		1.0		-0.1	-5.1	-2.1	-3.1	-10.1				-3.1	-6.1			-7.1	-8.1	
2021	6.1	3.5	4.2	5.2	9.2	3.9	8.2	3.0	3.4	9.0	3.0	5.9	2.9	5.2	7.6	3.5	2.9	3.5	6.0	4.7	7.0
2021 (rev)	4.0		4.9		8.2		6.1	2.4	3.0	6.3	3.3				6.8	4.1			5.0	4.5	

Figure 1: GDP Growth of APEC Member Economies, Projections for 2019-2021, (IMF, 2020)

11. Based on the April figures, APEC real GDP is expected to contract by 2.7 percent in 2020, translating to an estimated output loss of USD 2.1 trillion and an additional 23 million workers unemployed due to the economic fallout from the pandemic. APEC economies may see a rebound in 2021 with anticipated growth rate of 6.3 percent. This rebound hinges on the effectiveness of containment mechanisms to avoid a second wave of the pandemic as well as the expected stimulus from economic policy measures. At the same time, it is difficult to make a dependable GDP growth prediction due to the fluid nature of the economic impact of the Covid-19 pandemic.

12. The decline in the economy will result in losses of income to employees made redundant in retail, manufacturing, tourism, and other hard-hit sectors as well as those in the informal sectors, which is not covered by employment-based social protection. The increase in unemployment will lead also to higher poverty rate.
13. The World Bank forecasts that global poverty rate will increase from 7.8 percent (632 million people) before the Covid-19 to 8.6 percent (665 million people) at the end of 2020, by pushing 49 million people into poverty. The rate is expected to decline to 8.3 percent in 2021, compared to the pre-Covid forecast of 7.6 percent. The International Labour Organisation (ILO) estimated that the rate of relative poverty is expected to increase by almost 34 percentage points globally for informal workers, ranging from 21 percentage points in upper-middle-income economies to 56 percentage points in lower-middle-income economies.
14. Covid-19 may not just increase the poverty level, but also the unequal access to food. The disruption in food supply chains caused by the movement restrictions, health risks due to infection of Covid-19 to workers, logistics chokepoints have raised the risks in access to food. Covid-19 may also increase the disparity and inequality as a result of the changes in the nature of work, trade and investment going to be conducted in the future. Some jobs may disappear, and different jobs will surface. The increased use of digital technology such as in the work from home and education brings out the real disparity in the access to the soft and hard digital infrastructure.
15. APEC member economies are working towards a Post-2020 Vision and the plan is expected to have a definite target, preferably between 2021-2040. To achieve the fullest human potentials for a future shared prosperity requires the APEC economies to respond to several megatrends that are currently and/or likely to influence various aspects of the human life in the post-2020 and post-pandemic. Previous megatrends no longer hold true, and the world of trade and investment is faced with new megatrends.
16. The Covid-19 pandemic sees the transformation to trade and investment, where certain sectors supported by digital technologies and biotechnology such as agriculture and food processing are gaining importance. Further, there will be a new way of conducting and managing the supply chains, which moves from supply chain management that focuses on few economies to reshoring with regionalization of supply chains. There will be a move from liberalisation and technology transfer towards

protection of certain business from foreign acquisitions; and there will be acceleration of digital infrastructure investment, and digitalisation of the economy.

17. A post-2020 vision for APEC should be one of continuing to contribute to the dynamism and prosperity of the Asia-Pacific region through policies, which support economic growth. Growth generates prosperity, raises incomes, provides economic opportunity, alleviates poverty and improves the lives of individuals.
18. Although growth alone does not guarantee that all individuals share in its benefits, growth is necessary in order to generate the fiscal resources and political space governments require in order to support distribution, adjustment and social protection policies.
19. APEC as a key driver of regional and global economic growth and integration and a major contributor to the regional economic architecture, together with its global leadership in addressing its most pressing economic challenges.
20. A post-2020 vision should embrace the challenge of ensuring that the digital and technological revolution, which is upon us, maximises prosperity for the largest possible numbers. The nature of work, commerce and human interaction is changing rapidly, and continued growth and prosperity throughout the region will depend crucially on the ability of individuals and economies to adapt to and benefit from these changes.
21. In closing, I hope that today's conference will inspire us to exchange good practices and lessons learned on the progress and challenges facing the APEC economies in achieving an inclusive, sustainable growth and shared prosperity, especially in facing the new normal post- pandemic.

Thank you.