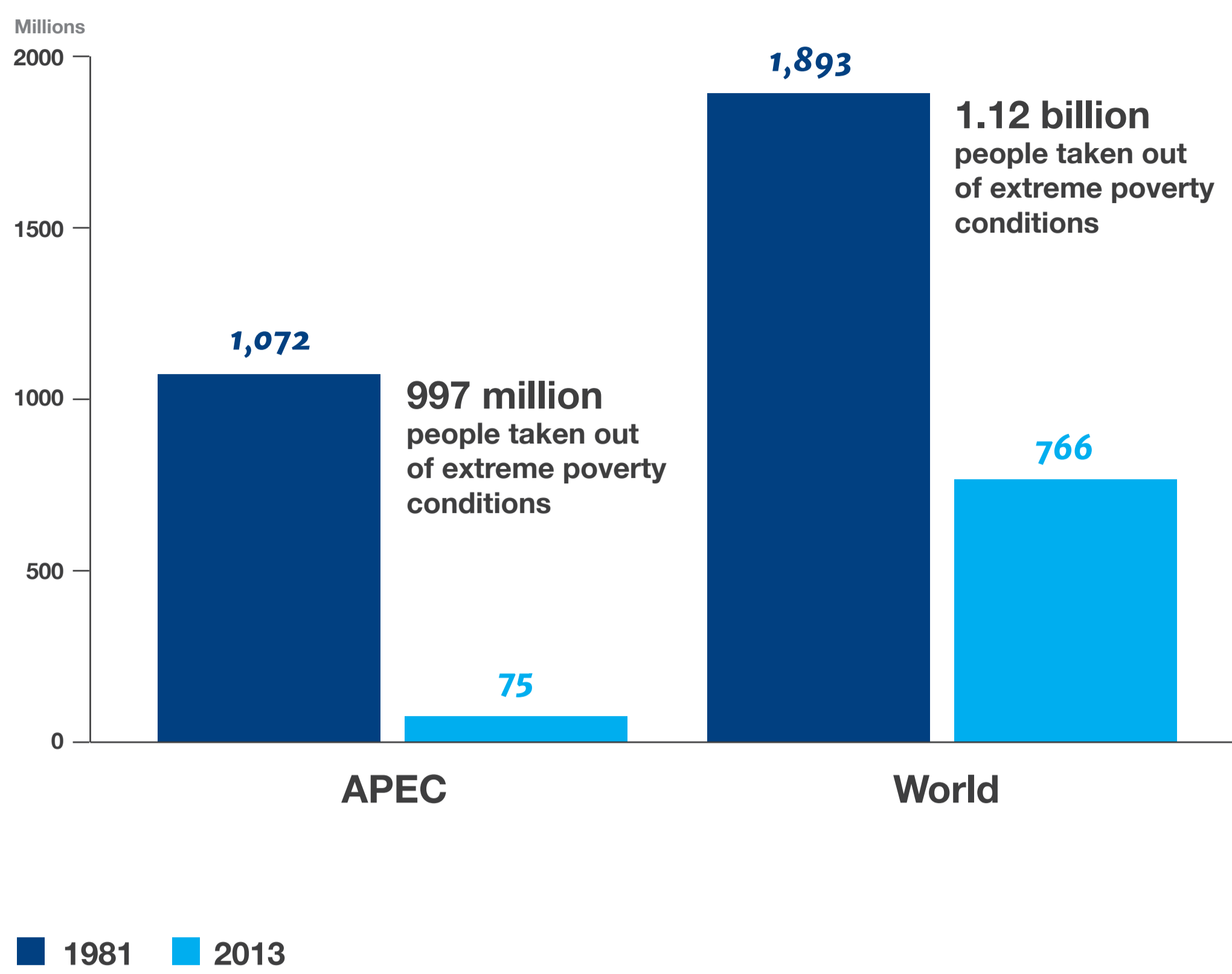


APEC Regional Trends Analysis

May 2017, APEC Policy Support Unit

GLOBALIZATION: THE GOOD, THE BAD, AND THE ROLE OF POLICY

Poverty Headcount, 1981-2013



The Good:

In the last 50 years, globalization and international trade have contributed to unprecedented growth in prosperity and welfare of billions of people.



Between 1988 and 2015, trade in vaccines grew by about 24% annually, contributing to the reduction of infant and child mortality and practically eliminating communicable diseases such as polio.

The Bad:

Globalization has not been equally beneficial for everyone. The process of trade liberalization entails difficult adjustments for businesses and workers, and brings with it structural unemployment.

The Role of Policy:

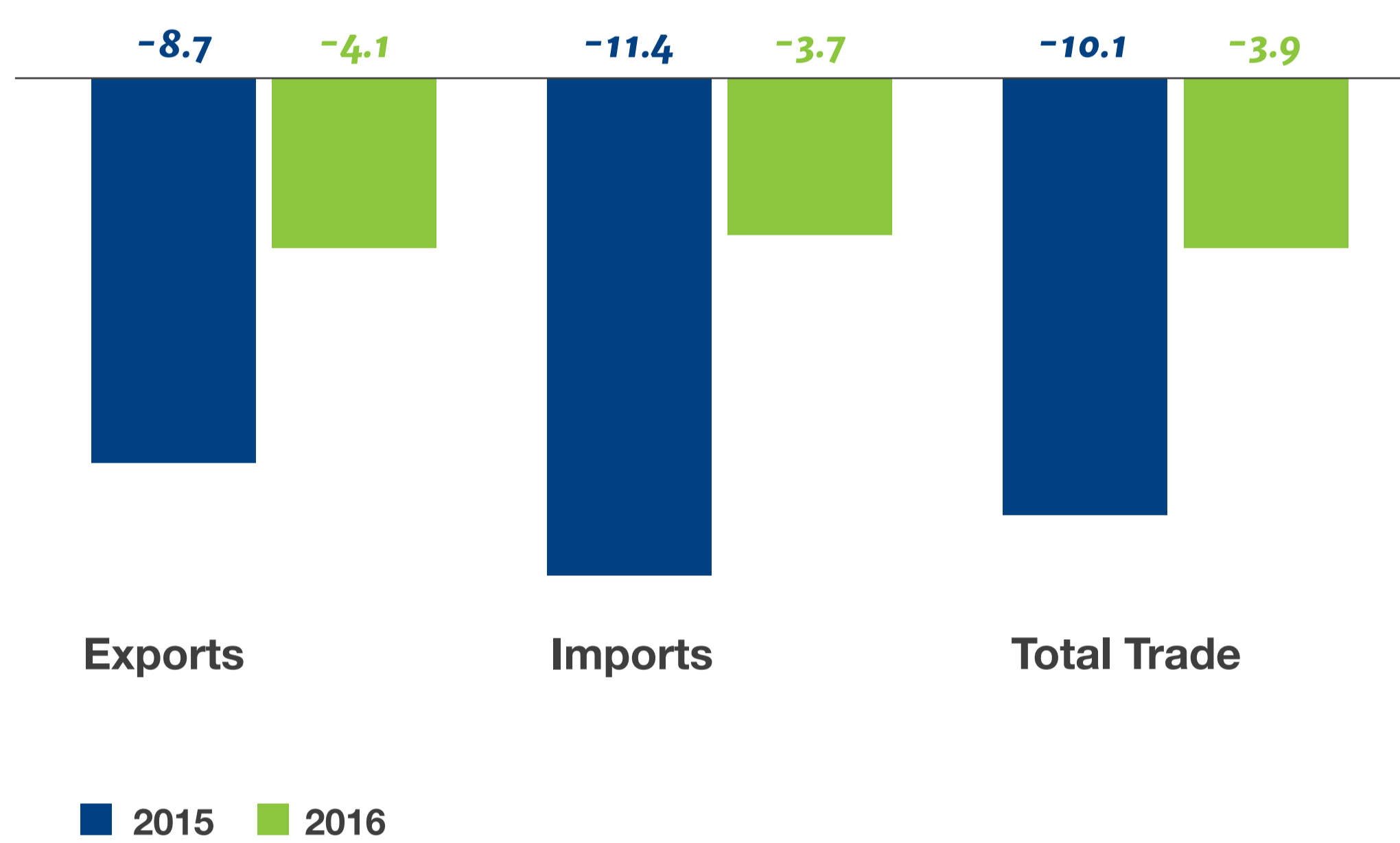
Globalization alone will not lead to a fairer or more equal society. It needs to go hand-in-hand with complementary policies to ensure inclusiveness and sustainability.

Maximizing the benefits of globalization requires complementary social policies that can help displaced workers.

- Lifelong access to skills training
- Support for households affected by structural unemployment
- Access to credit for entrepreneurs
- Policies that promote access to global markets

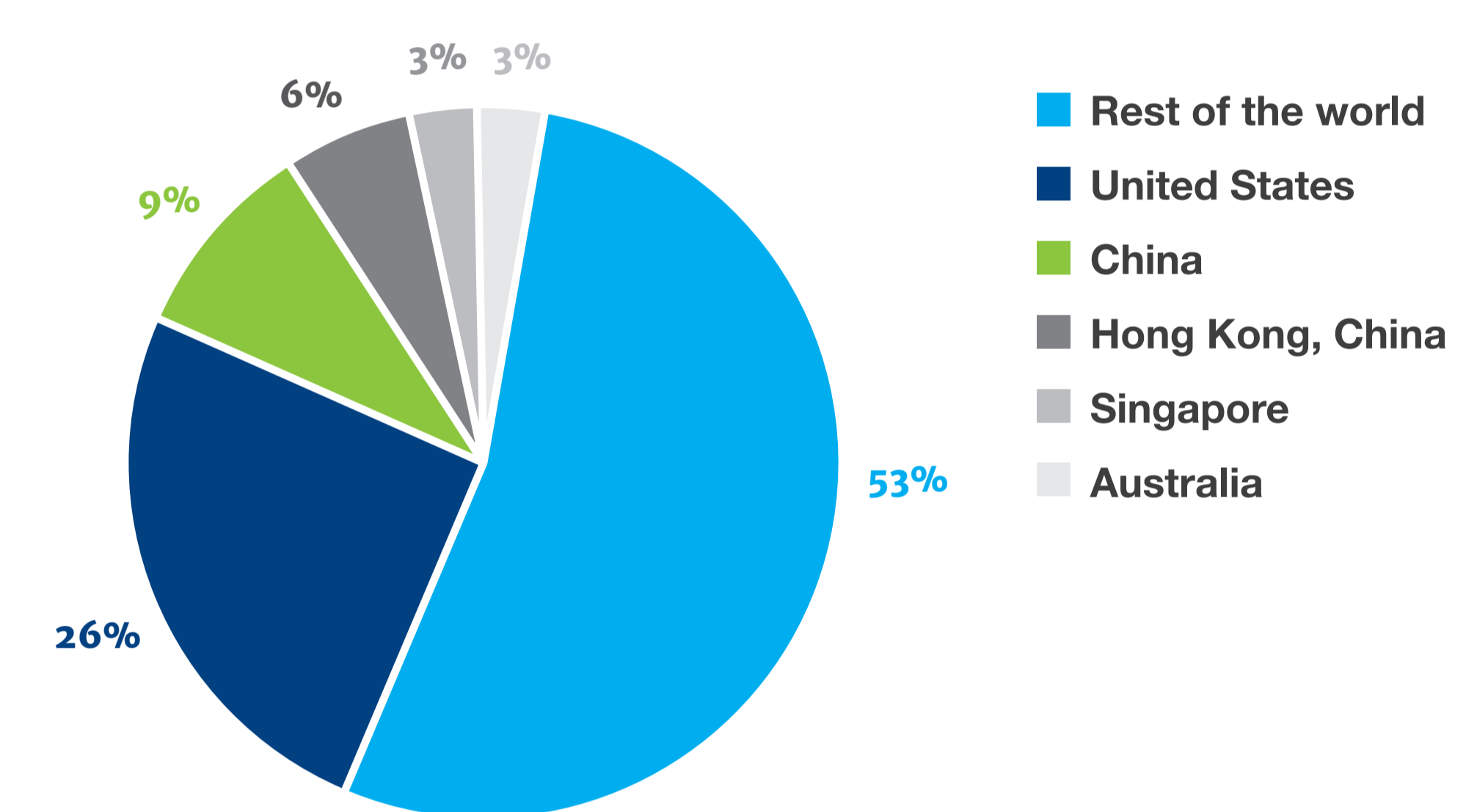
IN 2016:

APEC trade improves



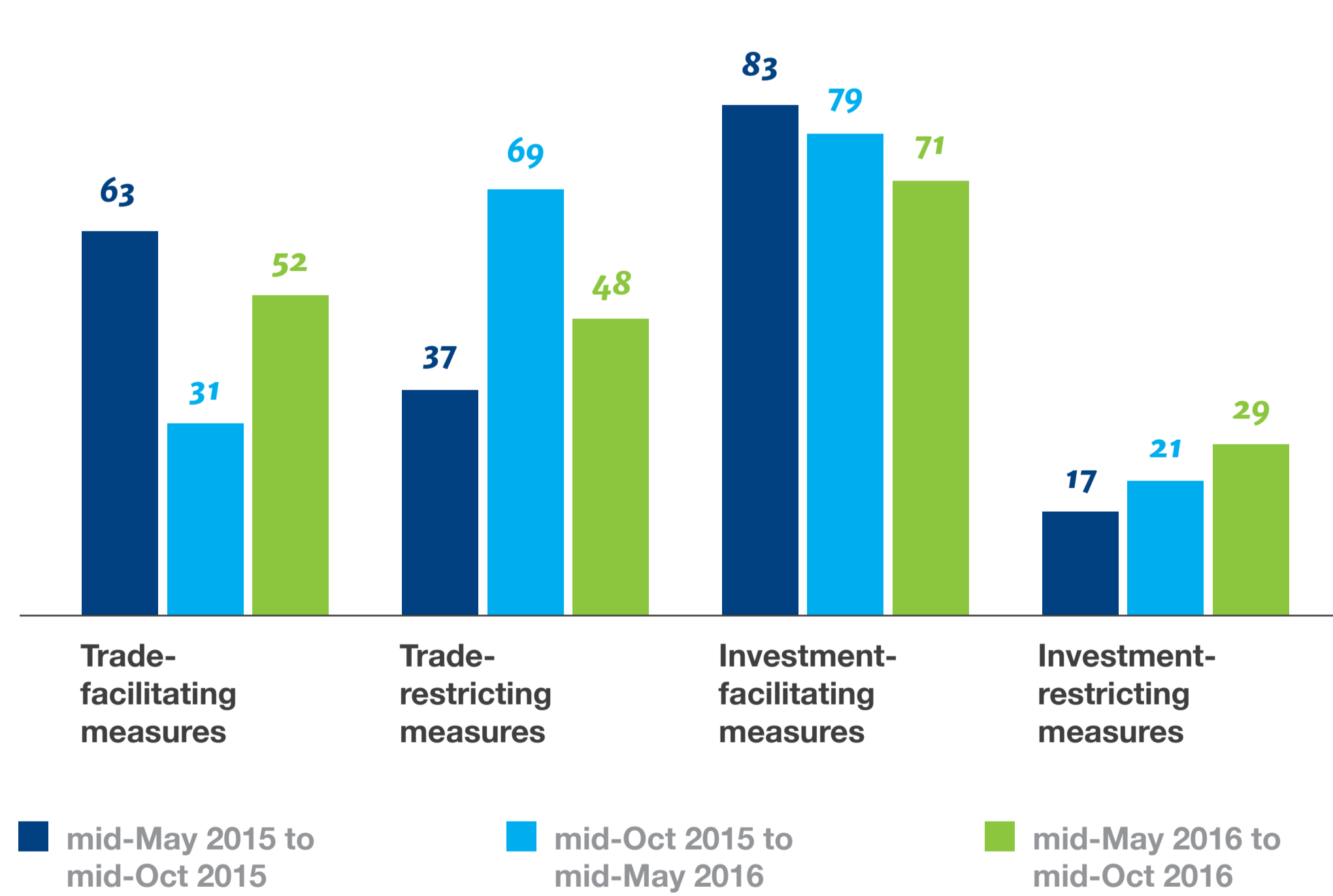
Trade performance started to improve in the second half of 2016, in line with the global cyclical recovery marked by a turnaround in the growth of manufacturing and trade.

APEC region remains top FDI host



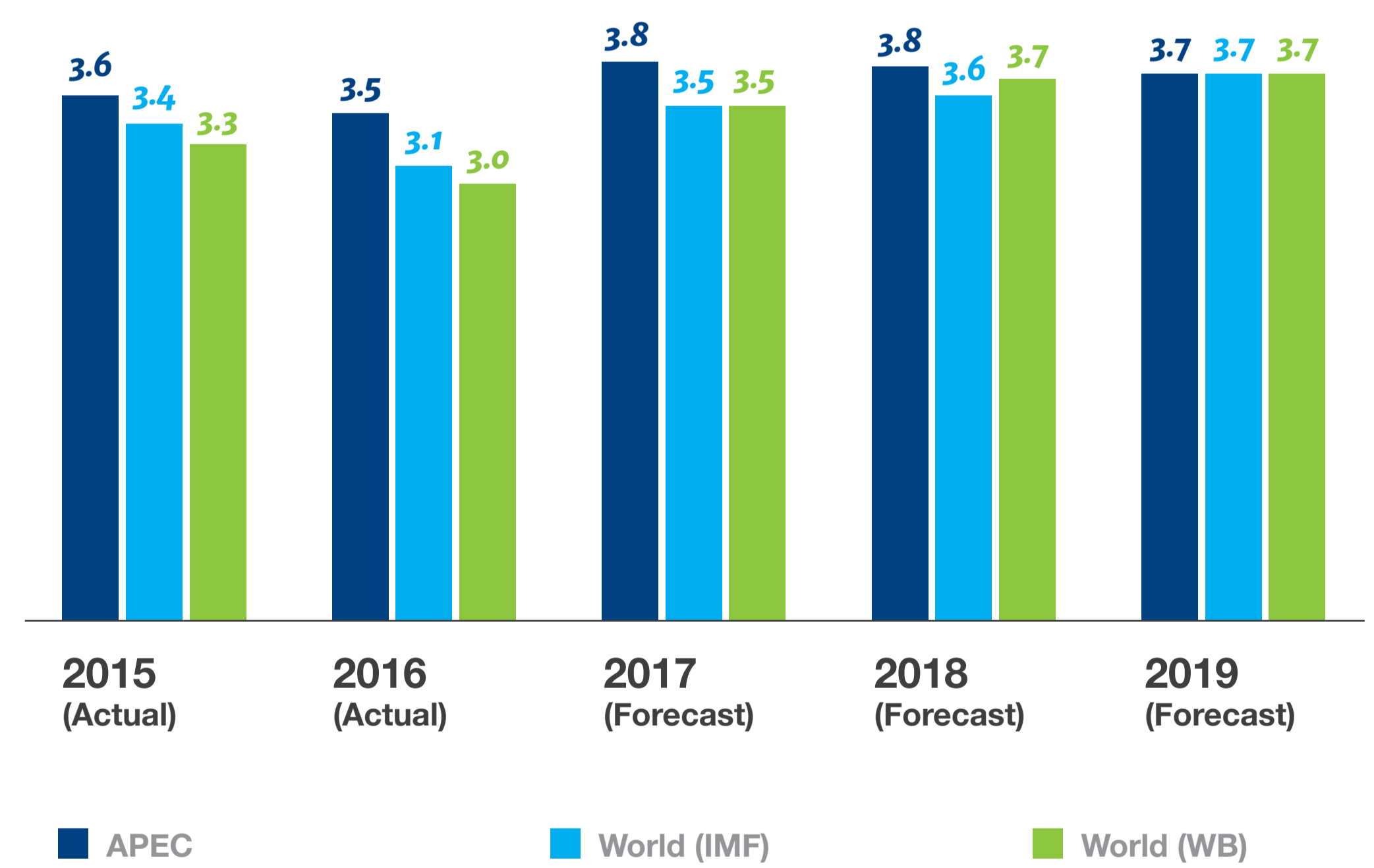
Taken together, these top APEC hosts attracted 46.7% of global FDI.

APEC facilitates trade & investment



As percent of total, measures that facilitate trade and investment outweighed restrictive measures among APEC G-20 members.

APEC GDP grows above world GDP



The APEC region is expected to continue outpacing world GDP in the near-term.

APEC's decisions, both in the short-term and the medium-term, could help cement the path towards higher, more sustainable, more equitable, and more inclusive growth.

Upside Potential:

- Global economic momentum.
- Optimistic projections for growth of world trade and investment.
- Gradual recovery in oil and non-oil commodity prices.
- Fiscal stimulus measures by US and China.

Downside Risks:

- Uncertainty in short-term policy direction for trade, monetary, and fiscal policies.
- Current trend towards protectionism and anti-globalization.

Suggestions for Future Policy Direction:

- Sustain the global economic upswing: implement macroeconomic measures that continue to support demand.
- Macroeconomic management needs to be supported by structural reforms that
 - Promote innovation,
 - Lead to more competitive markets,
 - Facilitate participation of all segments of society, and
 - Enhance economic resilience.
- Refocus so that APEC member economies collectively work towards free flow of trade and investment across the region.
- Be mindful of the impact to vulnerable groups.