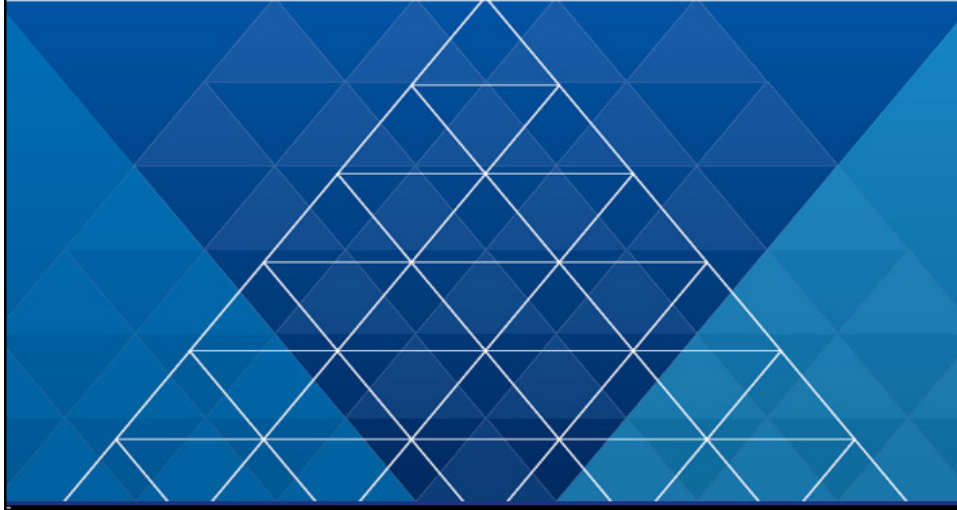


# STATE OF THE REGION

2010 – 2011



## State of the Region

- **A succinct overview of the major economic developments in the Asia-Pacific, focusing on regional economic cooperation**
- **Three components:**
  - **Chapter 1: Sustaining Global Growth**
  - **Chapter 2: Analysis of the findings of the annual State of the Region survey**
  - **Chapter 3: An update on the index of regional economic integration**



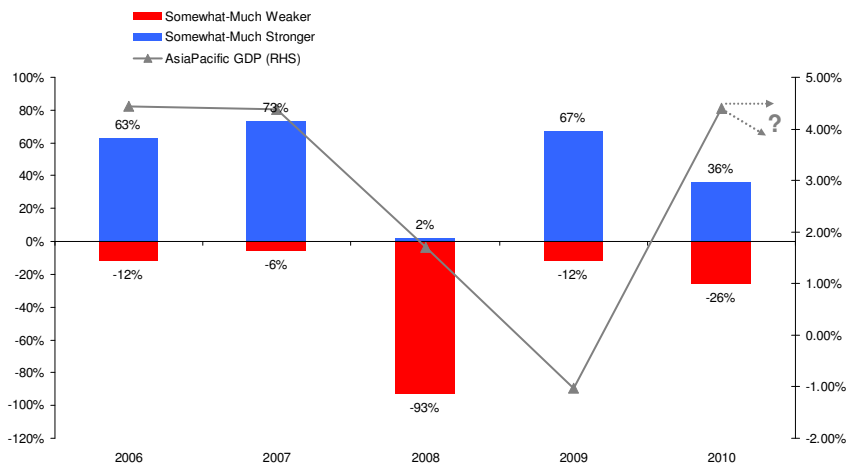
## State of the Region Survey Respondents Profile

### Respondent Profile

- The panelists were selected by PECC's member committees from academe, business, government, and civil society on the basis of their level of knowledge of the Asia-Pacific region. The criteria given for the selection of panelists were as follows:
  - **Government**
    - Panelists should be either decision-makers or senior advisors to decision-makers. As a guide, the government respondents last year included a number of former and current Ministers, Deputy and Vice-Ministers, Central Bank Governors and their advisors for Asia-Pacific issues, current and some former APEC Senior Officials
  - **Business**
    - Panelists should be from companies who have operations in a number of Asia-Pacific economies or conduct business with a number of partners from the region, this might include each economy's current as well as past ABAC members
  - **Non-Government: Research Community / Civil Society / Media**
    - Panelists should be well-versed in Asia-Pacific affairs, being the type of individuals whom the governments, businesses, and the media would tap into to provide input on issues related to Asia-Pacific cooperation. These include presidents of institutes concerned with Asia-Pacific issues, heads of departments, senior professors, and correspondents covering international affairs.



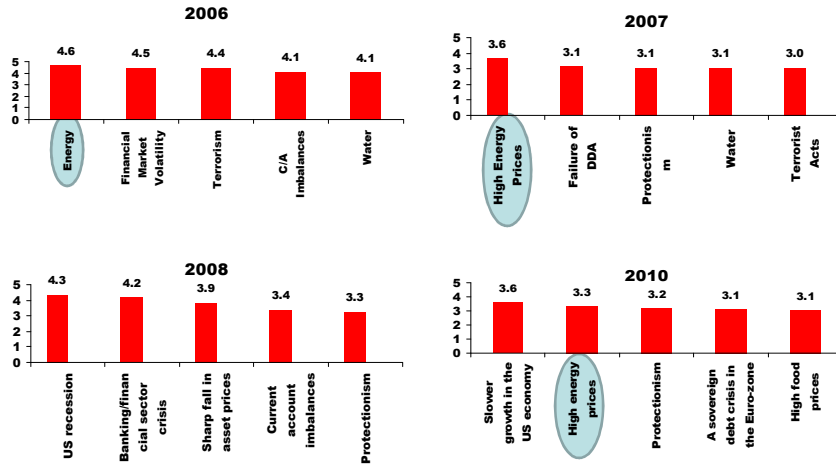
## Economic Outlook



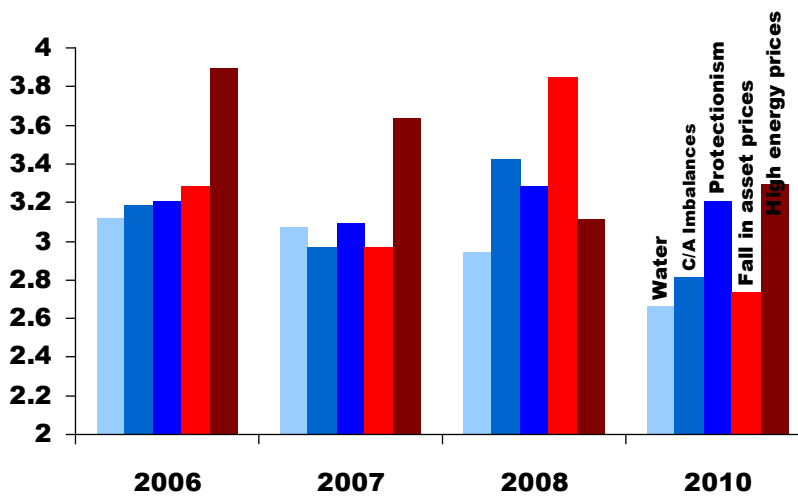
\* Numbers from 2006 and 2007 show views on Asia-Pacific economy, 2008 onwards the global economy



## Top 5 Risks to Growth 2006-2010



## Top 5 Risks Included in Lists from 2006-2010





## Priorities for APEC Leaders' Meetings

- List of 20+ issues mostly taken from APEC agenda
- Respondents asked to select 5 issues and rank them from 1 to 5
- Issues range from global issues, e.g. climate change to regional issues such as a free trade area of the Asia-Pacific



## Priorities for APEC Leaders Meetings

### Sydney 2007

1. The WTO Doha Development Round
2. A Free Trade Area of the Asia Pacific
3. **Energy security**
4. Strengthening the APEC organization
5. **Climate change**
6. Financial system stability

### Peru 2008

1. The US financial crisis and its global impact
2. A Free Trade Area of the Asia Pacific
3. The WTO Doha Development Round
4. **Energy security**
5. APEC reform / institutional strengthening

### Singapore 2009

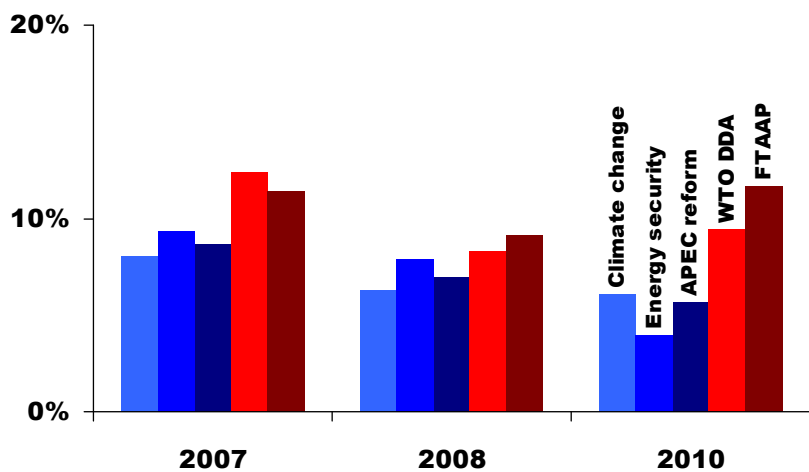
1. Continued action on the economic crisis
2. Regulation of the financial sector
3. Restarting the Doha process
4. **Climate change and the Copenhagen Deal**
5. Reducing the cost of doing business

### Yokohama 2010

1. A post-crisis growth strategy for the region
2. A Free Trade Area of the Asia Pacific
3. The WTO Doha Development Round
4. Financial sector regulatory reform
5. **The region's response to climate change**



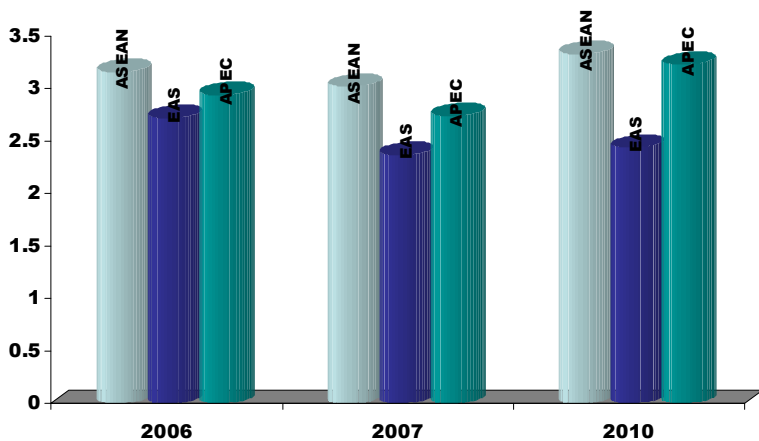
## Priorities for APEC Leader – Average from 2007, 2008, 2010



\*Percentage of total weight

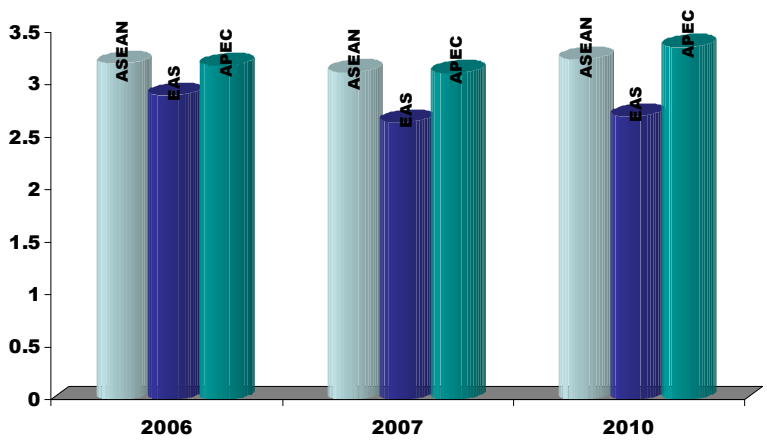


## Regional Institutions: Perceptions Over Time: Liberalization of Trade and Investment

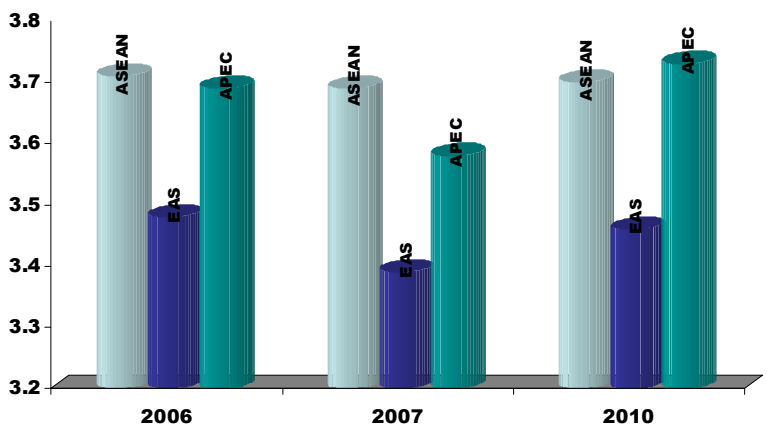




### Regional Institutions: Perceptions Over Time: Economic cooperation and technical assistance

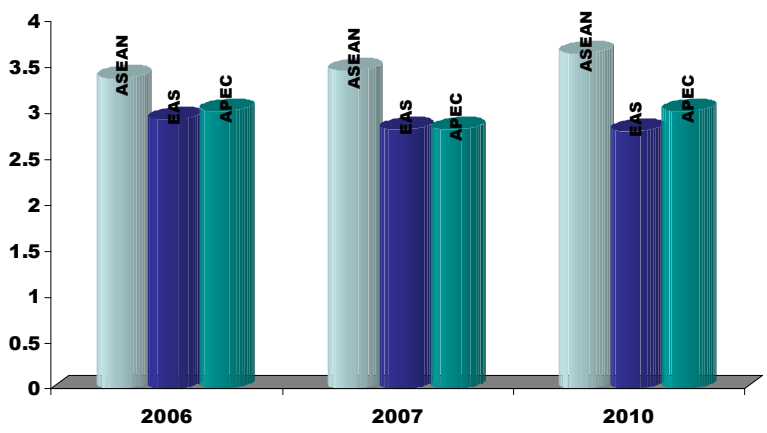


### Regional Institutions: Perceptions Over Time: An opportunity for leaders to discuss immediate issues facing their economies

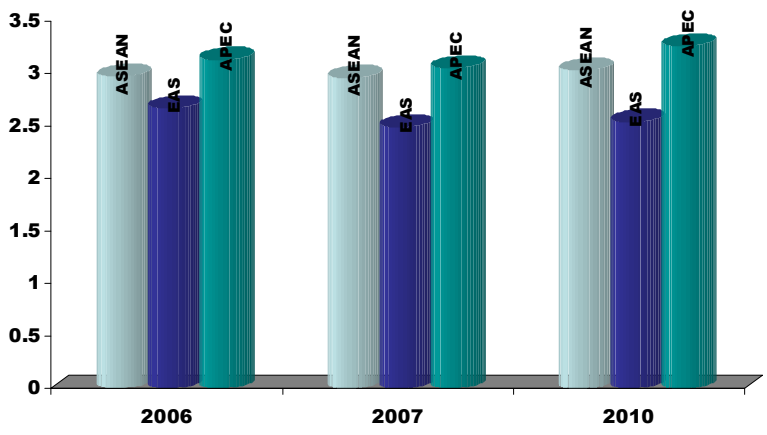




### Regional Institutions: Perceptions Over Time: Community Building

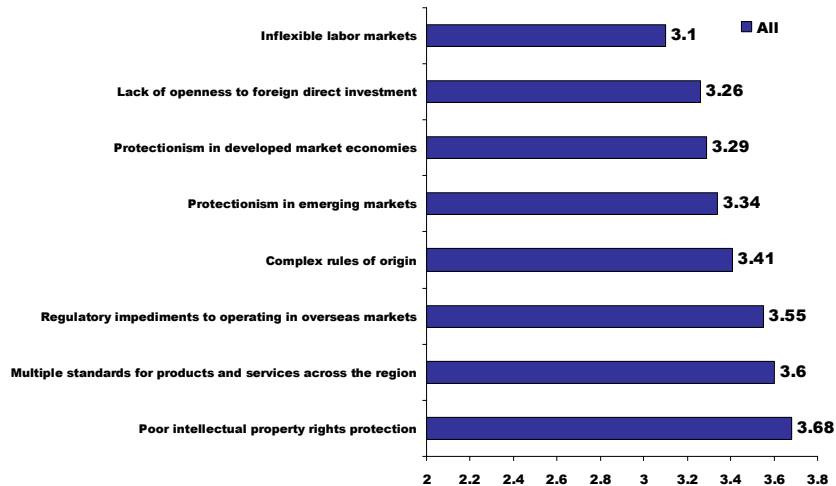


### Regional Institutions: Perceptions Over Time: Addressing the needs of the business community



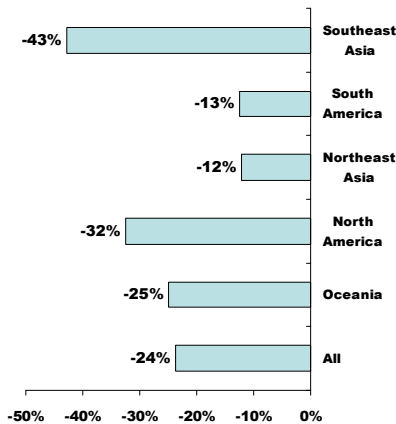


## Challenges to Doing Business in the Region: Behind the Border Issues Dominate

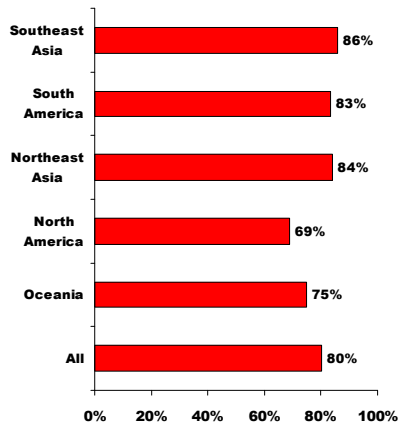


## Bogor Goals and New Vision

% respondents who agreed with the statement "Industrialized APEC economies have met the Bogor Goals of free and open trade and investment" (net agreement=those who agreed minus those who disagreed)



% respondents who agreed that APEC needs a new vision to drive its agenda for the next ten years (net agreement=those who agreed minus those who disagreed)

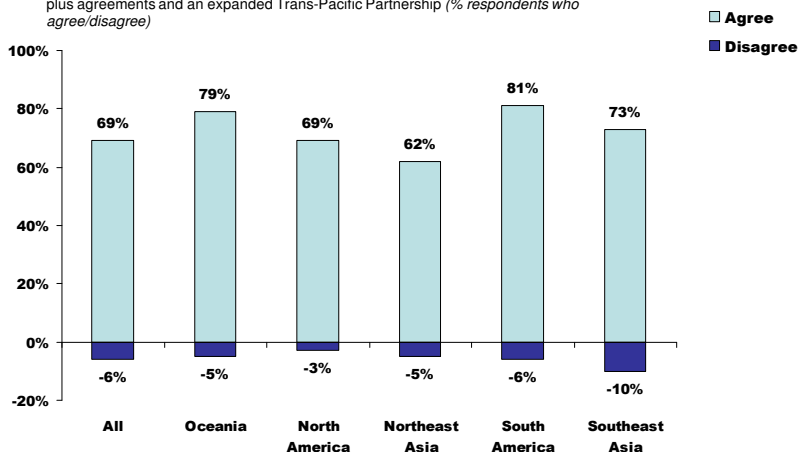






# Regional economic integration

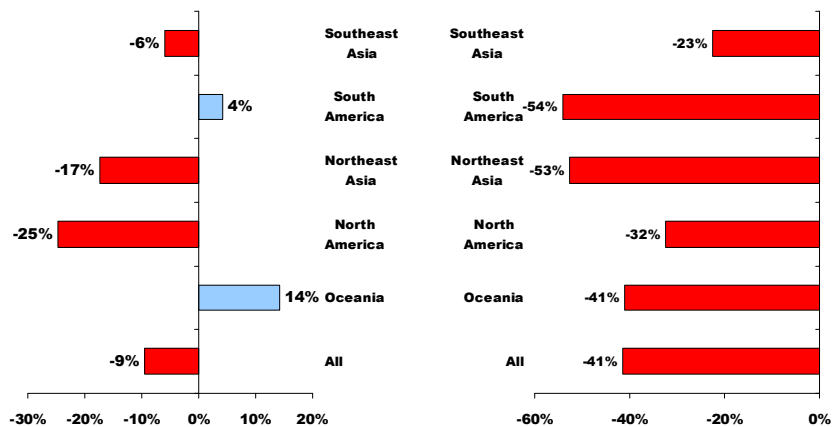
Regional economic integration should be pursued on multiple tracks including the ASEAN plus agreements and an expanded Trans-Pacific Partnership (% respondents who agree/disagree)



# Regional Institutions

The expanded East Asia Summit to include the USA and Russia is a threat to the continued relevance APEC (net agreement=those who agreed minus those who disagreed)

The G20 is a threat to the continued relevance of APEC (net agreement=those who agreed minus those who disagreed)





## Index of Economic Integration

- **The PECC Composite Index of Asia Pacific Economic Integration tracks:**
  - The extent to which the economies are becoming more alike in their economic characteristics (i.e. “convergence” measures); and
  - The relative importance of regional trade, investment and human flows compared to economic relations with the rest of the world.
- **The index is constructed in two stages**
  - **Stage 1: Convergence index is constructed to measure the dispersion of selected economic indicators**
    - Real GDP per capita
    - Share of non-agricultural sector in GDP
    - Ratio of urban residents to total population
    - Life expectancy
    - Share of education expenditure in GDP
  - **Stage 2: Intra-regional flows:**
    - Trade
    - Investment
    - People

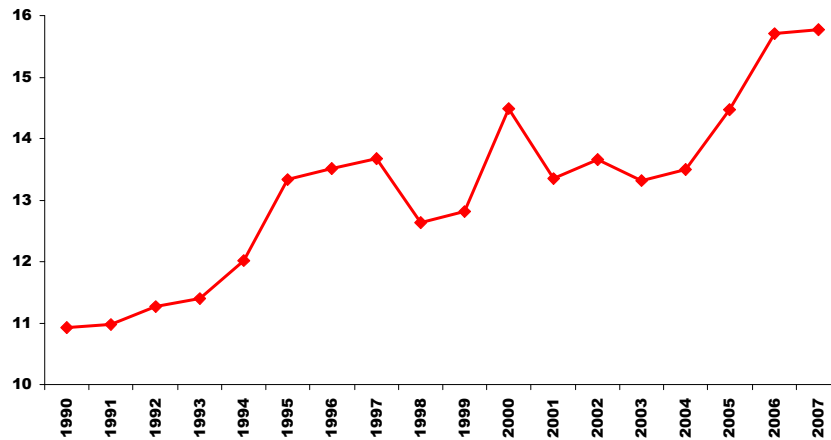


## PCA: Weights Assigned

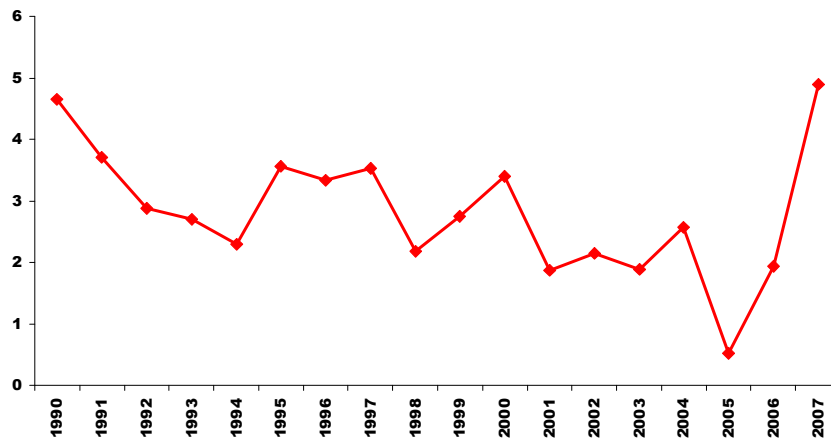
- **Composite: 24%**
- **Trade Flows: 30%**
- **Investment Flows: 11%**
- **People flows: 36%**



## Index of Economic Integration: Intra-AP Trade Share

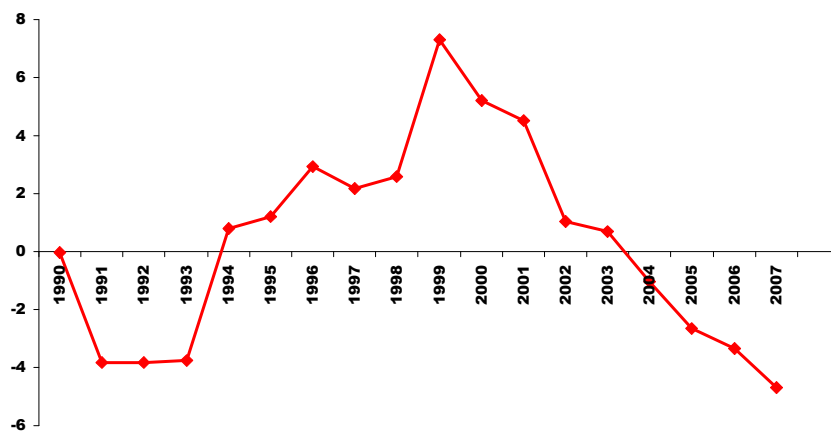


## Index of Economic Integration: Intra-AP Investment Share

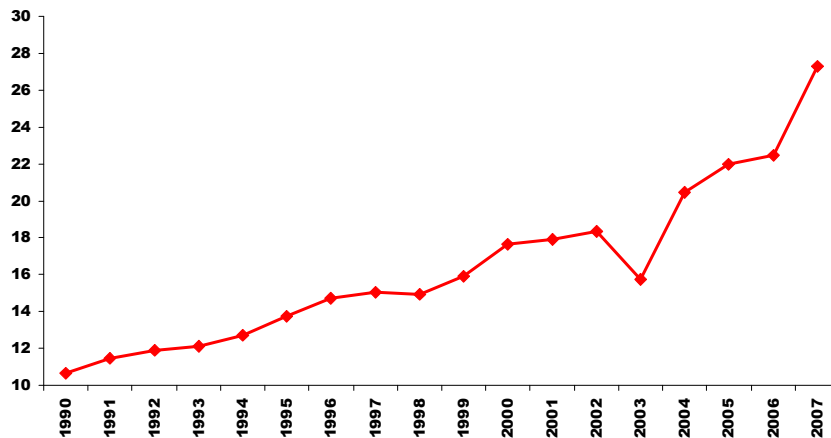




### Index of Economic Integration: Convergence Indicator

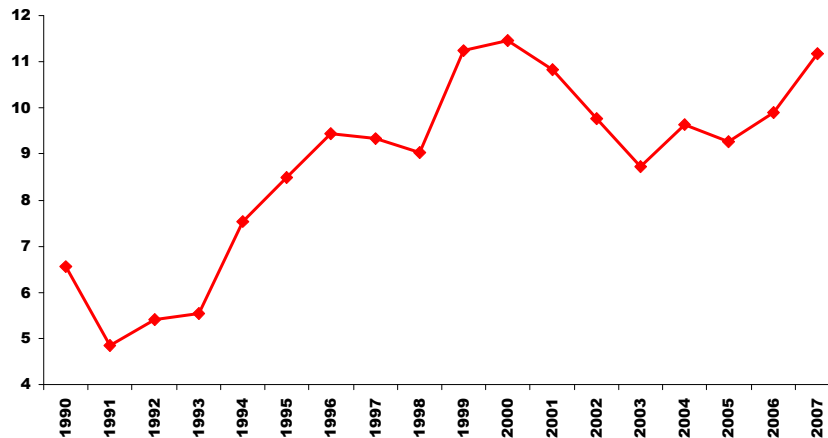


### Index of Economic Integration: Intra-AP Tourism Flows





## Index of Economic Integration: Composite Measure



## Index: Main Conclusions

- **APEC economies were more integrated at the end of 2007 than in 2006.**
- **Composite index for the region as a whole increased from 9.72 in 2006 to 11.18 in 2007, approaching levels of integration not seen since 2000.**
- **Despite enhanced economic integration, economic disparity in the region has been increasing since 1999, reaching a new high of inequality in 2007.**
- **Economy by economy analysis indicates that the majority of APEC members deepened economic integration into the Asia-Pacific region in 2007, while changes in relative integration rankings were modest.**
- **Intra-regional FDI and tourist inflow shares in 2007 saw large gains, increasing to approximately 4.9% and 27.3% respectively.**



## **SOTR 2011-12: Proposed Outline**

- **Chapter 1: Economic Overview**
  - **A general discussion on the region's economic outlook**
  - **Update on macro/regional imbalances**
  - **Focus on energy security**
    - **Energy Supply and Demand post-Fukushima**
    - **The Advent of Unconventional Gas**
    - **Emergence of an Asia Pacific energy market?**
    - **Role of Renewables?**
    - **Policy Implications**



## **SOTR 2011-12: Proposed Outline**

- **Chapter 2: Perceptions of the State of the Region**
  - **Based on our annual survey of opinion leaders**
  - **Will include specific questions on energy security issues which connect to Chapter 1**
- **Chapter 3: The State of Regional Economic Integration**
  - **Update of the index of regional economic integration**
  - **Update on regional economic integration initiatives, e.g. TPP, ASEAN+3, EAS**