

6. APEC's Growth: State of the Region Report Presentation

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6.1 State of the Region 2010-2011

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The context in this section is more along the lines of an editorial board meeting. State of the Region (SOTR) report provides some sense of synthesis of the work of PECC in 2010 using some consistent presentation formats. The report is targeted to an audience of decision-makers in APEC, but also beyond to the media and other opinion leaders.

A quick summary of the most recent report that was released in November 2010 will be provided. In addition, a sense of the key themes to be included in the upcoming report, the State of the Region 2011-2012, to be released later in 2011, will be provided as well.

State of the Region Report

Figure 6.1.1 State of the Region 2010-2011



The cover of 2010 report (see Figure 6.1.1) has a somewhat abstract design. The design can be seen as a steel frame that is rigid and solid and secure, or it can be interpreted as a house of cards that is very fragile and about to collapse. That was really the kind of the way the world economy felt like in November 2010. On the one hand, looking at the Asia-Pacific region, Asia in particular, is quite robust, quite solid, quite like a steel frame. But looking beyond, it seemed like it might well be a house of cards.

The SOTR report was once called the Pacific Economic Outlook (PEO). 6-7 years ago, the focus, through the PEO, was on economic forecasts for the member economies of PECC, both individually and collectively. This model was abandoned about 5 years ago in part because there did not seem to be any particular value added as there were already many organizations that produced forecasts on a much more frequent basis. Hence, a different model had been adopted since 2006, with a change in product name from the PEO to the SOTR report. The SOTR report consists very broadly of 3 sections:

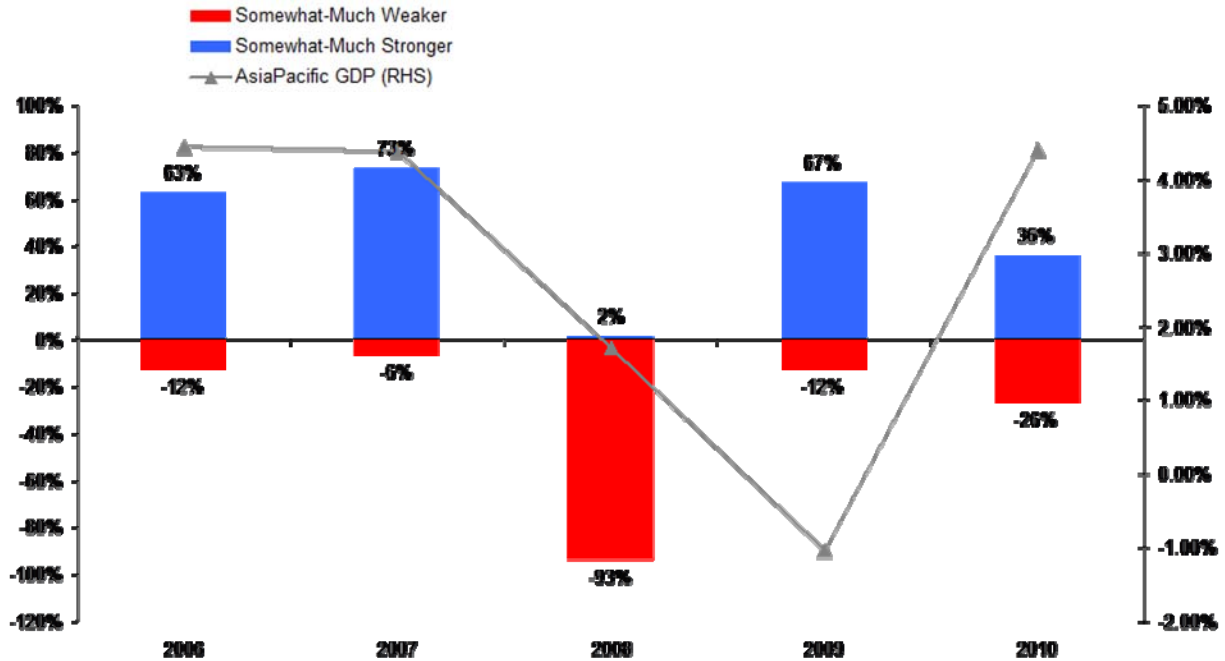
- Sustaining Global Growth. This is a description of the current economic context in the Asia-Pacific region with a focus on issues that are pertinent to Asia-Pacific regional cooperation.
- Analysis of the findings of the annual State of the Region survey. This is a survey of opinion leaders as opposed to a view of the general public. PECC has unique access to decision-makers from each of the member economies. Via the national committees of the various members, PECC has access to leaders in government, in academia, in geo-community, in media. Each of PECC's national committees has been terrific in helping to collect approximately 30 names each year that PECC then polls and presents, through the report.
- An update on the index of regional economic integration. An index of regional economic integration was introduced 3 years ago as a new feature for SOTR. This index measures the integration across the Pacific, in line with the theme of Asia-Pacific regional cooperation. The results are presented annually in the SOTR reports.

Growth Outlook & Top 5 Risks to Growth 2006-2010

One of the questions asked each year is on the economic outlook. This is not a forecast but rather the views of the leaders in the opinion panel. These are prospective and forward-looking, so the data for say, 2006 is the view for 2007. Typically, the surveys go out in July-August period, when half the year has already passed, but one gets a general sense of the views of the various opinion leaders across the region.

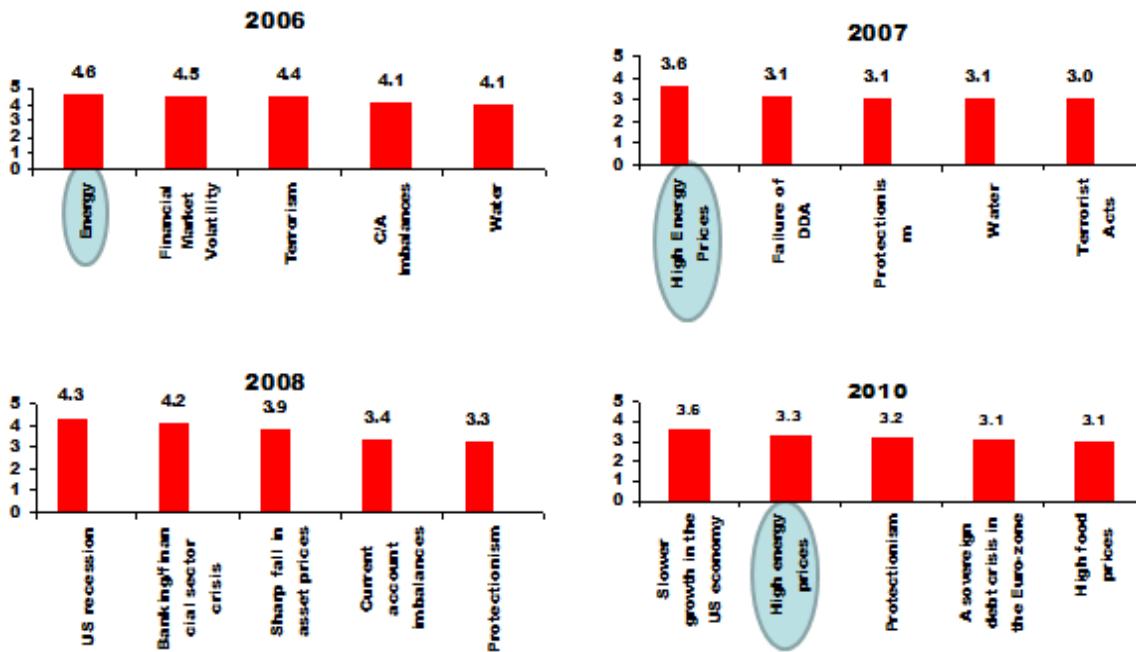
Figure 6.1.2 reflects more or less, the economic performance of the region for those years. Observe the sharp downturn, recession in 2008. When the survey was conducted in 2008, the Lehman crisis hadn't quite broken out yet. Of course, all the signs were already there that something bad was going to happen. The most recent year's results are also interesting; there is a kind of ambivalence among the opinion leaders about the growth prospects in 2011. While 36% of the respondents see somewhat stronger or much stronger growth, there is a substantial minority, about 26% that sees the opposite (somewhat weaker or much weaker growth).

Figure 6.1.2 Economic Outlook



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

Figure 6.1.3 Top 5 Risks to Growth 2006-2010

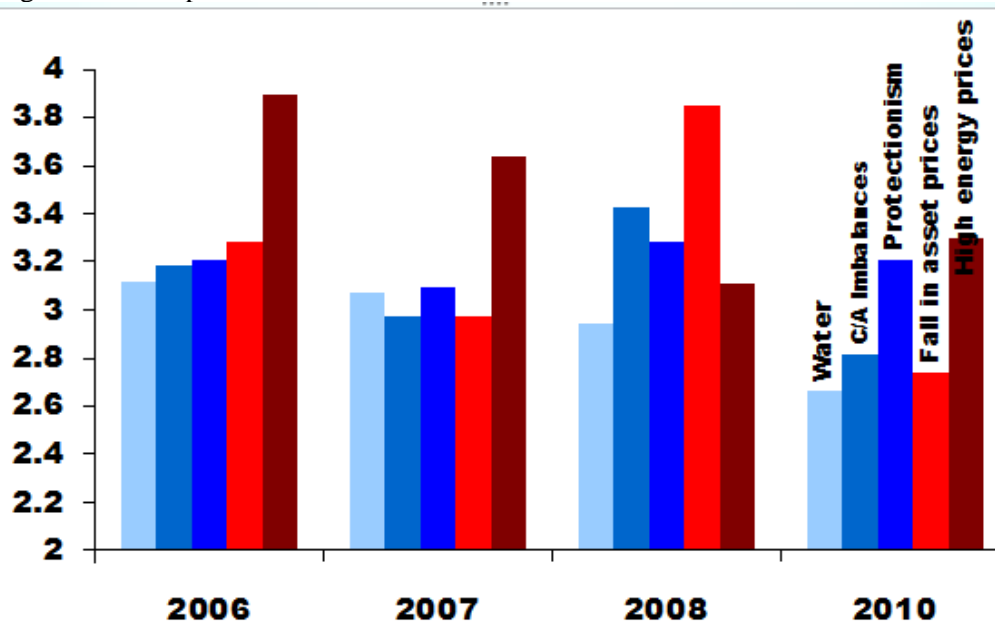


Much more interesting than the growth outlook are questions on risks to growth. Figure 6.1.3 presents the top 5 risks identified by the opinion leaders in 2006-2010. 2009 was omitted because the categories were somewhat different. 2009 was a very unusual year in that it was at the height of the crisis. As such, the surveys were focused on the responses of the region and

regional institutions to the crisis. A very different set of questions that weren't comparable with the other years were asked, and thus it was omitted.

Every year, the risk is largely determined by what is in the news. For example, in 2008, a US recession was seen as the major risk to regional growth; at the time of the poll, the US was not in recession yet, and it hadn't yet gone through the Lehman crisis and subsequent financial market crash. However, there are some issues that are thematic, consistent across the various years. These themes are highlighted in the blue bubbles in Figure 6.1.3, and are issues relating to energy, such as energy security and high energy prices.

Figure 6.1.4 Top 5 Risks Included in Lists from 2006-2010



An average score for the top 5 risk factors across all the years 2006-2010 is calculated and presented in Figure 6.1.4. The 5 issues consistently (based on the average scores) seen as the major risks are:

- Water issues
- Current account imbalances
- Protectionism
- Fall in asset prices
- High energy prices

Priorities for APEC Leaders' Meetings

As a result of PECC's close relationship with APEC, one question asked annually has to do with the APEC agenda. The SOTR report is typically released in the week of the APEC Leaders' meeting. Both PECC and APEC find the feedback on APEC useful.

Respondents are asked to rank various issues on the APEC agenda in order of importance. Doha always appears in the list of the top 5 (see Figure 6.1.5). Whilst our opinion leaders seem to place some importance on the WTO round, the importance of a regional trade agreement (ie FTAAP) has overtaken Doha as a more important priority since 2007. Opinion leaders probably

felt that the multilateral objective was still doable and preferable, and should be given primacy in 2007. By 2008 and certainly by 2010, FTAAP was seen as a slightly higher priority than the multilateral deal. Energy and climate change issues, highlighted in red in Figure 6.1.5, appear quite consistently as priorities for APEC leaders.

Figure 6.1.5 Priorities for APEC Leaders Meetings



Regional Institutions: Perceptions over Time

The poll also tries to assess the efficacy of different regional institutions, namely ASEAN, the EAS and APEC. Opinion leaders are asked to rank the performance of the different institutions, in 5 separate categories of performance. The categories are:

- Liberalization of trade and investment. Broadly speaking, ASEAN seem to be the most favored institution in terms of doing well in a variety of areas that the opinion leaders are asked to comment on. However, APEC has been catching up, and in some areas has even overtaken ASEAN in terms of effectiveness. EAS on the other hand, while it has gathered a lot of attention and publicity, generally seems to be seen as less important and less effective than either ASEAN or APEC.
- Economic cooperation and technical assistance. Again, both ASEAN and APEC rank more highly than EAS. Interestingly, APEC seems to overtake ASEAN in the 2010 finding.
- Effectiveness of the institutions as a forum for leaders to discuss immediate issues facing their economies. Here, APEC ranks highly along with ASEAN, and in 2010, APEC's ranking seems to have overtaken that of ASEAN. Despite EAS's very high profile, and the clear focus on leaders, EAS seems to garner a much lower ranking
- Community building. In this category, ASEAN seems to be head and shoulders above the other organizations, mainly because ASEAN explicitly has a community building agenda so people identify with it and rank ASEAN's work in community building as much more effective and successful than both EAS and APEC.
- Addressing the needs of the business community. This is where APEC does particularly well. It is not surprising because APEC has always branded itself as an organization that is in tune with business. Of course, there is, in APEC, a Business Advisory Council and

businesspeople are often given pride of place at APEC meetings. Hence, the relatively high rankings for APEC when it comes to addressing the needs of the business community.

This is a variety of questions posed on the performance of regional institutions. In particular, opinion leaders were asked their opinion on two institutions that appear to be threatening APEC or overlapping into APEC's areas of activity – the EAS (which, with the inclusion of the US and Russia is becoming trans-pacific) and the somewhat new G-20 (which is global of course, but which has many Asian member economies).

On EAS, most of the respondents do not see the expanded EAS as a threat to the continued relevance of APEC, although there is a divergence in views. This divergence in views could be attributed to an insider-outsider problem: those that are in the EAS do not perceive it as threatening, while those who are not in EAS, particularly south America and Canada, perhaps see it as more of a threat. On G-20, the response is rather unanimous: G-20 is hardly viewed as a threat to the continued relevance of APEC.

Economic Integration

The index of economic integration that was developed a number of years ago consists broadly of two components:

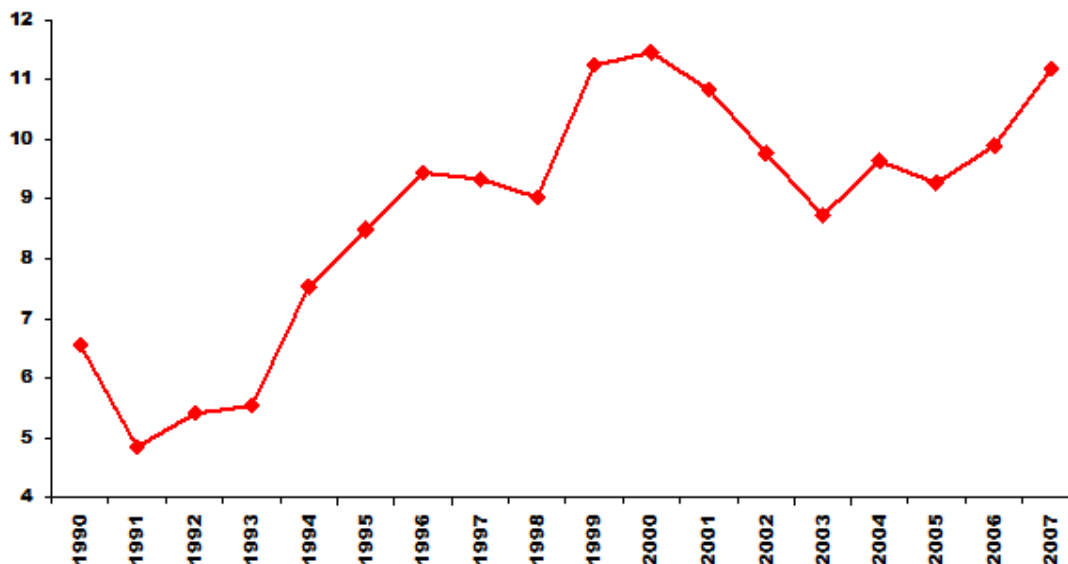
- Integration
- Convergence

The first component measures integration per se, for instance the share of intra-regional trade, share of intra-regional investment, and the share of intra-regional people movements proxied by tourism. The rationale for the convergence indicators is, if the region is more integrated, then the economies in the region should start looking a little bit more like one another. For example, factor prices should become more uniform.

All measures are constrained by the data available, and principal component analysis is used to sort out overlapping data. By combining the composite indicator of convergence with the integration indicators of trade, investment and people flows, a composite measure which is the headline measure advertised in the SOTR report, is obtained.

Figure 6.1.6 shows very broadly, an upward trend in integration for the Asia-Pacific region as a whole. There was a dip from the time of the Asian crisis to around the beginning of the last decade but the trend has been upward since then, and is expected to continue this way. When the composite measure is decomposed, the integration indicators are found to be on the rise (there is more intra-regional trade, more intra-regional investment, and a lot more intra-regional tourism flow) but the convergence measures are not converging. A crude interpretation of this observation is that the disparity of welfare or the level of economic development within the region appears to be widening. Some economies are doing a lot better relative to others and the gaps appear to be growing.

Figure 6.1.6 Index of Economic Integration: Composite Measure



Others

The concerns of the opinion leaders regarding the challenges of doing business in the region seem to be dominated by behind-the-border barriers such as regulatory issues and trade facilitation:

- Poor intellectual property rights protection
- Multiple standards for products and services across the region
- Regulatory impediments to operating in overseas markets

In addition, as 2010 was the first of the two Bogor targets for free and open trade in the developed member economies of APEC, a new question in 2010 was inserted, on how opinion leaders felt about APEC's performance in meeting the first Bogor target. The question was framed as to whether the opinion leaders felt that industrialized APEC members had met the Bogor goal. The result was a resounding vote of non-confidence. At the same time, respondents were asked if they felt that APEC needed a new vision since the first Bogor target was being passed. To this, the respondents felt that a new vision is necessary, and this remains a challenge for APEC to come up with. Coming up with a new vision could be an ongoing challenge for the organization.

SOTR 2011-2012: Proposed Outline

The upcoming SOTR report will have the same three-part approach: the economic overview, analytical discussion of issues in the region based on the survey of opinion leaders, and the index of economic integration.

Apart from the usual discussion of the region's economic outlook, risks and challenges, updates on issues around regional imbalances, the economic overview will include for this year, a special focus on energy security. This is becoming a really interesting and important issue for the Asia-Pacific region.

The question of energy supply and demand (not just, but certainly post-Fukushima) is an extremely important one as economies are in constant search for sources of energy. There are interests for diversification, not only from a regional, geographic perspective, but also an interest to diversify from high greenhouse gas (GHG) type fuels to less carbon intensive fuels. In particular, unconventional gases and the discovery and advent of new technologies to unlock unconventional gases is truly changing the entire global energy picture and opening the door to an Asia-Pacific energy market which did not exist previously. There is a potential emergence of a gas market that reflects global prices and global demand in contrast to the current gas market in Asia that has highly inflated prices linked to oil and which does not reflect scarcity values. The impact of this energy market on Asia-Pacific, on global energy supplies and economics, on climate change and on GHG emissions, will make for an interesting discussion.

The rest of the report is along the lines of what has been done in the past. Should the focus on energy be decided upon, it is likely that the only addition to the report might be the introduction of a number of questions on energy security issues in the annual survey of opinion leaders. Energy security issues will add further novelty and insight into the SOTR report as a whole.

6.2 Australia, the Lucky Country?

Mr Ian Buchanan

Chair, Australian Pacific Economic Cooperation Committee (AUSPECC) &

Senior Executive Advisor, Booz & Company

Australia

In May 2011, The Economist published a special report on Australia entitled 'The Next Golden State'. It likened Australia today to California 30 years ago.

It said, 'imagine a country of about 25 million people, democratic, tolerant, welcoming to immigrants, socially harmonious, politically stable and economically successful; good beaches too. It sounds like California 30 years ago, but it is not: it is Australia today. Yet, Australia could become a sort of California – and perhaps a still more successful version of the Golden State.' Here is the positive aspect of the lucky country.

For balance – it was pointed out that just two months earlier, there was a *negative* article in The Economist about Australia, which said Australia houses were the most overpriced in the world and vulnerable to a big crash which would crash the economy.

Is Australia in 2011 indeed a lucky country? Australia is an OECD high income country. It has a GDP which is approaching US\$1 trillion (in US\$ for 2009), it has a GNI per capita of about \$44,000, the 10th highest amongst the OECD and 13th highest in the world. Australia is both the world's largest island with a land area of approximately 8 million km², approximately the same as the Continental United States. Australia is also one of the least densely populated countries in the world with a population of approximately 22.8 million and a population density of 3 per km² versus a world average of 47, ranking Australia 234th out of 240 countries in economies surveyed in density.

This tiny population in this huge island just happens to be blessed with world class resource endowment. Australia is the world's largest source of recoverable brown coal, uranium, lead, rutile, zircon, nickel, tantalum and zinc, and the second largest source of iron ore. This at a time when, luckily, demand and prices for these resources are booming, primarily driven by the integration of East Asia, particularly China, into the global economy.

In the 1970s and 1980s, when Australia was a closed economy, external trade flows were focused mostly on Europe and the West. Today, Australia is ranked as the 3rd most open economy in the world, after Hong Kong and Singapore. 8 of its 10 export markets, and 7 of its 10 main import suppliers, are now in the Asia-Pacific region. China has overtaken Japan as Australia's largest trading partner and number one export market in 2009. In 2010, Australia's mineral exports to China hit US\$139 billion, up 55% on 2009, and the forecast for 2011 is \$180 billion, up a further 30% from 2010. However, while China dominates Australia in terms of the value of trade, in terms of the closeness of trade, New Zealand remains Australia's closest partner, with the Closer Economic Relationship a model for other regions.

Although Australia is one of the world's most productive resource and agricultural economies, and although mining and agriculture contribute 65% of exports, that amounts to only 8% of GDP. Despite all the publicity given to resources, services are in fact crucial, contributing 68% to GDP.

On macroeconomics, the Reserve Bank of Australia (RBA) is independent, trusted and conservative. While net debt climbed during the global financial crisis, it is expected to peak at 6.1% of GDP in 2011/2012 – well below the originally projected 9.6%. In addition, the government is committed to return the budget to surplus by fiscal year 2012/2013.

State of Politics

The political situation was highlighted last month in the Australian press with a headline - 'Lucky country? Out of luck with its leaders'. Australia could appear to be over-governed but under-led. Australia has three layers of government, tough adversarial politics, and short electoral cycles: there have been 186 federal and state elections since the end of World War II, an average of 2.9 per year.

June 24 2011 was a significant day with 3 'firsts' in Australian politics: first anniversary of the first spill in Australian history of a first term Prime Minister. Then Prime Minister Kevin Rudd was replaced by then Deputy Prime Minister, and now current Prime Minister, Julia Gillard. The rationale at that time for this historic spill was the poor poll results of Kevin Rudd. It is therefore ironic that Prime Minister Julia Gillard last week suffered the worst opinion polls in 40 years of Australia's political history. The title of the article in The Australian was 'Gillard's Political Pulse Fades'. Labour trails the Liberal-Coalition in the primary vote by 31% to 46%, and PM Gillard has the lowest ratings of any serving PM in the last 40 years – a negative 25 points, significantly worse than then PM Rudd when he was deposed just one year ago.

The outlook for Australia remains strong, but it is in what could be termed, a political vacuum. Australia is fortunate that, provided the boom continues in Asia, the strength of Australia's resource endowment is such that it will continue to grow. However, there is a need to find a way for Australia to get back to the policy leadership provided by Hawke-Keating and Howard.

In conclusion, the outlook for Australia is positive, but based on a lot of luck in terms of geography, resource endowment – and China's growth agenda.

6.3 China

Ambassador Zou Mingrong
Executive Vice-Chair, China National Committee for Pacific Economic Cooperation (CNCPEC)
China

Dr Yang Zerui
Researcher, China National Committee for Pacific Economic Cooperation (CNCPEC)
China

This section discusses how the survey respondents were chosen in China, and then briefly discusses specific issues related to the Chinese economy.

China is a large country, so a respondent size of 30-40 is most certainly not representative of the majority of the people. To limit expenses, China limited the respondents mostly to Beijing, with some respondents from the academic circle and some from the official side (from the civil service who are in the economic management). The Chinese responses to all these questions are more academic, less official. They may not necessarily represent the official line but they represent those who are interested in the study of the Chinese economy. If PECC is able to provide China with a bigger budget, China can probably do more in this area.

With regards to the Chinese economy, one issue which was raised is inflation. It may seem to be rather alarming, when in the last two quarters, China hit 5% or 6% inflation all of a sudden. However, this alarm was generally not shared by the people of China. This is probably due to a couple of reasons. One is the increase of salaries in the last 5 years or so. The government has continued increasing the salaries for both the civil servants as well as the laborers. The rise of salaries has very much compensated already for the inflation issue. Second, the government has also improved the social security benefits. Pensioners were the first to enjoy a 10% or even 12% annual increase in their pensions. Inflation rate for the 3rd quarter is expected to drop back to between 3-4%. By the end of 2011, the inflation could be very well managed or under control, below 3%.

China is an economy with a high savings rate. 7-8 years ago, the Chinese put their money into stocks. However, they realized that this was not the way to add value to their money. As a result, 3 years ago, a lot of money went into the real estate business. After the government took some measures, the Chinese realized that this is again not the way to add value to their reserve/money. Thus, they now deposit their money in the banks. The government has increased the deposit rate in the last 2 years, but inflation is an issue. As the people and the government arrive at a common understanding, inflation is an issue very much under control.

The other issue revolves around the appreciation of Renminbi (RMB). People used to link the RMB value to the imbalance across the Pacific. However, these issues are not so closely related. China has already appreciated RMB for almost 25% to 30%. However, the surplus for China continues to grow. This is evidence that, in order to solve the imbalance, other measures must be taken.

On this issue, both China and US are working to find a solution. Just some months ago, a number of projects have been agreed during the China-US strategic dialogue. The dialogue also covered liberalization on the part of the US for high-tech export to china.

2012 is a year for elections for many economies including China. However, rest assured that the election in China will be rather peaceful. This peaceful evolution into the new leadership will certainly ensure the smooth transition of the Chinese policy of continued, open reform to the outside world.

6.4 Japan

Ambassador Yoshiji Nogami

Chair, Japan National Committee for Pacific Economic Cooperation (JANCPEC) &

President, Japan Institute of International Affairs

Japan

Putting the focus on energy is the right thing to do at this juncture because of two aspects. First, energy prices will continue to remain high because of the increased demand from unusual sources such as Japan. 30% of the Japanese electric supply came from nuclear, but this percentage is likely to decrease. As a result, Japan will have to return to the competitive energy market. That will certainly keep the energy price fairly high in the coming years. The availability of the liquidity is another factor that keeps the international commodity price, as well as energy prices, very high. As long as the commodity price and energy price is high, there will be a massive transfer of resources from energy commodity importing country to energy commodity exporting country. In the case of the region, for instance Australia, Australia can rely heavily on this commodity and energy market, but we have to bear in mind who is footing the bill.

The second aspect that is very particular to 2011 is of course, Fukushima. Fukushima, unfortunately, is a game changer. The difficult public sentiment and nervousness result in an anti-nuclear stance. While many of the economies in the region do not rely heavily on nuclear power, this will nevertheless affect the regional energy supply picture.

The availability of liquidity, the transfer of resources, and the Fukushima event all support the focus on energy.

In addition, the SOTR report could include other important aspects such as:

- Inclusive growth, new growth model (serve as a reminder to economies)
- Income disparity and disparity amongst the nations (SOTR should deal with this important aspect)

6.5 Korea

Dr Sangkyom Kim

Executive Director, Korea National Committee for Pacific Economic Cooperation (KOPEC)

Korea

SOTR is very valuable in many aspects. First, this is the only publication that provides the economic outlook of Asia-Pacific economies. Second, the respondents of the survey are very high profile. In Korea, more than 50 individuals were selected to respond to the survey. Among them, almost 20 are high-ranking Korean officials including ministers. About 10 of them go to the nationwide media and the rest of them go to academia. The response rate is more than 80%. They are the experts, not only in their own area, but of the Asia-Pacific region. As such, the results of the survey are highly credible.

Third, the regional indicator is a unique indicator. To be more responsive to our leaders, the SOTR could include some analysis. Topics of interest to leaders could be researched on, and policies could be recommended. That could value-add to the SOTR. Possible topics include:

- Next generation trade and investment issues
- Regulatory convergence issues
- Green growth
- Climate change issues

In addition, this valuable product should be made known to the general public. One way to reach out to the general public is to use an efficient communication service such as Facebook or Twitter.

6.6 Singapore

Associate Professor Tan Khee Giap
Chair, Singapore National Committee for Pacific Economic Cooperation (SINCPEC) &
Co-Director, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National
University of Singapore
Singapore

The structure of the SOTR report is good. In this section, three suggestions are made which may be explored to value-add to the SOTR report.

First, as the economies in the Asia-Pacific has gone through tremendous changes in the past few years, it may be useful to provide an update on what is happening in the major Asia-Pacific economies in Chapter 1. For instance, in the upcoming SOTR, some kind of continuity should be made from the 2009 APEC Singapore, the 2010 APEC Yokohama and the 2011 APEC Honolulu. It will be useful if there are updates on the unemployment situation, the income disparity situation and how services fare as new sources of growth in Asia-Pacific economies. A few main themes such as how markets will be opening up for emerging economies will help to grow the APEC economies. A quick update is useful, simply because the changes that economies are going through now are so rapid.

Second, in the survey on regional integration index, it will be useful to see more than just the indicators but rather how different economies are linked, or how economic activities between the different economies within APEC are linked to the big economies. Say, how is Singapore's performance over the last 10 years, and going into the future, will Singapore be more linked to the US or to China or to India or to Japan. The relative position of interdependence between the APEC economies will be information in addition to just indicators or surveys. Using hard data, one can actually find the relative importance or shift in economic power. Interdependencies within APEC economies are interesting, and can be put up with the integration index.

Third, the survey is good, but usually people talk about the sample size. However, if the survey targets are very informed, the sample size doesn't need to be big and yet one can obtain very good views. Getting quality survey targets or informed survey parties or agencies will aid in a quick turnaround and allow for a better view as to how the APEC economies are moving.

6.7 Chinese Taipei

Dr Gee San

Deputy Minister, Council for Economic Planning & Development Executive Yuan
Chinese Taipei

One of the conclusions of the SOTR 2010-2011 is rather disturbing: despite enhanced economic integration, income disparity in the region has been increasing since 1999, reaching a new high of inequality in 2007. The economic integration should be narrowing rather than enlarging the country disparities. That is the key issue.

Another observation made is that, since the APEC leaders' meeting in Sydney in 2007, one common issue stressed by all economies is the Free Trade Area of the Asia-Pacific (FTAAP). The issue is, the FTAAP should bring benefits to all economies in the region. As such, it should narrow the disparity of member economies in the region. Based on the current result, obviously this important goal is not achieved.

The following are possible factors that contribute to this disparity:

- Poor development of the SMEs
- Digital divide
- Protectionism
- Financial system instabilities

The development of the SMEs is one of the key issues. SMEs could enlarge the disparity in the future as only a handful of APEC member economies have the capability to push their domestic SMEs to go international. Language barriers, management skills, information and communications technology are some limitation or barriers for SMEs to go international.

It will be a great contribution if the reasons for the disparity were understood and published in the SOTR.

6.8 Unites States of America

Dr Charles Morrison
Co-Chair, Pacific Economic Cooperation Council (PECC),
Chair, United States Asia Pacific Council (USAPC) &
President, East West Center
United States of America

The SOTR report is an effort to draw attention to PECC and its work and also to provide some useful feedback important for the political leaders. The questionnaire is quick and dirty. Basically, the gross numbers look pretty good: 400 respondents with share of responses equivalent to the population of the broad sub-regions in the Asia-Pacific region. The report provides a baseline and it attracts attention. A press conference can be done every year with the report.

It is fine for energy security to be picked up as a theme. It may be desirable to have a theme that corresponds to the signature taskforce for the year. Then, the chairman of the taskforce could be the writer, with the work being done as the input.

The integration index is a very important feature because it is a goal of the PECC. However, this is not the only index I have seen; for example, there is another index that looks at trade finance, macroeconomic policy coordination and other measures. Nevertheless, the integration index is good as it provides some kind of baseline. Now that there is another APEC goal, which is the new growth goal, developing a measure of balanced, inclusive, sustainable, knowledge-based growth will be extremely informative and useful.

The SOTR report is usually released with the APEC leaders' meeting. This is good because the press is there. However, it may not be that useful as everything for APEC is already put to bed for the year at that time. In 2011, the aim is to try to release it at the PECC general meeting, and to re-release it at the APEC leaders' meeting when the press is all there.

On the US, nobody has accused the US of being a lucky country recently. There are different definitions of recovery. If recovery means getting back to where one was, then the US has partially recovered. If however, recovery is defined as getting back to where the US had been if the crisis never occurred, then it is quite a way to go. Overall, the first quarter annual growth was 1.8%. The positive elements are stronger corporate balance sheets, high productivity growth, and strong exports – the picture for the last looks pretty good since the dollar has been plummeting. However, the bad parts are the lack of consumer spending, persistently high unemployment and finally the public debt which is now approaching 100% of GDP, and that has gone up a great deal. Altogether, it is not a very pretty picture.

6.9 Responses to Concerns Raised

Mr Woo Yuen Pau

Coordinator, PECC State-of-the-Region Task Force &
President and Chief Executive Officer, Asia Pacific Foundation of Canada
Canada

The SOTR report is a group effort and without the input of the committees in getting responses to the questionnaire, this report will not be possible. The overriding priority imposed on the project is to make sure that the report

- Is contemporary. The report should be relevant to the issues of the day and reflect things that are happening now, and not be a historical document or a forecasting document.
- Publishes issues that have policy traction. Here, the aim is to search for issues that have policy implications which are relevant, and of interest, to policymakers.
- Publishes issues that have an Asia-Pacific dimension. This is often the biggest challenge since there are not that many issues that span the Asia-Pacific region which permit the discussion of the importance of regional cooperation.
- Is somewhat succinct and to the point and accessible to a broad audience. This means that topics are tackled in quite a superficial manner.

The comments on the SOTR report suggest the following three points:

- It is important to try to connect the SOTR report with the broader research agenda and work plan of PECC. This is a very important point. However, it is not always possible because the PECC work agenda varies at different cycles. Sometimes PECC projects have a long gestation period and the projects are not ready to release its results at the time the SOTR report is due for release. However, members of the standing committee, when commissioning PECC signature projects, are strongly encouraged to look for the integration of those projects with SOTR reports.
- The quality of the respondents to the survey is of crucial importance. The only way the poll will be credible as a poll of opinion leaders is, if the quality of the respondents are of extremely high caliber, and the only way this can be achieved is with the support of PECC national committees. Work will be done with Ambassador Zou Mingrong to get more diversity in the respondent set. There already exists a very impressive set of respondents which includes ministers as well as people working in very senior levels of government and business.
- There is a need to try and broaden the discussions in the report on issues that stand out, through either the survey or through the index of economic integration.
 - Associate Professor Tan Khee Giap talked about the question of trying to drill down on the regional integration issue, and suggested information on changing patterns of trade and relative dependence on US markets versus Asian markets. That can be done.
 - Dr Gee San and Ambassador Yoshiji Nogami made a very important point about the growing disparity in the region which is reflected in the convergence indicator, which is not converging but diverging. To add value to this issue, other measures of inequality within the region, both among countries and maybe within countries as well, will be explored. Secondary research and secondary data will help bring out what would otherwise be a very condensed and somewhat obscure measure if the sole indicator was the composite indicator.

- Ambassador Yoshiji Nogami raised the issue on continuity with the work on balanced, inclusive and sustainable growth. The SOTR report can probably provide some kind of tracking or measure of the progress APEC is making on balanced, inclusive and sustainable growth and make that a regular feature.