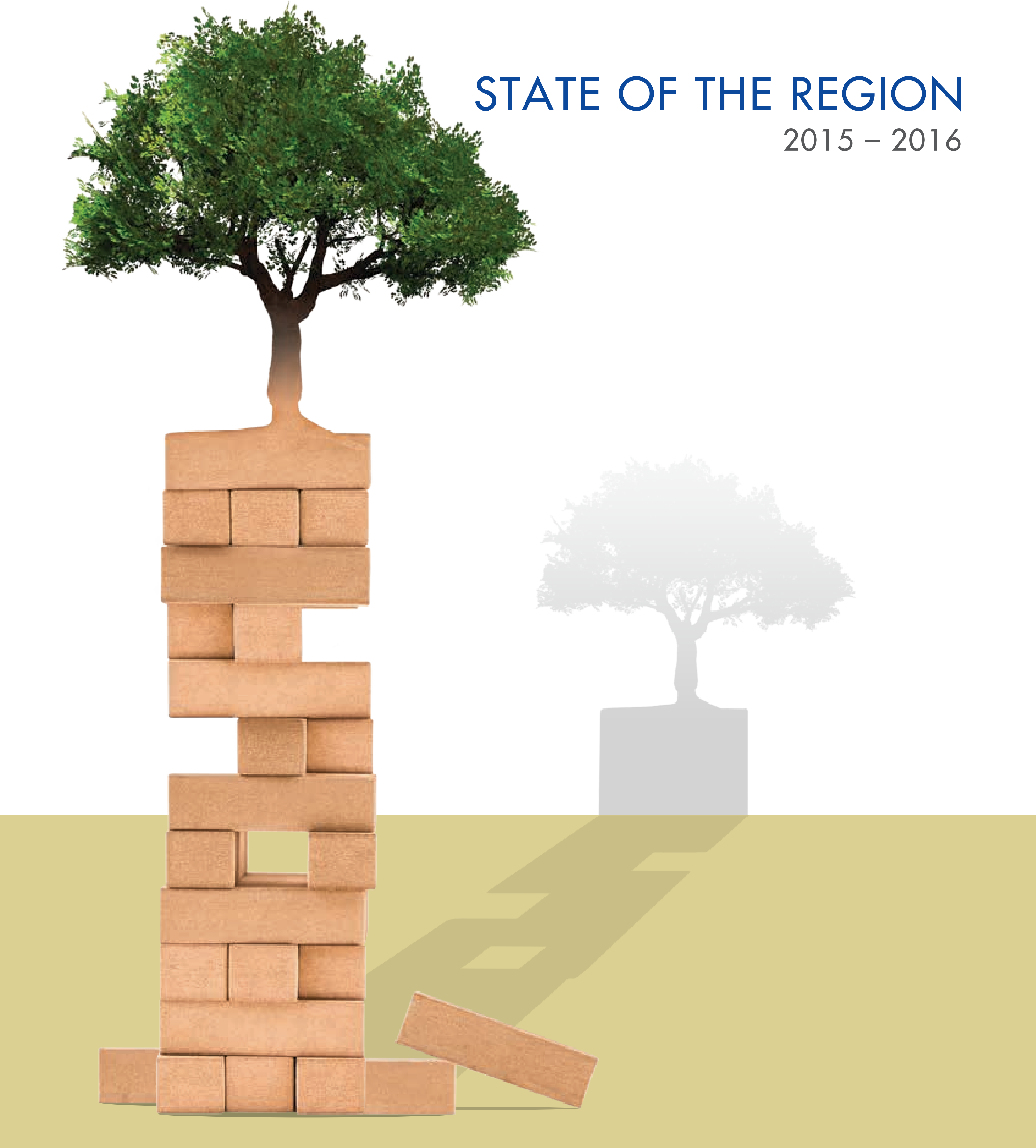
Pacific Economic Cooperation Council

STATE OF THE REGION

2015 – 2016



ABOUT THE PACIFIC ECONOMIC COOPERATION COUNCIL

The Pacific Economic Cooperation Council (PECC) is a non-profit, policy-oriented, regional organization dedicated to the promotion of a stable and prosperous Asia-Pacific. Founded in 1980, PECC brings together thought-leaders from business, civil society, academic institutions, and government in a non-official capacity. Together, PECC members anticipate problems and challenges facing the region and through objective and rigorous analysis, formulate practical solutions. The Council serves as an independent forum to discuss cooperation and policy coordination to promote economic growth and development in the Asia-Pacific. PECC is one of the three official observers of the APEC process.

www.pecc.org

The State of the Region report is a product of a taskforce established by the governing body of PECC. While efforts are made to ensure that the views of the PECC members are taken into account, the opinions and the facts contained in this report are the sole responsibility of the authors and editorial committee and do not necessarily reflect those of the member committees of PECC, nor their individual members.

ISBN: 978-981-09-7671-2

EDITORIAL COMMITTEE

EDUARDO PEDROSA
Secretary General, PECC International Secretariat / Coordinator of *State of the Region*

IAN BUCHANAN
AUSPECC / Senior Executive Advisor, Strategy&

CHUL CHUNG
KOPEC / Executive Director, Korea Institute for International Economic Policy

CHIEN-FU LIN
CTPECC / President, Taiwan Institute of Economic Research

CHARLES E. MORRISON
USAPC / President, East-West Center

YOSHIJI NOGAMI
JANCPEC / President, Japan Institute of International Affairs

TAN KHEE GIAP
SINCPEC / Associate Professor, National University of Singapore

JUSUF WANANDI
INCPEC / Member, Board of Trustees, Centre for Strategic and International Studies, Indonesia

MANFRED WILHELMY
CHILPEC / Executive Director, Chile Pacific Foundation

YUEN PAU WOO
CANCPEC / Distinguished East Asia Fellow, Asia Pacific Foundation of Canada

ZHANG XIANYI
CNCPEC / Vice-Chair, CNCPEC

TABLE OF CONTENTS

MESSAGE FROM THE CO-CHAIRS OF PECC

On behalf of the members of the Pacific Economic Cooperation Council (PECC), it is our honor to present our tenth annual report on the state of the region. The Report stresses that the while the state of the region is generally healthy, the Asia-Pacific has to overcome a number of challenges – especially improving both the pace and quality of growth in the region.

The focus of this year's report is on structural reform and inclusive growth. As highlighted in Chapter 1, although the Asia-Pacific region continues to grow at a reasonable pace, it is some way off from the heady days that preceded the Global Economic Crisis and indeed long before that. As tariffs, quotas and other trade barriers have fallen with trade liberalization; the focus of efforts to generate growth has shifted to structural obstacles that create behind-the-borders barriers to business. The goal of structural reform is to bolster the strength and efficiency of markets in order to enhance living standards.

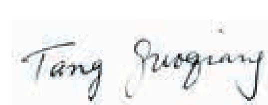
Structural reforms have a variety of definitions. As defined in Chapter 1, they are 'changes in government institutions, regulations and policies designed create a business environment that supports efficient markets.' This covers full gamut of economic activities but we focused here in boosting labor productivity. Reforms in this area suggest that reforms could boost the long-term level of GDP per capita by 10 percent.

Chapter 2 includes the results of our annual survey of the Asia-Pacific policy community. The message from the survey results underscores the messages from Chapter 1 on the critical importance of education and labor market reforms to the future of growth in the region. For many years the region has benefitted from a growth model which leveraged the comparative advantage of different economies' endowments of capital, labor, and natural resources in an increasingly open global market. As comparative advantage changes with higher incomes and lower population growth, the emphasis must now be on not only the quantum of factors of production but their quality as well. This points to the need for reforms in factor markets. The timing of these reforms is critical – the global recovery remains precarious, urgent reforms are needed but missteps and negative signals can send already jittery markets into rapid slides.

For several years, progress on regional economic integration – whether it is the Bogor Goals or the Free Trade Area of the Asia-Pacific (FTAAP) - has been the top issue for APEC Leaders to discuss at their annual meeting. This year was no exception; however, several developments in the region put a much greater urgency to this discussion. First, the successful conclusion of the negotiations for the Trans-Pacific Partnership (TPP) established a precedent for Asia-Pacific integration agreements. Secondly, the Regional Comprehensive Economic Partnership (RCEP) negotiations are due to be concluded by the end of the year. Thirdly, and perhaps most importantly, as trade growth has slowed in the post-Global Economic Crisis period, there is intense interest and debate on how global value chains are evolving. Chapter 3 is a regular update to PECC's index of economic integration. This shows that the region continues on its path towards integration but also warns of a need to address income gaps.

Indeed, while we remain convinced that open markets are the best way for the region to continue on grow, this needs to be supplemented by behind-the-border policy reforms to empower individuals and companies to participate in regional and global markets. This will involve addressing gaps in both skills as well as the infrastructure to bring the benefits of integration to many of those parts of our communities who are currently left out of the economic growth of the region. As APEC Leaders said the last time they met in the Philippines, the "…vision of community requires that all sectors of society develop a stake in the success of APEC." Through the initiatives taken over the course of the past few years, APEC's work on trade integration has been supplemented by work on connectivity and this year's focus on micro and small and medium enterprises (MSMEs) as well as structural reforms put APEC at the forefront of ensuring that more and more stakeholders can participate and benefit from the integration process.

Don Campbell
Co-Chair



Tang Guoqiang
Co-Chair

EXPLANATION OF TERMS USED IN THE REPORT

ADB	Asian Development Bank
AP	Asia-Pacific
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN plus China, Japan, and Korea
ASEAN+6	ASEAN plus China, Japan, Korea, India, Australia, and New Zealand
EU	European Union
FDI	Foreign Direct Investment
FTAAP	Free Trade Area of the Asia-Pacific
G20	Group of Twenty (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union)
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GNI	Gross National Income
IMF	International Monetary Fund
MSME	Micro, Small and Medium Enterprises
NAFTA	North American Free Trade Agreement
NEA	Northeast Asia
NA	North America
OCE	Oceania
OECD	Organisation for Economic Co-operation and Development
PA	Pacific Alliance
PECC	Pacific Economic Cooperation Council
PSA	Pacific South America
QE	Quantitative Easing
RCEP	Regional Comprehensive Economic Partnership
R&D	Research and Development
SA	South America
SEA	Southeast Asia
SME	Small and Medium Enterprises
TPA	Trade Promotion Authority
TPP	Trans-Pacific Partnership
US	United States
WEO	World Economic Outlook
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Asia-Pacific is forecast to grow by 3.2 percent in 2015, the lowest level since the Global Financial Crisis, before returning to what has become the 'new normal' growth of around 3.4 to 3.5 percent. Growth for both advanced and emerging economies in the region is significantly lower than before the crisis years, indicative of the important structural changes taking place both within regional economies as well as in the Asia-Pacific region as a whole.

Several initiatives are under way that could help to boost growth including the launching of the Asian Infrastructure Investment Bank (AIIB), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP). However, much more is needed. Increasingly, economies aspire to, and demand, growth that is sustainable and inclusive. This raises the very real question of where such growth will come from. As tariffs, quotas and other trade barriers have fallen with trade liberalization, the focus of efforts to generate growth has shifted to structural obstacles that create behind-the-borders barriers to business. Structural reforms are changes in government institutions, regulations and policies designed create a business environment that supports efficient markets. The goal of structural reform is to bolster the strength and efficiency of markets in order to enhance living standards.

The overarching theme for this year's series of APEC meetings has been inclusive growth. Previous PECC surveys have indicated relatively low levels of satisfaction across the region with efforts to make growth more inclusive. According to the results of the 2015 State of the Region survey, the top 5 most important issues to promote inclusive growth were:

- Provision of public education
- Reducing corruption
- Providing support to micro, small and medium enterprises
- Quality of health services
- Social safety nets including healthcare, unemployment and pensions reforms

These broad themes were also reflected in the policy community's views on what should be the top priorities for APEC leaders' discussions in Manila, which were:

- Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)
- The APEC Growth Strategy
- SME participation in regional and global markets
- Corruption
- Climate change cooperation and disaster resilience
- Improving human capital development
- Physical, institutional and people to people connectivity
- The development of regional financial systems
- A major APEC initiative on services
- The reform of regional institutional architecture

As seen from the results of the survey, there is an urgent need for the region to focus on achieving growth – growth that is not only strong but sustainable and inclusive. APEC's work through the growth strategy as well as other subsequent initiatives such as the agreement on environmental goods, the APEC Connectivity Blueprint and the Free Trade Area of the Asia-Pacific have helped to give the organization a renewed sense of purpose in the middle of its third decade of existence.

At the mid-point in between the deadlines for the achievement of the Bogor Goals for industrialized APEC economies by 2010, and for developing economies by 2020, it is clear that new, innovative approaches are needed to allow economies to effectively reap the benefits of regional economic integration. While there have no doubt been successes, barriers to services in particular – not just cross-border trade in services but barriers to the efficient delivery of services – are a crucial concern. As indicted throughout the survey findings; levels of satisfaction with services in the region are low – whether in electricity, transport, healthcare or education to mention just a few.

Survey results from previous years that had indicated a waning of support for APEC, have since been replaced by a strong endorsement for its continued relevance in a region where multilateral initiatives have been proliferating. Maintaining that relevance will be a critical challenge as APEC moves on to try to achieve some difficult but important objectives.

Regional economic integration in the Asia-Pacific region has been one of the defining characteristics of the past quarter of a century facilitated by technological change and policy changes such as the liberalization and facilitation of the flows of goods, services, capital and people. While some might consider the integration and globalization processes as inevitable, the drop in PECC's index of integration during the crisis years showed that 'dis-integration' is a real possibility. It was only through concerted efforts to avoid protectionist policies that a much worse outcome, similar to the Great Depression, was prevented.

When APEC Leaders set out the Bogor Goals in 1994, they set out a vision through which the region would not only maintain high growth rates but also narrow development gaps. While the region has done well in integrating and overall incomes have increased at a dramatic pace, PECC's index and survey results show that there is a long way to go in terms of closing development gaps.

CHAPTER

01 STRUCTURAL REFORMS AS DRIVERS OF GROWTH AND INCLUSION

CONTRIBUTED BY MS. EDITH SCOTT AND PROF. MICHAEL ENRIGHT, ENRIGHT, SCOTT & ASSOCIATES SINGAPORE WITH ADDITIONAL CONTRIBUTIONS FROM MEMBERS OF PECC

The Asia-Pacific is forecast to grow by 3.2 percent in 2015, the lowest level since the Global Financial Crisis (GFC) before returning to what has become the 'new normal' growth of around 3.4 to 3.5 percent. Growth for both advanced and emerging economies in the region is significantly lower than before the crisis years, indicative of some the important structural changes taking place both within regional economies as well as in the Asia-Pacific region as a whole.

However, the aggregate numbers mask important divergences in the rates of growth among regional economies as well as headwinds to growth coming from volatility in financial and other asset markets. Foremost amongst these headwinds is a possible rise in US interest rates for the first time in almost nine years. That decision will be made on the basis of employment and inflation as per the Federal Reserve's mandate but also with some due attention paid to the impact it would have on the global economy and the feedback that would have on the US economy.

Looking beyond the immediate next few months, the growth numbers also mask over fundamental structural changes taking place within the region's economies. This includes a significant reduction in the role of trade as a driver of growth.

Figure 1.1: Forecast for Asia-Pacific Economic Growth

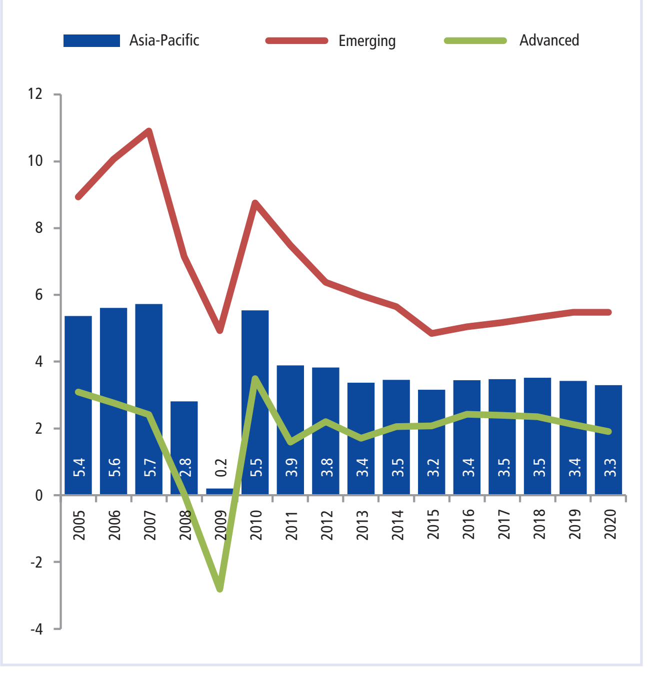
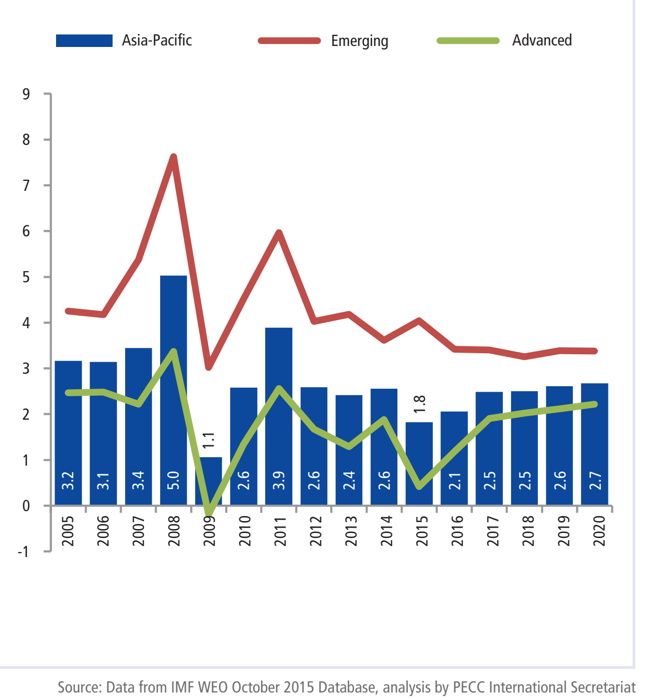


Figure 1.2: Forecast for Asia-Pacific Inflation



Source: Data from IMF WEO October 2015 Database, analysis by PECC International Secretariat

Figure 1.3: Forecast for Export Growth

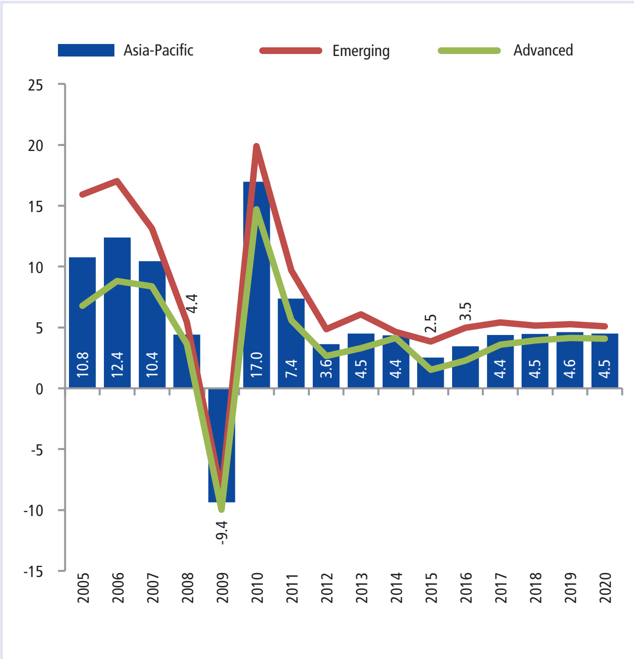
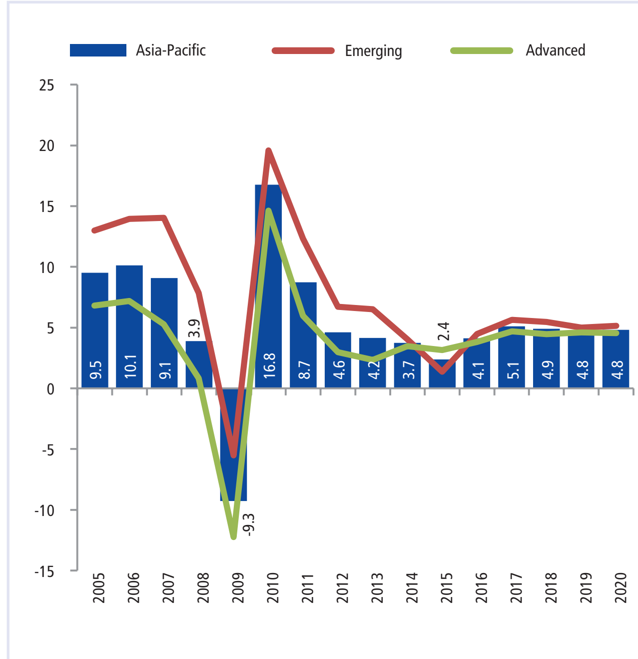


Figure 1.4: Forecast for Import Growth



Since the GFC, with the exception of the rebound year of 2010, trade growth in the region has failed to take off and remains significantly lower than during pre-crisis years. This was largely expected in the wake of the weakness of demand from US consumers badly hit by the mortgage crisis but also continued by the Euro zone crisis and the impact that has had on consumption in Europe. However, even as the US economy has recovered, trade growth remains muted which raises the question of whether the slowdown is cyclical in nature or more due to structural changes taking place in the regional and global economies. One question is whether more global production is being 'on-shored' or 'near-shored,' that is, taking place closer to final destination markets – i.e. are global value chains getting shorter? Another question is whether technological and business innovations are again changing the shape of the chains.

STRUCTURAL CHANGES TO REGIONAL ECONOMIES

While the immediate post-crisis years were unusual in the distortions brought through the stimulus to sustain aggregate demand, the question is, when will the 'new normal' settle in a more predictable pattern? The current forecast is for reasonable but unexceptional growth for the region as whole with some economies growing faster. One common characteristic for the immediate post crisis period has been the reduction in the role that the external sector – net exports – play in the growth.

Figures 1.5 to 1.8 show the estimated changes in the shares of GDP of total merchandise trade, net exports of goods, investment and government expenditure. As seen in Figure 1.6, the share of net exports for most regional economies has fallen since the crisis, with much of the slack in demand taken up by an increased share of investment or government expenditure as seen in Figures 1.7 to 1.8.

Figure 1.5: Estimated Change in Merchandise Trade as a Share of GDP 2007-2014

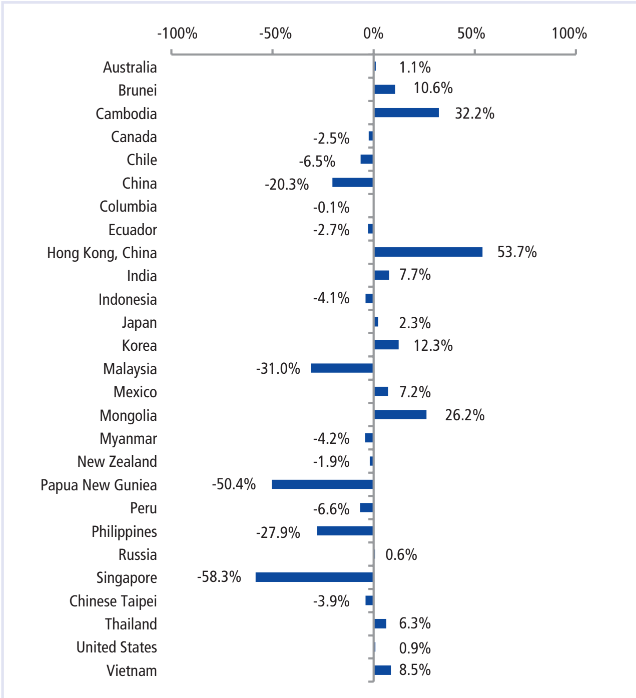


Figure 1.6: Estimated Change in Net Exports as a Share of GDP 2007-2014

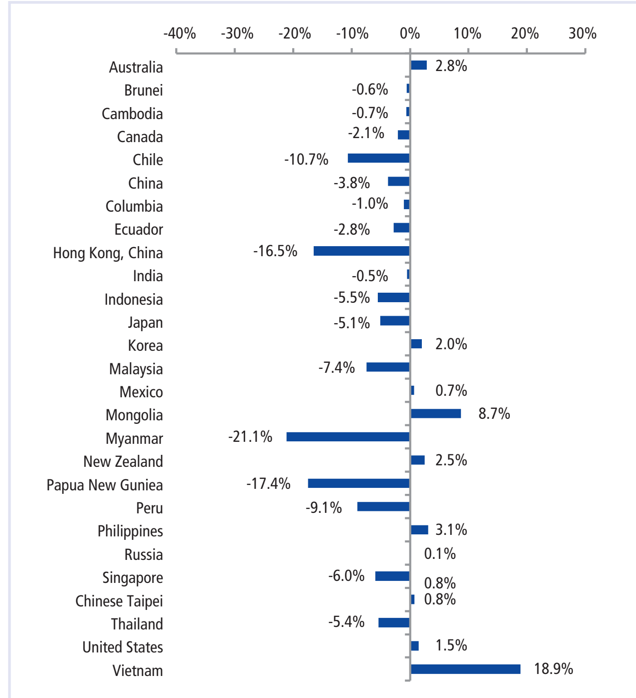


Figure 1.7: Estimated Change in Investment Expenditure as a Share of GDP, 2007-2014

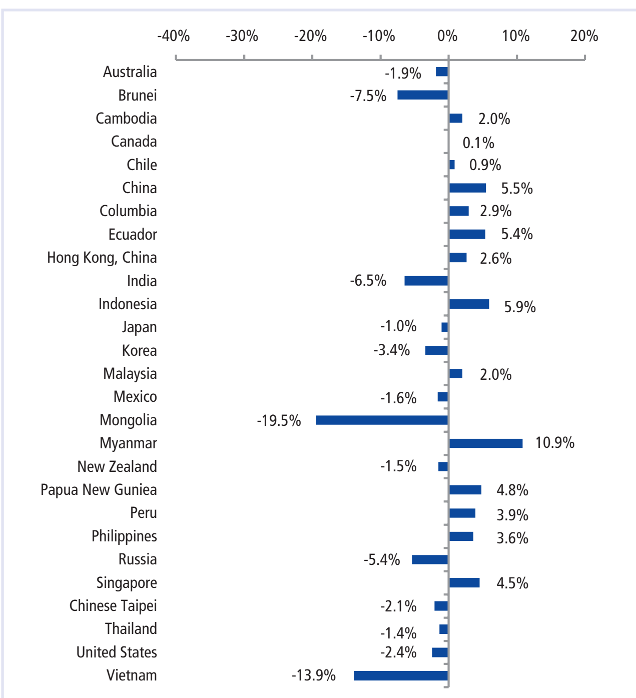
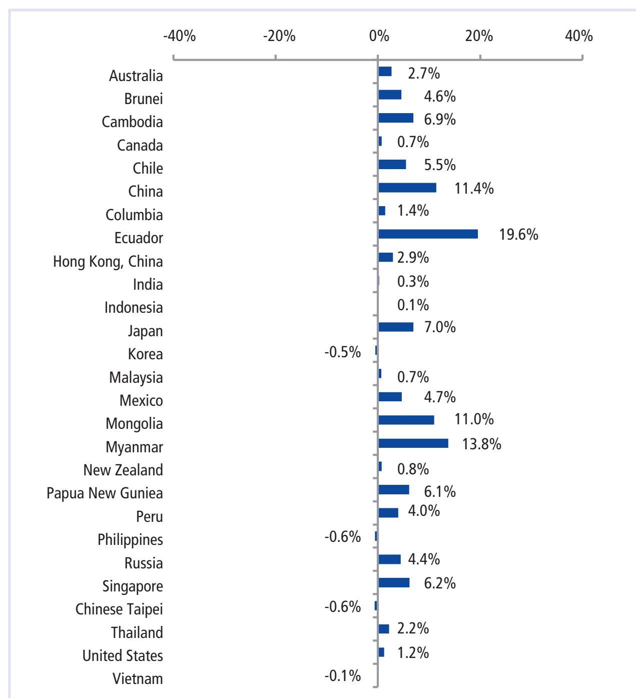


Figure 1.8: Estimated Change in Government Expenditure as a Share of GDP, 2007-2014



Source: Merchandise trade data from the WTO, data on investment and government expenditure from the IMF WEO October 2015 Database, analysis by PECC International Secretariat

If economies are to grow at faster levels than is currently forecast, with interest rates at historical lows and fiscal space limited, then significant structural reforms will be needed to stimulate that growth. Depending on the current structure of the economy different reforms are required – for example, for some it means continuing to shift aggregate demand from a reliance on investment to greater consumption, for others increasing investment, and across the board improvements to the efficiency with which those inputs – labor and capital – are put to use to increase productivity.

INITIATIVES TO BOOST GROWTH

For the first decade of the 21st century – the years 2000 to 2010 including the dot-com bust and the Global Financial Crisis, the size of the Asia-Pacific economy increased from US$20 trillion to about US$38 trillion growing at a rate of 6.3 percent a year. From 2010 to 2020, the Asia-Pacific economy is forecast to grow from US$38 trillion to US$62 trillion – an average growth rate of around 5.0 percent. These rough calculations demonstrate the drastic changes taking place in the region and the urgent need to rethink growth strategies. As a further illustration of the slowdown taking place, if the Asia-Pacific economy were to grow at the same pace from 2010 to 2020 as it did from 2000 to 2010 it would reach around US$70 trillion; in other words, the slower growth has resulted in a loss of around US$8 trillion.

Several initiatives are underway that could help to boost growth, the Asian Infrastructure Investment Bank (AIIB), a China-led development bank with an initial capital of US$50 billion, is being established and on October 5th, 2015, 12 Asia-Pacific economies reached a deal on the Trans-Pacific Partnership (TPP) negotiations. The TPP, if ratified, is estimated to generate by 2025 nearly US$240 billion in income gains for its members. Negotiations are underway for the Regional Comprehensive Economic Partnership (RCEP) among 16 East Asian economies that is estimated to generate by 2025 gains of around US$550 billion. At their meeting in Beijing last year, APEC leaders agreed to a roadmap for achieving an FTAAP that, if it included all APEC members, would lead to estimated gains of around US$2.5 trillion.

These amounts may sound impressive, but even if the benefits of the AIIB, TPP, RCEP, and an FTAAP are fully realized, they are a drop in the bucket compared to what is needed. The Asian Development Bank (ADB) has estimated that between 2010 and 2020, Asia's overall infrastructure needs alone will be US$8 trillion. Increasingly, economies aspire to, and demand, growth that is sustainable and inclusive. This raises the very real question of where such growth will come from. Structural reforms are not new – economies worldwide have been implementing them for decades. Thanks to monitoring and research conducted by APEC and the OECD, among others, recent breakthroughs provide a new understanding of how structural reforms generate growth and new directions for the future. In September 2015, APEC Leaders agreed to endorse a five-year work plan through 2020 to promote balanced and sustainable growth and reduce inequality, embodied in the Renewed APEC Agenda for Structural Reform.

FROM TRADE REFORMS TO TRADE AND STRUCTURAL REFORMS

As tariffs, quotas and other trade barriers have fallen with trade liberalization, the focus of efforts to generate growth has shifted to structural obstacles that create behind-the-borders barriers to business. Structural reforms are changes in government institutions, regulations and policies designed create a business environment that supports efficient markets. The goal of structural reform is to bolster the strength and efficiency of markets in order to enhance living standards. When trade barriers fall, structural reforms become more important because they are necessary to support trade, which is cost and time sensitive and requires an efficient business environment. Entry into the WTO also has required new members to undertake structural reforms.[1]

Boosting labor productivity is the leading way structural reforms drive economic growth. Labor productivity growth has been shown to account for at least half of GDP growth in most OECD members, often accounting for a much larger contribution. Structural reforms put into effect since the early 2000s have helped raise the level of potential GDP per capita by roughly 5 percent across countries on average, most of the gains stemming from higher productivity, according to the OECD. Analytical work by the OECD suggests that further reform along the lines of current best practice could boost the long-term level of GDP per capita by 10 percent across OECD members on average, which translates to an average gain of roughly US$3,000 per person.

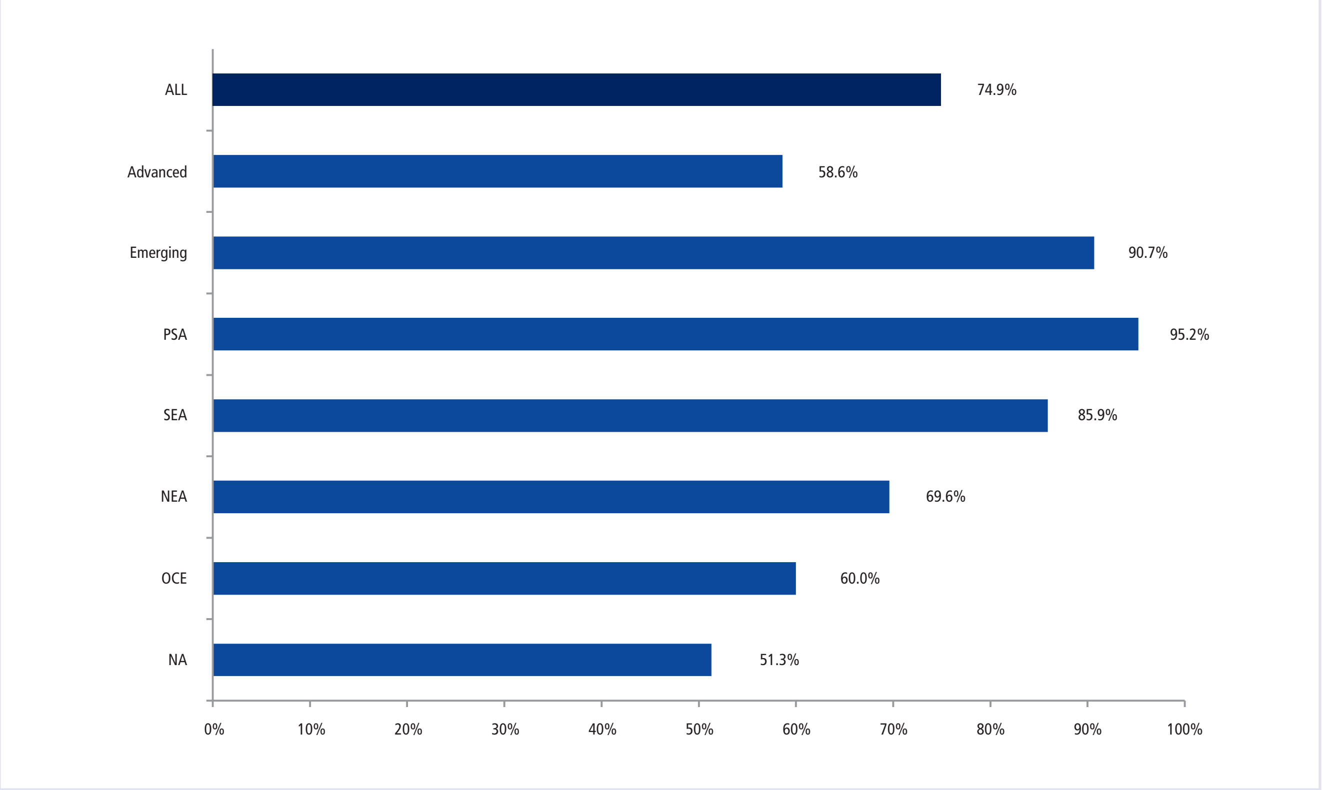
In November 2014, the G20 in its Brisbane Action Plan committed to raise its collective GDP by more than 2 percent above the trajectory set forth in the IMF's October 2013 World Economic Outlook (WEO). To this end, members submitted commitments to macroeconomic reform as well as structural reforms in product and labor markets, trade, and investment. The IMF and the OECD have found that the proposed reforms, if implemented fully, would raise the collective GDP of the G20 by more than 2 percent and contribute in excess of US$2 trillion to the world economy by 2018. Reducing inequality and promoting inclusiveness are also on the agenda.

Since 2013, structural reform has accelerated in many emerging economies, while slowing in many advanced economies. Because labor productivity is the principal driver of growth in both advanced and emerging economies, the focus is on improving productivity through product market reform, in particular, through reforms in education and innovation policies. In the 2015 State of the Region Survey, structural reform in general was reported as "important" or "very important" to the growth of their economy by over 90 percent of respondents from emerging economies, with innovation and entrepreneurship receiving an importance rating of nearly 90 percent. Among respondents from advanced economies, over 58 percent ranked structural reform as "important" or "very important" to growth, reflecting the more advanced state of their overall regulatory systems, while over 74 percent ranked structural reforms in "innovation and entrepreneurship" as "important" or "very important" to growth.

Across all economies, product market regulation, trade and foreign direct investment still have room to generate growth. Advanced economies have been giving priority to these broad policy areas as well as public spending and tax systems. In the 2015 State of

[1] 2006 APEC Economic Policy Report by the APEC Economic Committee, p. 2.

Figure 1.9: Perceptions of the Importance of Structural Reforms to Economic Growth

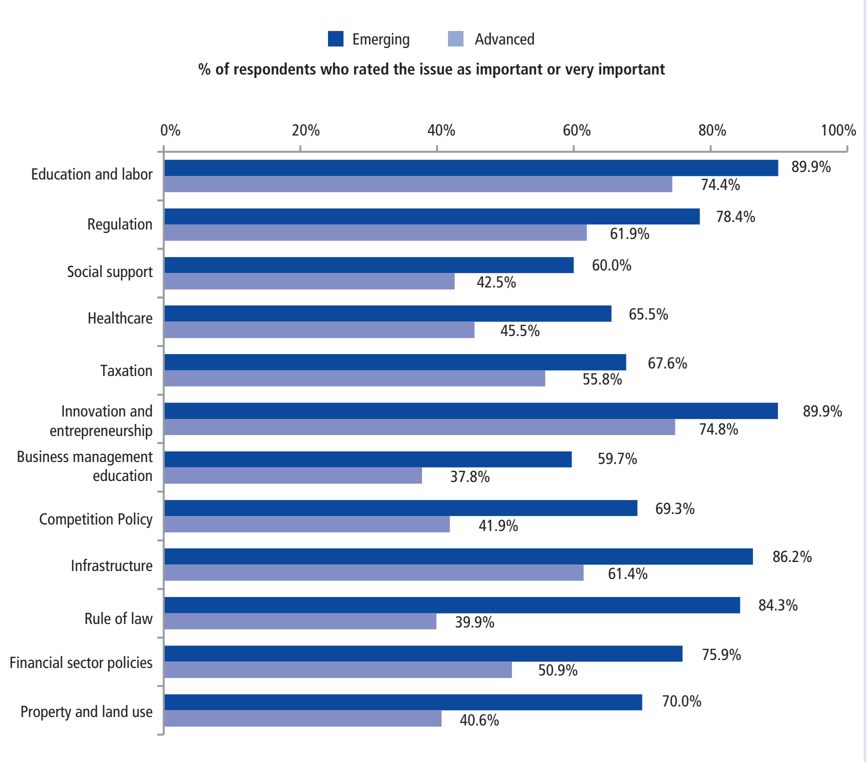


Source: PECC State of the Region Survey 2015
Question: How important do you think the structural reform agenda is to growth for your economy?

the Region Survey, over 61 percent and 55 percent of respondents from advanced economies viewed structural reforms in regulation and taxation, respectively, to be "important" or "very important" for future growth. The corresponding percentages for respondents from emerging economies were 78 percent and over 67 percent.

Further reductions in barriers to trade and FDI are particularly important to integrate emerging economies into global value chains. When emerging economies win a foothold, they access world markets, technology, and high value added inputs. Their participation in global value chains, however, is vulnerable to tariffs and non-tariff barriers. Gains are to be had from streamlining and modernizing customs procedures. Foreign direct investment can help emerging economies integrate into global value chains and improve productivity through access to technology and inputs.

Figure 1.10: Priorities for Structural Reform



Source: PECC State of the Region Survey 2015
Question: How important do you think the structural reform agenda is to growth for your economy?

RAISING PRODUCTIVITY LEVELS

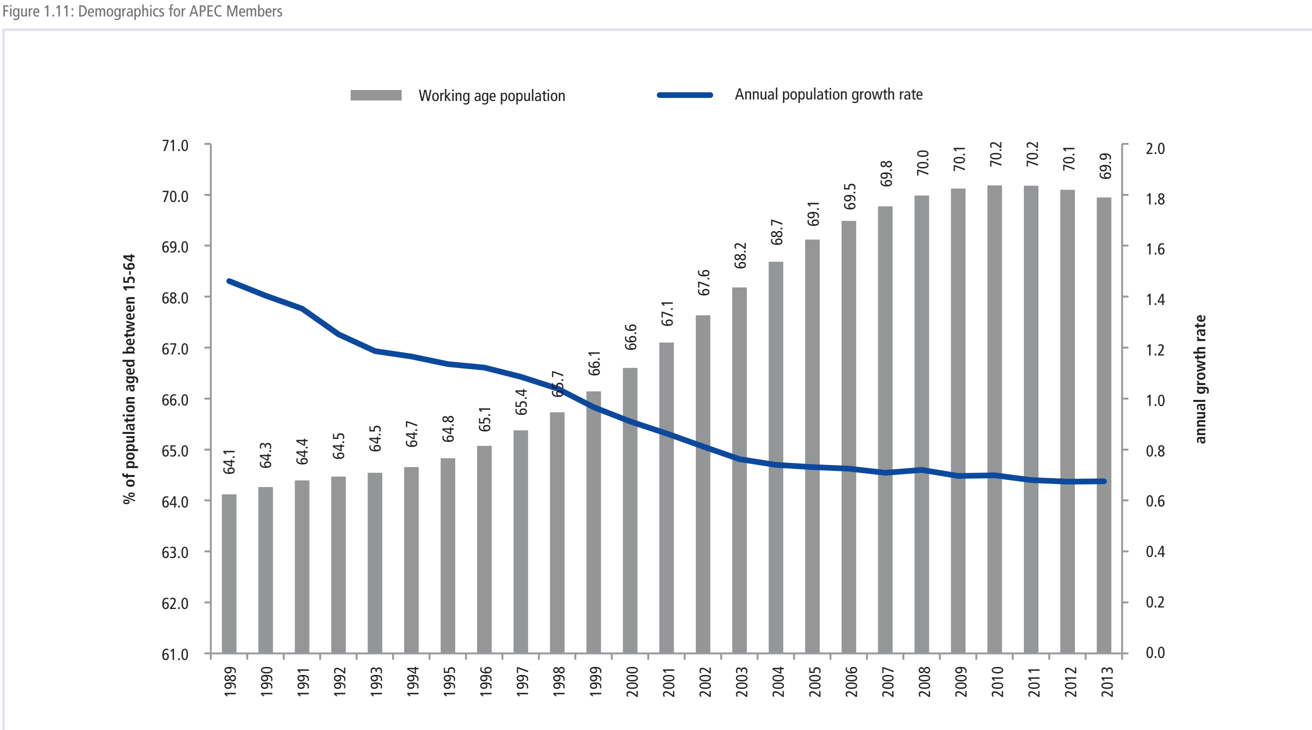
In emerging economies, there are still substantial gains to be realized in freeing up major parts of the economy from the control of the state and state-owned firms. There also are major gains to be had in breaking down barriers to entry in the professional services, retail, transport, and communications sectors. Many emerging economies still face challenges with the rule of law, which is necessary for economic growth. In the 2015 State of the Region Survey, 69 percent and 84 percent of respondents from emerging economies viewed structural reforms in competition policy and rule of law, respectively, to be "important" or "very important" for the future growth. "Rule of law" essentials include the guarantee of security of person and property, contract enforcement, and curbs on government power, capture and corruption.

Financial sector liberalization, which receives higher priority in emerging economies, has been moving ahead to improve the efficiency of capital allocation and growth potential remains to be tapped. In the 2015 State of the Region Survey, nearly 76 percent and 51 percent of respondents from emerging and advanced economies, respectively, viewed structural reforms in financial sector policies to be "important" or "very important" for future growth. In emerging economies, there is ongoing need for prudential regulation and supervision to promote, among other things, the improved pricing of risk.[2]

Some English-speaking advanced economies lag behind world leaders in productivity growth despite relatively high levels of investment in knowledge-based capital. In these economies, gains can be had by improving the efficiency and equity of compulsory education, removing barriers to domestic and foreign investment and promoting firm entry in services, and boosting efficiency in health care and state innovation programs.[3] In the 2015 State of the Region Survey, 74 percent of respondents from advanced economies viewed "education and labor" as "important" or "very important" areas of structural reform for future growth, ranking second only to "innovation and entrepreneurship."

One issue that the Asia-Pacific will need to confront in terms of growth is the slowing population growth. The percentage of the region's population at working age peaked at 70.2 percent in 2010 to 2011 with total population growth rate also flattening out. Advanced and indeed emerging economies with rapidly ageing populations face a different set of growth challenges. Reforms to unleash growth include reducing barriers to entry for domestic and foreign firms, rebalancing the tax systems, and boosting labor force participation to enable workers to work further into old age and to raise female employment rates.[4]

Figure 1.11: Demographics for APEC Members



Source: World Bank, World Development Indicators via statistics.apec.org

[2] Economic Policy Reforms 2015: Going for Growth, OECD 2015, p. 65.

[3] Economic Policy Reforms 2014: Going for Growth Interim Report, OECD 2014, p. 32.

[4] EPR 2014, OECD, pp. 36-39.

Emerging-market economies have been giving priority to education and labor market policies to build up knowledge-based capital and skilled labor. Despite their progress in the past few decades, human capital policy priorities remain focused on strengthening children's access to basic education. Areas where there are still large gains to be made, include improving physical access to schooling, school affordability including provision of free secondary school education, and higher quality teaching and teacher training.[5] Improving tertiary education also is an important continuing policy priority. In the 2015 State of the Region Survey, among respondents from emerging economies, 55 percent reported being "not at all satisfied" or "slightly satisfied" with primary education, early education and child care, and 54 percent reporting the same for secondary and tertiary education.

IMPORTANCE OF VOCATIONAL EDUCATION AND TRAINING

Strengthening vocational education and training is another potentially powerful structural reform for emerging economies.[6] In the Survey, over 73 percent of respondents from emerging economies reported being "not at all satisfied" or "slightly satisfied" with the match between educational training and needs in their economy. Among respondents from advanced economies, over 55 percent were "not at all satisfied" or "slightly satisfied" with the match between educational training and needs in the economy, followed by 51 percent reporting the same for cooperation between education providers and employers, the lowest satisfaction ratings among the labor and education issues for those economies.

RELIEVING INFRASTRUCTURE BOTTLENECKS

Relieving infrastructure bottlenecks is a key priority for boosting physical capital and labor productivity in the emerging economies. In the 2015 State of the Region Survey, 86 percent of respondents from emerging economies viewed infrastructure reform as "important" or "very important" to growth, compared to 61 percent of respondents from advanced economies. Nevertheless, in emerging economies infrastructure investment has been trailing economic development and is now slowing their potential output growth.[7] One way to generate growth is to bolster private sector participation through concessions and public private partnerships.[8] Improving capacity and quality in both transport and energy connectivity also will generate growth.[9]

PROMOTING INCLUSIVE GROWTH

Despite growth in the Asia-Pacific region, income disparities between the rich and poor have widened, and the benefits of growth have been distributed unevenly within and across member economies. Women, older workers and some minorities, as well as micro-enterprises and SMEs, have benefited disproportionately less from economic growth. In emerging economies, the 2015 State of the Region Survey shows that the starting point in promoting inclusive growth is to reduce corruption, rated "important" or "very important" by 87 percent of respondents. Over 85 percent of respondents from emerging economies rated as "important" or "very important" the provision of support to micro, small and medium enterprises (MSMEs). Reforms in education and training came next in the Survey results from respondents in emerging economies, at 81 percent. Education reform to promote inclusive growth starts with improving the availability and quality of early, primary, secondary and tertiary education for the entire population, making sure that disadvantaged groups are included.

INCREASING FORMAL SECTOR EMPLOYMENT

A key challenge faced by emerging economies is the relative preponderance of jobs in the informal sector. Hiring and firing costs in the formal sector tend to be high, and trap vulnerable groups such as women and youth into involuntary informal employment. For these economies, structural reforms that foster entrepreneurship can create formal sector jobs for members of vulnerable groups, because young firms create a disproportionately large number of jobs. An OECD study has found that small firms in existence for five years or less account for 17 percent of employment yet contribute to around 42 percent of job creation.[10]

Enhancing wage and working hour flexibility is another way to bolster the creation of formal sector jobs. Combining wage and working hour flexibility with improved social insurance coverage for laid-off permanent workers is one way to bring members of disadvantaged groups from informal to formal sector employment. In addition, high hiring and firing costs may discourage companies from innovating or adopting technologies, slowing down their economies' progress.[11] In the 2015 State of the Region Survey, among respondents from emerging economies, over 62 percent were "not at all satisfied" or "slightly satisfied" with wage and working hour flexibility, and nearly 50 percent reported the same satisfaction levels as regards freedom to hire and dismiss employees.

Developed economies experiencing low productivity growth despite strong investment in knowledge-based capital stand to benefit from improved innovation policies. For these economies, productivity growth lies in incremental R&D tax incentives plus

[5] EPR 2014, OECD, pp. 41-2.

[6] EPR 2014, OECD, p. 40, Table 1.7.

[7] EPR 2014, OECD, p. 40.

[8] EPR 2015, OECD, p. 65.

[9] EPR 2015, OECD, Table 1.9, p. 66.

[10] OECD Economic Policy Reforms 2015: Going for Growth, p. 86, citing Criscuolo, C., P.N. Gal and C. Menon (2014), "The Dynamics of Employment Growth: New Evidence from 18 Countries," *OECD Science, Technology and Industry Policy Papers*, No. 14, OECD Publishing, Paris.

[11] Stefano Scarpetta and Thierry Tressel, "Boosting Productivity via Innovation and Adoption of New Technologies: Any Role for Labor Market Institutions?" World Bank, Human Development Network, and IMF, World Bank Policy Research Working Paper 3273, April 2004, pp. 16-17.

closely evaluated grant programs.[12] For emerging economies, innovation related reforms to generate growth include increasing and reforming public support for R&D and improving the targeting of grants.[13] The international mobility of skills and labor also can bolster innovation if policies are targeted at needed professional qualifications. In the 2015 State of the Region Survey, half of respondents from advanced economies reported that they were "not at all satisfied" or "slightly satisfied" with skills and labor international mobility in their economy. Among respondents from emerging economies, satisfaction was even less, at 58 percent either "not at all satisfied" or "slightly satisfied."

Inclusion of rural populations in overall growth can be boosted by infrastructure improvements that connect rural areas with urban centers. The 2015 State of the Region Survey results underscore the importance to inclusive growth of structural reforms that improve connectivity for rural areas, rated "important" or "very important" by over 80 percent of respondents from emerging economies.

Tax reforms that bolster the efficiency of tax systems can also foster inclusion through steps such as combating tax evasion and widening the tax base. Tax reform can lessen disincentives for women to return to work after giving birth by, for example, pegging tax allowances to the second earner's income level and conditioning childcare support on returning to work.[14] In the Survey, 66 percent of respondents from emerging economies viewed progressive tax policies as "important" or "very important" to inclusive growth, compared to 61 percent of respondents from advanced economies.

[12] ERP 2014, OECD, p. 34.

[13] EPR 2015, OECD, Table 1.6, p. 53.

[14] EPR 2015, OECD, pp. 85-86.

BOX 1. CHINA'S ECONOMY: UPS AND DOWNS, BUT STILL POSITIVE AND PROMISING

Contributed by CNCPEC

Since July-August, certain indicators of China's macro-economy have shown a slip or fluctuation. In August, the stock market experienced unusual fluctuations. And then the Chinese currency depreciated. There have been reactions in the world market. What happened to the Chinese economy? Is China's economy in deep trouble?

How to view the 7 percent growth?

The Chinese economy is in the state of a 'new normal.' That means it is going through a transition with traditional drivers being replaced by new ones. The extensive model of growth in the manufacturing sector is giving way to more intensive production. And over-reliance on investment is abandoned for greater balance between consumption and investment. This is a painful and challenging process. Ups and downs in growth are hardly avoidable, as they are natural in a period of adjustment and transition.

The Chinese economy is deeply integrated into the global market. Given the weak growth of the global economy, China could not stand unaffected. However, given the slowdown in global growth, the 7 percent growth China achieved in the first half of the year is not at all easy, and China's economy is still within the reasonable range.

First, we are talking about a US$10 trillion economy, for which 7 percent growth actually generates more increase in volume than the double-digit growth in the past. And the 7 percent growth is in fact among the highest of the world's major economies.

Secondly, in the first six months, 7.18 million new urban jobs were created, which means 72 percent of annual target has already been met. Surveyed unemployment rate in big cities was around 5.1 percent. Per capita disposal income grew by 7.6 percent, faster than the economy, with the income of rural residents growing faster than that of urban residents. As a result, consumers now have more money in their pockets to spend. Last year 100 million Chinese people travelled abroad. For the first half of this year, there was an increase of 16 percent compared to the same period of last year. Price levels have been kept basically stable.

Thirdly, China's steady economic development has also benefited the world. China contributed about 30 percent to global growth in the first half of the year. With commodity prices dropping markedly on the global market, the growth of China's foreign trade volume is slowing down. Nonetheless, the actual amount of commodities China imported has continued to go up; grain by 24.4 percent, copper ore 12.1 percent and crude oil 9.8 percent.

What is more encouraging is that China's economic structure is rapidly improving. Today, the services sector already accounts for half of China's GDP, and consumption contributes 60 percent to growth. Growth in high-tech industries is notably higher than the entire industrial sector; for the first eight months of this year, there was 14 percent increase compared to the same period of last year. Consumer demands for information, cultural, health and tourism products are booming. Energy conservation, environmental protection and the green economy are thriving. New economic growth areas are rapidly taking shape.

How to solve financial risks?

The ups and downs of stock markets are caused by the very nature of such markets, and the government normally does not intervene. The role of the government is to maintain an open, fair and impartial market order, protect the lawful rights and interests of investors, especially small- and medium-scale investors, promote the stable growth of the stock market in the long run, and defuse massive panic.

The recent unusual fluctuations in the Chinese stock market were mainly the result of previous rapid surges and big fluctuations in the international market. The Chinese government has taken some measures to defuse panic in the stock market and avoid systemic risks.

Such steps have proved successful. And similar steps have also been taken in some mature foreign markets. After a mix of stabilizing steps have been taken, the market has entered a stage of self-correction and self-adjustment. To develop the capital market is a key goal of China's reform, which will not change just because of the current fluctuations in the stock market.

Since the beginning of the year, China has deepened market reform in finance, taxation, investment, financing and prices. China adopted a host of measures to lift restrictions on market access and promote fair competition. Meanwhile, China is stepping up risk management to make sure that no regional or systemic financial risk will occur.

The high savings rate and large foreign exchange reserves mean China has ample financial resources. What is important is to channel the financial resources into the real economy. Recently, China has taken a number of reform measures as it cut interest rates and the reserve requirement ratio. Going forward, China will continue to ease restrictions on the access of private capital to the financial sector, and actively develop private banks, financing guarantee and financial leasing to better support the real economy.

Why depreciate RMB by 4 percent?

China has been working to improve the market-based RMB exchange rate regime. Recent measures to improve the quotation of the RMB central parity is a case in point, as it gives greater say to the market in deciding the exchange rate.

Given the complexities in the current international economic and financial conditions and the apparent divergence in market makers' expectations of the future trend of the RMB exchange rate, there had been a long-standing gap between the central parity and market exchange rate of the RMB. With improvements to the quotation of the RMB central parity, the RMB central parity will better respond to supply and demand in the foreign exchange markets, and systemically avert the sustained large gap between the RMB central parity and market exchange rate.

Since the quotation of RMB central parity was improved on August 11, initial progress has been made in correcting the deviation. Given the current economic and financial conditions at home and abroad, there is no basis for sustained depreciation of the RMB. Reform of the RMB exchange rate formation regime will continue in the direction of market operation.

China put forward the goal of convertibility of the RMB under the capital account back in the early 1990s. Over the past 20 years and more, China has been working toward this goal. Currently, there are only very few transactions that are still banned under the RMB capital account. China is advancing the convertibility of the RMB under the capital account in a steady and orderly manner.

Why a drop in China's foreign reserves?

There has been a recent drop in China's foreign reserves. This mainly reflects improvement to the mix of local currency as well as foreign exchange assets and liabilities of domestic banks, enterprises and individuals. There are three main reasons: first, some assets in foreign exchanges were transferred from the central bank to domestic banks, enterprises and individuals, including an increase of US$56.9 billion in the balance of foreign reserve deposits of domestic banks in the first eight months of this year, with a US$27 billion increase in August alone. Secondly, outbound investment by domestic enterprises has grown rapidly. Thirdly, domestic enterprises and other market entities are reducing foreign financing steadily, which helps reduce risks including high leverage operation and currency mismatch.

These changes are normal capital flows, which are moderate and manageable. Foreign investors who aim at long-term investments are still investing in China. For the first eight months this year, actual foreign investment to China was US$85.3 billion, 9 percent increase from the same period of last year. China's foreign exchange reserves remain abundant and are still very large by international standards. With improvement to the RMB exchange rate regime and progress in RMB internationalization, it is quite normal that China's foreign reserves may increase or decrease.

How about the future?

China is optimistic that its economy is on the right track and its future will be even brighter. This is based on the following two basic facts:

First, the Chinese economy is resilient and full of potential. China is going through the process of a new type of industrialization, IT application, urbanization and agricultural modernization, which all serve to mobilize the whole society and generate a strong force driving development and domestic demand. It is estimated that China's domestic consumption expenditure will reach US$10 trillion by 2025.

Secondly, the ongoing structural reform is constantly delivering benefits. China is comprehensively deepening reform, accelerating structural reform and pursuing an innovation-driven development strategy to fully unleash the potential of economic growth. For China to advance structural reform, it is important to promote mass entrepreneurship and innovation. This makes up a major component of China's ongoing structural reform and adjustment. Over 10,000 new market entities are being registered daily on average since last year. Measures have been taken to streamline administration, delegate government authority, strengthen regulation and improve services. The industrial upgrading will expand the import of advanced technology and equipment.

In sum, the above figures and facts serve to emphasize that the Chinese economy is still within the reasonable range despite the many difficulties and downward pressures, and China is not a source of risks for the world economy but a real source of strength for world economic growth. Although we have seen a slip or fluctuation in certain indicators over the past months, the policies and measures adopted in the previous stage are starting to pay off, and positive factors are building up in the economy, hence the upward trend in certain indicators. The fundamentals underpinning a stable Chinese economy have not changed. The ups and downs in the economy may have formed the shape of a curving wave, but the underlying trend remains to be positive. The Chinese economy will not head for a "hard landing." After China succeeds in its economic transformation and upgrading, it will enter into a steadier, more quality-driven and more sustainable development stage, thereby playing a better role as an engine of world economic growth.

BOX 2. THE UNITED STATES ECONOMY: A LOCOMOTIVE FOR THE GLOBAL ECONOMY

An edited and abridged version of remarks by Dr. Charles E. Morrison at the 23rd PECC General Meeting

The overall picture on the United States economy is positive but not without uncertainty. On the domestic front the US economy is looking quite good, but with areas of fragility. There also are difficult headwinds in the global economy which have been reflected in recent stock market volatility in the US. The early stages of the 2016 presidential election add political to economic uncertainty. Over the longer term, strong basic institutions; continuing immigration of human talent from all over the world; and a virtuous relationship between government, business and the academic world are factors that contribute to the resilience of the US economy and will keep it at the forefront of the global economy for years to come.

Domestic drivers remain wellsprings of growth

In recent months the Federal Reserve has been grappling with whether to move ahead and increase the bank borrowing rate in the United States. In the summer of 2015, it seemed almost certain that the Fed would be moving ahead, but a change of policy has been delayed. Part of this dilemma is the impact that a rise in US interest rates would have around the world including in China, which has become a very important partner to the economies of the region. China's slowdown also impacts the US, although less so than for most other economies. Exports account for only 13 percent of US GDP, and exports to China are only 7 percent of those exports. Domestic drivers remain overwhelmingly the wellsprings of economic growth.

GDP growth in the US in the second quarter was at 3.7 percent on an annualized basis. It followed a weak first quarter, and it is an upward revision of the preliminary figure, but it looked pretty good. Consumer spending was up 3.1 percent as people were buying homes, cars, and appliances, perhaps in anticipation in higher interest rates. Inventories did increase, but this was relatively small, and a larger figure reflected corporate investment in capital goods.

Consumer confidence also is positive. The University of Michigan index of consumer sentiment has been over 90 for the past nine months, the longest period since 2005. The late August figure was only slightly off. The Conference Board confidence index also has looked good, although there are other measures of economic confidence that are less rosy.

Employment and labor

One reason for greater consumer confidence and spending has been an improved job market. The August figure for unemployment was 5.1 percent, almost within the range of full employment. Employment has grown for 66 successive months, the longest on record, bringing unemployment down from 10 percent at the height of the recession. But there are weaknesses:

First, questions about the quality of jobs. Wages have not increased commensurately with hiring, only 2.2 percent over a year ago. There has been no strong indication of rising labor costs yet. In fact inflation is very low – the cost of living is only slight above last year and far below the Fed's 2 percent target figure. If energy and food is taken out, the figure is healthier. Full employment should involve low unemployment and strong upward pressure on wages, and the latter is not the case.

Second, if we consider the broader measure of those not actively in the labor market but still wanting jobs and those in part time employment but wanting full time work, then the under-employment rate is about 10.5 percent. And the figures for un- and under-employment are much higher for minorities and young people, especially young blacks.

Third, labor's share of income has continued its long-term decline – down 70 percent since World War II.

Housing and other economic sectors

The housing market situation looks much improved, perhaps reflecting low interest rates and pent up demand. New housing starts are up 20 percent over last year and are the highest since the GFC. But it is still only half the level of the 1990s, and much comes in the form of apartments rather than single family houses, which have more economic impact. Resales of existing homes are high, but first time buyers account for just 30 percent whereas some believe that 40 percent would be an appropriate figure for a robust economy. Prices have risen faster than the ability of young, first time buyers to buy which, along with minority unemployment, is a sign of growing equity issues.

As for other sectors, construction is doing very well, at the highest level in seven years. Car sales are very strong, but manufacturing is at its weakest in two years. This reflects the layoffs in the energy industry, and there may be some additional downturns coming in that sector.

The external sector

Exports are not doing well. The dollar is strong, and President Obama's export doubling plan of a few years back went nowhere. As reflected in the debate on the Trade Promotion Authority (TPA), publics remain very suspicious of globalization and trade agreements. The political debate on trade will be replayed in the approval process for the TransPacific Partnership, probably with an outcome almost identical with the TPA. As the TPP involves many economies already with free trade agreements with the United States – with the notable exception of Japan - the actual economic impact of the current TPP, as opposed to its longer-term significance as a benchmark for later deeper trade agreements, will be limited.

Politics adding to uncertainty

Turning to government, the political will for stimulus at the beginning of the GFC dissipated quickly, and reduced government spending, reflecting budget compromises between the Administration and Congressional Republicans was a drag on economic growth. Similarly state and local governments were cutting expenditure and jobs. While government is no longer much of a drag compared to 2-3 years ago, there is virtually no fiscal stimulus for the economy.

Because of both economic and political uncertainties, the Fed has continued to delay increasing interest rates. The objective of the Fed is to return to more normal rates, but it is a cautious and conscientious institution and is still waiting further signs of robustness in the US economy.

What is the "new normal?"

The uncertainties in a broader sense reflect a lack of a clear understanding not just about the US economy but what the "new normal" really is in the global sense. For example, what does "employment" mean today compared to the past? In the US, perhaps almost a third of those in the labor force are part of the "1099 economy", that is consultants and individual contractors rather than company employees in the traditional sense. These may be Uber drivers, real estate agents, Air BnB operators, and maintenance and health workers, for example, with a very different kind of work experience and typically reduced benefits from the past. Is this the future of work?

And are we in a period of "secular savings stagnation" in the advanced economies where investment and savings are simply not aligned. What would be the policy implications of that if savings surpluses and low interest rates are a part of the future for years to come?

In conclusion, the US is a locomotive, maybe the only accelerating locomotive in the global economy, even if the acceleration is somewhat sluggish, irregular, and of uncertain duration. But in spite of some uncertainties, the US remains a main and leading actor in the global economy and will be for years to come. First, its basic political and economic institutions, including the Fed, are very strong. Second, there remain high rates of immigration that refresh society and abate the effects of demographic aging, a headwind affecting many advanced and even emerging economies. Almost 50 million of the 320 million Americans were born overseas – a much higher rate than other major economies. There is continuous circulation through our society. Third, strong educational institutions, and a unique and virtuous relationship between government, business, and the academic world, most famously seen in Silicon Valley, foster continuing innovation in the US economy.

CHAPTER 02 VIEWS ON PROMOTING INCLUSIVE GROWTH AND STRUCTURAL REFORM

CONTRIBUTED BY MR. EDUARDO PEDROSA, PECC INTERNATIONAL SECRETARIAT

Twenty-one years after APEC Leaders agreed to achieve ‘free and open trade and investment in the Asia-Pacific no later than the year 2020’ the Bogor Goals remain the region’s top priority, according to the survey of regional opinion-leaders conducted from 21 September to 16 October 2015.

PRIORITIES FOR APEC LEADERS

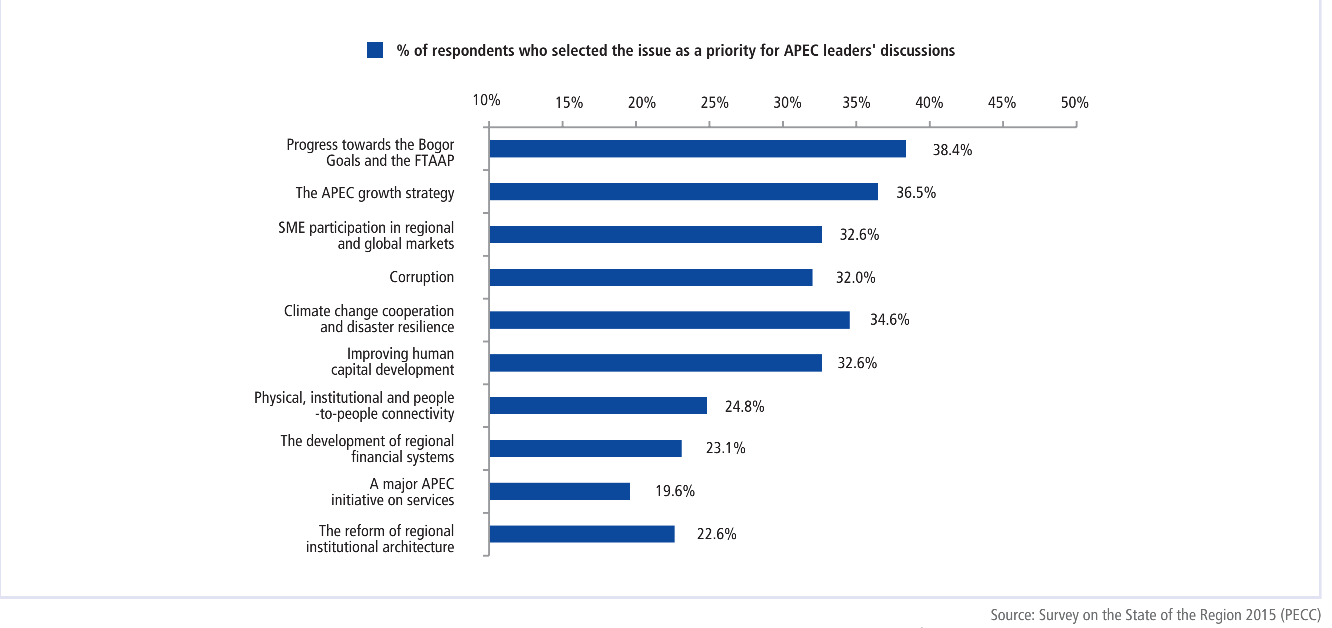
The survey findings also show broad support for the themes set by this year’s APEC host, the Philippines, which has placed a high priority on ways to promote more inclusive growth. The top 10 priorities for APEC Leaders to discuss at their meeting in Manila are shown in Figure 2.1 below.

While there was broad agreement in the policy community on the priorities there were some issues where there were significant differences – either among the Asia-Pacific’s sub-regions or between different stakeholder groups. For example, 27 percent of government respondents selected ‘physical, institutional and people-to-people connectivity’ as a top 5 priority compared to only 18 percent of business respondents.

PROGRESS TOWARDS THE BOGOR GOALS AND THE FTAAP

Figure 2.1 below shows the priorities for APEC Leaders’ discussions in Manila in order of importance. Thirty-eight percent of respondents to PECC’s survey selected progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific as a top 5 priority for APEC leaders’ discussions. Since the Bogor Goals were adopted they have been joined by the vision of the “Free Trade Area of the Asia-Pacific” (FTAAP). In 2010, APEC Leaders stated that the FTAAP should be pursued as a ‘comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN+3, ASEAN+6, and the Trans-Pacific Partnership, among others’ and in 2014 in Beijing they adopted a roadmap for its achievement.

Figure 2.1: Priorities for APEC Leaders’ Meeting in Manila



Source: Survey on the State of the Region 2015 (PECC)
Question: What do you think should be the top 5 priorities for APEC Leaders to address at their upcoming meeting in Manila?

APEC GROWTH STRATEGY

In 2010, in response to the Global Economic Crisis, APEC Leaders agreed that growth in the region needed to be more balanced, inclusive, sustainable, innovative, and secure. Since then the APEC Growth Strategy has consistently been ranked as a high priority for leaders' discussions – this year was no exception with 37 percent of respondents selecting it as a top 5 issue making it the second highest priority. However, results from previous surveys have also shown low levels of satisfaction with actions taken to promote the 5 attributes of the growth strategy, especially inclusivity. As such, the review of the strategy this year gives an opportunity to refocus efforts and consider how to achieve higher quality growth in light of the changes brought about by the Global Economic Crisis.

SME PARTICIPATION IN REGIONAL AND GLOBAL MARKETS

One of the key themes of this year's APEC meetings has been finding ways to make the benefits of the economic integration process more accessible to all stakeholders, in particular micro and small and medium enterprises (MSMEs). The survey found broad support for this work with the participation of small and medium enterprises in regional and global markets rated as the third highest priority for APEC Leaders' discussions. The Boracay Action Agenda agreed by APEC Trade Ministers at their meeting in May 2015 set out an ambitious plan to facilitate the participation of MSMEs in global value chains as well as their direct access to regional markets through the removal of cumbersome rules and procedures.

ADDRESSING CORRUPTION

The fourth highest priority was addressing corruption. APEC work on this issue has been increasing in recent years with the establishment of the APEC Network of Anti-Corruption Authorities and Law Enforcement Agencies (ACT-NET) and the Beijing Declaration on Fighting Corruption. This was an issue where there was significant variation among stakeholders, while 38 percent of respondents from the business community thought that it should be a top 5 priority for discussion compared to only 28 percent from the non-government sector.

CLIMATE CHANGE AND DISASTER RESILIENCE

The fifth highest priority was climate change and disaster resilience. Given the region's vulnerability to climate change and exposure to disasters a focus on this issue would be timely especially with the holding of 21st Conference of Parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) in Paris just a month after the APEC Leaders' meeting in Manila.

DIVERGING VIEWS ON PRIORITIES

While there was broad agreement on priorities, some issues divided the regional policy community more than others as shown in Figure 2.2. For example, while 46 percent of respondents from Southeast Asia and 41 percent from Pacific South America had selected improving human capital as a priority for APEC Leaders while only 22-26 percent of respondents from Oceania, Northeast Asia and North America did.

A similar pattern was shown for small and medium enterprise participation in regional and global markets, 43 percent of respondents from Southeast Asia had selected this as a top 5 priority for APEC Leaders and only 18 and 25 percent for those from North America and Oceania respectively.

The third issue with the biggest difference in views is a major APEC initiative on services. While it was overall ranked as the 9th highest priority for APEC Leaders to address with 19 percent of respondents selecting it as a top 5 issue, it was the 3rd highest priority for those from Oceania with 32 percent compared to only 14 percent from Pacific South America.

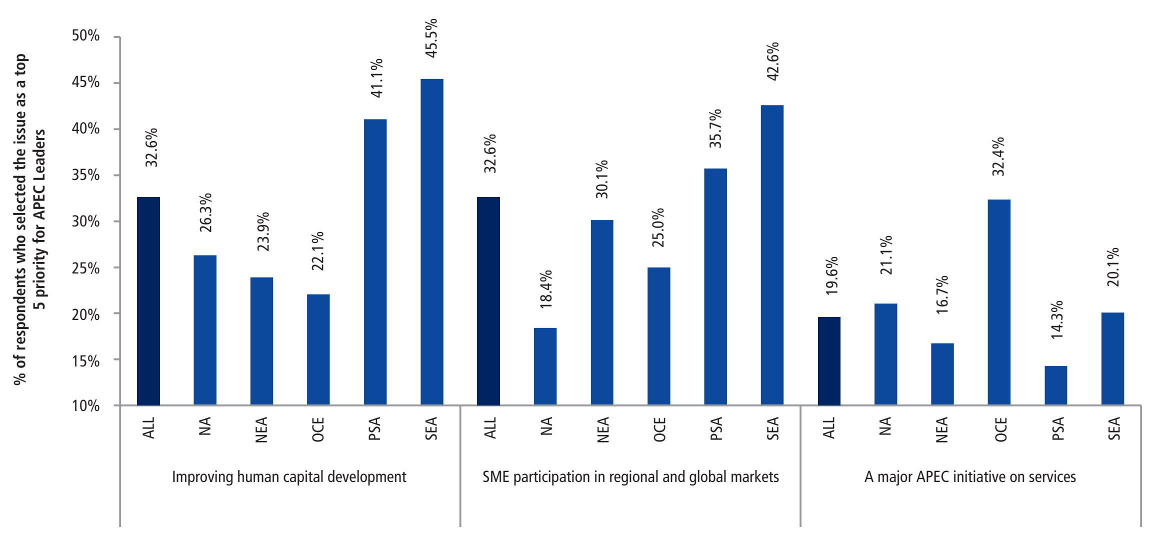
In such a diverse region it should not be surprising that there are significant differences in views, what is perhaps most interesting is how regional processes such as APEC are able to bring economies at different levels of development and varying interests together around a common set of interests.

DIVERGING VIEWS ON PRIORITIES: BY SECTOR

As with views from the sub-regions of the Asia-Pacific, there were also some significant differences in priorities depending on whether respondents were from business, government or non-government (academic, civil society and the media).

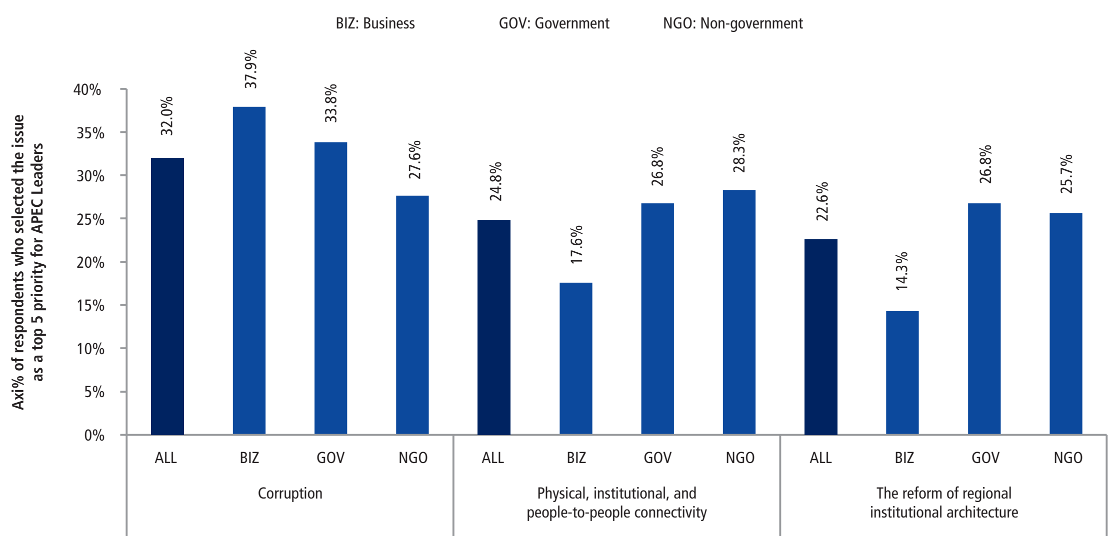
While physical, institutional and people-to-people connectivity was a much lower priority for business respondents, with only 18 percent selecting it as a priority for APEC Leaders' discussions, 28 percent of those from the non-government sector selected it as a priority. Conversely, while the reform of regional institutional architecture was the 10th highest priority for APEC Leaders' discussions overall, it ranked very lowly for business respondents with only 14 percent selecting it as an issue which made it the 21st out of a list of 23 possible issues for Leaders' to address compared to around 26 percent of respondents from government and non-government respondents who ranked it as the 8th highest priority.

Figure 2.2: Sub-Regional Differences on Priorities



Source: Survey on the State of the Region 2015 (PECC)
Question: What do you think should be the top 5 priorities for APEC Leaders to address at their upcoming meeting in Manila?

Figure 2.3: Sectoral Differences on Priorities



Source: Survey on the State of the Region 2015 (PECC)
Question: What do you think should be the top 5 priorities for APEC Leaders to address at their upcoming meeting in Manila?

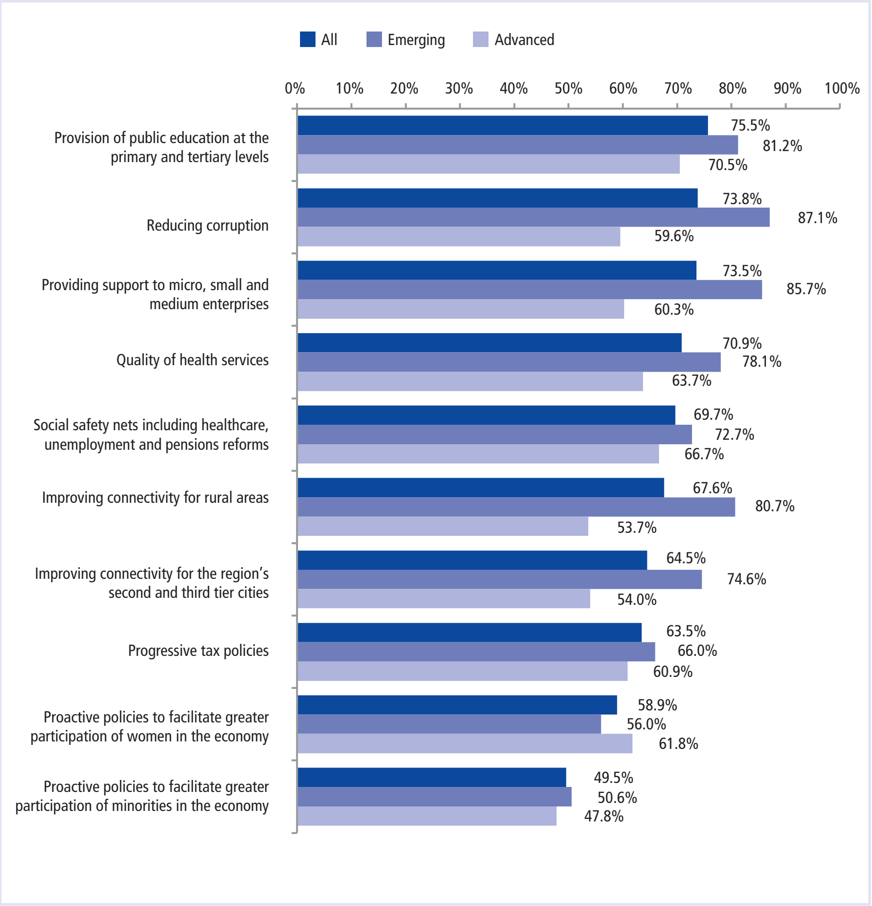
PROMOTING INCLUSIVE GROWTH

The overarching theme for this year's series of APEC meetings has been inclusive growth. Previous PECC surveys have indicated relatively low levels of satisfaction across the region with efforts to make growth more inclusive. According to the results of this year's survey, the top 5 most important ways to promote inclusive growth were:

- Provision of public education
- Reducing corruption
- Providing support to micro, small and medium enterprises
- Quality of health services
- Social safety nets including healthcare, unemployment and pensions reforms

All of these are addressed in some way by the priorities suggested for APEC Leaders' discussions earlier identified. However, as with the priorities there were some important differences in views in the region.

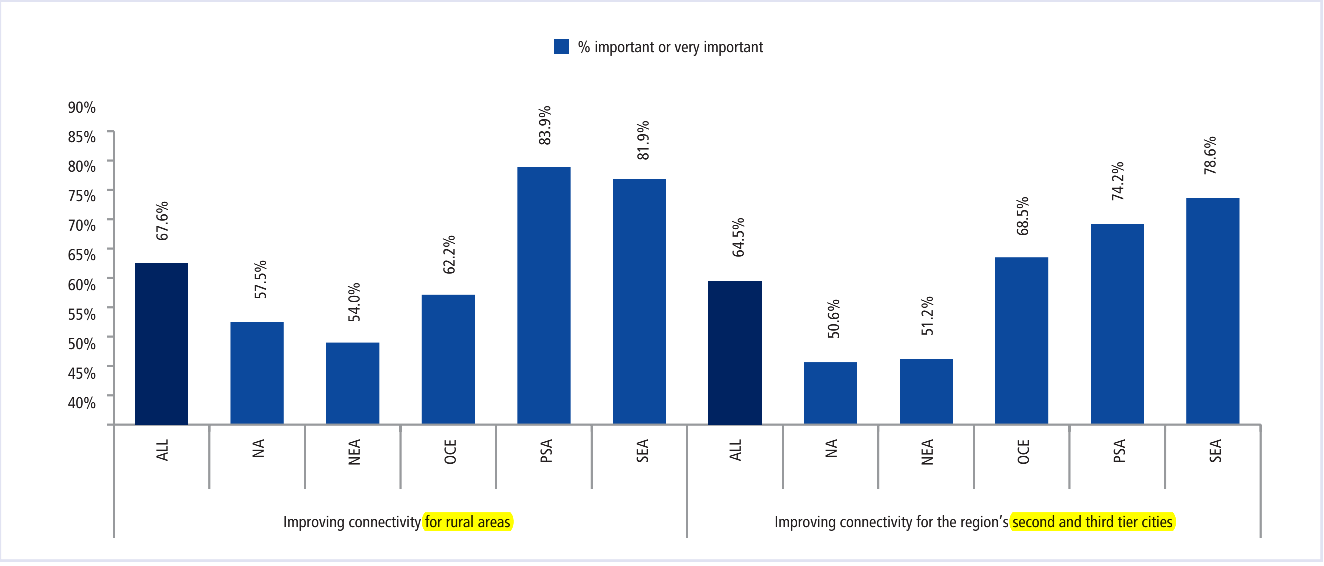
Figure 2.4: Ways to Promote Inclusive Growth: Views by level of development



Source: Survey on the State of the Region 2015 (PECC)
Question: What do you think are the most important for promoting inclusive growth?

Figure 2.4 on left shows the percentage of respondents by their economy's income level (advanced or emerging[15]) who considered each of the issues important or very important for promoting inclusive growth. Many more respondents from emerging economies put a high level of importance of reducing corruption to promote inclusive growth (87 percent) compared to those from advanced economies (60 percent). The only issue on which respondents from advanced economies rated higher than those from emerging economies was policies to facilitate greater participation of women in the economy.

Figure 2.5: Role of Connectivity in Promoting Inclusive Growth



Source: Survey on the State of the Region 2015 (PECC)
Question: What do you think are the most important for promoting inclusive growth?

[15] For the purpose of this report, regional emerging economies are: Brunei Darussalam; Cambodia; Chile; China; Colombia; Ecuador; India; Indonesia; Laos; Malaysia; Mexico; Mongolia; Myanmar; Papua New Guinea; Peru; Philippines; Russia; Thailand; and Vietnam. Regional advanced economies are: Australia; Canada; Hong Kong (China); Japan; Korea; New Zealand; Singapore; Chinese Taipei; and the United States.

Another issue that divided regional opinions was connectivity. The question included two options on the role of connectivity in promoting inclusive growth: connectivity for rural areas and connectivity for second and third tier cities. The distinction was made because of the significant differentials between urban and rural poverty levels as well as the relatively lower levels of connectivity that exist between large urban centers and second and third tier cities in the region.

As shown in Figure 2.5, more than 80 percent of respondents from Pacific South America and Southeast rated improving connectivity for rural areas as important to very important to promoting inclusive growth compared to 54 to 62 percent of respondents from North America, Northeast Asia and Oceania. A very similar pattern of divergence was seen in the results for improving connectivity of the region's second and third tier cities.

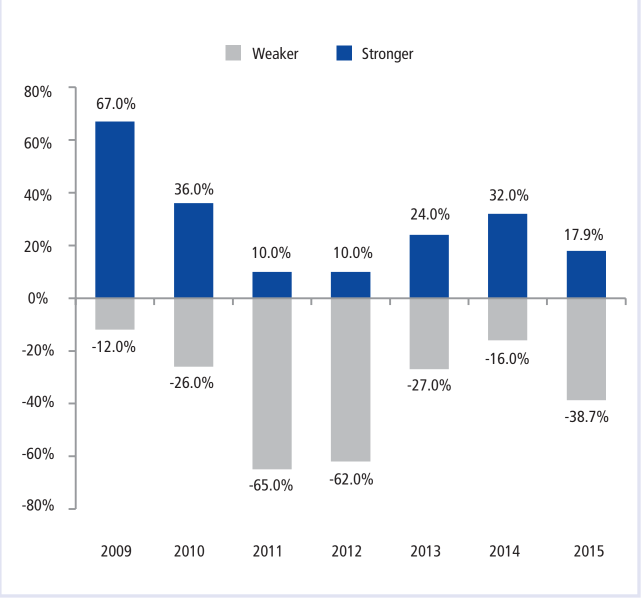
Looking at the issue from the perspective of income levels, respondents from advanced economies ranked the two connectivity issues 8th and 9th while those from emerging 4th and 7th. All this is to say is that in such a diverse region as the Asia-Pacific where cooperation is, of necessity, characterized by consensus, there is a need for flexibility in selecting priorities as well a need for 'community building' on issues that may be an urgent issue for some members but less so for others.

VIEWS ON THE ECONOMIC OUTLOOK

Views on the economic outlook have turned towards the negative with 39 percent of respondents expecting weaker growth for the world economy over the next 12 months and 18 percent expecting stronger growth with the balance expecting growth to remain the same as this year. Respondents remain most pessimistic about China with 62 percent expecting weaker growth over the next 12 months. This is broadly in line with forecasts, but it is worth pointing out that slower growth for China means slowing from a high of 10 percent growth in percent year as down to a more sustainable level of 6 to 7 percent.

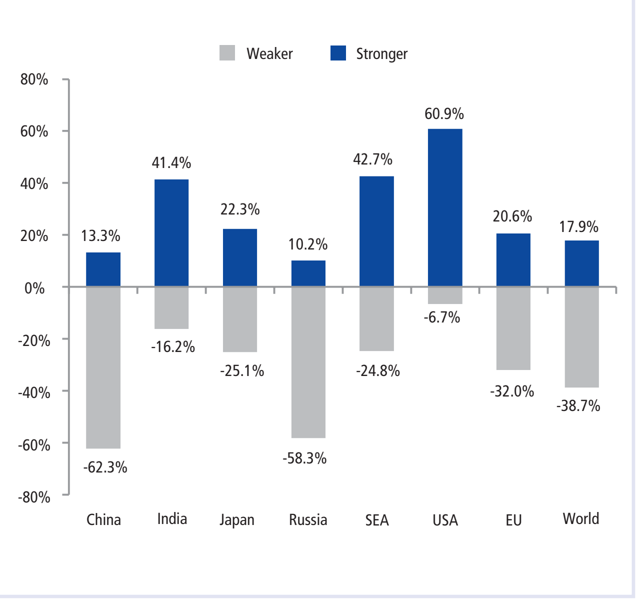
Respondents remain very positive on the US economy with 61 percent expecting stronger growth. There was also a broad optimism about emerging markets with 41 percent expecting stronger growth for India and 43 percent for Southeast Asia.

Figure 2.6: Views on growth for the world economy



Source: Survey on the State of the Region 2015 (PECC)
Question: What are your expectations for economic growth over the next 12 months compared to the last year for the following economies/ regions?

Figure 2.7: Views on growth for selected economies/ regions



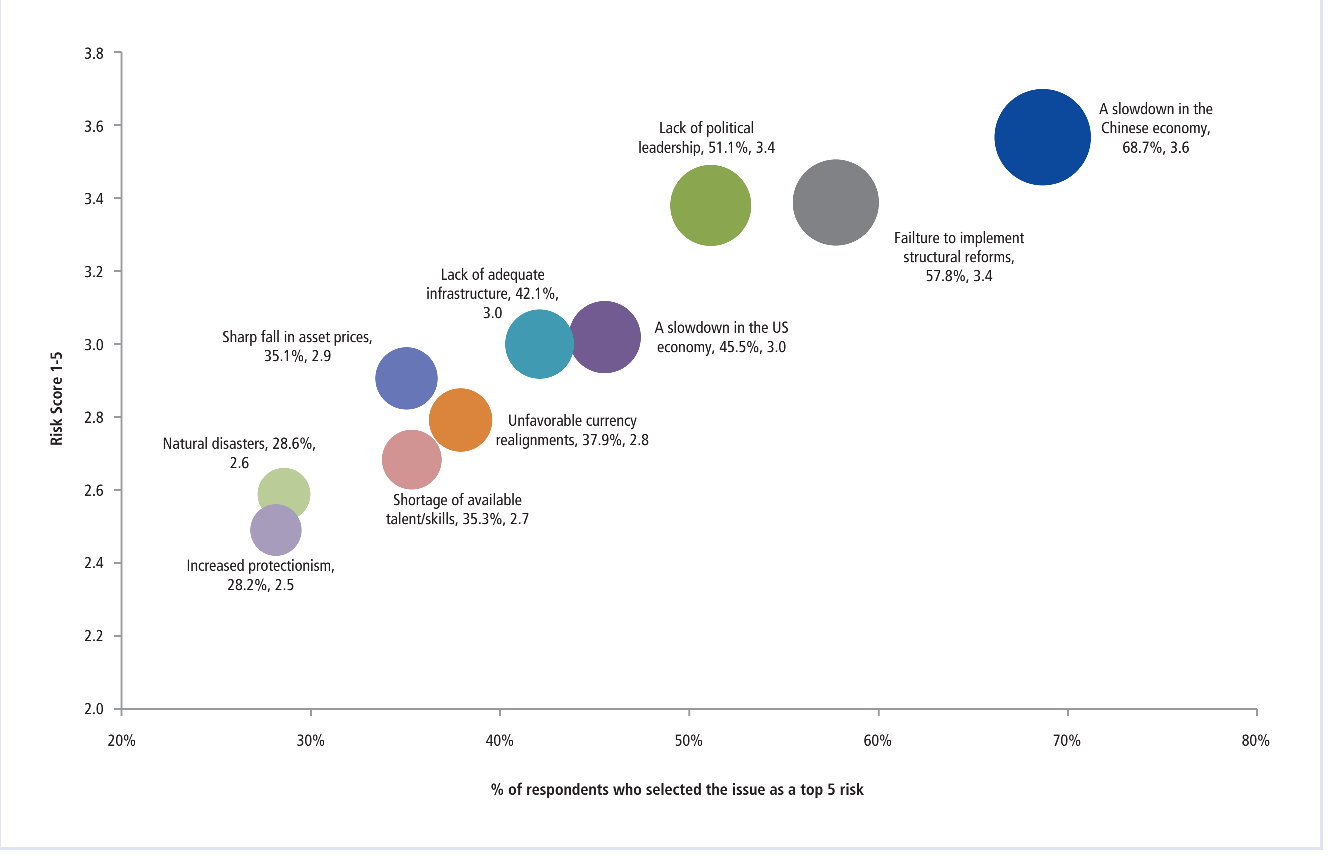
Source: Survey on the State of the Region 2015 (PECC)
Question: What are your expectations for economic growth over the next 12 months compared to the last year for the following economies/ regions?

RISKS TO GROWTH

The top three risks to growth in the region are the same as in 2015: a slowdown in the Chinese economy; a failure to implement structural reforms; and a lack of political leadership. A failure to implement structural reforms has moved from being the third highest risk to growth to now being the second highest risk.

One problem with risks is that they come with two central dimensions – the likelihood of the risk and the seriousness of the risk. Figure 2.8 below shows the percentage of the respondents that selected the risk as a proxy for the probability or likelihood of the event happening and the seriousness that respondents assigned to the risk. For example 'a slowdown in the Chinese economy' was chosen as a top 5 risk by 69 percent of respondents who rated it as 3.6 on a scale of 1-5 while 'failure to implement structural reforms was selected by 58 percent of respondents who rated it as a 3.4.

Figure 2.8: Risks to Growth

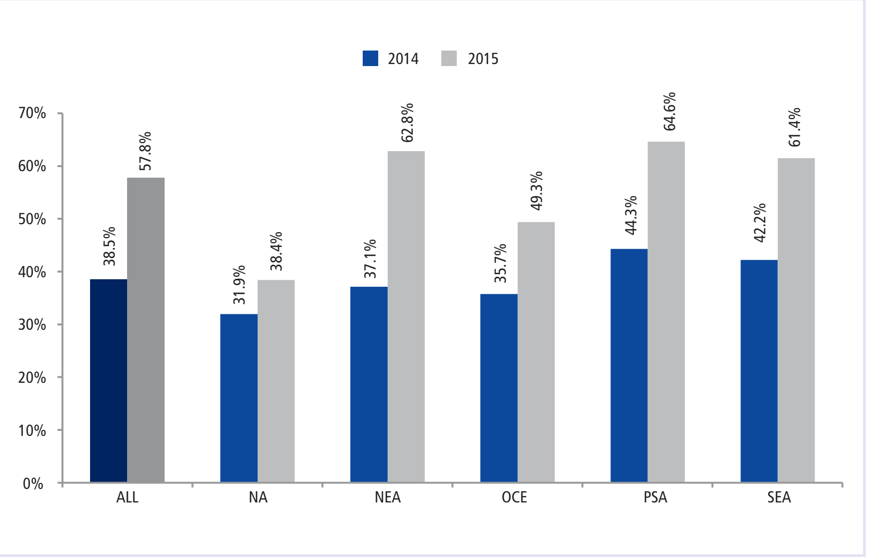


Source: Survey on the State of the Region 2015 (PECC)
Question: Please select the top five risks to growth for your economy over the next 2-3 years.

FAILURE TO IMPLEMENT STRUCTURAL REFORMS

The failure to implement structural reforms was the second highest risk to growth. There were some sub-regional differences, for example it was the top risk for Southeast Asia with 61 percent of respondents selecting it as a top 5 risk to growth compared to 38 percent of North American respondents. Importantly, compared to last year's survey results, a significantly higher percentage of respondent have selected it as a risk to growth, overall almost 20 percent more than in 2014 as seen in Figure 2.9. This places a high priority on the importance of structural reform agenda that APEC has been reviewing this year.

Figure 2.9: Sub-Regional Views on Failure to Implement Structural Reforms as Risk to Growth

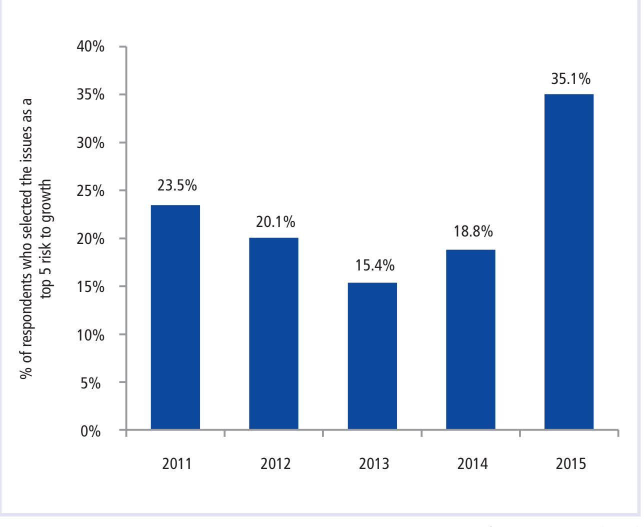


Source: Survey on the State of the Region 2015 (PECC)
Question: Please select the top five risks to growth for your economy over the next 2-3 years.

Two other risks stand out, not for the ranking in the list but because of the increase in the number of respondents selecting them as risks compared to 2014: a sharp fall in asset prices and the shortage of available talent and skills. As shown in Figure 2.10, 35 percent of respondents selected a sharp fall in asset prices as a top 5 risk to growth. This issue has been on the list of risks for 5 years and increased significantly from 19 percent last year; this should not be surprising given the volatility seen in market in recent months.

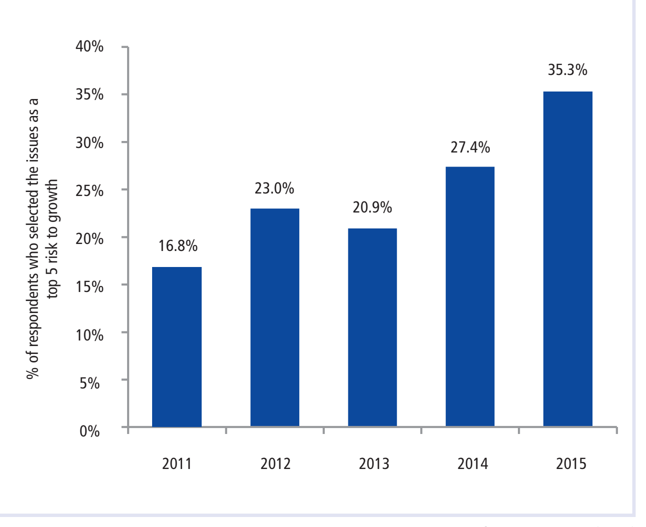
The number of respondents selecting a shortage of talent/skills as a risk to growth also increased sharply from 2014 to 2015, from 27 percent of respondents to 35 percent in this year's survey. As discussed in Chapter 1, an inflection point in the region's demographics has been reached with the working age population as a percentage of the total population reaching a peak in about 2012. The extent to which the problem is one of the skills available or total number of people available to fill positions needs further investigation.

Figure 2.10: A Sharp Fall in Asset Prices as a Risk to Growth 2011-2015



Source: Survey on the State of the Region 2015 (PECC)
Question: Please select the top five risks to growth for your economy over the next 2-3 years.

Figure 2.11: Shortage of Available Talent as a Risk to Growth 2011-2015



Source: Survey on the State of the Region 2015 (PECC)
Question: Please select the top five risks to growth for your economy over the next 2-3 years.

ARE WE PREPARED FOR MARKET VOLATILITY?

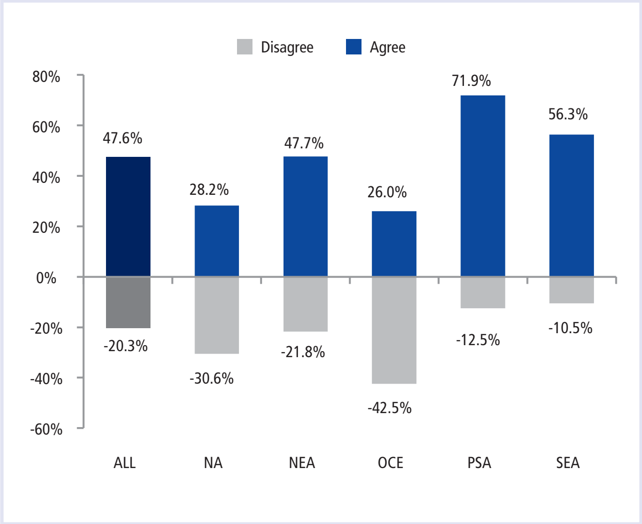
Given the volatility seen in markets around the region over the past few months it should be no surprise that a sharp fall in asset prices is perceived as a high risk to growth. Given the increased probability of a rise in US interest rates in the near future, the question is whether economies in the region have made sufficient preparations for the changes in global liquidity flows that this would entail.

Close to half of all respondents agreed that rising US interest rates were 'a risk for my economy' as shown in Figure 2.12 and 56 percent of respondents agreed that market and exchange rate volatility should be an urgent issue for APEC cooperation as shown in Figure 2.13. One thing worth bearing in mind, however, is that exchange rate adjustments ranked very lowly in the priorities for APEC Leaders' discussions. One explanation for this seeming incongruence is that while the broad policy community might consider exchange rates an important issue for APEC to address, it is not necessarily something Leaders need to address – perhaps something that the APEC Finance Ministers could address as they did when they met in Cebu in September. Their joint statement gave a clear view on current volatility: "*Disruptions in the financial markets and raising long-term potential growth are key challenges. We maintain our commitment to strengthen economic growth and promote financial stability in the APEC region… We reaffirm our previous commitments on monetary and exchange rate policies. We will refrain from competitive devaluation and resist all forms of protectionism.*"

As shown in Figure 2.12, rising US interest rates was seen as a much higher risk for economies in Pacific South America and Southeast Asia with 72 and 56 percent of respondents from those sub-regions respectively agreeing with the statement 'rising interest rates in the US are key risk for my economy.' Similarly respondents from Pacific South America and Southeast Asia placed a much higher level of agreement on APEC addressing market and exchange rate volatility as shown in Figure 2.13.

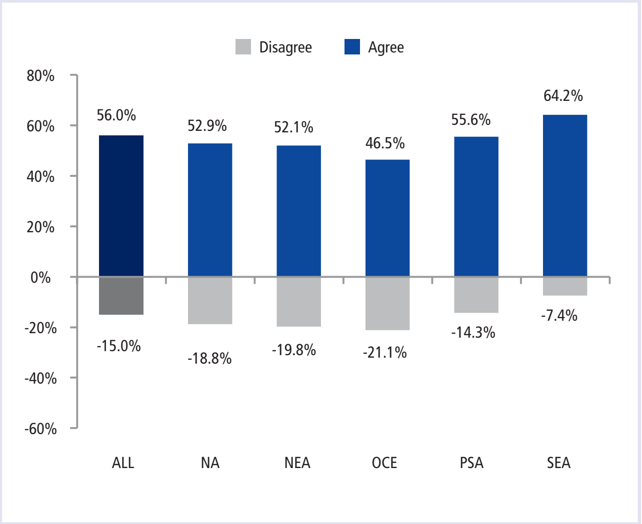
There was general agreement that economies in the region had sufficient macroprudential policies in place to cope with the volatility seen in capital markets as seen in Figure 2.14[16]. However, views on international safety mechanisms such as the Chiang Mai initiative and the IMF were much more negative as seen in Figure 2.15. In spite of the progress made with regional initiatives such as the Chiang Mai Initiative and reforms to the IMF, there remains skepticism in the region on the role they could play in the event of outflows of capital from the region. This places a high amount of burden on macroprudential and other policy tools available to policy makers – including the accumulation of large quantities of foreign reserves – no matter how 'wasteful' they may be.

Figure 2.12: Rising interest rates in the US are a key risk for my economy



Source: Survey on the State of the Region 2015 (PECC)
Question: Now turning to the recent volatility in financial markets, please indicate your level of agreement with the following statements.

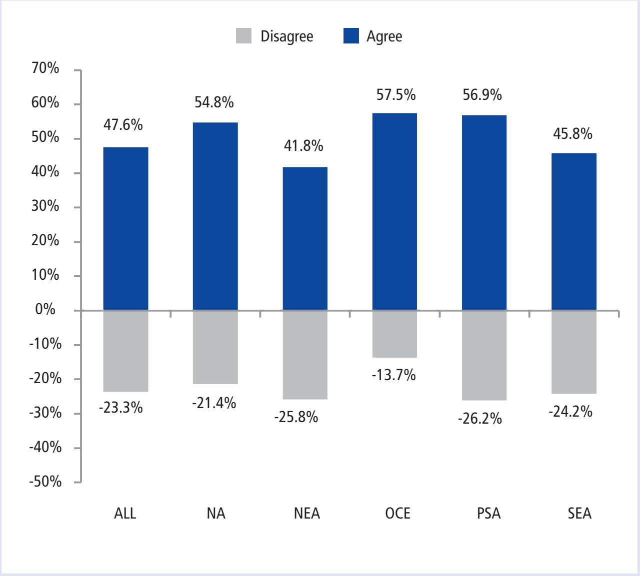
Figure 2.13: Market and exchange rate volatility is an urgent issue for APEC cooperation



Source: Survey on the State of the Region 2015 (PECC)
Question: Now turning to the recent volatility in financial markets, please indicate your level of agreement with the following statements.

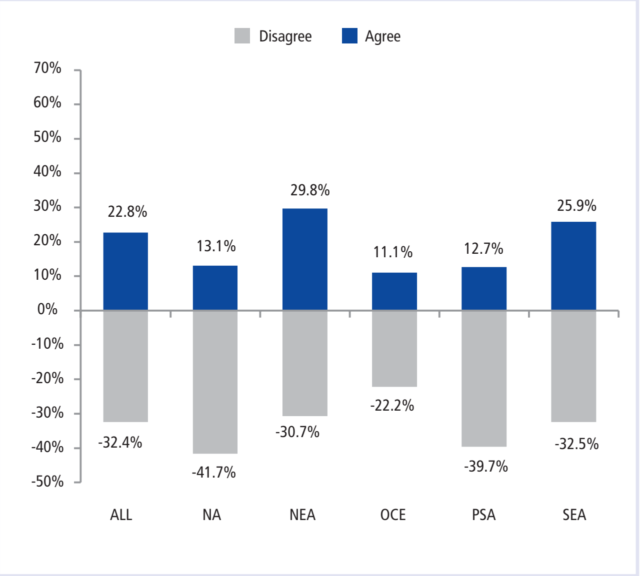
[16] The IMF defines macroprudential policy as the use of prudential tools to limit systemic risk, these tools include caps on loan-to-value, countercyclical capital requirement; limits on leverage; and levies on non-core liabilities among others.

Figure 2.14: Macroprudential policies in my economy are sufficiently robust to cope with volatility in capital markets



Source: Survey on the State of the Region 2015 (PECC)
Question: Now turning to the recent volatility in financial markets, please indicate your level of agreement with the following statements.

Figure 2.15: Safety mechanisms including the Chiang Mai Initiative and IMF are sufficient to deal with possible destabilizing outflows of capital from some economies in the region

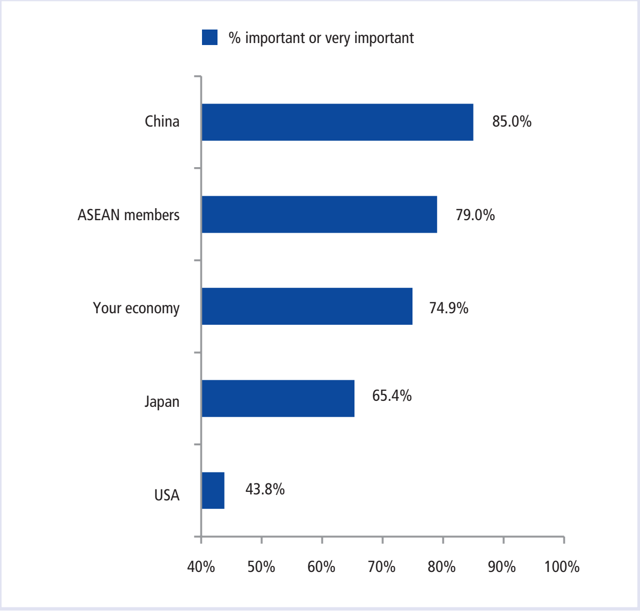


Source: Survey on the State of the Region 2015 (PECC)
Question: Now turning to the recent volatility in financial markets, please indicate your level of agreement with the following statements.

PRIORITIES FOR STRUCTURAL REFORMS IN THE ASIA-PACIFIC

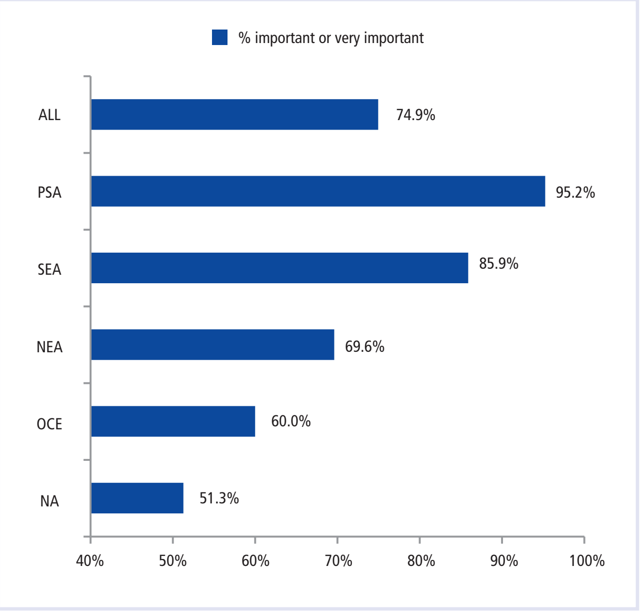
In such a diverse region the prescriptions on where and what structural reforms need to be implemented is critical. As shown in Figure 2.16 a high emphasis was placed on China, ASEAN members, and then respondents' own economies with reforms in the US coming last in the list. This is not to say that respondents thought that structural reforms in the US were unimportant, far from it, 44 percent of respondents did think they were important or very important.

Figure 2.16: Economies where structural reforms are most important



Source: Survey on the State of the Region 2015 (PECC)
Question: How important do you think the structural reform agenda is to growth for the following economies?

Figure 2.17: Importance of structural reforms for 'own economy' – by sub-region



Source: Survey on the State of the Region 2015 (PECC)
Question: How important do you think the following areas of structural reform are for the future growth of your economy?

Respondents were also asked to rate the importance of structural reforms for their own economies. As shown in Figure 2.17 respondents from Pacific South America and then Southeast Asia gave a higher level of importance to structural reforms for their own economies compared to their counterparts in more developed sub-regions such as Oceania and North America.

As shown in Figure 2.18 the most important areas for structural reform in the region were: innovation and entrepreneurship, education and labor; infrastructure; regulation and financial sector policies.

The question posed was: "How important do you think the following areas of structural reform are for the future growth of your economy?" As a general comment, respondents from emerging economies placed a much higher importance to structural reform across the board.

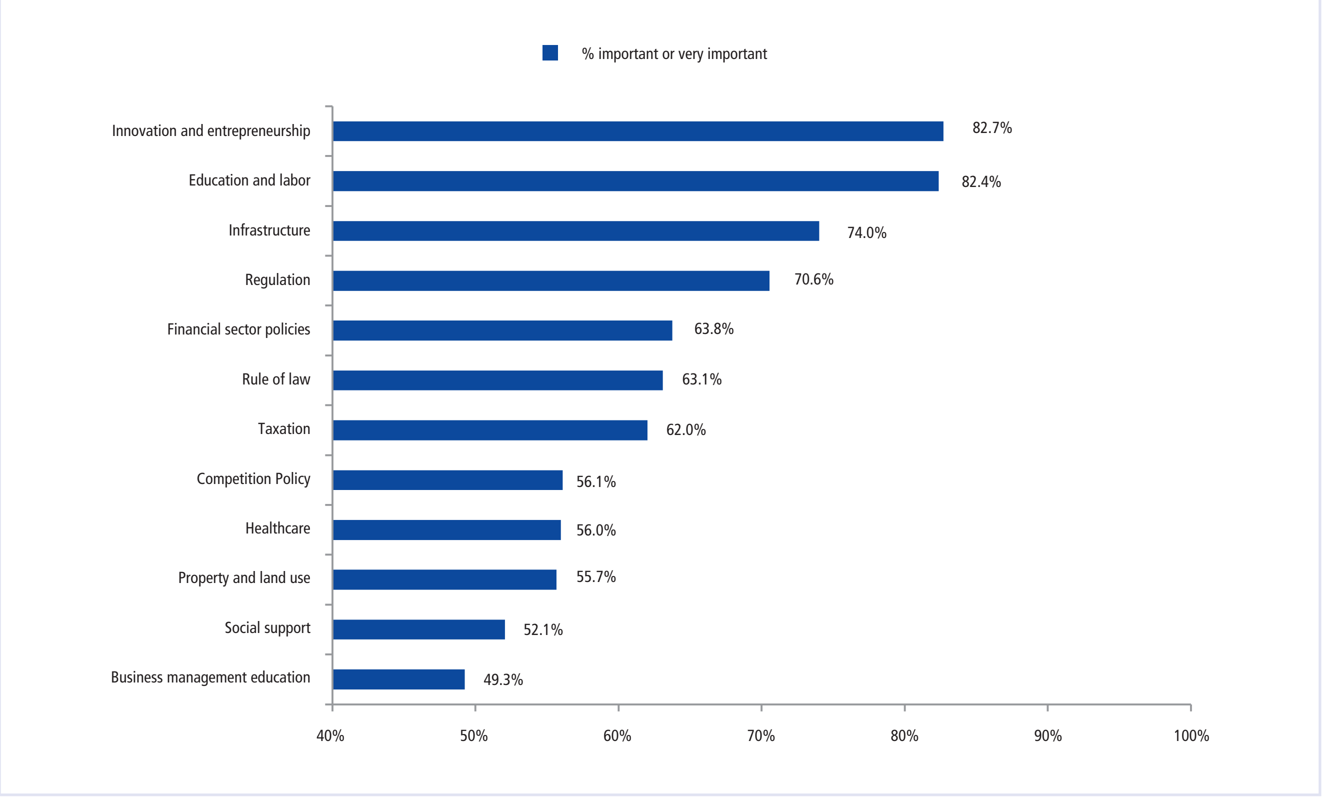
There were high levels of convergence among respondents on the importance of structural reforms in innovation and entrepreneurship as well as education and labor with a minimum of 70 percent of respondents from sub-regions rating them as important or very important.

However, there were some sharp differences among respondents on what elements of structural reform were most important for growth for their economies. The issues with the largest divergence in views were: the rule of law; competition policy; property and land use; business management education; and social support.

For example, as shown in Figure 2.19, respondents from North America and Oceania gave relatively less importance to the rule of law to the future growth of their economies, whereas those from Southeast Asia, Pacific South America and Northeast Asia gave it a much higher priority. A similar pattern was evident for all the issues on which there were significant divergences in views with those from sub-regions with predominantly advanced economies giving lower levels of importance to issues compared to those from emerging economies.

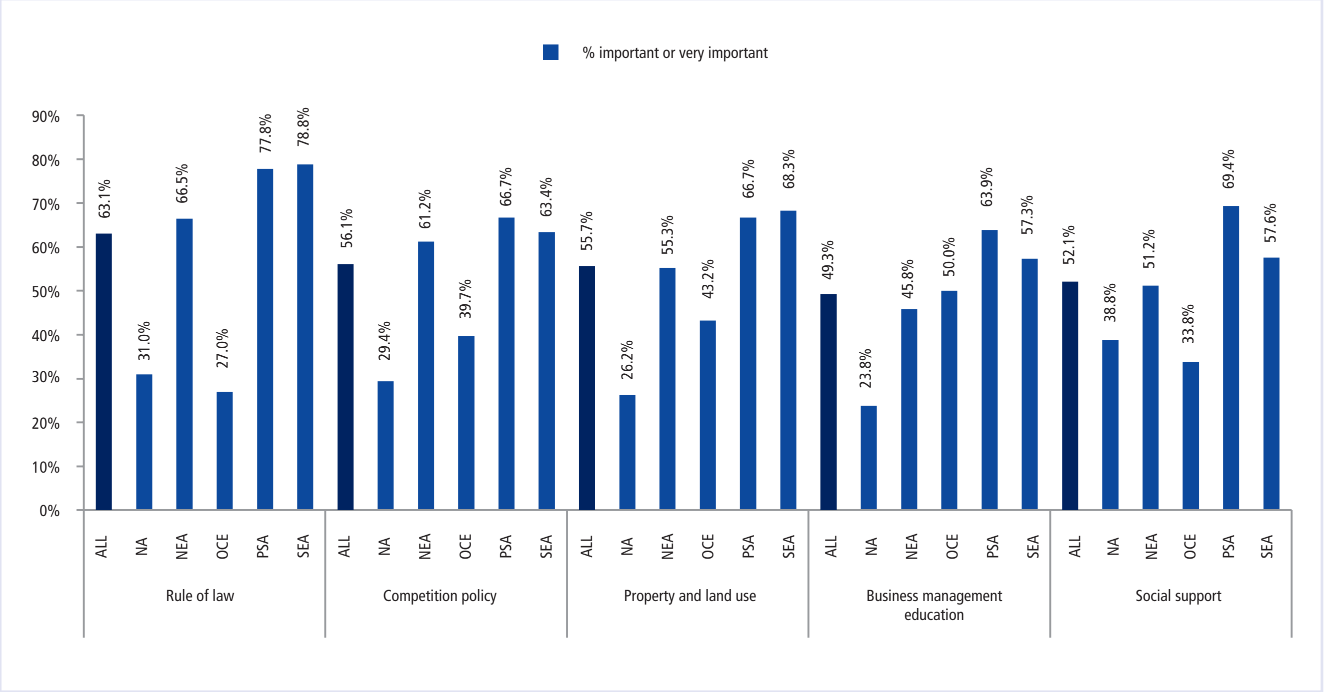
Given these differences, APEC's traditional approach of concerted unilateralism lends itself well to the structural reform agenda – allowing economies to focus on those issues they consider to be of vital importance to promoting inclusive growth for their economies. However, issues on which a common set of goals could be established would be those issues on which there was a shared sense of priority: innovation and entrepreneurship; education and labor; infrastructure and regulation.

Figure 2.18: Priority Issues for Structural Reform



Source: Survey on the State of the Region 2015 (PECC)
Question. How important do you think the following areas of structural reform are for the future growth of your economy?

Figure 2.19: Differences of Views on Priorities for Structural Reform

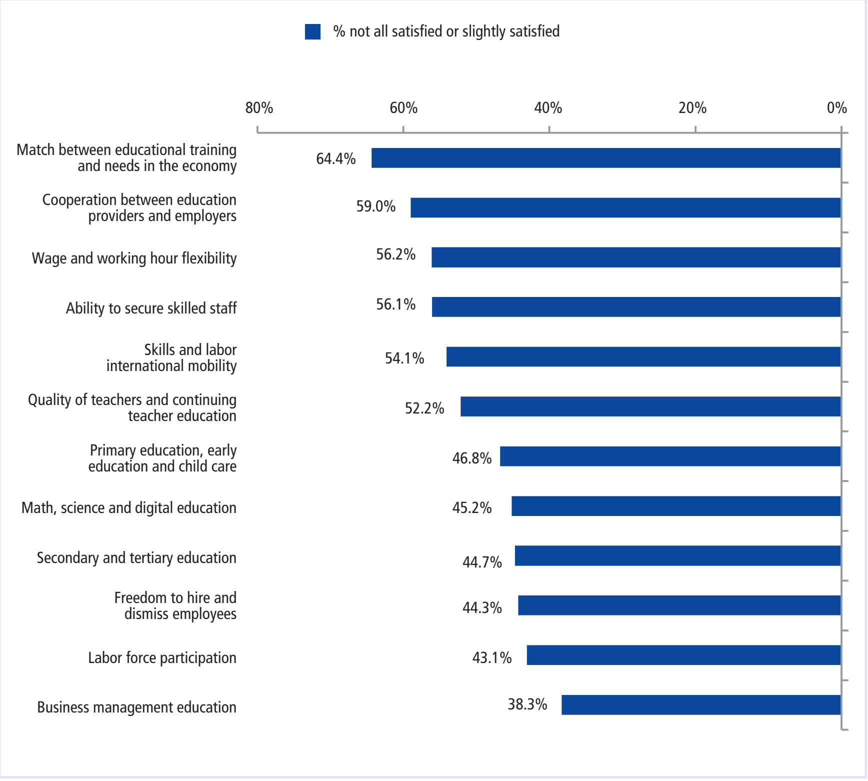


Source: Survey on the State of the Region 2015 (PECC)
Question: How important do you think the following areas of structural reform are for the future growth of your economy?

LABOR AND EDUCATION

As shown in Figure 2.20, structural reforms in education and labor were given high levels of importance. The question is what should policy-makers focus on? Respondents to the survey were least satisfied with: the match between educational training and needs in the economy, followed by cooperation between education providers and employers, wage and working hour flexibility, the ability to secure skilled staff, and skills and labor international mobility.

Figure 2.20: Satisfaction with Education and Labor in the Asia-Pacific



Source: Survey on the State of the Region 2015 (PECC)
Question: More specifically on labor and education issues, how satisfied are you with the following in your economy?

There was a fairly high level of convergence on views on the top 5 issues on labor and education among sub-regions as well as sectors. As with the broad categories of structural reform, respondents from emerging economies tended to have much lower levels of satisfaction on labor and education issues compared to those from advanced economies. The issues on which levels of satisfaction diverged the most were: math, science and digital education; quality of teachers and continuing teacher education; and secondary and tertiary education.

On math, science, and digital education, the lowest levels of satisfaction were in both Pacific South America and North America with 90 and 64 percent of respondents respectively saying that there were 'not at all satisfied or slightly satisfied' with their provision in their economies. This compares to only 22 percent of Northeast Asian's who were similarly dissatisfied. In general, these findings echo assessments of performance undertaken by the OECD through the Programme for International Student Assessments (PISA) which found on average higher levels of competency in math and science in participating Northeast Asian economies than those from North America. A similar pattern was seen in levels of satisfaction with quality of teachers and continuing education. Conversely, levels of satisfaction with secondary and tertiary education tended to be higher for respondents from North America and Oceania compared to Pacific South America and Southeast Asia.

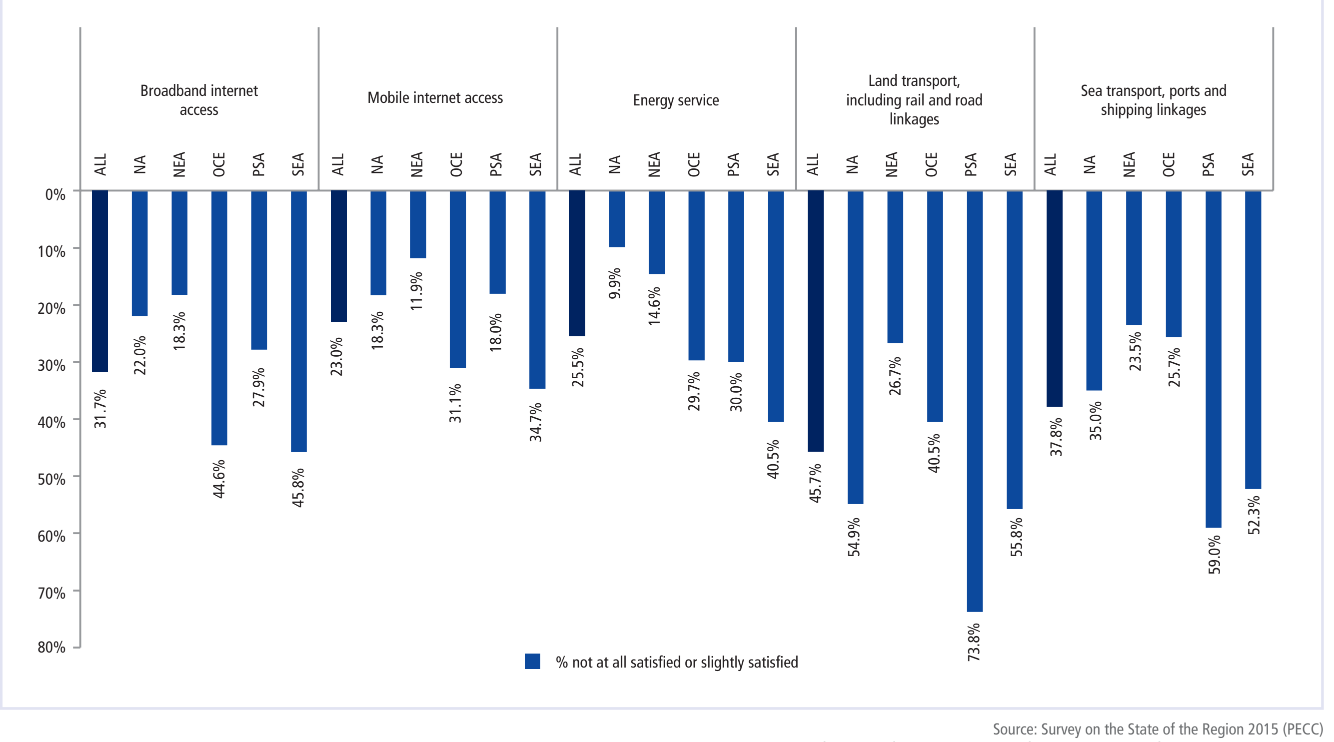
However, there were a high degrees of convergence in views from both emerging and advanced economies on their levels of dissatisfaction with 'educational training and the needs and the economy' and 'cooperation between education providers and employers' – in other words there is, at the very least, a perception of a mismatch between the education system and the labor market (see Chapter 1 for a discussion on the importance of labor and education reforms in the region).

SATISFACTION WITH THE PROVISION OF INFRASTRUCTURE

As shown in Figure 2.18 earlier, infrastructure was ranked third highest as a priority for structural reform. To identify priorities, respondents were asked to express their levels of satisfaction with different types of infrastructure in their economy. As with the results on labor and education, there were also sharp differences on the level of satisfaction with different types of infrastructure depending on the sub-region.

Figure 2.21 shows the percentage of respondents by sub-region who said that they were 'not all satisfied or only slightly satisfied' with the various types of infrastructure. Not shown are views on air transport. Across the region there was a common level of dissatisfaction with land transport including rail and road linkages with the exception of respondents from Oceania who had the highest levels of dissatisfaction with the provisions of broadband internet access. Southeast Asians were least satisfied with land transport followed by sea transport and then broadband internet access.

Figure 2.21: Levels of Satisfaction with Infrastructure: By sub-region



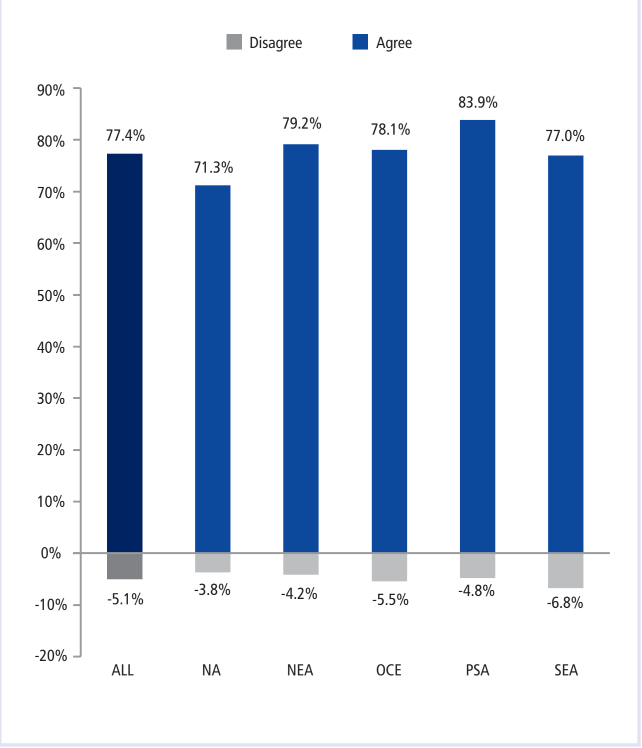
Source: Survey on the State of the Region 2015 (PECC)
Question: More specifically on infrastructure, how satisfied are you with the following in your economy?

MAKING PROGRESS ON REGIONAL ECONOMIC INTEGRATION

As earlier discussed, a Free Trade Area of the Asia-Pacific has consistently been a top priority for APEC. As shown in Figure 2.22, there was very strong support across all sub-regions for the proposition that APEC should focus its work on trade policy on the achievement of the FTAAP.

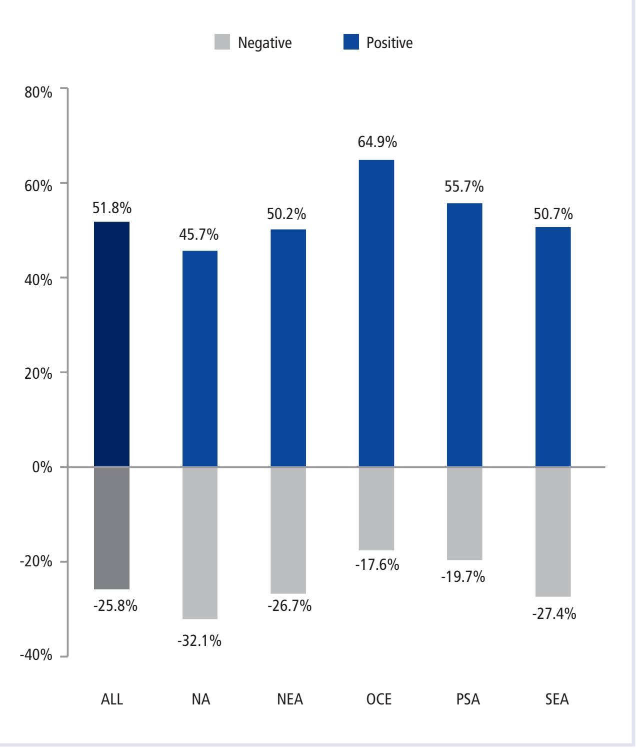
However, a key question that has been raised is whether there is the political environment exists for such a large undertaking? As seen in the reaction to the Trans-Pacific Partnership, there are vocal groups who do not believe – rightly or wrongly- that joining such an agreement is in their economy's best interest. That said, as shown in Figure 2.23, some 52 percent of respondents believe that the political environment for free trade will be positive over the next 5 years, while 26 percent believe it will be negative with the balance neutral on the issue. Importantly, however, the number is much less when looking at North America with 32 percent were negative, much more so that respondents from other sub-regions.

Figure 2.22: Should APEC focus its work on trade policy to achieving an FTAAP?



Source: Survey on the State of the Region 2015 (PECC)
Question: APEC should focus its work on trade policy to achieving a Free Trade Area of the Asia-Pacific.

Figure 2.23: Views on the Political Environment for Freer Trade



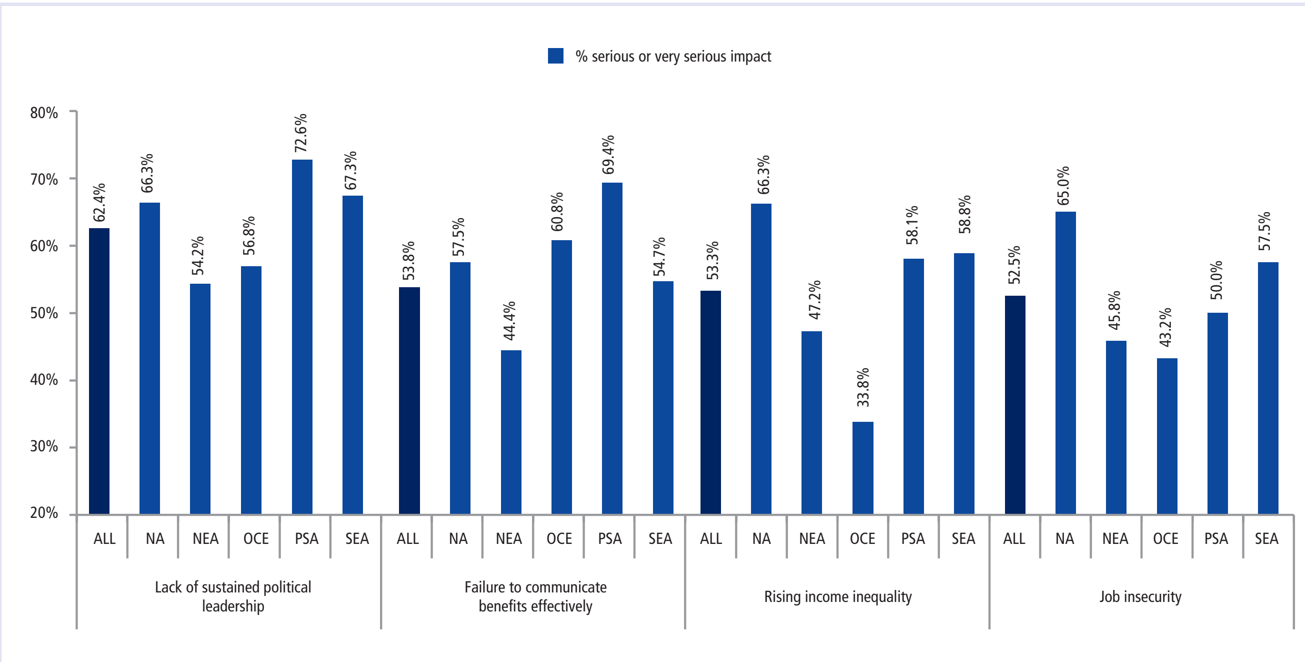
Source: Survey on the State of the Region 2015 (PECC)
Question: How do you assess the political environment for freer trade in the coming five years?
Please select the box that best fits your assessment.

FACTORS AFFECTING ATTITUDES TOWARDS FREER TRADE

To better understand possible reasons behind a lack of support for freer trade respondents were also asked to rate four factors that might influence opinions. As seen in Figure 2.24, the most important factor was a lack of sustained political leadership with 62 percent of respondents rating as a serious or very serious impact on attitudes towards trade.

As shown below, respondents from North America had the most lukewarm assessment of attitudes towards freer trade; this carried into their views on the factors affecting attitudes towards freer trade with their ratings higher across the board for all of the options presented. For North Americans, rising income inequality and job security were seen as influencing opinions towards trade as much as the lack of sustained political leadership.

Figure 2.24: Sub-Regional Views on Factors Affecting Attitudes to Freer Trade



Source: Survey on the State of the Region 2015 (PECC)
Question: Please rate each of the following from 1 to 5 on the impact they have on attitudes towards freer trade in your economy.

PERSPECTIVES ON ASIA-PACIFIC REGIONAL COOPERATION

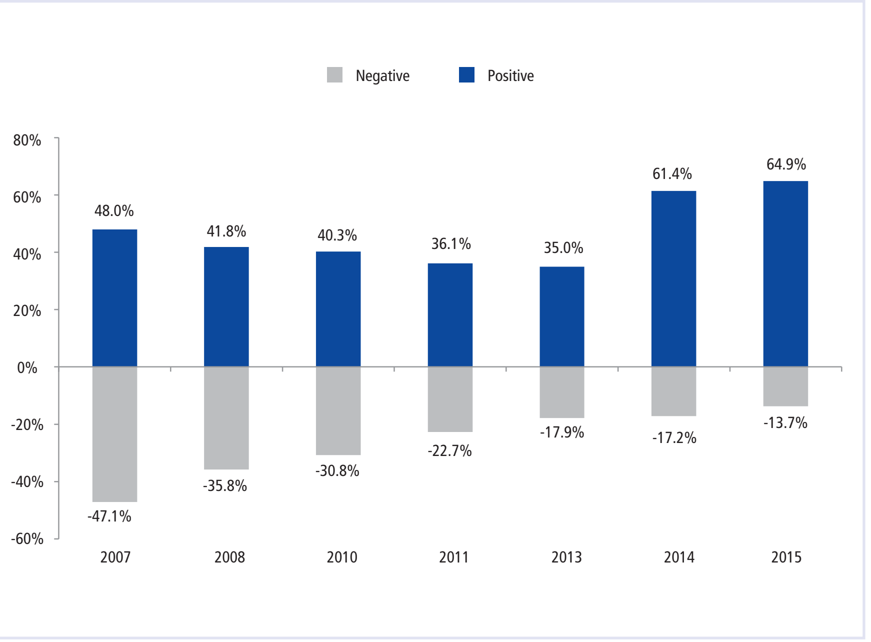
Since PECC began undertaking a survey of the regional policy community, one question that has been asked over the years is on perceptions of APEC's importance. In 2007, the second annual State of the Region survey, views on APEC were ambivalent with 48 percent having a positive view and 47 percent a negative view. From 2007 to 2013, respondents with a negative perception of APEC dropped from the high of almost half of all respondents to under a fifth at 17 percent. However at the same time, those with positive views also dropped albeit at a slower rate which gave a slightly higher 'approval' to APEC but it was less than an outstanding endorsement. In 2014, there was a sharp break in the trend with positive views on APEC jumping to 61 percent and negative views again dropping to 14 percent.

In the absence of other questions to explain the shift in views it is difficult, if not impossible, to know the reasons for the changing attitudes towards APEC. The shift in views took place in 2014 after Indonesia's hosting of APEC and in the middle of China's host year. When attitudes towards APEC were waning some had felt that the reason for a declining view on APEC was the emergence of new architectures for regional and international cooperation such as the East Asia Summit and then the elevation of the G20 to a summit level process. Previous surveys undertaken by PECC did not corroborate that view although the evidence was somewhat equivocal. In the 2010 survey, 40 percent of respondents disagreed when asked if they thought that an expanded East Asia Summit which included the US and Russia was a threat to APEC's relevance – although a substantial 31 percent did agree. On whether the

G20 was a threat to APEC, 60 percent disagreed with the proposition and only 16 percent agreed.

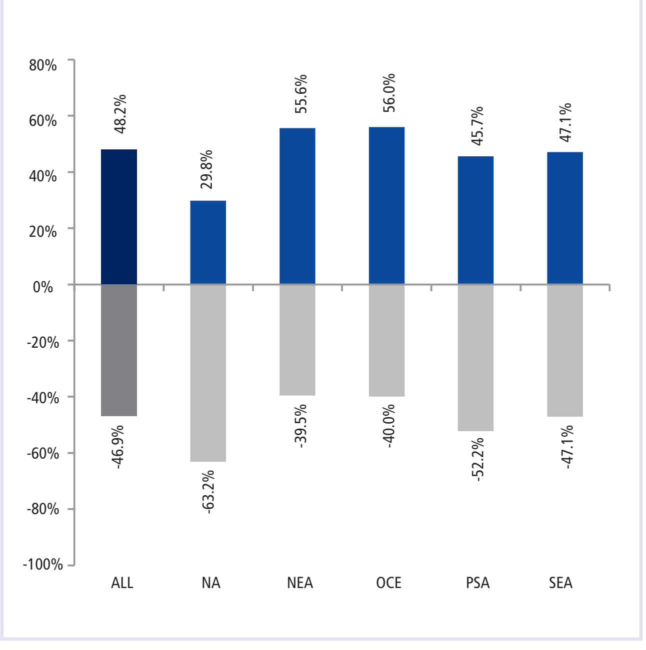
Looking at changing attitudes towards APEC at the sub-regional level provides some detail on where the shifts in perception are taking place. As seen in Figure 2.26 respondents from both North America and Pacific South America had, on balance, a negative perception on the importance of APEC with 63 and 52 percent of respondents from those sub-regions having a negative view and 30 and 46 percent a positive view respectively.

Figure 2.25: Views on APEC 2007-2015



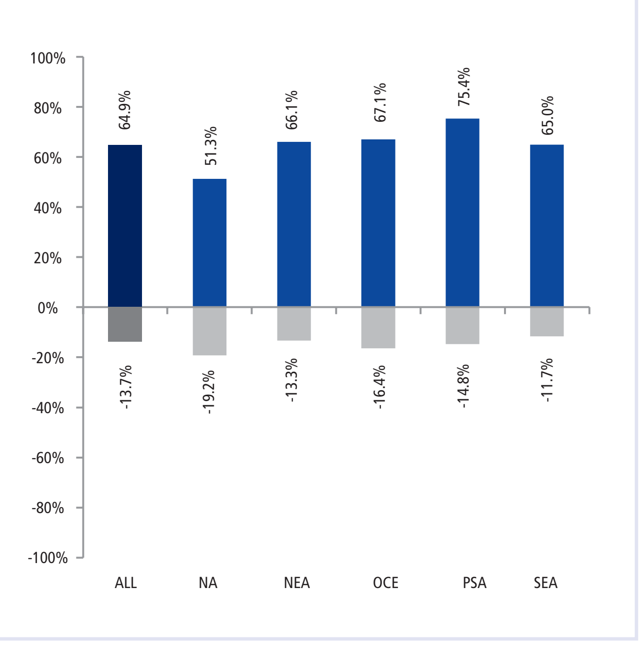
Source: Survey on the State of the Region, various years (PECC)
Question:
Please indicate your opinion regarding the following statements: 'APEC is as important today as it was in 1989' (2007, 2008, 2010)
How effective do you think each of the following institutions has been in achieving its objectives? (2011, 2013)
Please indicate your agreement or disagreement with the following statement: 'APEC is as important or more important today compared to 1989 when it was created' (2014,2015)

Figure 2.26: Views on APEC 2007



Source: Survey on the State of the Region 2007 (PECC)
Question: Please indicate your opinion regarding the following statements: 'APEC is as important today as it was in 1989.'

Figure 2.27: Views on APEC 2015

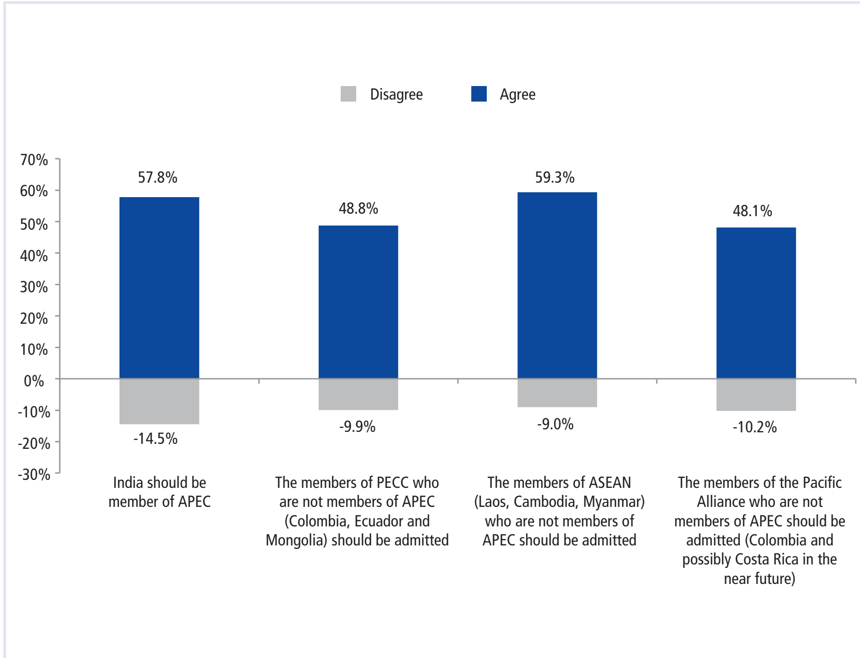


Source: Survey on the State of the Region 2015 (PECC)
Question: Please indicate your agreement or disagreement with the following statement: 'APEC is as important or more important today compared to 1989 when it was created.'

Over the past eight years, the biggest shift in attitudes towards APEC has been from respondents from Pacific South America with a change of 67 percent closely followed by North Americans at 65 percent. Importantly for the region, there has also been a very positive shift in views from Southeast Asians who were ambivalent towards APEC in 2007 to a 53 percent net positive rating.

Another positive sign on the continued importance of APEC is the interest shown by potential new members. APEC has not admitted a new member since it put in place a 10-year moratorium on membership in 1997. In 2007 that moratorium was extended to 2010 when APEC Leaders stated, 'Keeping in mind the benefits of APEC membership as well as the need for efficiency to achieve results, we will continue to review the question of APEC new membership going forward.' In other words, the moratorium is no longer in place but expanding the membership needed to be balanced against the question of efficiency.

Figure 2.28: Views on Expanding APEC's Membership



Source: Survey on the State of the Region 2015 (PECC)
Question: Please indicate your agreement or disagreement with the following statements:

As shown in Figure 2.28, there was the broadest support for admitting the members of ASEAN who had not yet joined APEC – Cambodia, Laos, and Myanmar, then India and then the non-APEC members of PECC and lastly members of the Pacific Alliance. These numbers, however, need to be seen in the right context, when respondents were asked about priorities for APEC Leaders' discussions, the expansion of APEC membership ranked only 14th with some 18 percent of respondents selecting it as a top 5 priority.

A RENEWED FOCUS ON QUALITY GROWTH

As seen from the results of the survey, there is an urgent need for the region to focus on achieving growth – growth that is not only strong but sustainable and inclusive. APEC's work since 2010 through the growth strategy, and subsequent years, has helped to give the organization a renewed sense of purpose in the middle of its third decade of existence. At the mid-point in between the deadlines for the achievement of the Bogor Goals for industrialized APEC economies by 2010, and for developing economies by 2020, it is clear that new, innovative approaches are needed to allow economies to effectively reap the benefits of regional economic integration. While there have no doubt been successes, barriers to services in particular – not just cross-border trade in services but barriers to the efficient delivery of services – are a crucial concern. As indicated throughout the survey findings, levels of satisfaction with services in the region are low – whether in electricity, transport, healthcare or education, to mention just a few.

Earlier survey results that indicated a waning of support for APEC have since been replaced by a strong endorsement for its continued relevance in a region where multilateral initiatives have been proliferating. Keeping that relevance will be a challenge as APEC moves on to try to achieve some difficult but critical initiatives. But as argued above, its traditional approach of concerted unilateral cooperation is well-suited to dealing with such issues in a region characterized by diversity. While the results show important differences in views among sub-regions of the Asia-Pacific, they also show some remarkable convergence around key issues affirming the widespread support for the agenda that the APEC process is focusing on.

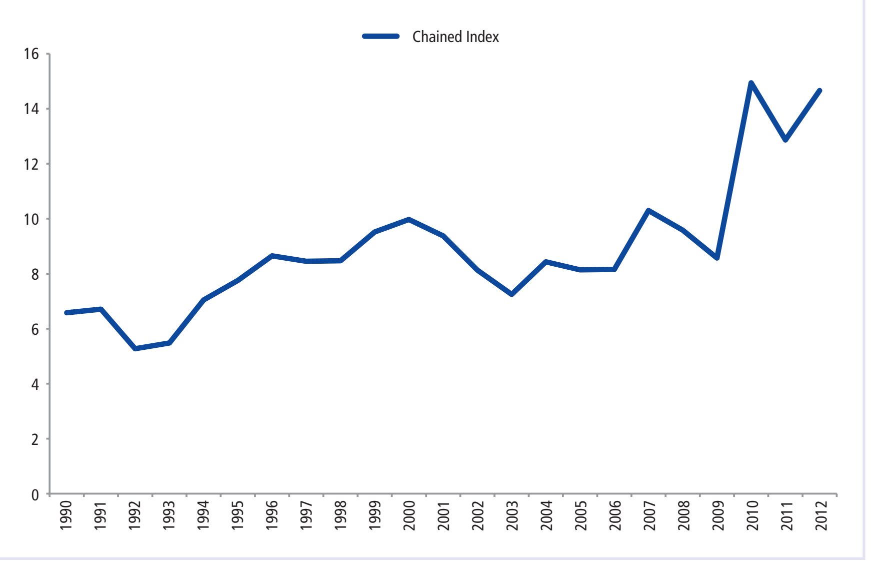
CHAPTER
03

CHAPTER 3: MEASURING ECONOMIC INTEGRATION IN THE ASIA-PACIFIC REGION*

CONTRIBUTED BY DR. BO CHEN+

The economic integration of the Asia-Pacific region has been one of the defining characteristics of the past quarter of a century supported by technological change and policy changes such as the liberalization and facilitation of the flows of goods, services, capital and people. PECC's index of economic integration attempts to measure the extent to which the process is deepening.

Figure 3.1: Composite Index of Economic Integration



While some might consider the integration and globalization processes as inevitable, one startling result of the Global Economic Crisis was the onset of 'dis-integration' with trade and investment flows dropping at a much faster rate than overall economic activity. Indeed, many had feared that the response to the crisis would be similar to that of the Great Depression with economies adopting protectionist policies in an attempt to 'protect' domestic industries at a time of poor growth. However, a concerted effort by organizations especially APEC and the G20 led to pledges to avoid all forms of protectionist measures avoiding the types of tit-for-tat raising of barriers to trade that characterized the global economy in the 1930s.

The result of that concerted action is seen in the changes in the index of integration since the crisis with integration rebounding quickly from the drop between 2009-2009 to new highs this year. However, the crisis years serve as a warning that integration is not inevitable and can be reversed placing a high priority on actions to maintain momentum in the policy reforms to continue the integration process.

The index measures the degree of integration taking place in the Asia-Pacific region based on intra-regional flows of: goods; investment; and tourists and five measures of convergence: GDP per capita; share of non-agriculture to GDP; the urban resident ratio; life expectancy; and share of education expenditure in GNI.

The index was developed in 2008 as a tool to measure the degree of integration taking place in the Asia-Pacific. Regional economic integration has become a core objective of the Asia Pacific Economic Cooperation (APEC) forum. The process of economic integration is commonly defined as the freer movement of goods, services, labor, and capital across borders.

The degree of economic integration can be analyzed at bilateral, regional, and global levels. Even though the Asia-Pacific region is not covered by a single trading agreement, there is much anecdotal evidence to suggest that it is becoming more integrated. As defined by APEC membership, the region consists of not only developed economies such as the US, Japan, Canada, and Australia, but also emerging markets such as the ASEAN economies. It is well known that parts of the region are already highly integrated through

* For approach details, data sources and treatment, please refer to Bo Chen and Yuen Pau Woo (2010), "Measuring Economic Integration in the Asia-Pacific Region: A Principal Components Approach," *Asian Economic Papers*, Vol.9(2), pp. 121-143.

+ Shanghai University of Finance and Economics and Asia Pacific Foundation of Canada. 100 Wudong Rd., Yangpu District, Shanghai, China, 200433. Email: chen.bo@mail.shufe.edu.cn

production networks that facilitate trade of intermediate and finished goods across borders. Since 1998, many economies in the region have negotiated bilateral and sub-regional free trade agreements with partners in the region as well as outside the region. APEC Leaders have also endorsed a proposal to investigate the idea of a Free Trade Agreement of the Asia Pacific (FTAAP), which if successful, would constitute the largest regional trading bloc in the world.

An important feature of the index is that it excludes trade and investment flows among geographically contiguous sub-regional trading partners, namely NAFTA, the ASEAN Free Trade Area, and Australia-New Zealand Closer Economic Relations. It also excludes flows between China, Hong Kong (China), and Chinese Taipei. This is to control for the effect that sub-regional flows may have on the index, whereby a very high degree of integration among, for example, NAFTA economies could result in a falsely high measure of integration with the Asia-Pacific region as a whole.

Furthermore, since the trade, investment, and tourism measures are calculated relative to global transactions, the index will rise for a given economy only if that economy's share of trade/investment is growing relative to total trade and investment.

The weights given to each dimension are determined using principal component analysis.[17]

Table 1: Weights Used

Composite Index

Category	Weight
Convergence	38.4%
Trade	35.5%
FDI	5.4%
Tourism	20.6%

Convergence Sub-Index

Category	Weight
GDP per capita	11.7%
Non-agriculture share of GDP	9.8%
Urban ratio	13.0%
Life expectancy	15.4%
Education expenditure share of GNI	50.0%

The convergence measures are premised on the notion that integration will lead to greater uniformity among the economies. Accordingly, more trade and investment among regional partners may not translate into a higher score on the integration index if at the same time the partners are diverging in terms of income, education, life expectancy, urbanization, and economic structure.

Caution should be exercised in the interpretation of these findings. The measures chosen for inclusion in the composite index are imperfect indicators of "convergence" and trade/investment integration. The rankings in turn should not be read normatively as "league tables" in the sense that a higher ranking is superior to a lower ranking. Indeed, a low ranking may simply indicate that an economy is more oriented globally than regionally, as is likely the case for China and the United States.

Nevertheless, the change in index value for a given economy over time can be read as a measure of its changing economic orientation. The index value for the region as a whole can also be seen as a measure of closer economic ties among Asia-Pacific economies and as one indicator of APEC's success.

The 2015 update to the index is based on data from 2012. Missing data were approximated using standard interpolation and extrapolation techniques.

The index has reached its highest level over the twenty year period. After a sharp increase in 2010, the index declined again in 2011 and then resumed the increase trend in 2012. It mainly results from the rebound of trade and tourism. However, the convergence indices kept on declining at a fast pace. The 2012 update to indices by economy shows how the overall convergence process had been suspended since 2011; as a result, 11 out of the 17 included Asia-Pacific economies diverge farther away from the mean level of the Asia-Pacific region in 2012.

Noticeably, Singapore and Hong Kong (China) are still the most integrated economies in the region. Singapore's level of integration increased slightly from 490 to 494 yet Hong Kong's decreased a little from 450 to 425. As the freest business harbors, Hong Kong (China) and Singapore benefit the most from economic integration in trade, investment, and tourism.

The two largest economies in this region, namely the United States and China, are still near the bottom in the ranking. It indicates that they may nevertheless be more integrated with other regional or sub-regional markets.

[17] See Bo Chen and Yuen Pau Woo (2010), "Measuring Economic Integration in the Asia-Pacific Region: A Principal Components Approach," *Asian Economic Papers*, Vol.9 (2), pp. 121-143.

Table 2: Comparison of 2011 and 2012 indices

	Convergence Index		Composite Index		Ranking	
Economy	2011	2012	2011	2012	2011	2012
Australia	-143.6	-62.1	50.1	48.1	7	8
Canada	-19.9	-38.7	21.3	26.0	11	9
Chile	51.0	46.4	23.8	24.0	10	11
China	-52.5	-58.7	3.6	2.1	17	16
Hong Kong, China	-19.9	-20.7	450.4	425.4	2	2
Indonesia	-84.5	-58.2	3.7	1.1	16	17
Japan	-33.6	-29.9	13.2	24.8	12	10
Malaysia	28.6	3.2	62.5	52.1	3	7
Mexico	27.7	27.2	6.5	8.0	15	14
New Zealand	-24.7	-32.3	53.4	54.7	5	6
Philippines	-91.6	-105.5	9.0	4.3	14	15
Korea	74.5	67.1	42.5	63.6	8	3
Singapore	-67.2	-74.4	490.8	494.4	1	1
Chinese Taipei	46.4	19.0	57.6	55.3	4	5
Thailand	-18.3	-16.1	52.0	57.3	6	4
United States	-9.0	-5.3	10.6	13.8	13	13
Vietnam	-88.7	-59.0	28.8	24.0	9	12
Asia-Pacific Region	**-14.9**	**-23.5**	**13.4**	**14.7**		

Source: Authors' calculations and Chen and Woo (2010).

ASIA-PACIFIC TRADE FLOWS

Figure 3.2 shows the share of Asia-Pacific intra-regional imports and exports to regional GDP. After various economic stimulus plans, regional economies showed some recovery in terms of intra-regional trade flows. Over the twenty-year period, intra-regional flows of exports and imports (over GDP) have increased from 14 percent to 15 percent. It should be re-emphasized here that this index discounts flows among sub-regions: the economies of Southeast Asia, North America and those among China, Chinese Taipei and Hong Kong (China).

The share of Asia-Pacific intra-regional merchandise trade recovered from the big hit in 2009 to pre-crisis levels of above 15 percent. However, it is still noted that the recovery is not smooth among included economies. Indonesia, Singapore, China, Hong Kong, Chinese Taipei, Korea, Australia, New Zealand, and Chile all showed slight decrease in the Asia-Pacific share of their total trade. Noticeably, this economies are either highly dependent on China's demand on natural resources or have close ties with China's economy, whose growth has been slowing down since 2012.

Figure 3.2: Intra-Regional Trade Flows

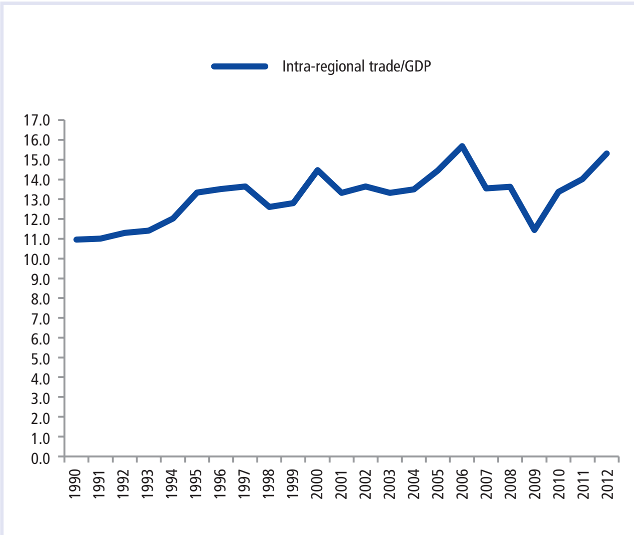
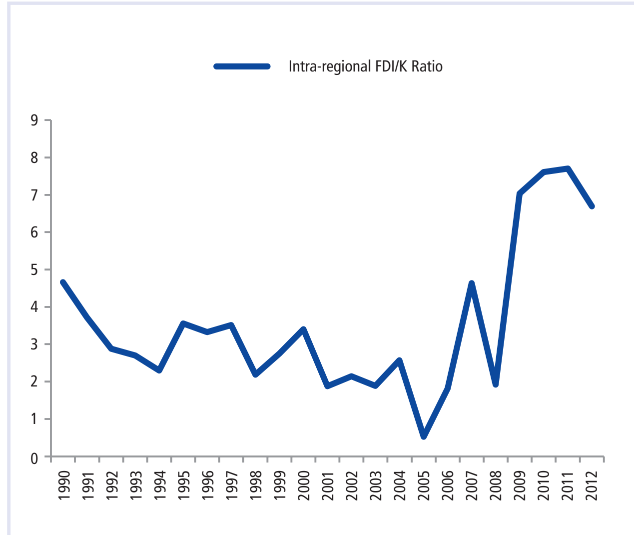


Figure 3.3: Intra-Regional Flows of Foreign Direct Investment



FOREIGN DIRECT INVESTMENT

Compared to flows of goods, intra-regional flows of investment show a much more erratic pattern as shown in Figure 3.3. After the large decrease in FDI flows in 2008, they rebounded by over 200 percent year-on-year between 2008 and 2009, kept the trend till 2011. However, the unstable global and regional economic recovery eventually worried the investors such that the intra-regional investment declined by almost 3 percent. Many economies, especially the US and China, contributed less in terms of intra-regional FDI.

TOURISM FLOWS

Figure 3.4: Intra-Regional Tourist Inflows (% of total)

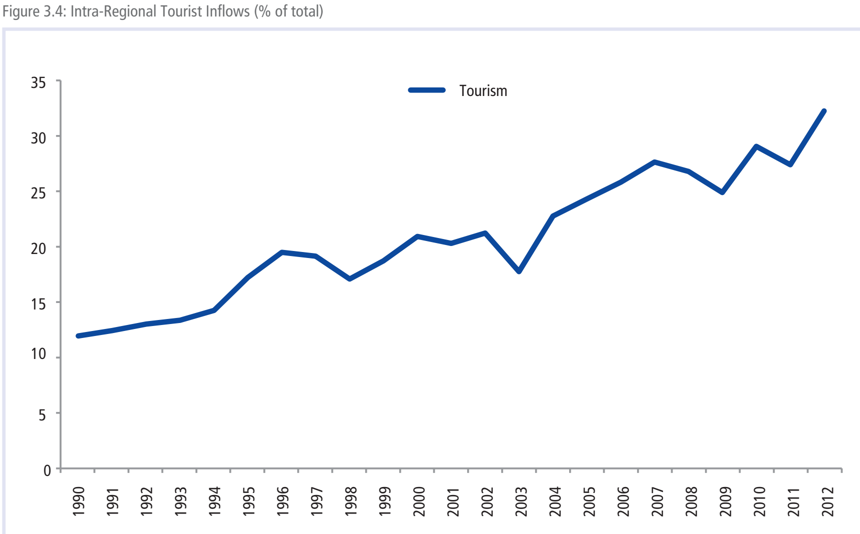
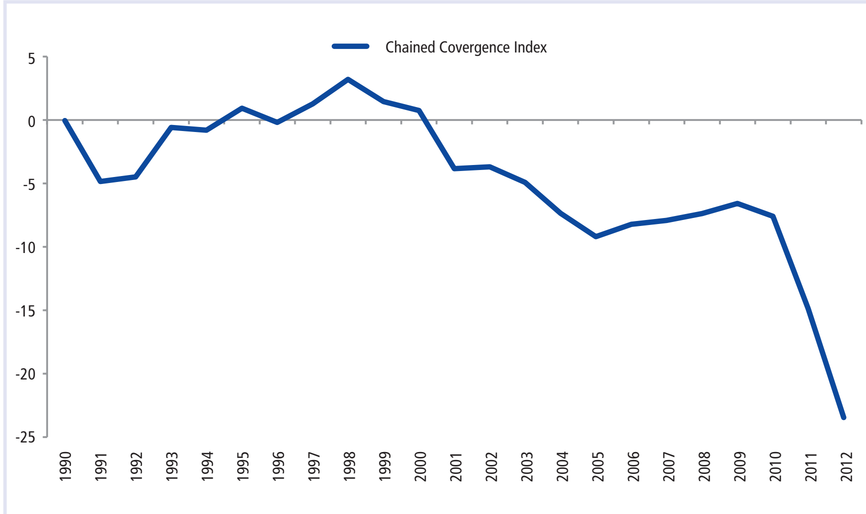


Figure 3.4 shows intra-regional tourist flows: these have recovered to their highest level since 1990. From 2007 to 2009, the number of intra-regional tourist flows had been decreasing and it decreased again in 2011. However, for other years since 2003, intra-regional tourist flows had been grown substantially by around 15 percent to more than 32 percent in 2012, the highest level recorded in our index. According to the data, most ASEAN members and Japan hosted a largest increment of intra-regional tourists.

CONVERGENCE INDEX

The sub-index of convergence shows that economies in the region have continued their trend towards divergence. GDP per capita levels in the region had been converging somewhat during the crisis years. However, in 2010, divergence in incomes began once again and continued into 2012. It should be noted here that GDP per capita accounts for just 19 percent of the weight of this sub-index while education expenditure accounts for 50 percent of the weight. Shifts towards convergence in education, even minor ones would more than outweigh much larger shifts in income.

Figure 3.5: Convergence Index



DIVERGING INCOMES

Figure 3.6 shows the divergence in GDP per capita among regional economies. Since 1990, with the exception of a few years, including the period covering the Global Economic Crisis, GDP average incomes have been diverging rather than converging as might be expected.

Over the whole index period the divergence in incomes has been driven by differences in growth rates. In 1990 the average GDP per capita was US$9,027, this has increased to US$26,500 by 2012 or a growth rate of around 5 percent. However, the absolute deviation from the average has also increased from US$7,600 to US$19,300. Hence, income levels in some economies have grown at a much higher rate than the average in the region while others under the average.

Figure 3.6: Deviation of GDP Per Capita

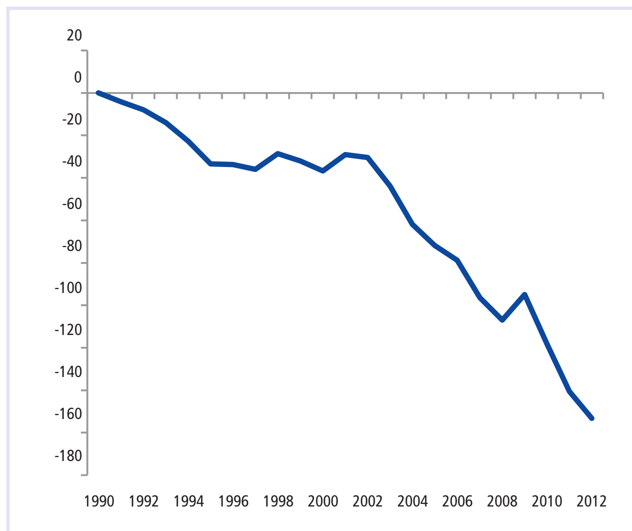


Figure 3.7 shows the GDP per capita of regional economies in 1990 and the average annual growth rate over the period (measured by current US dollars). Economies to the left of the vertical axis started at GDP per capita levels below the regional average, economies below the horizontal axis have been growing at a slower rate than the regional average of 6.7 percent. For incomes to converge, economies with lower incomes per capita need to grow at a significantly higher differential to those with higher incomes for a sustained period.

Figure 3.7: GDP Per Capita Growth

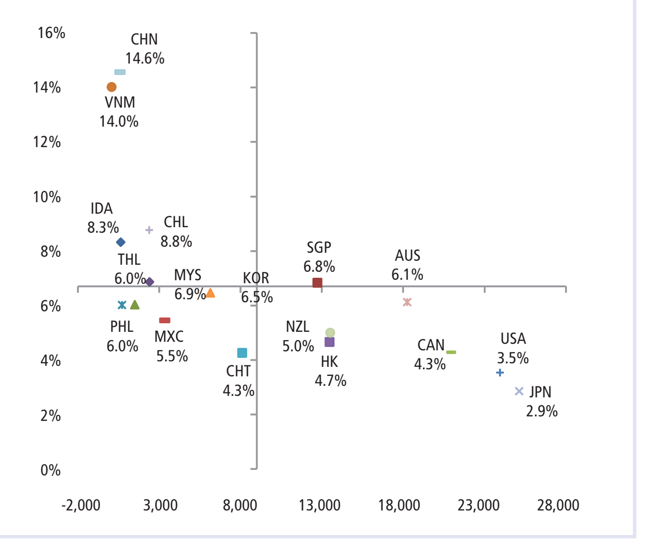


Figure 3.8: Deviation Indicator: Urban resident ratio

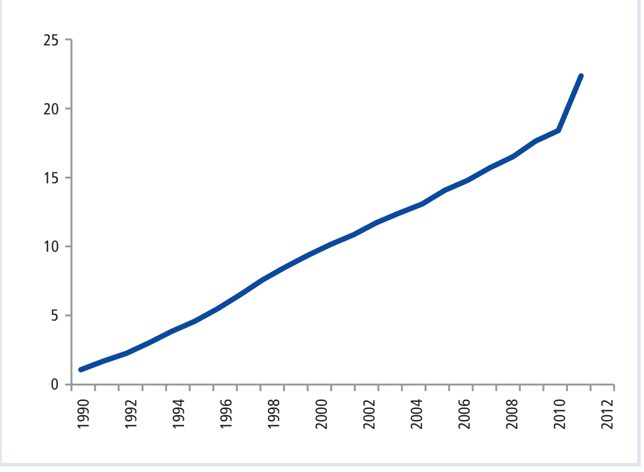
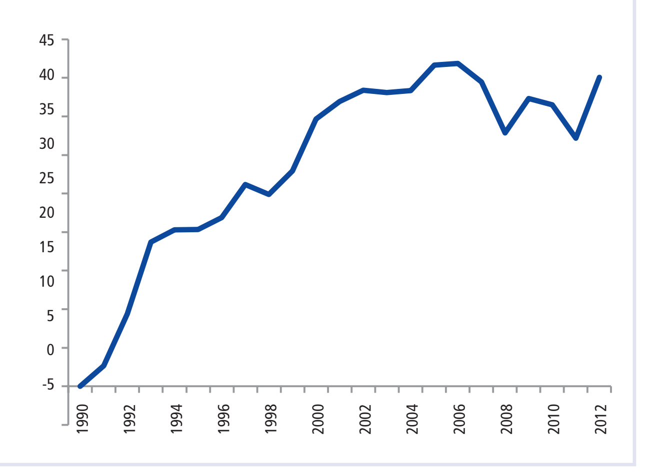


Figure 3.9: Deviation Indicator: Share of non-agriculture in GDP



The pace of urbanization in the region has been steady throughout the period as represented by the percentage of population living in urban areas. In 1990, the urban resident ratio was 65 percent with a standard deviation of 22. By 2012, the urban resident ration had increased to 74 percent with a standard deviation of 17, meaning that all economies are increasing and they are converging at a similar rate. As seen in Figure 3.8, this has been a very linear trend with few interruptions to the process unlike the share of non-agriculture in GDP, which has been much more volatile, and diverging since 2009.

As shown in Figure 3.8, the indicator of urban resident share is still steadily converging over time thanks to the ambitious urbanization process in developing economies such as China and Southeast Asia. Regardless of the last two years of divergence, the share of non-agriculture in GDP increased both on average and its convergence: in 1990 the average share of non-agriculture in GDP was 89 percent with a standard deviation of 8.2; over the following 22 years, the share of non-agriculture steadily increased in the region and currently accounts for more than 96 percent of total output with a standard deviation of 4.9.

Figure 3.10: Deviation Indicator: Expenditure on education as a proportion of GNI

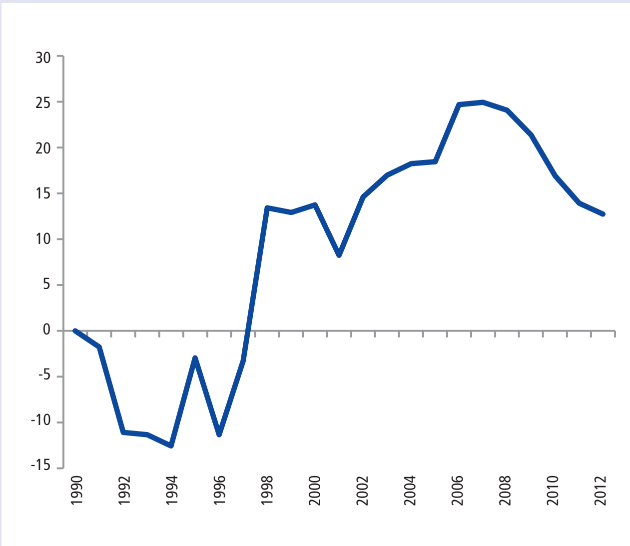
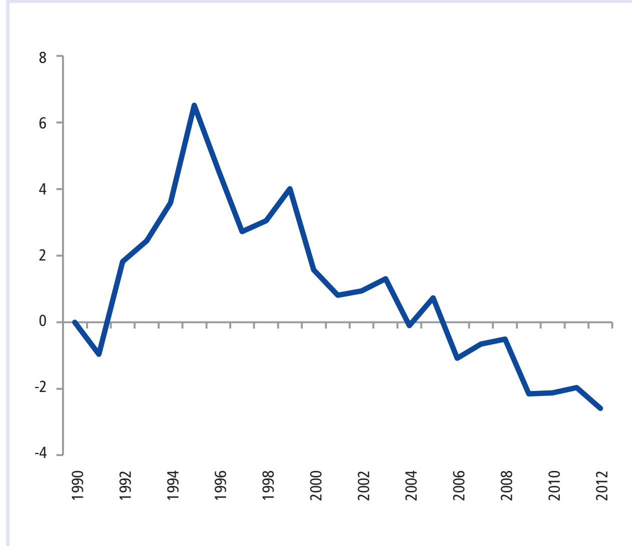


Figure 3.11: Deviation Indicator: Life expectancy



While the proportion of expenditure on education in the region has significantly risen by 2010 compared to 1990, Figure 3.10 shows that its level of convergence has declined since 2008. In 1990, the average expenditure on education as a percentage of gross national income was 3.6 percent; the latest data shows that average expenditure was around 4.4 percent of GDP.

In 1990, the average life expectancy in the region was 72.4 years; by 2012, it had increased by five years to 78.1, with a standard deviation of 3.6. As seen in Figure 3.11, between 1990 and 1995, life expectancies had been converging. However, the level of convergence began to decrease thereafter. The latest update to the index shows that the level of convergence in life expectancy in the region is even below the level in 1990. This means life expectancy is increasing faster in certain economies than others.

When APEC Leaders set out the Bogor Goals in 1994, they set out a vision through which the region would not only maintain high growth rates but also narrow development gaps. While the region has done well in integrating and overall incomes have increased at a dramatic pace, the index shows that there is a long way to go in terms of closing development gaps. Integration is not an end in itself but a means to ensuring that all citizens can achieve their potential.

ANNEX A FOR CHAPTER 1: STRUCTURAL REFORMS AS DRIVERS OF GROWTH AND INCLUSION

Table 1: GDP Growth

	2013	2014	2015	2016	2017	2018	2019	2020
Australia	2.1	2.7	2.4	2.9	3.1	3.0	2.9	2.8
Brunei Darussalam	-2.1	-2.3	-1.2	3.2	3.8	5.5	11.2	5.0
Cambodia	7.4	7.0	7.0	7.2	7.2	7.3	7.3	7.3
Canada	2.0	2.4	1.0	1.7	2.4	2.3	2.1	2.0
Chile	4.3	1.9	2.3	2.5	2.9	3.1	3.3	3.5
China	7.7	7.3	6.8	6.3	6.0	6.1	6.3	6.3
Colombia	4.9	4.6	2.5	2.8	3.2	3.6	3.9	4.1
Ecuador	4.6	3.8	-0.6	0.1	0.6	1.2	1.5	1.8
Hong Kong, China	3.1	2.5	2.5	2.7	2.8	2.9	3.1	3.3
India	6.9	7.3	7.3	7.5	7.5	7.6	7.7	7.7
Indonesia	5.6	5.0	4.7	5.1	5.5	5.8	6.0	6.0
Japan	1.6	-0.1	0.6	1.0	0.4	0.7	0.9	0.7
Korea	2.9	3.3	2.7	3.2	3.6	3.6	3.6	3.6
Laos	8.0	7.4	7.5	8.0	7.5	7.2	7.4	7.4
Malaysia	4.7	6.0	4.7	4.5	5.0	5.0	5.0	5.0
Mexico	1.4	2.1	2.3	2.8	3.1	3.2	3.3	3.3
Mongolia	11.6	7.8	3.5	3.6	3.7	6.2	6.6	9.1
Myanmar	8.4	8.5	8.5	8.4	8.3	8.0	7.7	7.7
New Zealand	2.5	3.3	2.2	2.4	2.4	2.5	2.5	2.5
Papua New Guinea	5.5	8.5	12.3	3.0	3.1	3.1	3.2	3.2
Peru	5.8	2.4	2.4	3.3	5.5	5.2	4.3	4.0
Philippines	7.1	6.1	6.0	6.3	6.5	6.5	6.5	6.5
Russia	1.3	0.6	-3.8	-0.6	1.0	1.5	1.5	1.5
Singapore	4.4	2.9	2.2	2.9	3.2	3.2	3.2	3.2
Chinese Taipei	2.2	3.8	2.2	2.6	2.9	3.1	3.1	3.2
Thailand	2.8	0.9	2.5	3.2	3.6	3.4	3.3	3.2
United States	1.5	2.4	2.6	2.8	2.8	2.7	2.2	2.0
Vietnam	5.4	6.0	6.5	6.4	6.0	6.0	6.0	6.0

	2013	2014	2015	2016	2017	2018	2019	2020
Asia-Pacific	3.4	3.5	3.2	3.4	3.5	3.5	3.4	3.3
of which advanced economies	2.3	2.2	1.9	2.0	2.0	2.1	2.1	2.1
of which emerging economies	1.0	1.3	1.3	1.5	1.5	1.4	1.3	1.2

Table 2: Inflation

	2013	2014	2015	2016	2017	2018	2019	2020
Australia	2.4	2.5	1.8	2.6	2.4	2.5	2.5	2.5
Brunei Darussalam	0.4	-0.2	0.0	0.1	0.1	0.2	0.1	0.1
Cambodia	3.0	3.9	1.1	1.8	2.9	3.0	2.9	3.2
Canada	1.0	1.9	1.0	1.6	2.3	2.2	2.2	2.1
Chile	1.9	4.4	4.4	3.7	3.0	3.0	3.0	3.0
China	2.6	2.0	1.5	1.8	2.2	2.5	3.0	3.0
Colombia	2.0	2.9	4.4	3.5	3.2	3.0	3.0	3.0
Ecuador	2.7	3.6	4.1	2.9	2.0	1.8	1.6	1.5
Hong Kong, China	4.3	4.4	2.9	3.0	3.1	3.2	3.4	3.5
India	10.0	5.9	5.4	5.5	5.4	5.1	4.9	4.9
Indonesia	6.4	6.4	6.8	5.4	4.7	4.5	4.3	4.1
Japan	0.4	2.7	0.7	0.4	1.6	1.1	1.2	1.5
Korea	1.3	1.3	0.7	1.8	3.0	3.0	3.0	3.0
Laos	6.4	5.5	5.3	1.5	2.3	2.7	3.1	3.3
Malaysia	2.1	3.1	2.4	3.8	3.0	3.0	3.0	3.0
Mexico	3.8	4.0	2.8	3.0	3.0	3.0	3.0	3.0
Mongolia	8.6	12.9	7.6	7.5	7.4	6.6	6.5	6.5
Myanmar	5.7	5.9	12.2	11.8	9.2	7.7	7.0	6.6
New Zealand	1.1	1.2	0.2	1.5	2.0	2.0	2.0	2.0
Papua New Guinea	5.0	5.3	6.0	5.4	5.0	5.0	5.0	5.0
Peru	2.8	3.2	3.2	2.8	2.1	2.0	2.0	2.0
Philippines	2.9	4.2	1.9	3.4	3.5	3.5	3.5	3.5
Russia	6.8	7.8	15.8	8.6	7.3	5.0	4.0	4.0
Singapore	2.4	1.0	0.0	1.8	1.9	1.9	1.8	1.8
Chinese Taipei	0.8	1.2	-0.1	1.0	1.3	1.5	1.8	2.0
Thailand	2.2	1.9	-0.9	1.5	2.2	2.2	2.2	2.2
United States	1.5	1.6	0.1	1.1	1.8	2.2	2.3	2.4
Vietnam	6.6	4.1	2.2	3.1	3.8	4.1	4.6	4.9

	2013	2014	2015	2016	2017	2018	2019	2020
Asia-Pacific	2.4	2.6	1.8	2.1	2.5	2.5	2.6	2.7
of which advanced economies	1.6	1.4	1.6	1.3	1.3	1.3	1.3	1.3
of which emerging economies	0.8	1.1	0.3	0.7	1.2	1.2	1.3	1.4

Table 3: Growth of Exports of Goods and Services

	2013	2014	2015	2016	2017	2018	2019	2020
Australia	6.2	6.7	4.5	5.8	5.6	5.3	4.5	3.8
Brunei Darussalam	-9.3	4.3	-1.2	8.4	6.9	8.6	17.9	3.8
Cambodia	16.4	13.9	9.0	15.6	12.2	12.6	12.0	12.7
Canada	2.0	5.4	3.0	4.6	4.2	4.2	5.3	4.9
Chile	3.4	0.7	0.0	1.0	4.3	5.1	5.2	5.3
China	9.0	5.8	3.0	3.5	4.2	3.9	4.1	4.1
Colombia	5.3	-1.7	2.7	6.3	6.3	2.9	3.3	3.5
Ecuador	0.0	7.2	0.9	2.0	3.5	2.2	4.0	2.6
Hong Kong, China	6.2	0.8	-3.3	-1.6	1.9	2.0	2.0	2.0
India	4.4	3.8	4.3	7.6	7.7	8.0	8.8	8.8
Indonesia	2.5	2.0	-1.3	5.3	8.3	9.7	10.3	9.2
Japan	1.2	8.4	1.6	3.2	4.3	3.4	3.6	3.5
Korea	4.3	2.8	1.5	3.6	4.4	4.4	4.5	4.5
Laos	19.4	7.0	6.7	10.5	4.7	8.0	6.5	0.6
Malaysia	0.1	5.6	12.6	6.9	5.6	5.0	5.0	4.9
Mexico	2.4	7.3	9.3	9.8	8.8	6.4	6.1	5.3
Mongolia	9.1	30.8	-30.2	-16.0	-10.7	2.3	16.7	13.8
Myanmar	12.6	22.6	5.7	14.8	16.4	9.9	13.6	10.8
New Zealand	0.9	3.3	2.4	2.7	2.4	2.1	2.1	2.1
Papua New Guinea	-2.4	25.5	24.6	1.3	-1.5	-7.1	4.6	0.7
Peru	-4.2	-1.0	0.8	5.8	7.5	6.7	4.7	3.8
Philippines	2.7	7.5	9.0	6.5	5.6	5.7	5.8	5.8
Russia	4.1	-1.7	-2.1	3.4	4.0	4.2	3.7	3.8
Singapore	4.5	2.1	2.0	2.8	5.0	5.2	5.3	5.3
Chinese Taipei	3.6	5.5	4.3	4.3	4.5	5.0	5.2	5.4
Thailand	2.8	0.0	3.9	3.7	4.4	4.7	4.7	4.5
United States	2.8	3.4	1.5	1.2	2.7	3.9	4.1	4.1
Vietnam	13.0	15.3	15.9	10.2	9.2	8.5	7.3	6.4

	2013	2014	2015	2016	2017	2018	2019	2020
Asia-Pacific	4.5	4.4	2.5	3.5	4.4	4.5	4.6	4.5
of which advanced economies	2.6	2.0	1.7	2.2	2.4	2.2	2.3	2.2
of which emerging economies	1.9	2.3	0.9	1.3	2.0	2.2	2.3	2.3

Table 3: Growth of Imports of Goods and Services

	2013	2014	2015	2016	2017	2018	2019	2020
Australia	-1.8	-1.7	-2.5	1.0	3.9	4.0	4.1	4.4
Brunei Darussalam	-4.1	-19.7	-1.2	3.2	3.8	5.5	11.2	5.0
Cambodia	12.7	7.2	10.1	11.0	12.1	10.1	-3.5	9.5
Canada	1.3	1.8	0.6	1.7	4.9	4.5	4.7	4.3
Chile	1.7	-7.0	-0.2	1.4	3.7	4.7	4.7	5.0
China	11.2	7.0	2.5	3.5	4.2	3.9	4.0	4.0
Colombia	6.4	9.2	-10.4	-0.4	3.0	3.2	3.4	3.7
Ecuador	0.0	6.4	-16.1	2.3	1.5	1.8	0.0	0.5
Hong Kong, China	6.6	1.0	-2.9	-1.3	2.1	2.2	2.2	2.2
India	-3.8	6.1	11.1	7.8	7.8	7.9	8.0	8.1
Indonesia	0.1	-1.0	-5.1	7.9	6.1	6.4	7.9	8.8
Japan	3.1	7.4	0.6	2.6	3.7	3.0	2.9	3.0
Korea	1.7	2.1	2.5	4.2	5.3	5.3	5.3	5.3
Laos	5.4	2.5	-1.0	1.7	8.0	7.3	3.7	2.8
Malaysia	1.8	4.2	18.6	5.9	5.1	4.8	5.2	5.2
Mexico	2.6	5.7	7.5	8.1	8.1	6.6	6.0	5.1
Mongolia	3.3	-8.6	-23.2	10.8	-5.7	0.8	0.8	-3.6
Myanmar	14.5	27.4	16.1	11.1	11.5	10.4	10.9	9.6
New Zealand	6.1	7.9	2.8	2.8	2.6	2.4	2.4	2.3
Papua New Guinea	-22.4	-17.0	4.3	1.7	-1.1	1.8	1.7	1.8
Peru	2.7	-1.9	-0.2	1.0	6.5	4.8	3.9	3.6
Philippines	-0.1	8.9	15.7	7.7	5.0	5.5	6.3	6.8
Russia	6.7	-7.0	-31.2	-0.5	8.9	9.2	5.1	6.6
Singapore	4.6	2.9	8.3	5.3	5.0	5.2	5.7	6.0
Chinese Taipei	4.1	5.2	3.6	4.3	4.7	5.0	5.2	5.4
Thailand	1.4	-5.4	4.3	4.3	5.2	5.4	5.2	4.8
United States	1.1	3.8	5.9	6.0	5.6	5.2	5.4	5.2
Vietnam	19.2	14.1	21.4	11.0	7.6	7.4	4.6	4.2

	2013	2014	2015	2016	2017	2018	2019	2020
Asia-Pacific	4.2	3.7	2.4	4.1	5.1	4.9	4.8	4.8
of which advanced economies	2.8	1.8	0.6	2.0	2.5	2.4	2.2	2.2
of which emerging economies	1.3	2.0	1.8	2.2	2.6	2.5	2.6	2.6

Table 4: Current Account Balance (US$ billions)

	2013	2014	2015	2016	2017	2018	2019	2020
Australia	-51.5	-43.7	-49.9	-51.3	-43.6	-46.4	-48.2	-49.5
Brunei Darussalam	5.3	4.8	-0.4	-0.3	0.6	1.4	2.5	2.4
Cambodia	-1.9	-2.0	-2.0	-2.0	-2.1	-2.0	-2.0	-1.7
Canada	-54.6	-37.5	-45.8	-36.0	-45.7	-45.4	-44.0	-30.4
Chile	-10.1	-3.0	-1.8	-3.9	-4.7	-5.5	-6.1	-6.4
China	148.2	219.7	347.8	344.4	267.4	196.3	150.1	95.3
Colombia	-12.4	-19.5	-16.9	-13.8	-13.5	-13.9	-15.1	-16.4
Ecuador	-1.0	-0.6	-2.5	-2.9	-2.7	-2.6	-2.1	-2.1
Hong Kong, China	4.1	5.4	6.8	8.0	9.4	10.6	12.4	14.1
India	-32.4	-27.5	-30.4	-37.3	-52.4	-68.3	-78.3	-86.5
Indonesia	-29.1	-26.2	-19.6	-18.8	-19.5	-20.5	-20.6	-20.0
Japan	40.7	24.4	124.3	126.5	130.6	128.8	132.0	130.7
Korea	81.1	89.2	98.4	96.9	91.8	89.1	90.6	88.7
Laos	-3.0	-3.2	-3.6	-3.1	-3.0	-3.0	-3.2	-3.1
Malaysia	11.3	14.5	6.9	7.4	7.0	5.7	6.0	6.0
Mexico	-30.5	-25.0	-27.9	-24.3	-27.6	-31.4	-32.8	-31.9
Mongolia	-3.2	-1.0	-1.0	-2.5	-2.9	-3.0	-2.2	-1.1
Myanmar	-3.0	-3.9	-5.9	-5.9	-6.1	-6.5	-6.8	-7.1
New Zealand	-5.9	-6.5	-8.0	-9.3	-9.5	-8.7	-8.4	-8.3
Papua New Guinea	-4.9	-0.7	1.4	1.3	1.4	1.0	1.1	0.9
Peru	-8.5	-8.0	-6.7	-6.8	-7.6	-7.9	-8.1	-8.3
Philippines	11.4	12.6	14.9	14.9	14.6	14.2	13.6	12.7
Russia	34.1	59.5	61.8	63.9	75.0	78.4	84.4	80.5
Singapore	54.1	58.8	61.2	55.5	54.8	54.1	54.1	54.3
Chinese Taipei	55.3	65.4	64.1	63.8	62.9	61.4	61.5	62.3
Thailand	-3.9	13.4	23.2	21.4	15.1	8.9	5.2	3.8
United States	-376.8	-389.5	-460.6	-551.5	-628.9	-665.3	-710.4	-746.9
Vietnam	7.7	9.1	1.3	-1.9	-0.5	0.3	4.0	7.1

Table 5: GDP and Inflation Weights

	Asia-Pacific	Emerging Asia-Pacific	Advanced Asia-Pacific
Australia	3.29%		5.39%
Brunei	0.04%	0.10%	
Cambodia	0.03%	0.09%	
Canada	4.00%		6.55%
Chile	0.59%	1.50%	
China	20.73%	53.21%	
Colombia	0.83%	2.12%	
Ecuador	0.21%	0.53%	
Hong Kong, China	0.61%		0.99%
India	4.22%	10.83%	
Indonesia	1.99%	5.11%	
Japan	11.34%		18.57%
Korea	2.88%		4.73%
Laos	0.02%	0.06%	
Malaysia	0.71%	1.83%	
Mexico	2.74%	7.03%	
Mongolia	0.03%	0.07%	
Myanmar	0.13%	0.33%	
New Zealand	0.41%		0.67%
Papua New Guinea	0.03%	0.09%	
Peru	0.44%	1.12%	
Philippines	0.59%	1.52%	
Russia	4.36%	11.19%	
Singapore	0.66%		1.08%
Chinese Taipei	1.13%		1.84%
Thailand	0.90%	2.30%	
United States	36.74%		60.18%
Vietnam	0.37%	0.96%	
	100.00%	100.00%	100.00%

Table 6: Export and Import Weights

	Asia-Pacific	Emerging Asia-Pacific	Advanced Asia-Pacific
Australia	2.65%		4.69%
Brunei Darussalam	0.08%	0.18%	
Cambodia	0.12%	0.27%	
Canada	4.88%		8.66%
Chile	0.78%	1.79%	
China	20.05%	46.00%	
Colombia	0.59%	1.36%	
Ecuador	0.24%	0.56%	
Hong Kong, China	5.54%		9.83%
India	4.59%	10.54%	
Indonesia	1.83%	4.20%	
Japan	8.18%		14.50%
Korea	5.57%		9.88%
Laos	0.03%	0.06%	
Malaysia	2.22%	5.10%	
Mexico	3.55%	8.15%	
Mongolia	0.06%	0.14%	
Myanmar	0.11%	0.25%	
New Zealand	0.46%		0.81%
Papua New Guinea	0.06%	0.15%	
Peru	0.42%	0.97%	
Philippines	0.70%	1.60%	
Russia	4.42%	10.14%	
Singapore	4.54%		8.05%
Chinese Taipei	2.90%		5.14%
Thailand	2.49%	5.71%	
United States	21.69%		38.45%
Vietnam	1.24%	2.84%	

ANNEX B FOR CHAPTER 2: VIEWS ON PROMOTING INCLUSIVE GROWTH AND STRUCTURAL REFORM

This annex presents the findings of a survey of 710 opinion-leaders from the Asia-Pacific policy community conducted by the Pacific Economic Cooperation Council from 21 September to 16 October 2015. The survey is disseminated through PECC member committees who are asked to identify panelists based on their knowledge of the Asia-Pacific region. As this is a multi-stakeholder survey, the Council's member committees are asked to identify stakeholders – from business, government and the non-government sectors.

This is not a survey of public opinion but rather, a survey of those whose views influence policymaking, especially at the regional level. As some of the questions tend to be technical, they require a relatively deep knowledge of developments at regional level. This is by no means a reflection of the general views of a population within any sub-region or even economy. However, we do believe that those surveyed include those who are responsible for influencing and often making decisions on various aspects of their economy's positions within different regional groups.

The guidance given to PECC member committees for each sector is as follows:

GOVERNMENT

Panelists should be either decision-makers or senior advisors to decision-makers. As a guide, the government respondents in previous years included a number of former and current Ministers, Deputy and Vice-Ministers, Central Bank Governors and their advisors for Asia- Pacific issues, current APEC Senior Officials, and a number of 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 ABAC members as well as past ABAC members. In last year's survey, these included CEOs, vice presidents for Asia-Pacific operations, and directors of chambers of commerce.

NON-GOVERNMENT: RESEARCH COMMUNITY/ CIVIL SOCIETY/ MEDIA

Panelists should be well versed in Asia-Pacific affairs, being the type of people governments, businesses, and the media would tap into to provide input on issues related to Asia-Pacific cooperation. These included presidents of institutes concerned with Asia-Pacific issues, heads of departments, senior professors, and correspondents covering international affairs.

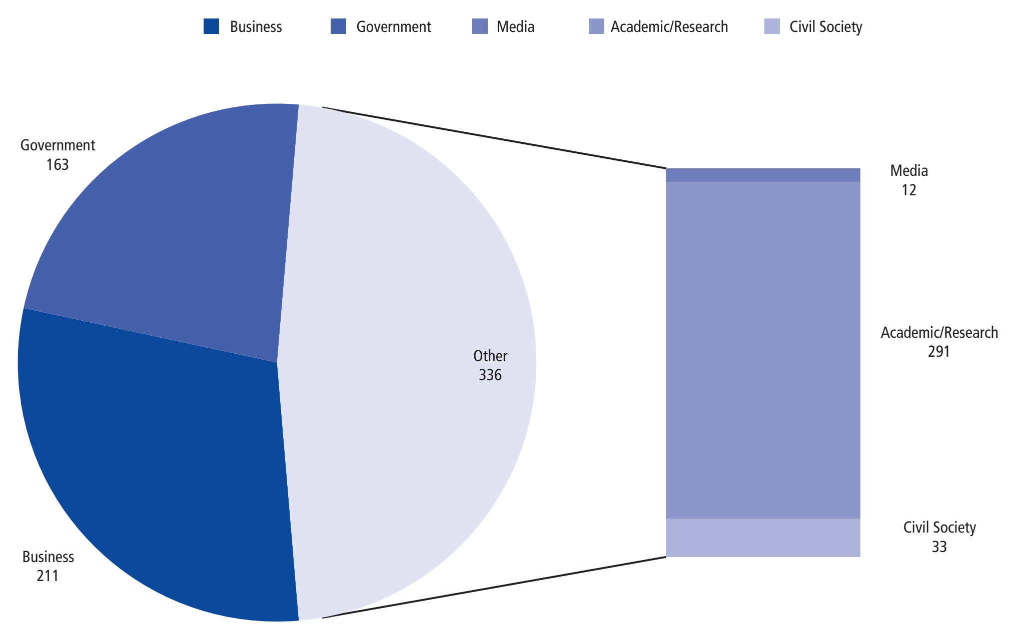
In addition to our member committees, we would like to express our appreciation to the National Center for APEC who also circulated the survey to their members, as well as many others who helped in the effort.

RESPONDENT BREAKDOWN

We do not disaggregate results for each economy but rather by sub-regions – Northeast Asia, North America, Oceania, Pacific South America, and Southeast Asia.

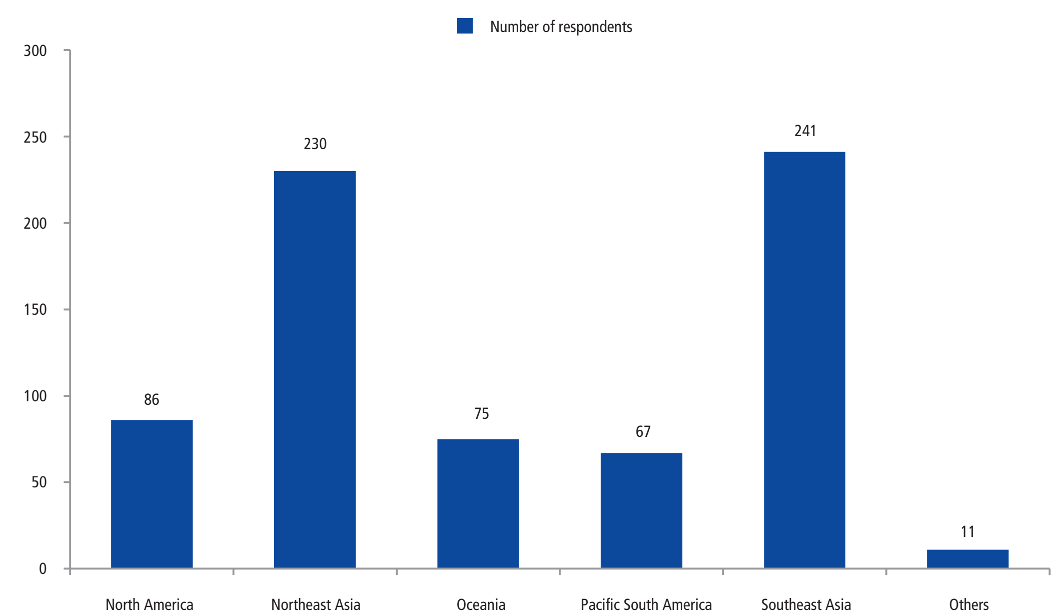
- North America: Canada, Mexico, and the United States
- Northeast Asia: China, Hong Kong (China), Japan, Korea, Mongolia, Russia, and Chinese Taipei
- Oceania: Australia, New Zealand, and Papua New Guinea
- Pacific South America: Chile, Colombia, Ecuador, and Peru
- Southeast Asia: Brunei Darussalam, India, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam

BREAKDOWN OF RESPONDENTS BY SECTOR



Total number of respondents: 710

BREAKDOWN OF RESPONDENTS BY SUB-REGION



Total number of respondents: 710

1. What are your expectations for economic growth over the next 12 months compared to the last year for the following economies/regions?

	Much weaker	Somewhat weaker	About the same	Somewhat stronger	Much stronger	Don't know	Total
China	10.9%	51.5%	23.6%	10.7%	2.5%	0.8%	100.0%
India	0.9%	15.3%	39.9%	38.0%	3.4%	2.6%	100.0%
Japan	2.1%	23.0%	50.7%	20.9%	1.4%	1.8%	100.0%
Russia	17.3%	41.0%	27.3%	8.9%	1.3%	4.2%	100.0%
Southeast Asia	2.3%	22.5%	31.0%	35.0%	7.7%	1.6%	100.0%
The United States of America	0.4%	6.2%	31.4%	54.7%	6.2%	1.0%	100.0%
The European Union	2.7%	29.3%	45.4%	19.5%	1.1%	2.0%	100.0%
The world economy	1.1%	37.6%	42.0%	17.0%	0.9%	1.4%	100.0%

2. Please select the top five risks to growth for your economy over the next 2-3 years.

	1-Least serious	2	3	4	5-Most serious	Total	Weighted score
A slowdown in the Chinese economy	6.0%	8.2%	16.7%	16.4%	21.4%	68.7%	2.4
Failure to implement structural reforms	6.0%	10.8%	11.4%	13.9%	15.7%	57.8%	2.0
Lack of political leadership	9.3%	6.0%	8.9%	9.6%	17.2%	51.1%	1.7
A slowdown in the US economy	8.3%	9.6%	8.6%	10.8%	8.2%	45.5%	1.4
Lack of adequate infrastructure	7.2%	9.6%	8.3%	9.9%	7.0%	42.1%	1.3
Unfavorable currency realignments	8.2%	8.9%	8.2%	7.9%	4.7%	37.9%	1.1
Sharp fall in asset prices	8.0%	6.6%	7.0%	7.3%	6.0%	35.1%	1.0
Shortage of available talent/skills	8.9%	8.5%	7.2%	6.5%	4.3%	35.3%	0.9
Natural disasters	10.1%	5.2%	4.5%	4.3%	4.6%	28.6%	0.7
Increased protectionism	7.9%	7.6%	5.6%	5.0%	2.0%	28.2%	0.7
Energy security	5.9%	5.5%	5.5%	3.6%	3.3%	23.7%	0.6
Cyber attacks	4.2%	3.0%	2.4%	1.1%	2.4%	13.2%	0.3
A slowdown in the Japanese economy	3.6%	4.5%	2.7%	0.9%	1.4%	13.1%	0.3
A health pandemic	3.3%	3.0%	1.6%	1.3%	1.0%	10.2%	0.2
Food security	3.0%	3.0%	1.4%	1.4%	0.6%	9.5%	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	500.0%	15.0

3. Now turning to the recent volatility in financial markets, please indicate your level of agreement with the following statements.

	1-Strongly disagree	2-Disagree	3-Neither disagree nor agree	4-Agree	5-Strongly agree	Don't know/ unsure	Total
Rising interest rates in the US are a key risk for my economy	3.6%	16.7%	27.5%	33.7%	13.9%	4.6%	100.0%
Macroprudential policies in my economy are sufficiently robust to cope with volatility in capital markets	2.2%	21.4%	22.3%	37.9%	9.7%	6.4%	100.0%
The fall in energy and other commodity prices will benefit my economy	18.8%	21.0%	15.5%	29.8%	13.4%	1.5%	100.0%
Safety mechanisms including the Chiang Mai Initiative and IMF are sufficient to deal with possible destabilizing outflows of capital from some economies in the region	5.8%	26.6%	31.7%	19.3%	3.4%	13.1%	100.0%
Market and exchange rate volatility is an urgent issue for APEC cooperation	3.6%	11.4%	23.9%	40.6%	15.4%	5.2%	100.0%
The recent volatility is a signal of much slower regional growth rates in the future and increased uncertainty	1.5%	11.5%	17.3%	48.1%	15.9%	5.8%	100.0%

4. How important do you think the structural reform agenda is to growth for the following economies?

	1-Not at all important	2-Slightly important	3-Moderately important	4-Important	5-Very important	Don't know	Total	Weighted score
China	1.0%	3.1%	9.2%	26.7%	58.4%	1.6%	100.0%	4.3
ASEAN members	0.6%	3.1%	13.2%	39.7%	39.4%	4.0%	100.0%	4.0
Japan	2.2%	10.3%	20.1%	33.6%	31.8%	2.1%	100.0%	3.8
USA	4.3%	17.0%	32.3%	30.7%	13.1%	2.5%	100.0%	3.2
Your economy (if not listed above)	1.2%	8.6%	12.7%	25.9%	49.1%	2.5%	100.0%	4.1

5. How important do you think the following areas of structural reform are for the future growth of your economy?

	1-Not at all important	2-Slightly important	3-Moderately important	4-Important	5-Very important	Don't know	Total	Weighted score
Education and labor	1.5%	6.2%	8.8%	25.0%	57.4%	1.2%	100.0%	4.3
Innovation and entrepreneurship	1.3%	5.3%	9.5%	31.6%	51.1%	1.2%	100.0%	4.2
Infrastructure	1.6%	6.9%	16.3%	26.9%	47.2%	1.2%	100.0%	4.1
Regulation	1.8%	8.6%	17.9%	37.6%	33.0%	1.2%	100.0%	3.9
Financial sector policies	1.3%	10.0%	23.4%	36.7%	27.1%	1.5%	100.0%	3.7
Rule of law	8.7%	9.9%	16.6%	23.4%	39.7%	1.6%	100.0%	3.7
Taxation	1.8%	11.7%	22.1%	34.8%	27.2%	2.4%	100.0%	3.7
Competition Policy	3.1%	14.7%	25.0%	33.0%	23.1%	1.0%	100.0%	3.6
Healthcare	3.3%	13.7%	25.7%	33.4%	22.5%	1.3%	100.0%	3.5
Social support	2.4%	15.1%	29.3%	33.9%	18.2%	1.2%	100.0%	3.5
Property and land use	6.0%	13.0%	23.1%	34.6%	21.0%	2.2%	100.0%	3.5
Business management education	6.1%	15.2%	28.5%	30.6%	18.7%	0.9%	100.0%	3.4

6. More specifically on labor and education issues, how satisfied are you with the following in your economy?

	1-Not at all satisfied	2-Slightly satisfied	3-Moderately satisfied	4-Very satisfied	5-Extremely satisfied	Don't know	Total	Weighted score
Business management education	8.9%	29.4%	38.8%	15.2%	3.2%	4.5%	100.0%	2.6
Math, science and digital education	19.5%	25.7%	33.2%	15.9%	4.1%	1.7%	100.0%	2.5
Secondary and tertiary education	17.8%	27.0%	37.7%	14.0%	2.7%	0.9%	100.0%	2.5
Freedom to hire and dismiss employees	19.0%	25.3%	32.4%	17.3%	3.3%	2.7%	100.0%	2.5
Primary education, early education and child care	18.9%	27.9%	31.5%	15.3%	4.2%	2.2%	100.0%	2.5
Labor force participation	13.3%	29.8%	37.7%	13.6%	2.0%	3.6%	100.0%	2.5
Quality of teachers and continuing teacher education	20.9%	31.3%	31.9%	11.7%	2.3%	2.0%	100.0%	2.4
Skills and labor international mobility	21.2%	32.9%	29.4%	11.4%	2.7%	2.4%	100.0%	2.3
Wage and working hour flexibility	21.6%	34.6%	30.6%	9.1%	2.6%	1.5%	100.0%	2.3
Ability to secure skilled staff	21.6%	34.5%	30.0%	9.8%	1.8%	2.3%	100.0%	2.3
Cooperation between education providers and employers	24.7%	34.3%	29.2%	7.0%	1.8%	3.0%	100.0%	2.2
Match between educational training and needs in the economy	29.5%	34.9%	25.4%	7.2%	1.1%	2.0%	100.0%	2.1

7. More specifically on infrastructure, how satisfied are you with the following in your economy?

	1-Not at all satisfied	2-Slightly satisfied	3-Moderately satisfied	4-Very satisfied	5-Extremely satisfied	Don't know	Total	Weighted score
Mobile internet access	6.7%	16.2%	34.0%	32.0%	10.6%	0.4%	100.0%	3.2
Air transport	6.9%	19.6%	34.0%	28.2%	10.8%	0.4%	100.0%	3.1
Energy services	6.5%	19.1%	36.5%	30.5%	6.5%	1.1%	100.0%	3.1
Broadband internet access	12.1%	19.7%	31.6%	26.2%	10.0%	0.4%	100.0%	3.0
Land transport, including rail and road linkages	19.3%	26.3%	27.5%	18.4%	7.8%	0.6%	100.0%	2.7
Sea transport, ports and shipping linkages	13.9%	23.9%	30.0%	16.9%	6.8%	8.6%	100.0%	2.5

8. What do you think are the most important for promoting inclusive growth?

	1-Not at all important	2-Of little importance	3-Moderately important	4-Important	5-Very important	Don't know	Total	Weighted score
Provision of public education at the primary and tertiary levels	1.1%	5.4%	16.7%	32.1%	43.5%	1.2%	100.0%	4.1
Reducing corruption	3.2%	8.6%	12.2%	18.1%	55.7%	2.3%	100.0%	4.1
Providing support to micro, small and medium enterprises	1.2%	5.4%	18.7%	37.5%	36.0%	1.2%	100.0%	4.0
Social safety nets including healthcare, unemployment and pensions reforms	1.2%	6.3%	21.5%	35.6%	34.1%	1.4%	100.0%	3.9
Quality of health services	0.5%	7.2%	20.1%	38.7%	32.1%	1.4%	100.0%	3.9
Improving connectivity for rural areas	1.6%	7.5%	22.2%	39.7%	27.9%	1.0%	100.0%	3.8
Progressive tax policies	2.2%	6.6%	25.6%	37.6%	25.9%	2.1%	100.0%	3.7
Improving connectivity for the region's second and third tier cities	1.4%	8.6%	23.4%	41.2%	23.3%	2.1%	100.0%	3.7
Proactive policies to facilitate greater participation of women in the economy	1.8%	10.7%	27.4%	37.4%	21.5%	1.2%	100.0%	3.6
Proactive policies to facilitate greater participation of minorities in the economy	2.6%	13.5%	33.2%	33.8%	15.8%	1.2%	100.0%	3.4

9. Please rate each of the following in terms of their importance to realizing the potential of the internet to drive economic growth for your economy.

	1-Not at all important	2-Of little importance	3-Moderately important	4-Important	5-Very important	Don't know	Total	Weighted score
Unease over privacy and lack of security	1.5%	8.6%	20.1%	35.9%	30.3%	3.6%	100.0%	3.7
A lack of physical infrastructure	3.0%	9.6%	19.5%	35.0%	29.3%	3.6%	100.0%	3.7
Payments and transactions issues	2.2%	9.7%	25.0%	33.3%	24.9%	4.8%	100.0%	3.5
Reducing impediments to cross-border data flows	3.0%	10.1%	23.0%	34.9%	22.5%	6.4%	100.0%	3.4
Cloud computing	1.9%	9.1%	28.4%	36.4%	16.0%	8.1%	100.0%	3.3

10. Please indicate your agreement or disagreement with the following statements:

	Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree	Don't know	Total
APEC is as important or more important today compared to 1989 when it was created	2.4%	11.3%	18.7%	41.0%	23.8%	2.7%	100.0%
India should be a member of APEC	3.3%	11.2%	19.6%	39.5%	18.3%	8.1%	100.0%
APEC should focus its work on trade policy to achieving an Free Trade Area of the Asia-Pacific	0.8%	4.4%	14.9%	46.8%	30.6%	2.6%	100.0%
The members of PECC who are not members of APEC (Colombia, Ecuador and Mongolia) should be admitted	1.8%	8.1%	33.0%	32.4%	16.4%	8.3%	100.0%
The members of ASEAN (Laos, Cambodia, Myanmar) who are not members of APEC should be admitted	1.8%	7.2%	25.3%	41.3%	18.1%	6.3%	100.0%
The members of the Pacific Alliance who are not members of APEC should be admitted (Colombia and possibly Costa Rica in the near future)	1.8%	8.3%	32.5%	35.1%	13.1%	9.3%	100.0%

11. How do you assess the political environment for freer trade in the coming five years?
Please select the box that best fits your assessment.

Very negative	Negative	Neither positive nor negative	Positive	Very positive	Don't know	Total
3.5%	22.4%	21.0%	44.1%	7.7%	1.4%	100.0%

12. Please rate each of the following from 1 to 5 on the impact they have on attitudes towards freer trade in your economy.
With 1 having no impact, 2 a minor impact, 4 a serious impact and 5 a very serious impact. Please select 'Don't know' if you are unaware or not sure of your answer.

	1-No impact	2-Minor impact	3-Somewhat serious impact	4-Serious impact	5-Very serious impact	Don't know	Total	Weighted score
Lack of sustained political leadership	4.2%	11.4%	19.5%	30.2%	32.2%	2.4%	100.0%	3.7
Failure to communicate benefits effectively	1.0%	12.7%	29.2%	35.4%	18.4%	3.1%	100.0%	3.5
Rising income inequality	3.6%	15.9%	25.1%	35.3%	18.0%	2.1%	100.0%	3.4
Job insecurity	2.2%	13.9%	29.5%	37.0%	15.6%	1.8%	100.0%	3.4

13. What do you think should be the top 5 priorities for APEC Leaders to address at their upcoming meeting in Manila?
Please select ONLY five (5) issues, using a scale of 1-5, please write 1 for the issue you think is most important, 2 for the next most important issue and so on.

	1-Most important	2	3	4	5-Least important	Total	Weighted score
Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific	14.8%	7.6%	4.9%	4.3%	6.7%	38.4%	1.3
The APEC growth strategy	10.0%	7.8%	6.1%	4.9%	7.6%	36.5%	1.2
SME participation in regional and global markets	7.6%	6.5%	7.0%	7.2%	4.3%	32.6%	1.0
Corruption	8.9%	6.7%	5.1%	5.4%	5.9%	32.0%	1.0
Climate change cooperation and disaster resilience	5.1%	7.2%	7.5%	7.5%	7.3%	34.6%	1.0
Improving human capital development	5.3%	7.2%	7.2%	7.5%	5.6%	32.6%	1.0
Physical, institutional and people to people connectivity	4.1%	4.9%	6.2%	3.7%	5.9%	24.8%	0.7
The development of regional financial systems	3.3%	4.5%	6.7%	5.1%	3.5%	23.1%	0.7
A major APEC initiative on services	6.8%	3.8%	3.3%	2.1%	3.5%	19.6%	0.7
The reform of regional institutional architecture	3.3%	4.0%	4.5%	6.5%	4.3%	22.6%	0.6
Demographics: ageing and labor mobility	2.7%	4.8%	5.3%	5.4%	4.0%	22.1%	0.6
Cyber security	2.4%	3.5%	4.3%	4.0%	3.7%	17.8%	0.5
The WTO Doha Round	3.5%	3.0%	2.5%	4.1%	4.3%	17.5%	0.5
Expansion of APEC membership	3.2%	3.5%	2.7%	3.2%	5.3%	17.8%	0.5
Terrorism	2.5%	4.5%	3.3%	3.0%	3.0%	16.4%	0.5
Energy security	2.7%	2.2%	4.8%	4.0%	2.4%	16.1%	0.5
Youth unemployment	3.2%	3.0%	2.9%	3.3%	3.5%	15.9%	0.5
Developing a major initiative on the internet economy	2.9%	3.0%	2.4%	3.8%	4.3%	16.4%	0.5
Exchange rate adjustments	2.1%	3.3%	2.5%	4.9%	3.2%	16.1%	0.4
Improving women's full participation in the economy	1.4%	3.2%	3.5%	3.8%	4.1%	16.1%	0.4
Food security	2.1%	3.5%	2.5%	2.2%	4.1%	14.5%	0.4
Urbanization	1.3%	0.8%	2.9%	1.8%	2.4%	9.1%	0.2
Empowering rural communities	0.6%	1.4%	1.9%	2.2%	1.1%	7.3%	0.2

MEMBER COMMITTEES

PECC CO-CHAIRS

Ambassador Donald CAMPBELL and
Ambassador TANG Guoqiang

CONTACTS:
c/o Ms. Eva BUSZA
Vice-President of Research, Asia Pacific Foundation of Canada
Email: eva.busza@asiapacific.ca

Mr. AN Zhongli
Secretary General, CNCPEC
Tel: +86 (10) 8511 9648
Fax: +86 (10) 8511 9647/65235135
Email: cncpec@pecc-china.org

AUSTRALIA

Australian Pacific Economic Cooperation Committee (AUSPECC)

CHAIR:
Mr. Ian BUCHANAN
Senior Executive Adviser
PwC Strategy& (ANZSEA) Pty Ltd

SECRETARIAT:
Mr. Sung LEE
Director, Publishing and Partnerships
Crawford School of Public Policy
The Australian National University

ADDRESS:
Australian Pacific Economic Cooperation Committee
Crawford School of Public Policy
The Australian National University
Canberra ACT 0200 Australia
Tel +61-2-6125 9568
Fax +61-2-6125 5448
Email: sung.lee@anu.edu.au

COMMITTEE HOMEPAGE:
http://auspecc.anu.edu.au

BRUNEI DARUSSALAM

Brunei Darussalam National Committee for Pacific Economic Cooperation (BDCPEC)

CHAIR:
Dato' LIM Jock Hoi
Permanent Secretary
Ministry of Foreign Affairs & Trade

SECRETARIAT:
Ms. LEE Kok Ting
Second Secretary
Department of Economic Cooperation
Ministry of Foreign Affairs & Trade
Email: kokting.lee@mfa.gov.bn

ADDRESS:
Brunei Darussalam National Committee for Pacific Economic Cooperation
c/o Ministry of Foreign Affairs & Trade
Jalan Subok
Bandar Seri Begawan
BD 2710, Brunei Darussalam
Tel: +673 2383374
Email: bdcpecc@mfa.gov.bn

CANADA

Canadian National Committee for Pacific Economic Cooperation (CANCPEC)

CHAIR:
Ambassador Donald CAMPBELL
Distinguished Fellow
Asia Pacific Foundation of Canada &
Senior Strategy Advisor
Davis LLP

SECRETARIAT:
Ms. Eva BUSZA
Vice-President of Research, Asia Pacific Foundation of Canada
Email: eva.busza@asiapacific.ca

ADDRESS:
Canadian National Committee for Pacific Economic Cooperation
c/o Asia Pacific Foundation of Canada
Suite 220, 890 West Pender Street
Vancouver, BC
Canada , V6C 1J9
Tel: +1 (604) 6845986
Fax: +1 (604) 6811370

COMMITTEE HOMEPAGE:
http://www.asiapacific.ca/about-us/affiliations/pecc

CHILE

Chilean National Committee for Pacific Economic Cooperation (CHILPEC)

CHAIR:
Dr. Manfred WILHELMY
Executive Director, Chile Pacific Foundation

ADDRESS:
Chilean National Committee for Pacific Economic Cooperation
c/o Chile Pacific Foundation
Av. Los Leones 382, Of. 701
Providencia, Santiago, Chile
Tel: +56 (2) 3343200
Fax: +56 (2) 3343201
Email: info@funpacifico.cl

COMMITTEE HOMEPAGE:
http://www.funpacifico.cl/english/index.html

CHINA

China National Committee for Pacific Economic Cooperation (CNCPEC)

CHAIR:
Amb. TANG Guoqiang

SECRETARIAT:
Mr. AN Zhongli
Secretary General, CNCPEC

ADDRESS:
China National Committee for Pacific Economic Cooperation
c/o China Institute of International Studies
3 Toutiao Taijichang
Beijing, China 100005
Tel: +86 (10) 85119648
Fax: +86 (10) 85119647/65235135
Email: cncpec@pecc-china.org

COLOMBIA
Colombia National Committee for Pacific Economic Cooperation (COLPECC)

CHAIR:
Mrs. Maria Angela HOLGUIN
Minister of Foreign Affairs

STANDING COMMITTEE MEMBER:
Dr. Fidel DUQUE
Director General, COLPECC

SECRETARIAT:
Ms. Elena HOYOS-RAMIREZ
Advisor, Asia Africa and Oceania Bureau
Ministry of Foreign Affairs
Email: elena.hoyos@cancilleria.gov.co

ADDRESS:
Colombia National Committee for Pacific Economic Cooperation
Ministry of Foregin Affairs
c/o Asia Africa and Oceania Bureau
Palacio de San Carlos
Calle 10 No 5-51
Bogota D.C., Colombia
Tel: +57 (1) 381 4000 ext. 1678
Fax: +57 (1) 561 1796
Email: aocolpecc@cancilleria.gov.co

ECUADOR
Ecuadorian Committee for the Pacific Economic Cooperation Council (ECUPEC)

CHAIR:
Mr. Mauricio DÁVALOS-GUEVARA
President, ECUPEC

SECRETARIAT:
Amb. Paulina GARCÍA-DONOSO
Executive Director, ECUPEC

ADDRESS:
Ecuadorian Committee for the Pacific Economic Cooperation Council
c/o Ministry of Foreign Affairs, Trade and Integration
10 de Agosto NS 21-255 y Jeronimo Carrion
Edificio Solis, 4to. Piso
Quito, Ecuador
Tel: +593 (2) 2500 654
Fax: +593 (2) 2508937
Email: ecupec@mmrree.gob.ec

HONG KONG, CHINA
Hong Kong Committee for Pacific Economic Cooperation (HKCPEC)

CHAIR:
Prof. Stephen CHEUNG
President and Chair Professor of Public Policy
Hong Kong Institute of Education

SECRETARIAT:
Ms. Vega WONG
Secretary General, HKCPEC

ADDRESS:
Hong Kong Committee for Pacific Economic Cooperation
Trade and Industry Department
18/F, Trade and Industry Tower
3 Concorde Road
Kowloon City, Hong Kong SAR
Tel: +852 23985305
Fax: +852 27877799
Email: hkcpec@tid.gov.hk

COMMITTEE HOMEPAGE:
http://www.hkcpec.org

INDONESIA
Indonesian National Committee for Pacific Economic Cooperation (INCPEC)

CHAIR:
Dr. Djisman SIMANDJUNTAK
Chairman of the Executive Board of Prasetiya Mulya Foundation
Chairman of the Board of Directors of Center for Strategic and International
Studies Foundation, Jakarta

SECRETARIAT:
Ms. Ira SETIATI
Email: ira.setiati@csis.or.id

ADDRESS:
Indonesian National Committee for Pacific Economic Cooperation
c/o Centre for Strategic and International Studies (CSIS)
Jl. Tanah Abang III No. 23-27, 2nd Floor
Jakarta 10160 Indonesia
Tel: +62 (21) 3865 532-5
Fax: +62 (21) 3847 517
Email: rosita@csis.or.id

COMMITTEE HOMEPAGE:
http://www.csis.or.id

JAPAN
Japan National Committee for Pacific Economic Cooperation (JANCPEC)

CHAIR:
Ambassador Yoshiji NOGAMI
President
Japan Institute of International Affairs (JIIA)

SECRETARIAT:
Mr. Toshiro IIJIMA
Executive Director, JANCPEC

ADDRESS:
Japan National Committee for Pacific Economic Cooperation
c/o Japan Institute of International Affairs
3rd Floor Toranomon Mitsui Building
3-8-1 Kasumigaseki, ChiyodakuTokyo
100-0013 Japan
Tel: +81 (3) 35037261
Fax: +81 (3) 35037292
Email: peccjp3503@jiia.or.jp

COMMITTEE HOMEPAGE:
http://www2.jiia.or.jp/en/pecc

KOREA
Korea National Committee for Pacific Economic Cooperation (KOPEC)

CHAIR:
Dr. Il Houng LEE
President
Korea Institute for International Economic Policy (KIEP)

SECRETARIAT:
Dr. Chul CHUNG
Vice Chair, KOPEC

ADDRESS:
Korea National Committee for Pacific Economic Cooperation
c/o Korea Institute for International Economic Policy (KIEP)
339-007, Building C, Sejong National Research Complex,
370, Sicheong-daero, Sejong-si, Korea
Tel: +82 (44) 414 1240
Fax: +82 (44) 414 1162
Email: kopec@kiep.go.kr

COMMITTEE HOMEPAGE:
http://www.kiep.go.kr/

MALAYSIA
Malaysia National Committee for Pacific Economic Cooperation (MANCPEC)

CHAIR:
Tan Sri RASTAM Mohd Isa
Chief Executive
ISIS Malaysia

SECRETARIAT:
Mr. Steve WONG
Deputy Chief Executive
ISIS Malaysia
Email: steve@isis.org.my
cc: Ms. Norazzah
Email: azza@isis.org.my

ADDRESS:
Malaysia National Committee for Pacific Economic Cooperation
c/o Institute of Strategic and International Studies (ISIS)
No. 1 Pesiaran Sultan Salahuddin
PO Box 12424
50778 Kuala Lumpur, Malaysia
Tel: +60 (3) 26939366 / 26939439
Fax: +60 (3) 26939430 / 26938485

COMMITTEE HOMEPAGE:
http://www.isis.org.my

MEXICO
Mexico National Committee for Pacific Economic Cooperation (MXCPEC)

CHAIR:
Dr. Jose Antonio MEADE Kuribrena
Secretary of Foreign Affairs

STANDING COMMITTEE MEMBER:
Minister Alejandro MADRIGAL Becerra
Director General for Asia-Pacific
Mexican Secretariat of Foreign Affairs

SECRETARIAT:
Ms. Monica OCHOA Palomera
Email: mochoap@sre.gob.mx

ADDRESS:
Mexico National Committee for Pacific Economic Cooperation
c/o Ministry of Foreign Affairs
Plaza Juárez No. 20, Floor 20
Col. Centro, Deleg. Cuauhtémoc, C.P. 06010
Mexico City, Mexico
Tel: +52 (55) 3686-5946/3686-5387
Fax: +52 (55) 3686-5947

MONGOLIA
Mongolian National Committee on Pacific Economic Cooperation (MONPECC)

CHAIR:
Mr. Khalzkhuu NARANKHUU
Member of the State Great Hural (Parliament) of Mongolia

SECRETARIAT:
Mr. Jargalsaikhan DAMBADARJAA
Secretary General, MONPECC

ADDRESS:
Mongolian National Committee on Pacific Economic Cooperation
c/o Ministry of Foreign Affairs
Suite 307, DCS Building
Peace Avenue 7B
Ulaanbaatar-48, 14210 Mongolia
Tel/Fax: +976 (11) 262394
Email: djargal@yahoo.com

NEW ZEALAND
New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC)

CHAIR:
Mr. Denis MCNAMARA
Consultant, Lowndes
Email: mcnamara@lowndeslaw.com

SECRETARIAT:
Ms. Christine CONNON
Email: cconnon@chamber.co.nz

ADDRESS:
New Zealand Committee of the Pacific Economic Cooperation Council
c/o Auckland Chamber of Commerce
Level 3, 100 Mayoral Drive
PO Box 47, Auckland, New Zealand
Tel: +64 (9) 302 9932
Fax: +64 (9) 309 0081

COMMITTEE HOMEPAGE:
http://nzpecc.org.nz

PERU
Peruvian National Committee for Pacific Economic Cooperation (PERUPEC)

CHAIR:
Ambassador Armando Raul PATINO Alvistur
Director of APEC and Specialized Fora
Ministry of Foreign Affairs

SECRETARIAT:
Ms. Krizia Karen HERRERA Celi
Email: kherrera@rree.gob.pe

ADDRESS:
Peruvian National Committee for Pacific Economic Cooperation
4th Floor, Ministry of Foreign Affairs
Jr Lampa 545
Lima 1, Peru
Tel: +51 (1) 204 3050
Fax: +51 (1) 204 3032

PHILIPPINES
Philippine Pacific Economic Cooperation Committee (PPECC)

CHAIR:
Ambassador Antonio I. BASILIO
President
Philippine Foundation for Global Concerns, Inc

SECRETARIAT:
Ms. Evelyn Q. MANALOTO
Executive Director, PPECC

ADDRESS:
Philippine Pacific Economic Cooperation Committee
c/o Philippine Foundation for Global Concerns, Inc.
32/F Zuellig Building Makati Avenue
corner Paseo de Roxas
Makati City 1226, Philippines
Tel: +63 (2) 843 6536
Fax: +63 (2) 845 4832
Email: ppecc@pfgc.ph

SINGAPORE
Singapore National Committee for Pacific Economic Cooperation (SINCPEC)

CHAIR:
Dr. TAN Khee Giap
Associate Professor of Public Policy
National University of Singapore
Email: SPPTKG@nus.edu.sg

SECRETARIAT:
Ms. YAP Xin Yi
Email: sppyxy@nus.edu.sg

ADDRESS:
Singapore National Committee for Pacific Economic Cooperation
c/o Lee Kuan Yew School of Public Policy
National University of Singapore
469A Bukit Timah Road
Level 2 Tower Block
Singapore 259770
Tel: +65 6516 5025
Fax: +65 6467 8714

COMMITTEE HOMEPAGE:
http://sincpec.sg

PACIFIC ISLANDS FORUM (PIF)

CHAIR:
Mr. Tuiloma Neroni SLADE
Secretary General
Pacific Islands Forum Secretariat

ADDRESS:
Private Mail Bag
Suva, Fiji
Tel: +679 3312600
Fax: +679 322 0230
Email: sg@forumsec.org.fj
Cc: info@forumsec.org.fj

CHINESE TAIPEI

Chinese Taipei Pacific Economic Cooperation Committee (CTPECC)

CHAIR:
Dr. Chien-Fu LIN
President
Taiwan Institute of Economic Research (TIER)
Email: clin@tier.org.tw

SECRETARIAT:
Dr. Darson CHIU
Director General, CTPECC
Email: d11224@tier.org.tw

ADDRESS:
Chinese Taipei Pacific Economic Cooperation Committee
c/o Taiwan Institute of Economic Research (TIER)
7F, 16-8, Dehuei Street
Taipei, Taiwan 10461
Tel: +886 (2) 25865000
Fax: +886 (2) 25956553 / 25946563

COMMITTEE HOMEPAGE:
http://www.ctpecc.org.tw

THAILAND

Thailand National Committee for Pacific Economic Cooperation (TNCPEC)

CHAIR:
Dr. Narongchai AKRASANEE
Chairman, Khon Kaen University Council
Member, Monetary Policy Committee of Bank of Thailand

SECRETARIAT:
Ms. Vimon KIDCHOB
Executive Director, TNCPEC

ADDRESS:
Mr. Winichai CHAMCHAENG
The International Institute for Asia Pacific Studies (INSAPS)
Bangkok University
Rama 4 Rd, Klong Toey
Bangkok 10110 Thailand
Tel: +66 (2) 350 3500 ext 1845
Fax: +66 (2) 350 3660
Email: winichaic@gmail.com

UNITED STATES

United States Asia Pacific Council (USAPC)

CHAIR:
Ambassador Stapleton ROY
Director, Kissinger Institute on China and the United States
Woodrow Wilson International Center for Scholars

STANDING COMMITTEE MEMBER:
Dr. Charles E. MORRISON
President
East-West Center

SECRETARIAT:
Dr. Satu LIMAYE
Director, East-West Center
Email: limayes@eastwestcenter.org

ADDRESS:
United States Asia Pacific Council
6th Floor
1819 L Street, N.W.
Washington, D.C. 20036 USA
Tel: +1 (202) 2933995
Fax: +1 (202) 2931402

COMMITTEE HOMEPAGE:
http://www.eastwestcenter.org/ewc-in-washington/us-asia-pacific-council

VIETNAM

Vietnam National Committee for Pacific Economic Cooperation (VNCPEC)

CHAIR:
Mr. Vu Tien LOC
Chairman
Vietnam Chamber of Commerce and Industry (VCCI)

SECRETARIAT:
Mr. Nguyen Van HAI
Deputy Director
International Relations Department

ADDRESS:
Vietnam National Committee for Pacific Economic Cooperation
c/o Vietnam Chamber of Commerce and Industry (VCCI)
9 Dao Duy Anh Street
Hanoi, Vietnam
Tel: +84 (4) 35742022 Ext. 241
Fax: +84 (4) 35742020/35742030
Email: hainv@vcci.com.vn

ASSOCIATE MEMBERS

FRANCE (PACIFIC TERRITORIES)

France Pacific Territories National Committee for Pacific Economic Cooperation (FPTPEC)

CHAIR:
Mr. Michel ROCARD
Former Prime Minister, France

SECRETARIAT:
Prof. Jean Luc LE BIDEAU
Vice-Chair, FPTPEC
Tel: +33 (6) 85082141
Email: jllebideau@icloud.com

AMBASSADOR JACQUES LE BLANC
Secretary General, FPTPEC
Tel: +33 (1) 53692495
Fax: +33 (1) 53692276
Email: jacques.leblanc@outre-mer.gouv.fr

AMBASSADOR CHRISTIAN LECHERVY
Permanent Secretary for Pacific Affairs
Ministry of Foreign Affairs
Tel: +33 (1) 53692529
Fax: +33 (1) 53692276
Email: christian.lechervy@diplomatie.gouv.fr

CHAIR, POLYNESIA
Mr. Eric POMMIER
Email: ecpommier@gmail.com

CHAIR, NEW CALEDONIA
Mr. Dominique CHU VAN
Email: dchuvan@gmail.com

ADDRESS :
Comité France (Territoires du Pacifique) pour le PECC
c/o Ministère de l'Outre Mer
Secrétariat Permanent pour le Pacifique
27, Rue Oudinot
75007 Paris, France
Tel: +33 (1) 53692495
Fax: +33 (1) 53692276

INSTITUTIONAL MEMBERS

PACIFIC TRADE AND DEVELOPMENT CONFERENCE (PAFTAD)

CHAIR:
Prof. Wendy DOBSON

ADDRESS:
Pacific Trade and Development Conference
International Secretariat
c/o East Asian Bureau of Economic Research
Crawford Building
Lennox Crossing
Building #132
The Australian National University
Canberra ACT 0200, Australia
Tel: +61 (2) 6125 0552
Fax: +61 (2) 6125 5570
Email: paftad.sec@anu.edu.au

COMMITTEE HOMEPAGE:
http://paftad.org

PACIFIC BASIN ECONOMIC COUNCIL (PBEC)

CHAIR:
Mr. Wilfred WONG Ying Wai
Email: wilfredwong@hcg.com.hk

ADDRESS:
Pacific Basin Economic Council
Room 1809, Harbour Centre
25 Harbour Road, Wanchai Hong Kong
Tel: +852 2815 6550
Fax: +852 2545 0499
Email: info@pbec.org

COMMITTEE HOMEPAGE:
http://www.pbec.org

Pacific Economic Cooperation Council

29 Heng Mui Keng Terrace, Singapore 119620
www.pecc.org

ISBN: 978-981-09-7671-2