

STATE OF THE REGION SURVEY 2007

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Pacific Economic Cooperation Council



What PECC Is

- A network of individuals from academia, business and government (in private capacity) organized into 26 member committees committed to enhanced Asia-Pacific regional cooperation for mutual economic benefit
- A forum for non-governmental research and dialogue on critical economic issues facing the region
- A vehicle for catalytic policy ideas and informed opinion to reach policymakers and leaders in Asia-Pacific economies



State of the Region Survey: Key Elements

- One of three elements of PECC's annual State of the Region Report, 2007/2008, which will be released in November
- The largest systemic survey of regional opinion leaders in Asia and the Pacific
- A survey conducted in June/July 2007 on:
 - Priorities for APEC leaders
 - Challenges facing APEC economies
 - Trends and issues in Asia and the Pacific



State of the Region Survey Who Responds

Breakdown by sector:

- Business 107
- Government 68
- Academic/Research 166
 - Media 14
- Civil Society 5
 - Other 22

Breakdown by region:

- Northeast Asia 124
- Southeast Asia 104
- North America 57
- South America 46
- Australia/New Zealand 50
- No response 1

Total: 382



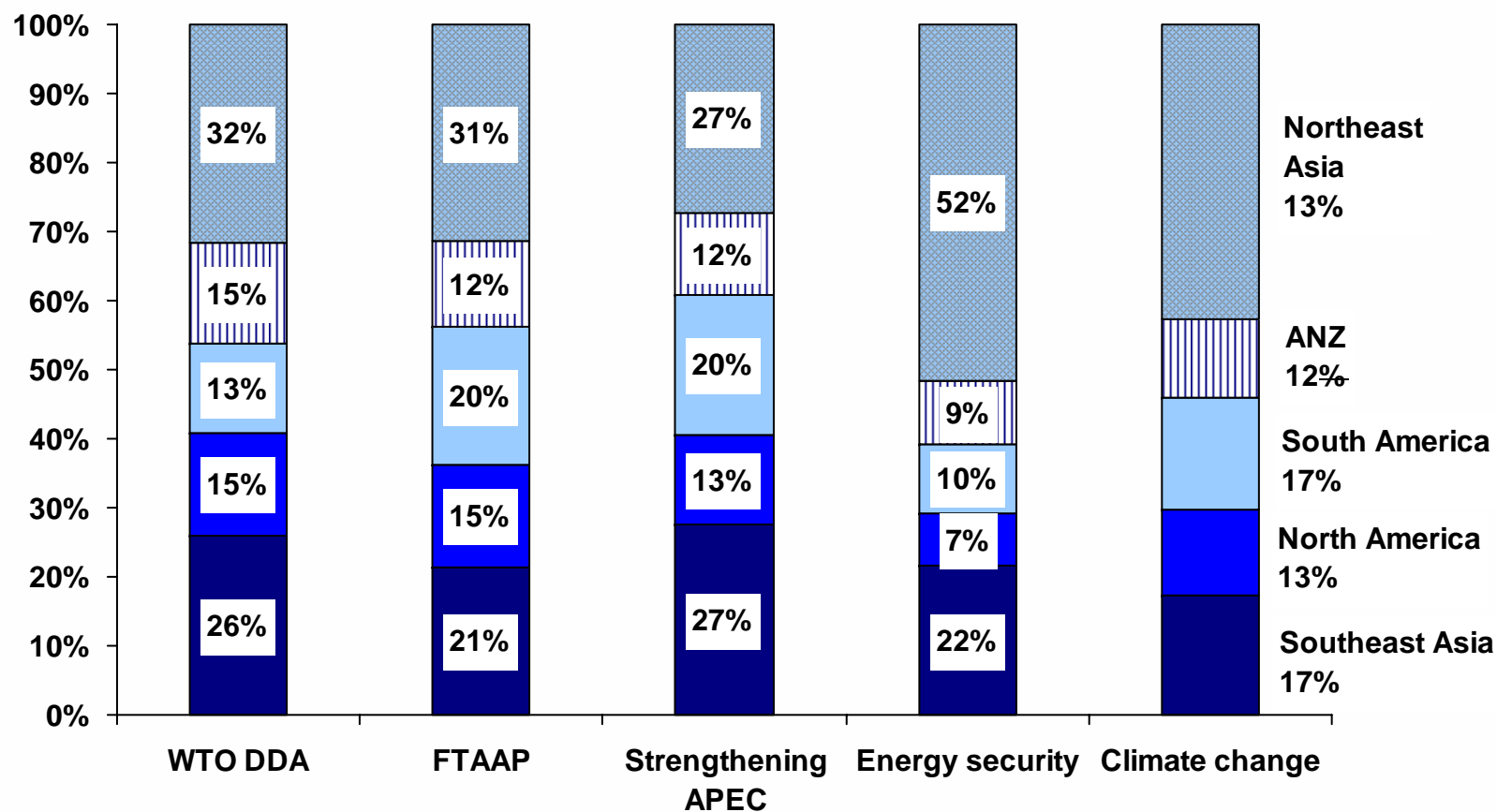
APEC: Top 5 Policy Priorities for APEC Leaders

What do you think should be the **top five policy priorities** for APEC Leaders to discuss at their upcoming meeting in Sydney?

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



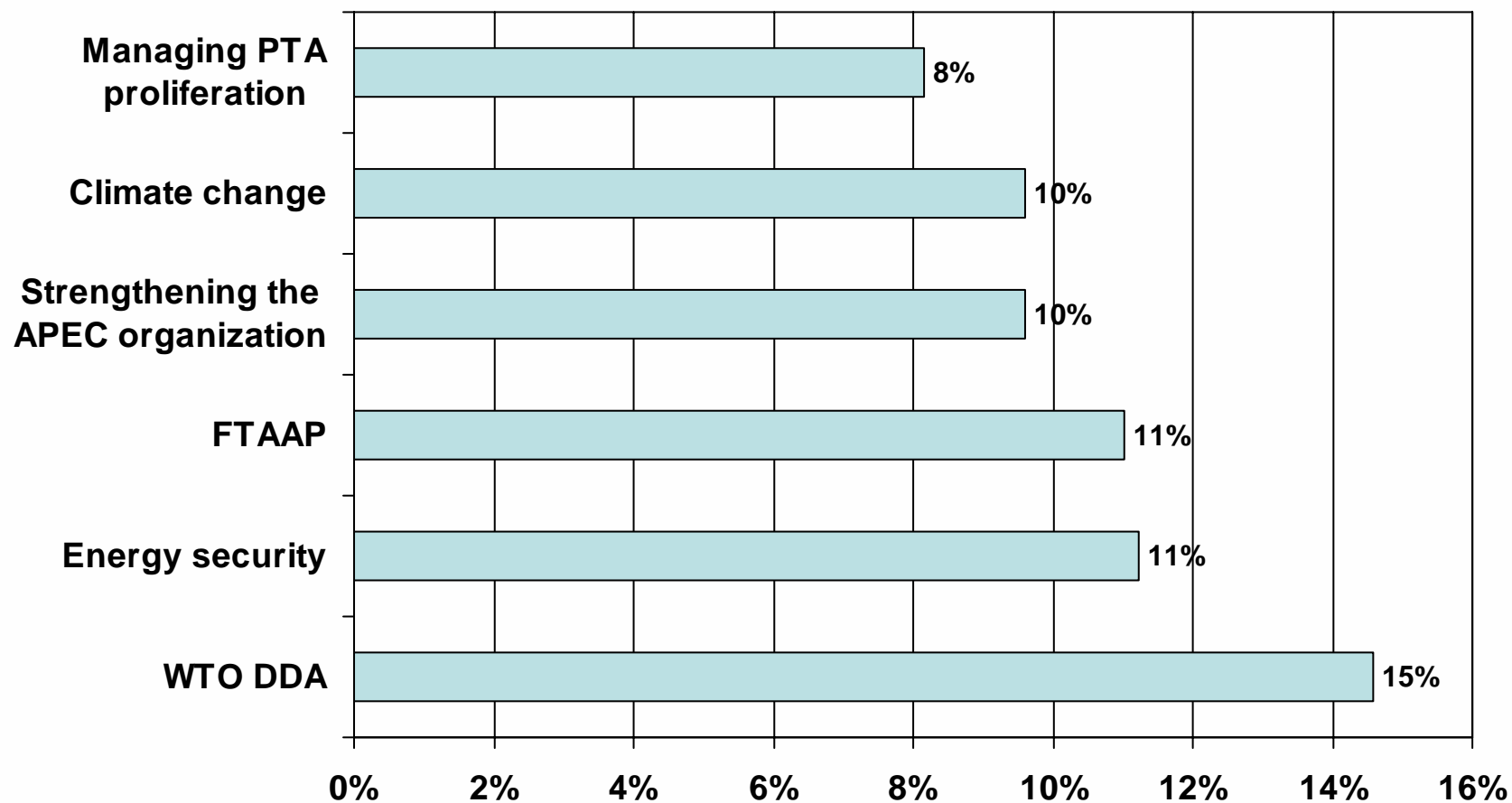
Priorities for APEC Leaders: Sub-regional views



Weighted scores by sub-region for each priority

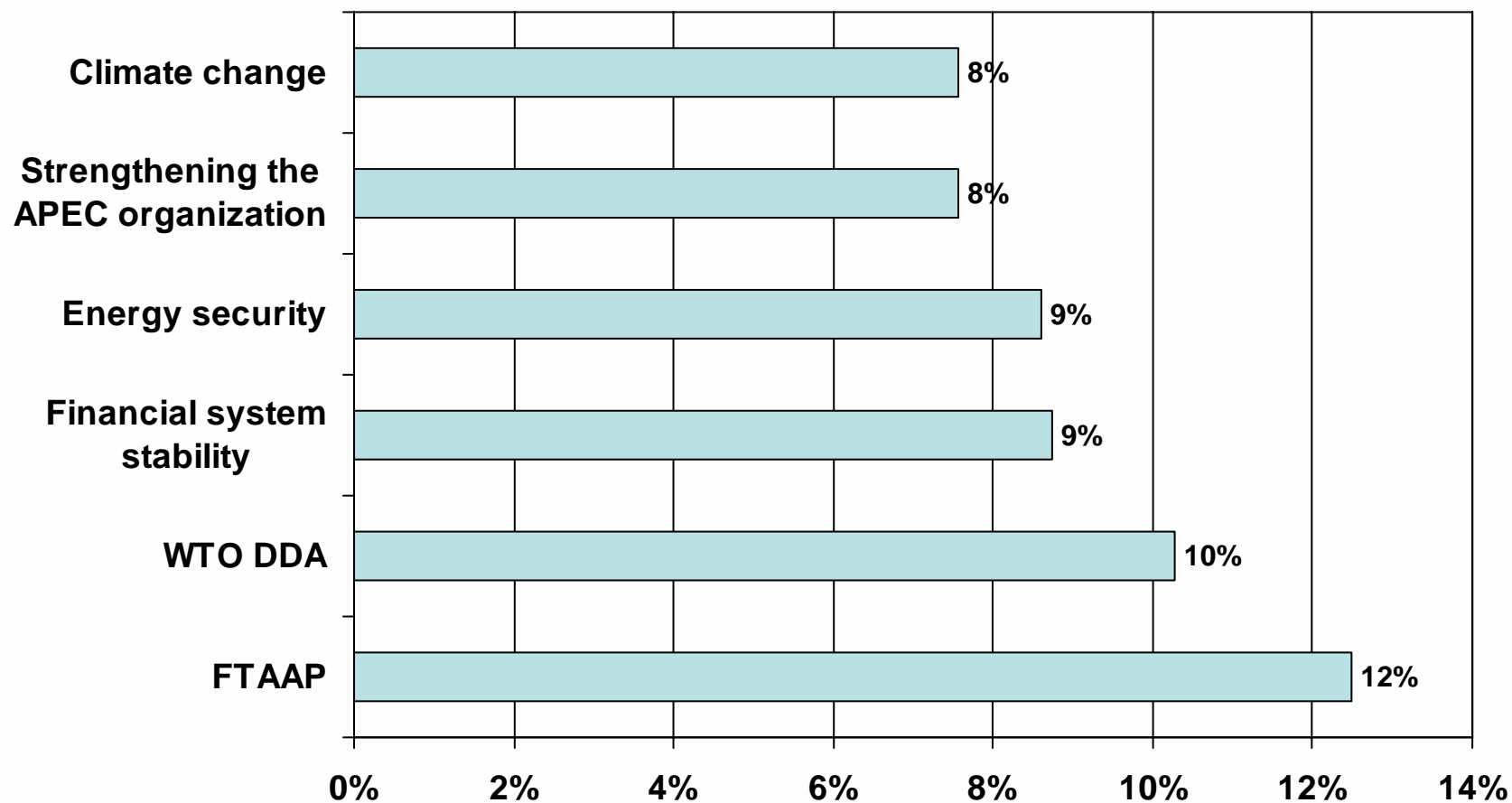


Priorities for APEC Leaders: Government Views



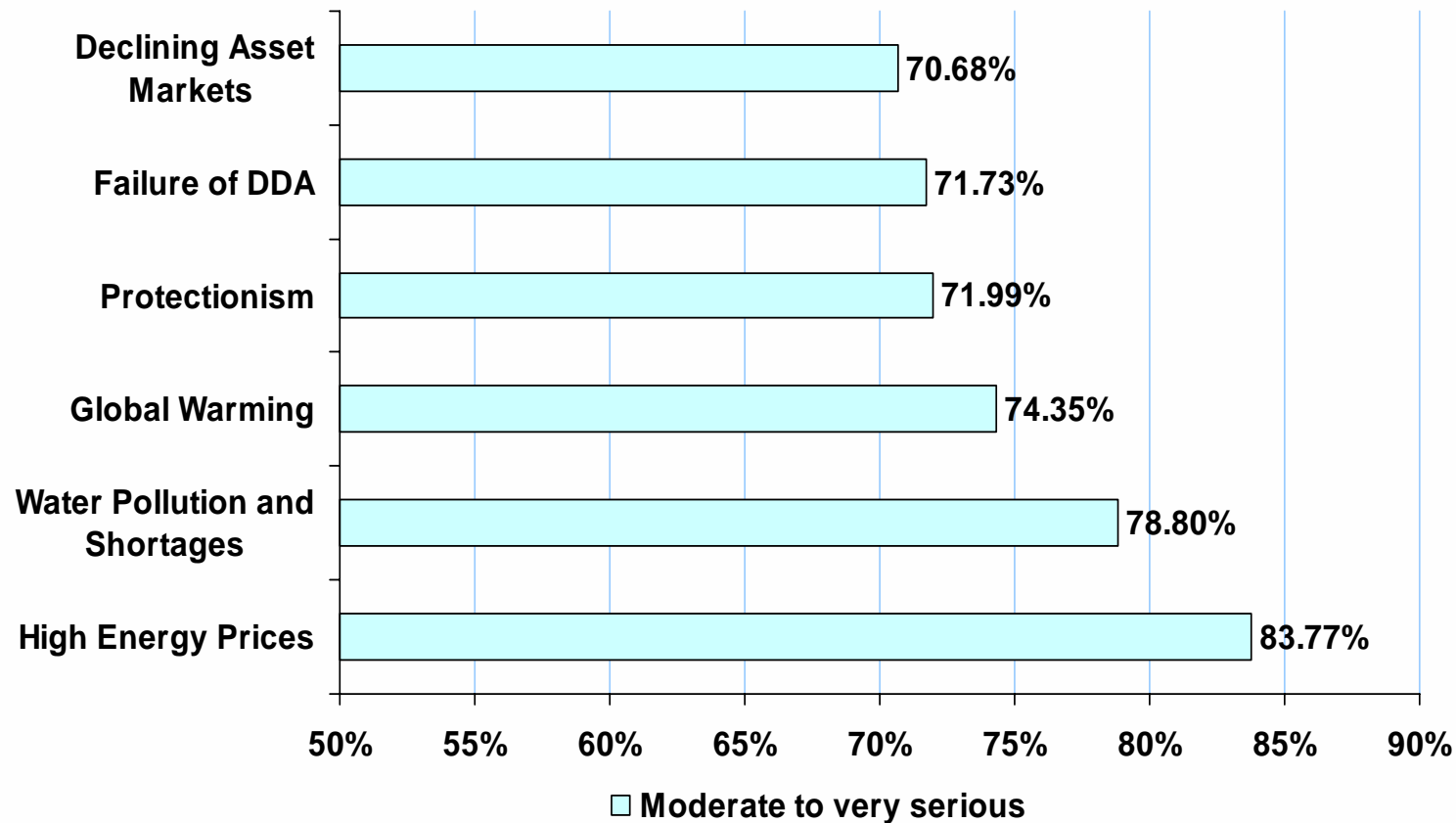


Priorities for APEC Leaders: Business Views





Risks to Economic Growth over the next 3-5 years

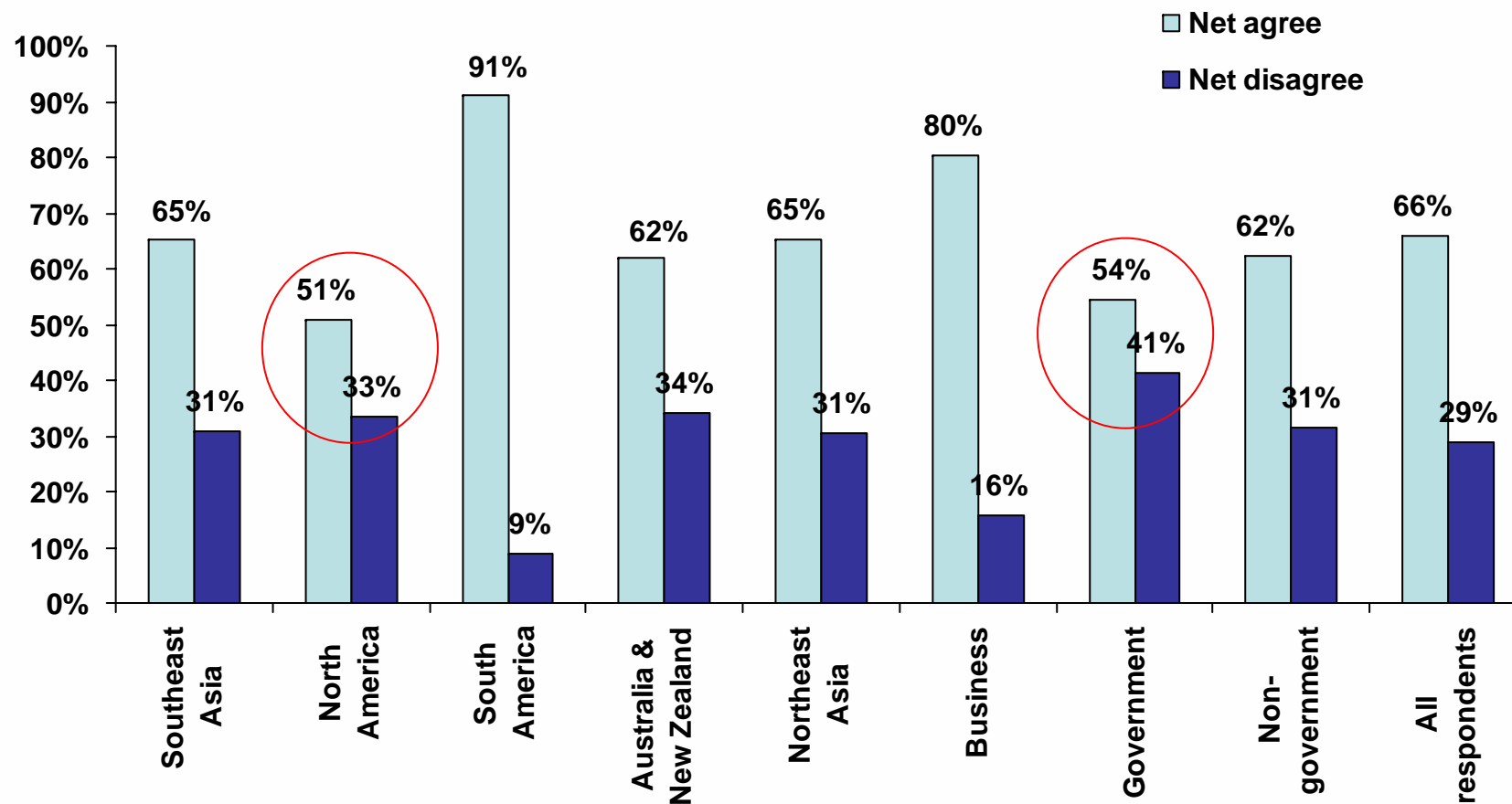


Percentage of respondents who thought the above were moderate to very serious risk to economic growth in the region



Regional Economic Integration: FTAAP

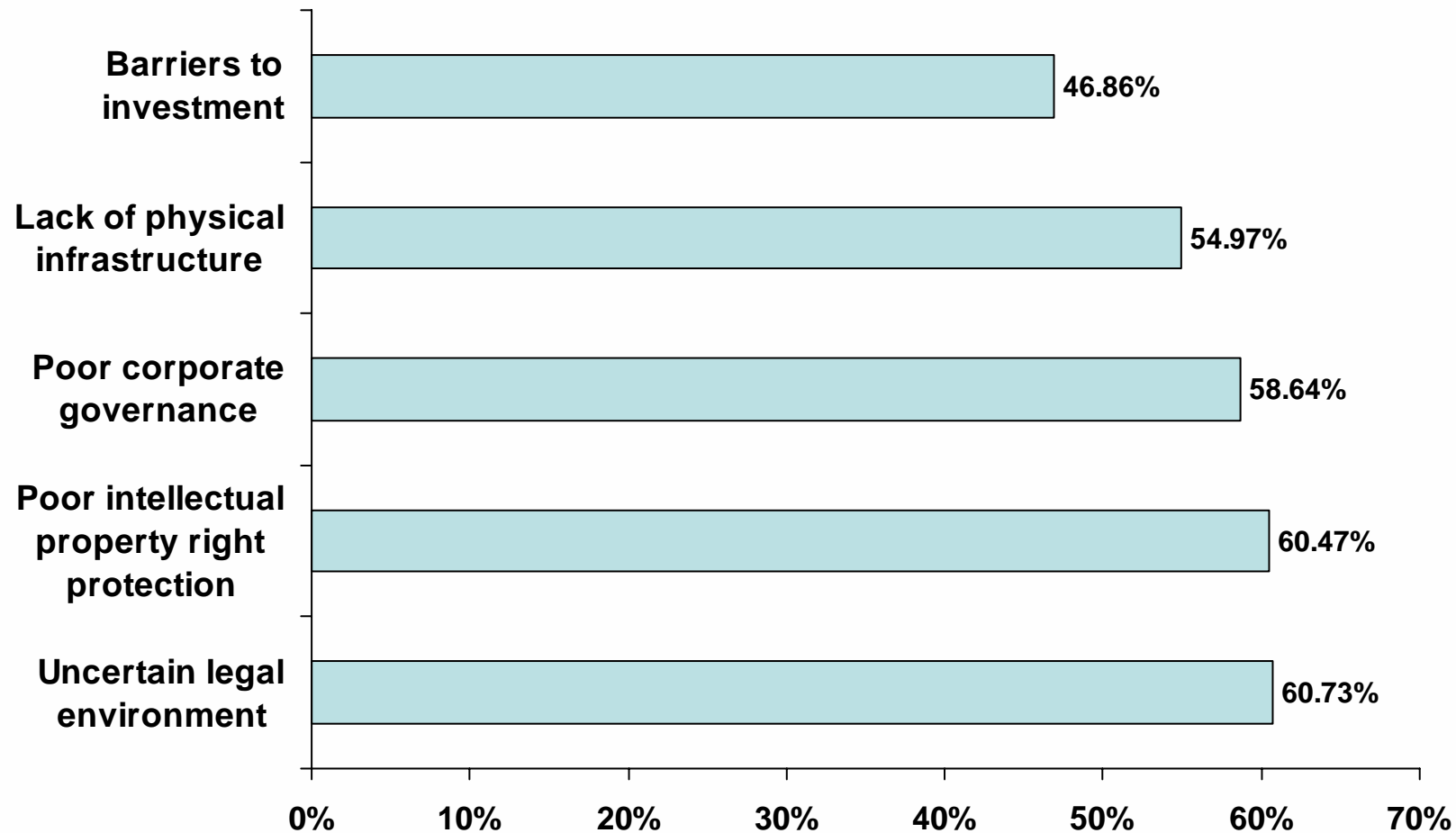
Free Trade Area of the Asia Pacific(FTAAP) should be negotiated as soon as possible.



Percentage of respondents (by sub-region & sector) who agreed/disagreed with the statement



Regional Economic Integration: Top 5 Impediments to Business



Percentage of respondents who thought the above were moderate to very significant impediments to doing business in the Asia Pacific



Section 3: Regional Economic Integration Top 5 Impediments by Sector

- Rankings vary but priorities same for gov't, business and non-gov't

Business Views:

1. Uncertain legal environment (73%)
2. Lack of physical infrastructure (65%)
3. Poor IPR protection (65%)
4. Poor corporate governance (61%)
5. Barriers to investment (56%)

Gov't Views:

1. Poor IPR protection (59%)
2. Uncertain legal environment (53%)
3. Poor corporate governance (52%)
4. Lack of physical infrastructure (50%)
5. Barriers to investment (46%)

Non-gov't Views:

1. Poor corporate governance (60%)
2. Poor IPR protection (59%)
3. Uncertain legal environment (57%)
4. Lack of physical infrastructure (51%)
5. Restrictions on the movement of capital (43%)



Least Cited Barriers to Doing Business

- High tariffs (34 percent)
- Labor shortages (37 percent)
- Restrictions on labor movements (37 percent)
- Restrictions on capital movements (41 percent)
- Complexities caused by proliferation of bilateral FTAs (42 percent)



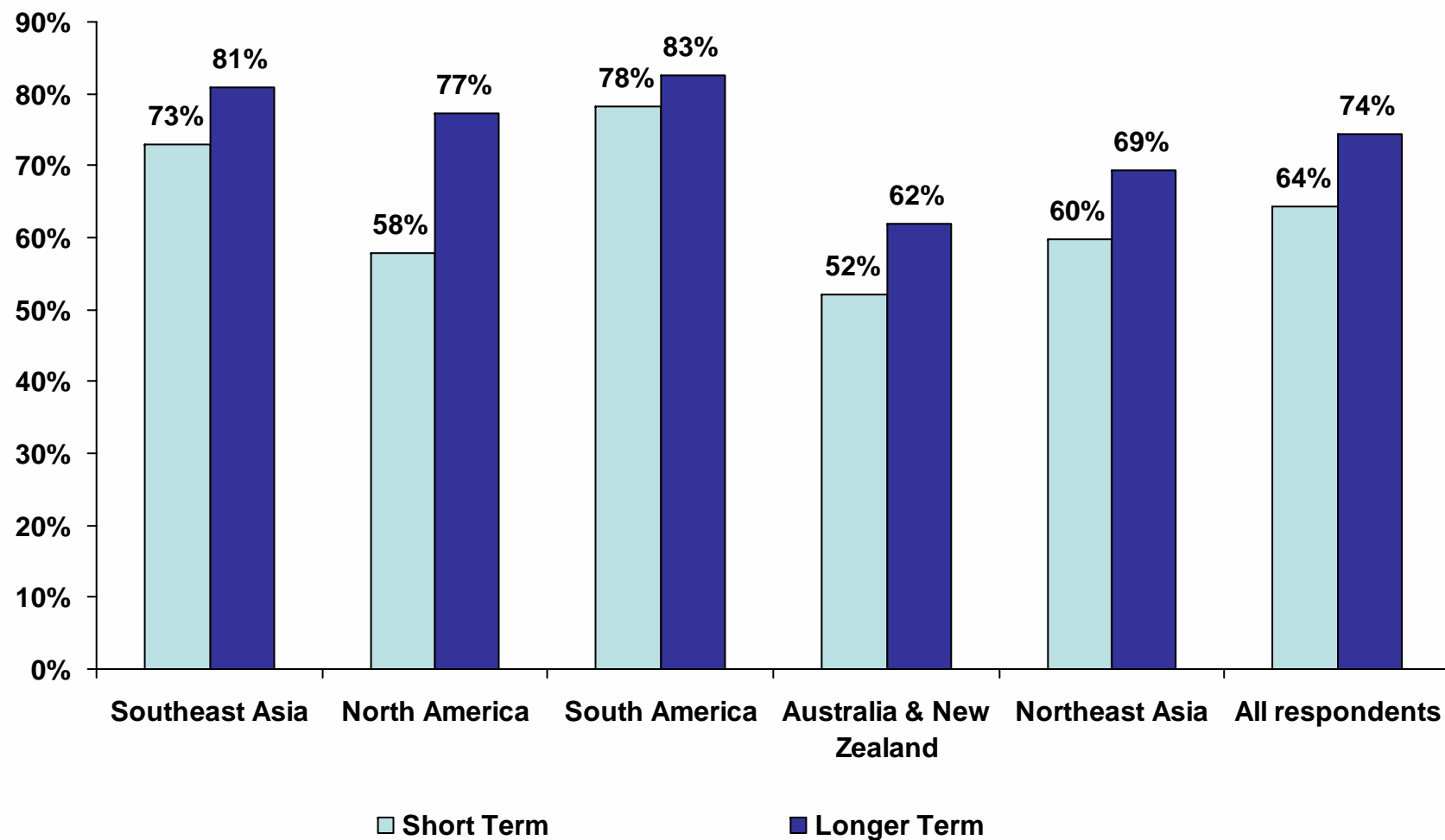
Global Warming

- Global warming was considered the second highest "very serious risk" to the short-term economic outlook, cited by 10 percent and exceeded only by high energy prices (18 percent)
- Global warming was tied with high energy prices as "a very serious risk" to the long-term outlook, each cited by 22 percent
- This compares to the proliferation of preferential trade agreements, cited by only 4 percent as a very serious risk to either the short-term or the long-term outlook



Risks to Economic Growth

Global Warming



Percentage of respondents (by sub-region) who thought that global warming was a moderate to very serious risk to growth



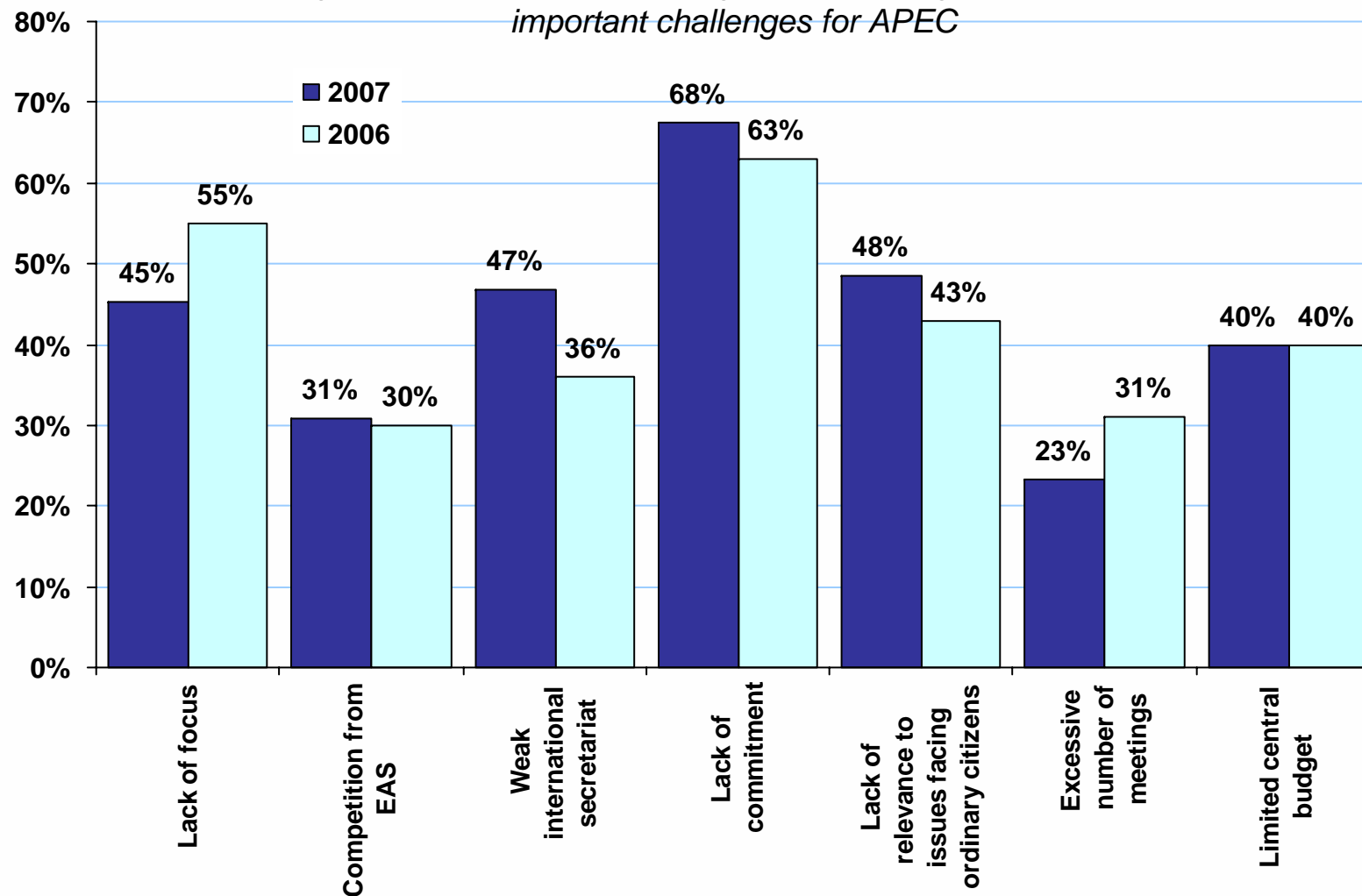
Water Pollution and Shortages

- Another environment issue – water pollution and shortages – is also regarded as a serious risk to long-term growth, as it was in our 2006 survey.
- This was cited as the third highest “very serious risk” to the long-term outlook (15 percent) and the second highest “serious risk” (by 37 percent) Only 17 percent in 2007 regard water issues as a low or very low risk.



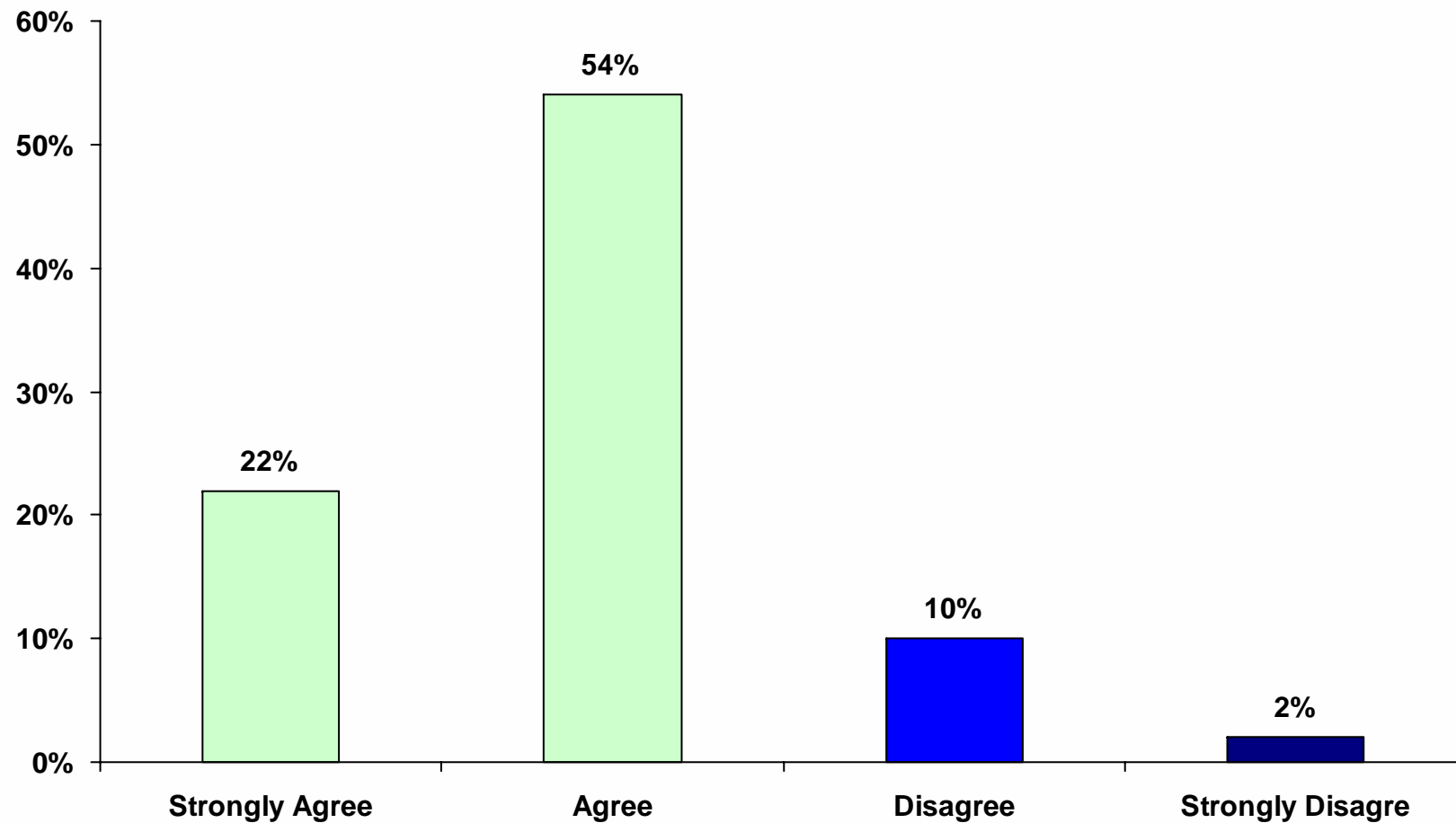
Challenges Facing APEC

Percentage of respondents who thought the following were important to very important challenges for APEC





Strong Support for Multi-year, Fixed-Term Executive Director





APEC Membership

- 60 percent agree that “India should be a member of APEC”
- On the list of priorities, “expansion of membership” ranks 16th of 17 possible priorities



Trends and Issues

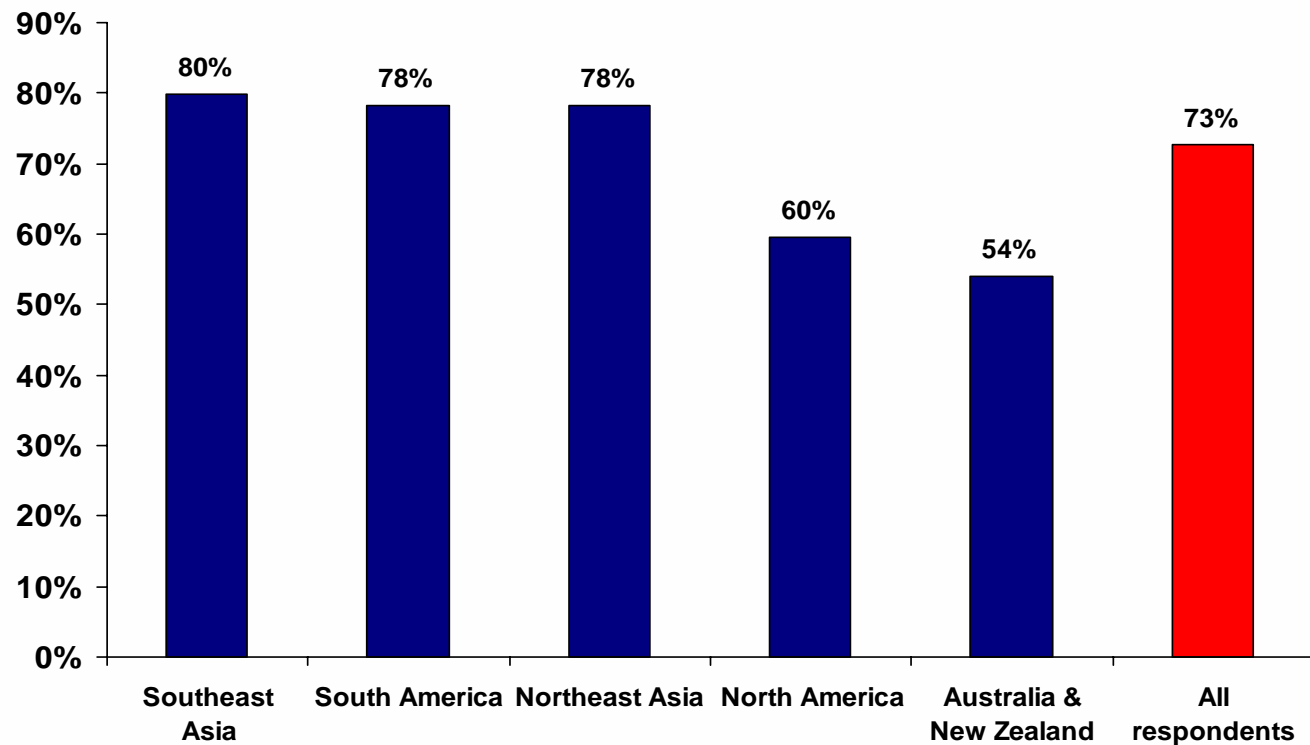
PECC opinion suggests:

- Economic Optimism
- Belief in the continued rise in economic importance of China and India
- Belief that the regional organizations are under-performing
- Belief that Asia should have an enhanced role in global economic institutions



Trends and Issues: Regional Outlook

- Respondents were, in general, optimistic
- Respondents from the US and Australia were the least optimistic

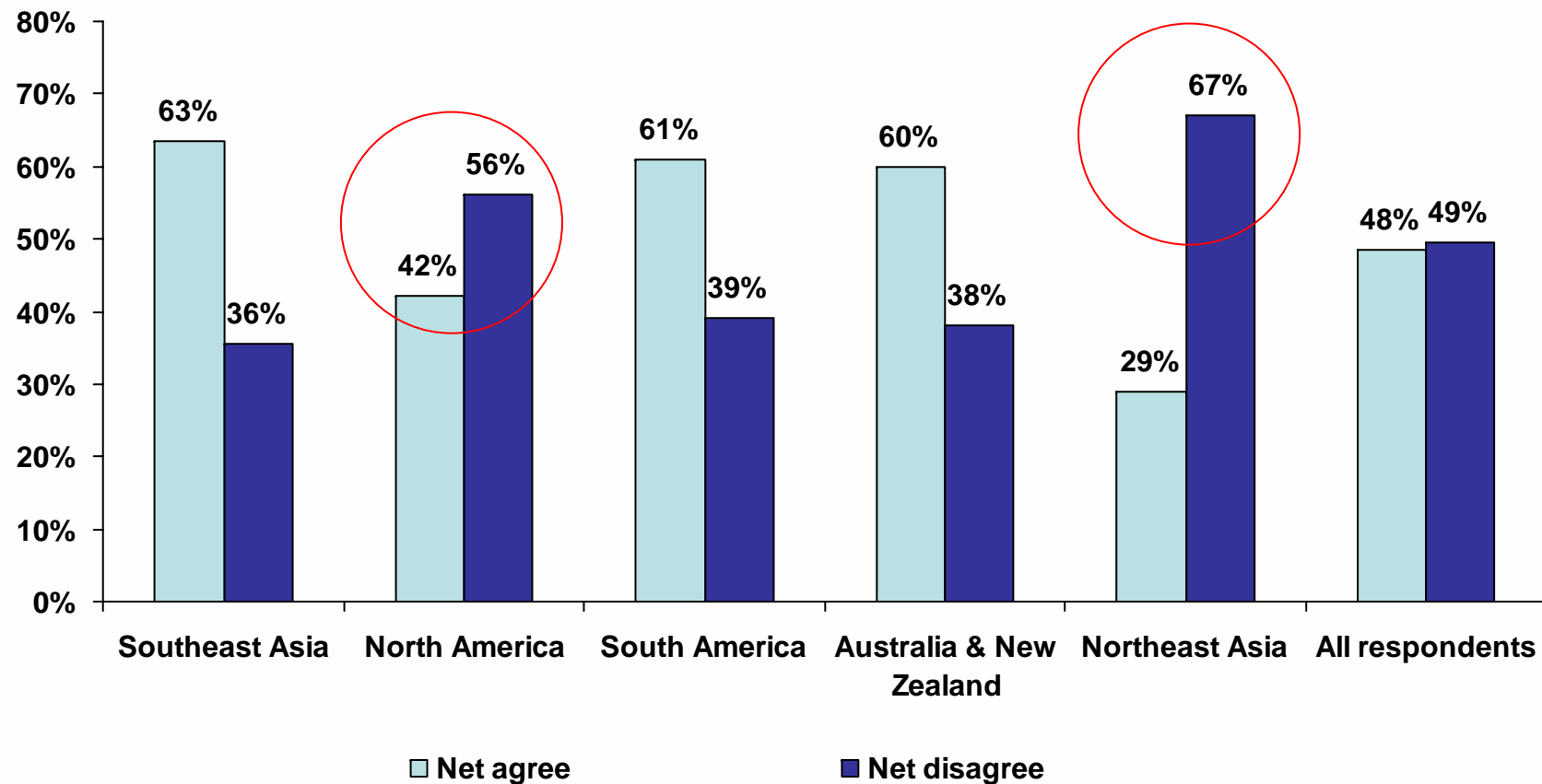


*Percentage of respondents by sub—region who that the economic outlook
for each sub-region was stronger or much stronger*



Trends and Issues: China's Rise

The Chinese economy will be larger than the US economy by 2020

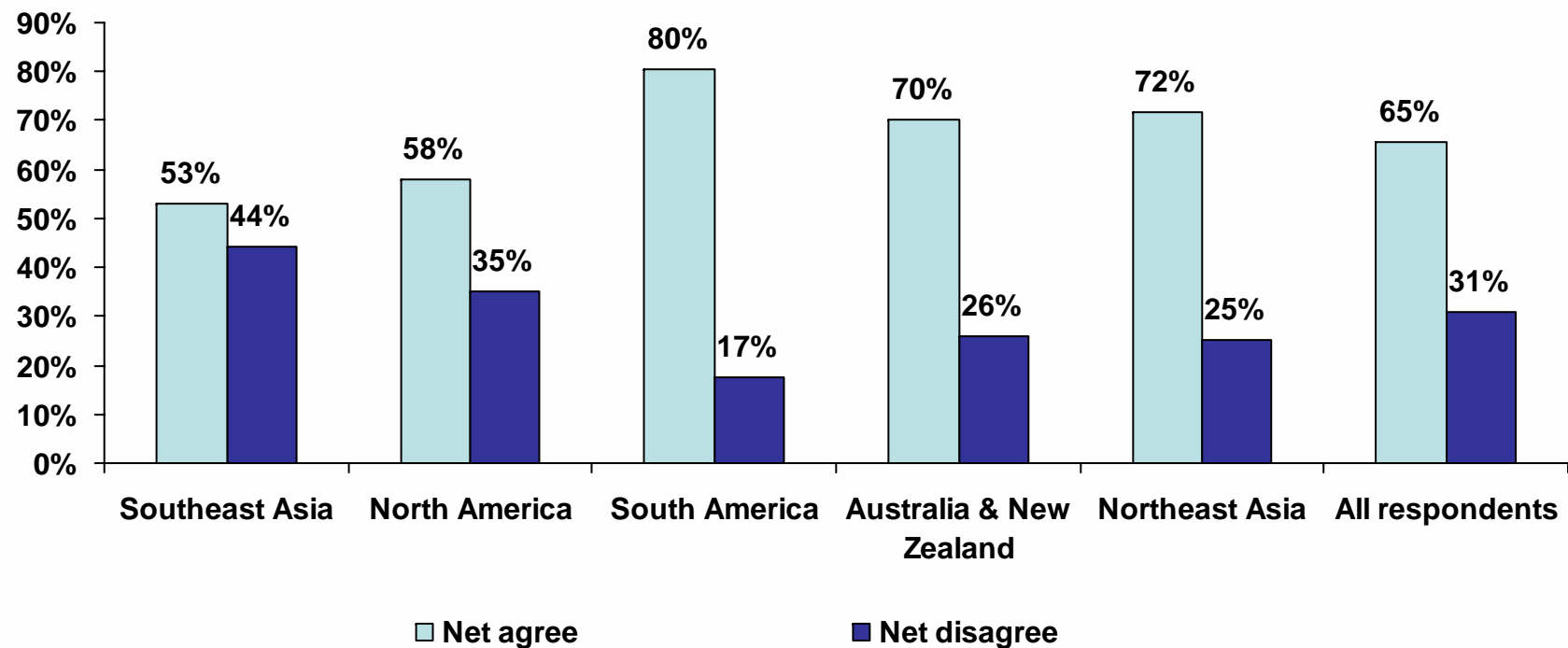


Percentage of respondents (by sub-region) who agreed/disagreed with the statement



Trends and Issues: China's Rise 2

A slowdown in the Chinese economy has a greater impact on East Asia than a slowdown in the US economy

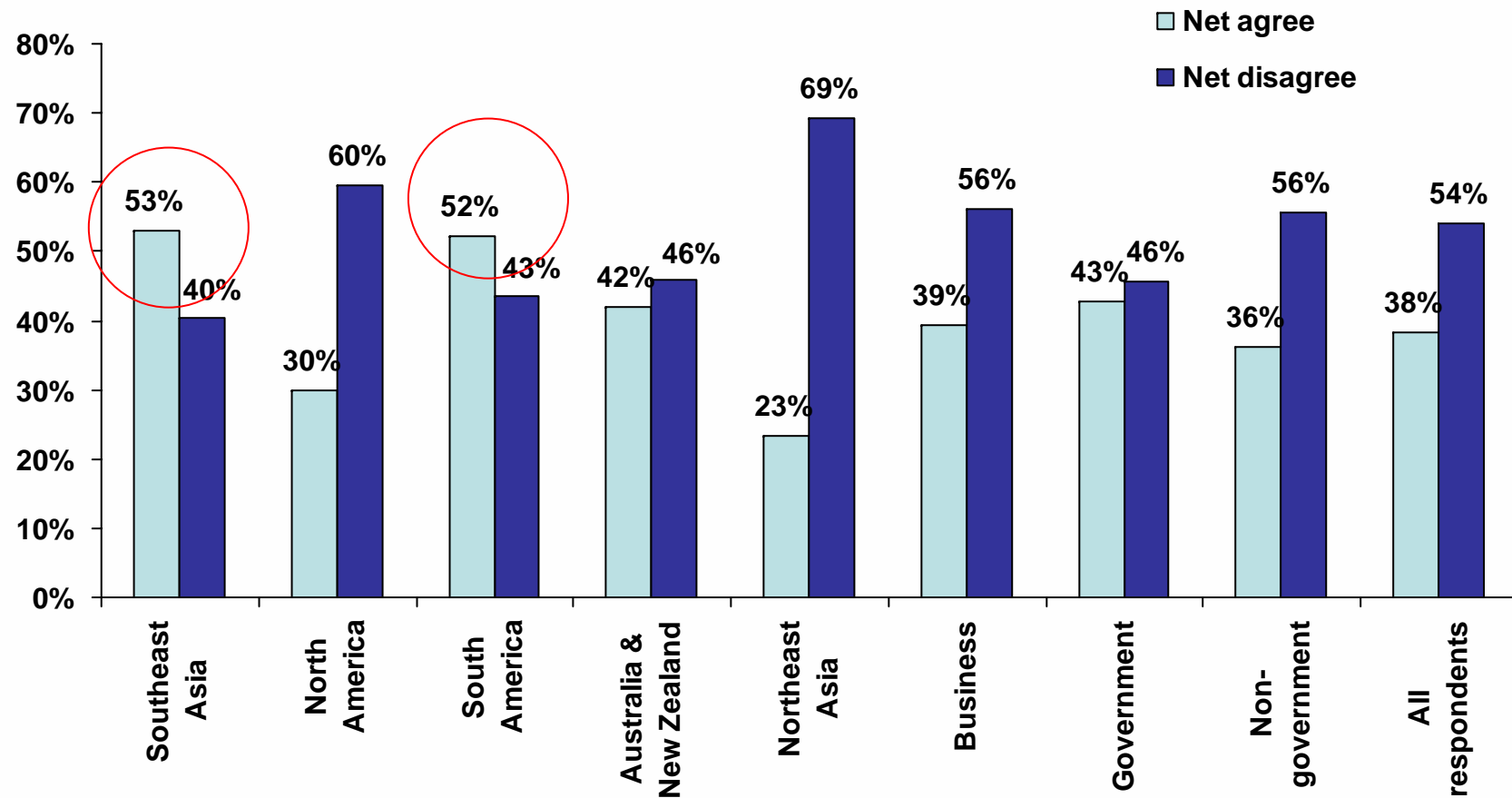


Percentage of respondents (by sub-region) who agreed/disagreed with the statement



Trends and Issues: China's Rise 3

**Chinese outward direct investment will exceed inward direct investment
by 2010**

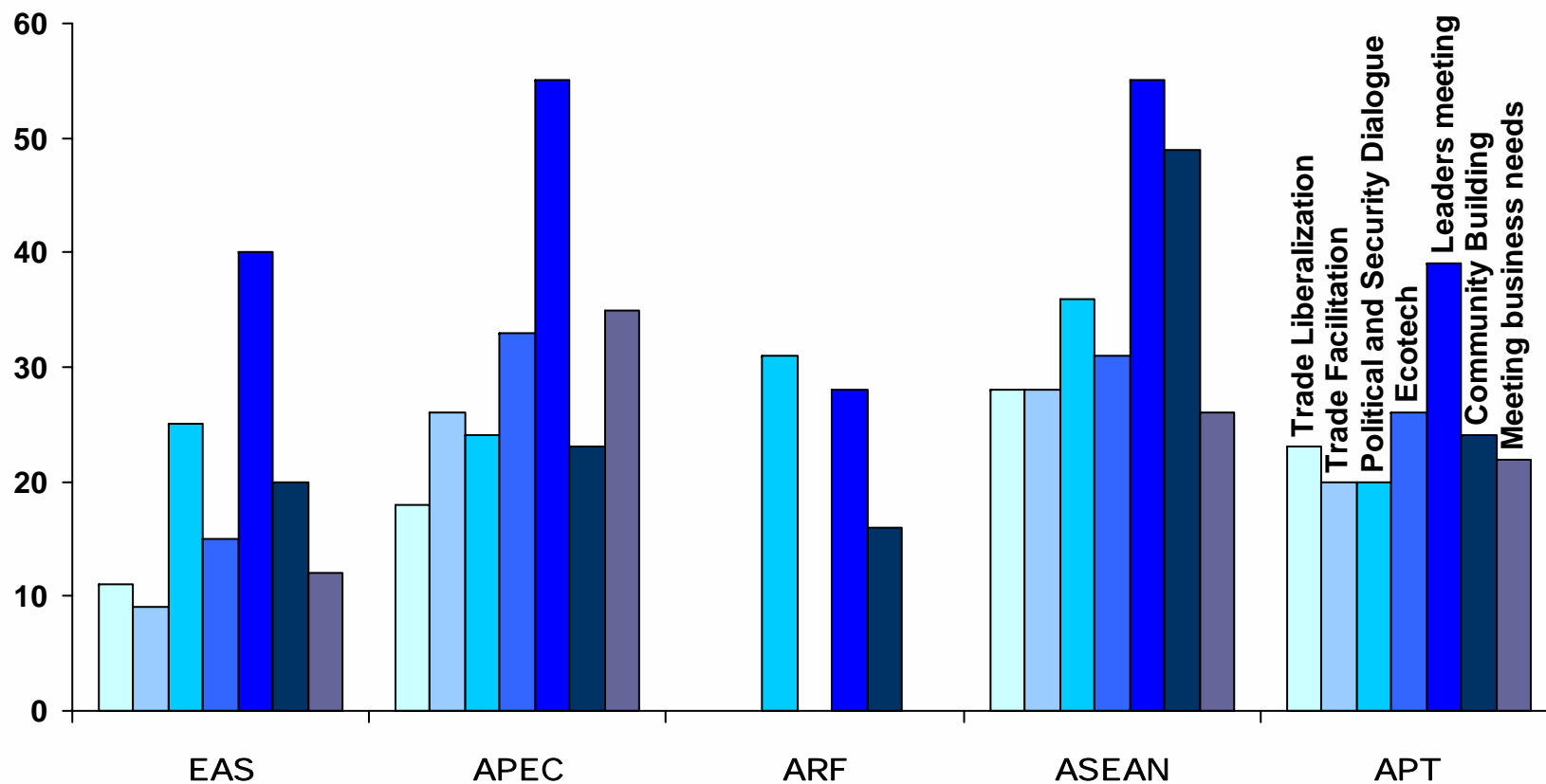


Percentage of respondents (by sub-region) who agreed/disagreed with the statement



Trends and Issues: Regional Organizations

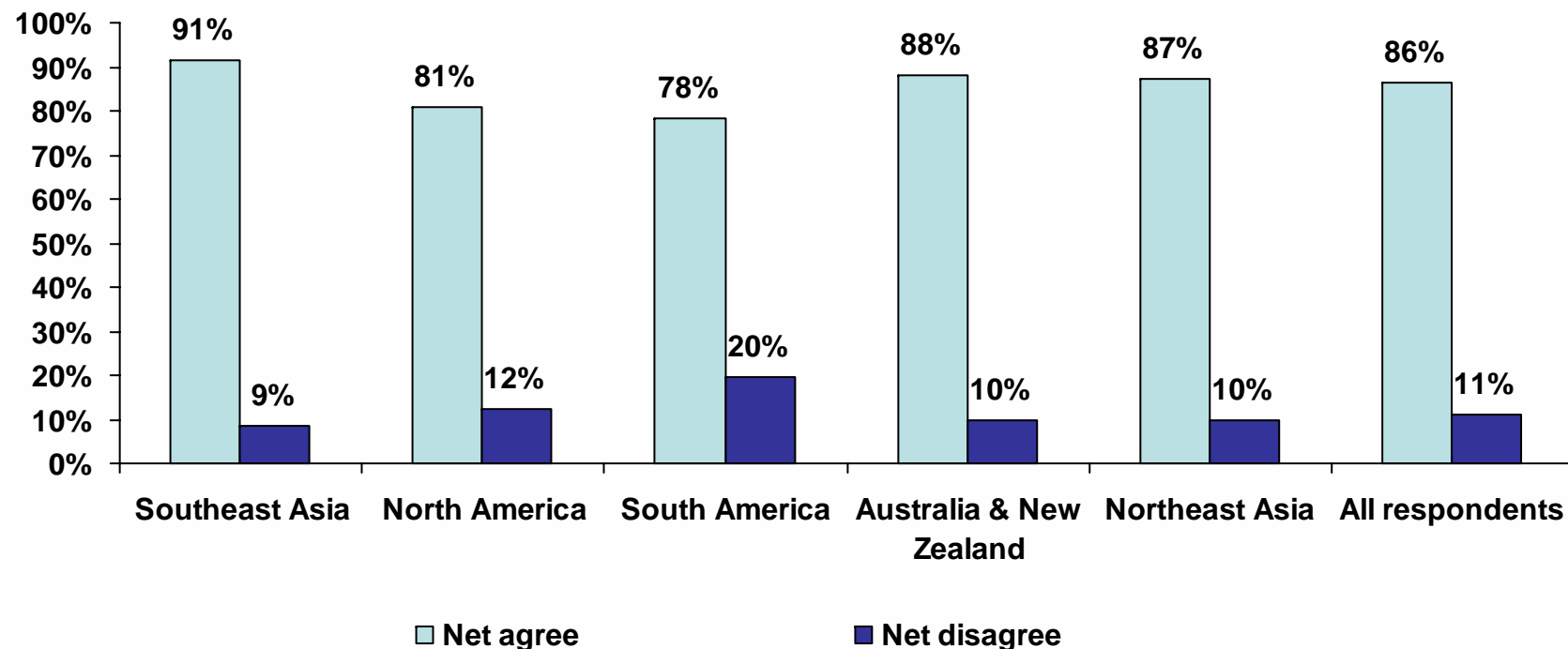
Percent Saying Effective/Highly Effective





Trends and Issues: Asia's Role in Global Governance

Asian economies should play a bigger role in the governance of multilateral institutions such as the World Bank and the International Monetary Fund.



Percentage of respondents (by sub-region) who agreed/disagreed with the statement