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## PECC State of the Region 2011-2012: Summary

### What is the current state of the Asia Pacific region?

#### Economic Outlook

- While emerging markets, in particular China, played an important role during the 2008-2009 downturn, however, they are not yet able to provide a sustained source of global demand to replace the US and the EU as the global engine of growth.
- Emerging economies continue to perform relatively well, contributing to two thirds of the region's 3.6% growth this year.
- The USA and Japan account for 55% of Asia Pacific economic output.

#### Asia-Pacific Market Trends

- The flow of trade within the Asia Pacific region accounts for 63% of global good exports. The Asia Pacific includes countries on both sides of the Pacific Ocean.
- Within the region, trade in the major product categories continues to occur predominantly at a sub-regional (e.g.; greater China, Southeast Asia, NAFTA) level. This is especially true in the case of oil and gas (see below).
- The service sector is gaining greater prominence accounting for 61% of jobs and 68% of value added in the 21 economies in the Asia Pacific Economic Cooperation (APEC).

#### Relevant Finding for Canada

The transpacific trade of oil, gas and coal - the most traded product in the Asia-Pacific region - accounts for only 1.4% of global trade in these products. There is virtually no energy trade across the Pacific.

- Asia Pacific economies are looking to diversify energy sources to boost energy security and minimize carbon emissions. However, the patterns of energy use in the region are unlikely to change and it is expected that fossil fuels will account for 60-80% of energy mix in most economies in the near and unforeseeable future.
- Presently, Canada is almost entirely reliant on the US market for selling its oil and gas. Exporting oil to Asia would provide Canada with the benefits of diversification.
- North American gas could be competitive in Asia against suppliers, or at the very least serve as a secondary source of supply for Northeast Asian countries.

### What is the SOTR?

The [State of the Region \(SOTR\)](#) report is an annual statement of PECC's views on the major developments affecting Asia Pacific regional cooperation. The project's objective is to provide an easily accessible update on the progress being made in community building in the Asia Pacific.

The project contains a:

- Broad overview of economic state of relations and other issues as they relate to economic state of the region;
- Survey of regional opinion leaders on recent developments and priorities; and
- Index which measures and ranks how and to what extent economies are integrated or connected with their fellow Asia Pacific counterparts.

### What is the PECC?

The [Pacific Economic Cooperation Council \(PECC\)](#) is partnership of senior individuals from business and industry, government, academic and other intellectual circles who participate in a private capacity to discuss current policy issues of the Asia Pacific region. PECC has representatives from over 22 economies and Canada has been a member since the organization's the early 1980s.



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A confluence of recent developments has raised the possibility of a larger transpacific trade in oil and gas:

- a. The recent discovery of massive unconventional gas reserves in North America (potential LNG exports);
- b. Increased demand in Asian Countries for less carbon-intensive energy sources (for example, natural gas);
- c. Concerns about nuclear power following the Fukushima Daiichi disaster and the resulting search for clean alternatives sources to nuclear energy;
- d. Growing investment by Asian national oil and gas companies in North America energy assets, especially in the Canadian oil sands;
- e. The changing energy balance in Southeast Asia, particularly Indonesia and Malaysia, which are expected to become importers of LNG due to rapid increases in domestic demand.

For more information on implications for Canada, see [‘Get Ready for Trans-Pacific Energy Trade’](#)

### What is the outlook of opinion leaders in the Asia Pacific region?

- The PECC survey indicates that PECC regional opinion-leaders are pessimistic about the economic outlook - most are not confident about the state of the global recovery.
- According to the respondents:
  - Over 65% expect real GDP growth to be *weaker* over the next 12 months compared to the previous 12 months
- When asked about priorities for governments, respondents indicated that:
  - The most important policy objective for achieving sustained growth is investment in new technologies and innovation systems
  - The top challenge to doing business in the Asia Pacific is corruption
  - Safe and secure access to energy supplies is a serious issue
- In terms of efforts to promote regional economic integration:
  - 70% agreed that regional economic integration should be pursued along multiple tracks
  - The Asia Pacific Economic Cooperation (APEC) was seen as the most effective regional organization in the Asia Pacific region though only 10% felt that it was ‘extremely effective.’ APEC was compared to other forums such as the East Asia Forum or Association of Southeast Asian Nations (ASEAN)

To read the full **State of the Region Report: 2011-2012** and the supplement on the prospects for transpacific energy trade, please visit <http://www.asiapacific.ca/research-report/state-region-report-2011-2012>.

The [Asia Pacific Foundation of Canada](#) (APF Canada) serves as the Canadian secretariat for PECC. Mr. Yuen Pau Woo, President and CEO, APF Canada, is the Coordinator for the 2011 State of the Region report.