

考。

四、「法制革新」及「良好法規實務作業」議題：

- (一) 此二項均屬於 APEC 共同發展的主軸方向之一。我國在這些方面的推動力道較為不足，有必要在政策上大力推動，朝向法制革新邁進，以提升資源運用及貿易投資的效率。至於良好法規實務作業計畫(GRP)，我國也是共同提案會員體之一，可藉由良好作業之共同推動，促進法規影響評估之推動，並透過國際場合的努力呈現，做為日後簽署雙邊及多邊協定的談判基礎。
- (二) 本次會議再次確認澳洲提供法規影響評估(RIA)訓練計畫，相關課程預計於今年 8 月下旬在台北舉行；澳我雙方將繼續就課程內容及經費等事宜進行確認。

肆、附 件



**Asia-Pacific  
Economic Cooperation**

**2012/SOM2/EC/001**  
Agenda Item: 3

## **Draft Agenda**

Purpose: Consideration  
Submitted by: EC Chair



**Second Economic Committee Meeting**  
**Kazan, Russia**  
**30-31 May 2012**

**APEC Economic Committee Second Plenary Meeting**  
**Draft Agenda (as of 29 May 2012)**  
**May 30-31, 2012, Kazan, Russia**

**Key Objectives of EC2 Plenary:**

- Review progress in the CPLG and FoTC work plans and consider prospective activities
- Discuss issues surrounding International Financial Reporting Standards
- Discuss progress on the APEC Economic Policy Report (AEPR)

**Day 1: May 30, 2012 Start: 09:00**

**1. Friends of the Chair (FOTC) Group Meetings**

*FOTC coordinators are encouraged to schedule meetings for their groups during the morning to discuss work plans, ongoing projects, and exchange ideas for how the FOTC can take forward EC work. Chairs should confer on meeting times to avoid scheduling conflicts.*

- 9:00 am - Competition Policy (Australia, Mr. Clayton Harrington)
- 9:20 am - Corporate Law and Governance (Viet Nam, Mr. Nguyen Anh Duong)
- 9:40 am - Ease of Doing Business (United States, Daniel Miller)
- 10:20 am - Regulatory Reform (Japan, Mr. Nobuo Kiriya)

**Plenary Session Convenes 11:00**

**2. Interim Chair's Welcome**

**3. Adoption of the EC2 Plenary Agenda (doc 01)**

**4. Updates from the APEC Secretariat**

- 2012 Project Approval Process and Timeline (Myung-hee Yoo) (doc 03)
- Secretariat Report on Key Developments (Myung-hee Yoo) (doc 04)
- Policy Support Unit Work (Denis Hew) (doc 05)

**5. Updates from CPLG and FOTCs**

- Competition Policy and Law Group (Japan, Mr. Yukinari Sugiyama) (doc 06, 07 & 08)
- Competition Policy (Australia, Clayton Harrington) (doc 09)
- Corporate Law and Governance (Viet Nam, Nguyen Anh Duong) (doc 10)
  - Lessons Learned from the Financial Crisis for Corporate Governance and Law: Roles and Duties of the Enforcement Bodies on Corporate Governance Compliance (Chinese Taipei, Dr. Chou Shi-Hao) (doc 11)
- Ease of Doing Business (United States, Daniel Miller) (doc 12, 13 & 14)
- Public Sector Governance (Chinese Taipei, Prof Tsai-Tsu SU) (doc 15)
- Regulatory Reform (Japan, Nobuo Kiriya) (doc 16)
  - "Regulatory Reform – Case Studies on Green Investments" (PSU, Carlos Kuriyama) (doc 17)

**Lunch**

**6. Policy Discussion: International Financial Reporting Standards (IFRS) (doc 18)**

- Moderator (Nguyen Anh Duong, Viet Nam)
- Introduction (ABAC, Mr. Vladimir Androsik)
- Panel 1: Specific Issues in IFRS Implementation and Impact of IFRS on Economic and Management Environments: *Lease Accounting, Revenue Recognition, and Insurance Contracts* (Doug Barnert, *Executive Director Group of North American Insurance Enterprises*, Yoshihiro Watanabe, *Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.* (doc 21a), Tom Clark, Vice President, Government Relations – Asia, General Electric International Inc. )
- Panel 2: Overview and Challenges of IFRS Implementation (Nobuyuki Hiratsuka, Director, Ministry of Economy Trade and Industry (Japan) (doc 21), Rory McLeod, Director at New Zealand Ministry of Economic Development (New Zealand) (doc 22)

**Break**

**7. APEC New Strategy for Structural Reform (ANSSR)**

- Russian Federation proposal on ANSSR implementation, reporting and monitoring (Russia, Julia Lavrinenko) (doc 23 & 24)
- Update on Micro-level workshop (Australia, Clayton Harrington and TATF, Torie Waite)
- Update on Macro-level workshop (TATF, Torie Waite)

**8. Development of Innovation Cooperation in APEC (Russia, Maksim Romanov/Grigoriy Senchenya) (doc 25)**

**9. Dinner for EC members hosted by the Russian Federation**

**Day 2: May 31, 2012 Start: 09:00**

**10. Overview of Activities Across APEC Fora**

- Committee on Trade and Investment (CTI, Ms Monica Contreras) (TBC)
- APEC Business Advisory Council (ABAC) (doc 26)
- Pacific Economic Cooperation Council (PECC, Mr. Eduardo Pedrosa)

**11. APEC Economy Trends Analysis Report (PSU, Le Quynh Thai) (doc 28)**

**Break**

**12. APEC Economic Policy Report (AEPR) Planning Session**

- **AEPR 2012**
  - TATF Report on Progress (TATF, Torie Waite)
  - PSU Report (PSU, Carlos Kuriyama) (doc 29)
- **AEPR 2013**
  - Public Sector Governance (Chinese Taipei, Tsai-Tsu SU) (doc 30)
  - Structure of Report
- **AEPR 2014**
  - Thoughts for next AEPR (EC Chair)

**13. EC Chair and Vice-Chair Elections (EC Chair) (doc 31)**

**Lunch**

**14. Good Regulatory Practices**

- GRP roundtable-updates from economies
- GRP Survey Results (United States, Alex Hunt) (doc 32)
- "Enhancing Regulatory Impact Analysis within APEC" (Australia, Clayton Harrington)
- Good Regulatory Practices: Online Database (Russia, Vadim Zhivulin) (doc 34 and doc 34a)
- "Non-Discriminatory Access to Air, Sea and Ground Transportation Infrastructure" (Russia, Andrey Yunak) (doc 35)

**Break**

**15. Other Business**

**16. Classification of Documents (doc 00)**

**17. Chair's Closing Remarks**

**18. Cultural Event – City Bus Tour (2-2.5 hours)**



**Asia-Pacific  
Economic Cooperation**

**2012/SOM2/EC/023**

Agenda Item: 7

**Proposal for a 2013 ANSSR Mid-Term Progress  
Report and Development of a Reporting Mechanism**

Purpose: Consideration

Submitted by: Australia; Russia; United States



**Second Economic Committee Meeting  
Kazan, Russia  
30-31 May 2012**

Draft

**Proposal for a 2013 ANSSR Mid-Term Progress Report and development of a Reporting Mechanism**

**Introduction**

Extensive work on structural reform was carried out in 2011 and at present it is one of the key parts of APEC's work program. APEC's structural reform agenda supplements the efforts on liberalization and facilitation of trade and investment by reducing the barriers (e.g., tariffs, non-tariff restrictions) obstructing access to markets across the region. Successful implementation of structural reform may result in significant benefits to APEC economies, including regional economic liberalization, as well as increased economic efficiency and effectiveness, improved institutional frameworks, regulations, and government policies that foster an economic environment that supports more open, well-functioning, and efficient markets.

**Background**

The APEC New Strategy for Structural Reform (ANSSR) was adopted in Yokohama, Japan in 2010 to identify and implement structural reform in the Asia-Pacific region that will promote open, well-functioning, transparent, and competitive markets; better functioning and effectively regulated financial markets; labor market opportunities, training, and education; sustained small- and medium-enterprise (SME) development and enhanced opportunities for women and vulnerable populations; and effective and fiscally sustainable social safety net programs. In 2011, economies identified their structural reform priorities, as well as the objectives, policies, and approaches they will use to measure progress through 2015.

**Proposal**

A number of capacity building workshops focused on the development of ANSSR plans and selection of relevant quantitative and qualitative assessment instruments occurred during 2011. The economies have repeatedly stressed the importance of such capacity building activities for supporting effective and consistent implementation of structural reform. In this regard it is important to continue active dialogue among APEC economies concerning best practices and effective implementation of individual ANSSR plans.

On this basis we propose a mid-term progress report of individual economies ANSSR plans in 2013. This proposed mid-term progress report would allow economies to highlight accomplishments in implementing structural reform priorities and will enable economies to track progress towards achieving their stated objectives of implementing structural reform by the end of the ANSSR process in 2015. The 2013 mid-term progress report will also assist economies to identify where more efforts are needed.

To support economies ahead of a mid-term progress report, we propose developing a reporting template during 2012. The proposed template will develop a basic framework for reporting on progress but will be flexible enough to take into account the different qualitative and quantitative indicators selected by economies.

**Suggested Action Plan for Implementing the Proposal**

- EC1, SOM1, February, 2012, Moscow, Russia  
To discuss with all APEC economies the above initiative
- Intersessionally  
To begin developing a template inclusive of comments from APEC economies and with support from the PSU
- EC2, May 2012, Kazan  
To finalise and endorse reporting template
- SOM2, MRT, May 2012, Kazan  
To endorse a template and to approve that APEC economies will report on progress in 2013 on individual ANSSR plans' implementation on the basis of the endorsed template

**附件三：Lessons Learned from the Financial Crisis for Corporate Governance and Law: Roles and Duties of the Enforcement Bodies on Corporate Governance Compliance (文件編號：2012/SOM2/EC/011)**



**Asia-Pacific  
Economic Cooperation**


2012/SOM2/EC/011  
Agenda Item: 5

**Lessons Learned from the Financial Crisis for  
Corporate Governance and Law: Roles and Duties of  
the Enforcement Bodies on Corporate Governance  
Compliance**

Purpose: Information  
Submitted by: Chinese Taipei



**Second Economic Committee Meeting  
Kazan, Russia  
30-31 May 2012**




Asia-Pacific Economic Cooperation

## Lessons from the Financial Crisis for Corporate Governance and Law :

### Roles and Duties of the Enforcement Bodies on Corporate Governance Implementation


Presented by  
Dr. Chou Shi-Hao  
Vice President  
Corporate Communication Department  
Chinese Taipei Stock Exchange  
30 May 2012



Asia-Pacific Economic Cooperation

## Objectives

- Analyze CG implementation in each APEC jurisdiction, in order to gain a better understanding of the function of Enforcement bodies within each member.
- Through the study, we shall learn both the soft and hard ways adopted by each member.




Asia-Pacific Economic Cooperation

## ACGA 2010 CG Watch

Market category scores (%)						
	Total	CG rules & practices	Enforce-ment	Political & regulatory	IGAAP	CG Culture
1. Singapore	67	65	60	69	88	53
2. Hong Kong	65	59	63	67	80	54
3. Japan	57	45	53	62	75	53
= 4. Taiwan	55	50	47	56	78	46
= 4. Thailand	55	56	42	54	73	49
6. Malaysia	52	49	38	60	80	32
= 7. India	49	46	36	54	63	43
= 7. China	49	47	36	56	75	30
9. Korea	45	43	28	44	78	33
10. Indonesia	40	39	28	33	67	32
11. Philippines	37	35	15	37	75	25


Source: Asian Corporate Governance Association




Asia-Pacific Economic Cooperation

## Outline

- Motivations
- Methodology

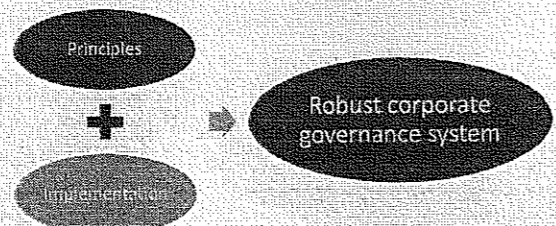


# Motivations




## CG Compliance

- Robust corporate governance system should not only rely on setting principles and rules but also complying the rules by listing companies.



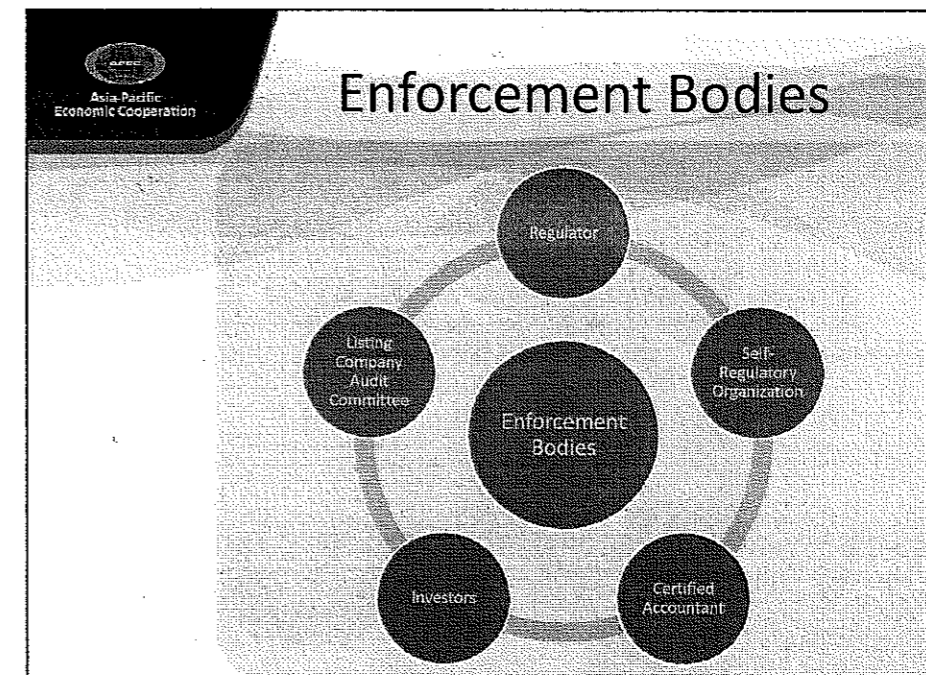
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    graph LR
      A(Principles) --- B(+)
      B --- C(Implementation)
      C --> D(Robust corporate governance system)
  
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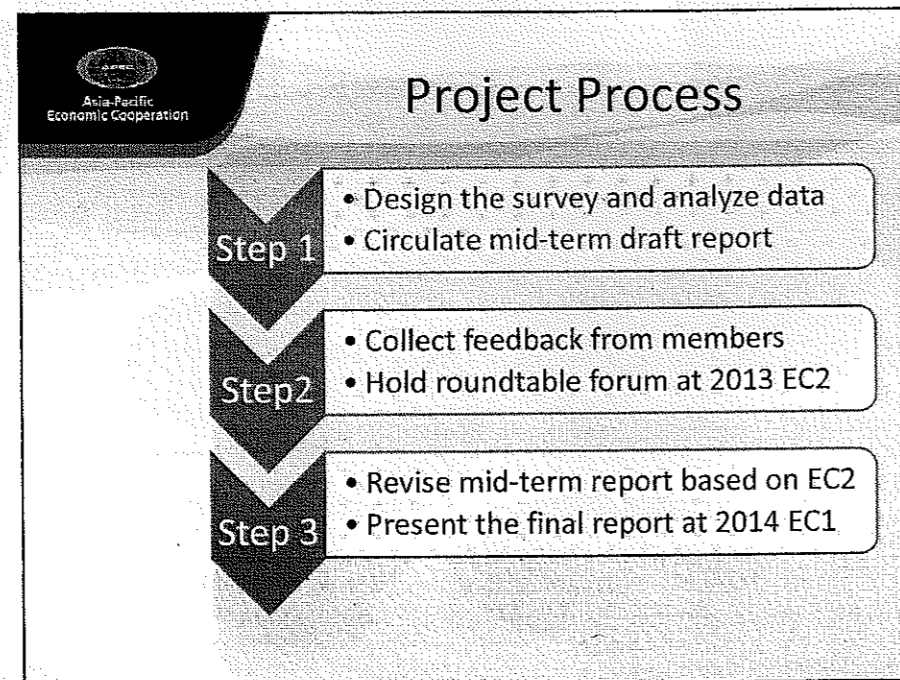
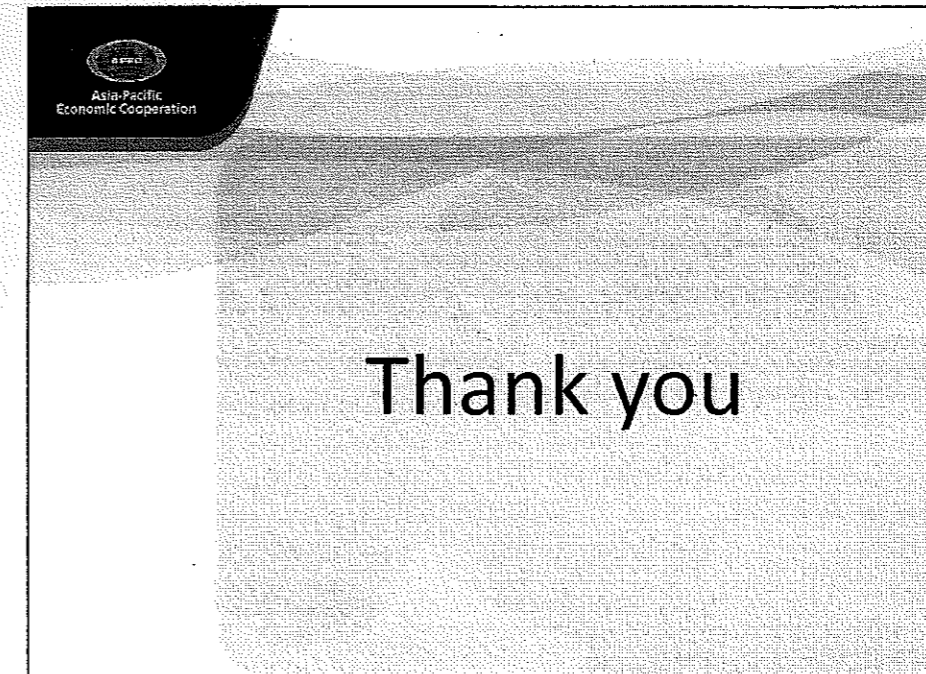
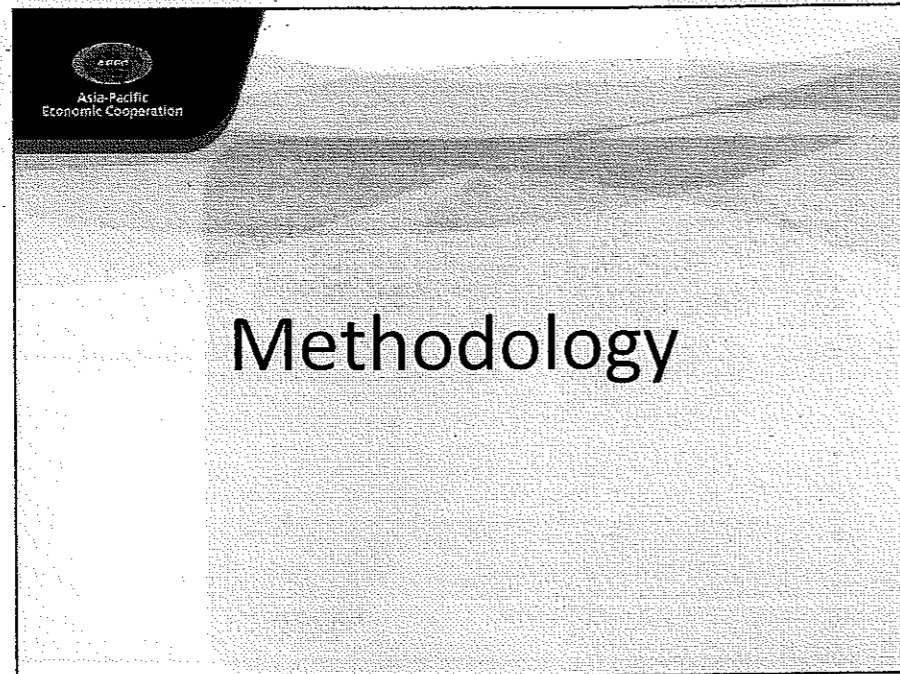


## Enforcement Bodies

- Enforcement Bodies have played a critical role in complying, supervising and ensuring good corporate governance.
- Enforcement Bodies are different from jurisdictions since the rules and implementation are varied.







**APEC SELF-FUNDED PROJECT INFORMATION**

<b>Project number:</b>	<b>Date received by Secretariat:</b>
<b>Name of Committee/Working Group:</b> Economic Committee / Corporate Law and Governance FoC	
<b>Title of Project:</b> Lessons from the Financial Crisis for Corporate Governance and Law: Roles and Duties of the Enforcement Bodies on Corporate Governance Implementation	
<b>Proposing APEC Economy:</b> Chinese Taipei	
<b>Co-sponsoring APEC Economy(ies):</b>	
<b>Date Approved by Working Group:</b>	
<b>Project Overseer: Name, Title and Organization (M/F)</b> Dr. Shi-Hao Chou Vice President Corporate Communications Department Taiwan Stock Exchange (M)	
<b>Postal address:</b> 10F, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Rd., Taipei, Taiwan 11049	<b>Tel:</b> 886 2 8101 3323 <b>Fax:</b> 886 2 8101 3324 <b>Email:</b> <a href="mailto:albert@twse.com.tw">albert@twse.com.tw</a>
<b>Total cost of self-funding in US \$:</b> TBD	
<b>Type of Project:</b> <input type="checkbox"/> Seminar/symposium <input type="checkbox"/> Short-term training course <input checked="" type="checkbox"/> Survey or analysis and research <input type="checkbox"/> Database/website <input type="checkbox"/> Workshop <input type="checkbox"/> Other (pls specify)	
<b>Project start date:</b> June 2012	<b>Project end date:</b> February 2014
<b>Brief description of Project :</b> The Enforcement Bodies (EB), including regulators, self-regulatory organizations, certified accountants, consulting firms and listing company audit committees, have played a critical role in complying with, supervising, reporting on, and ensuring good corporate governance. The EB in each APEC economy are different since their rules of corporate governance and methods of implementation are varied. Understanding the operating models used in different jurisdictions could help each country to design a better system.  This project will survey the APEC members with respect to the roles and responsibilities of EB in corporate governance implementation.	
<b>Relevance:</b> Financial crisis has led the concerns over issues of corporate governance, and a plethora of research, such as the reports of OECD, has provided recommendations on establishing new principles since 2008. However, robust corporate governance of companies should not only rely on setting rules and principles, but also on the methods of compliance enforced by companies.	
<b>Objectives:</b> The key objectives of this APEC member project are to gain a better understanding of EB operations. Members may benefit from the experience of others and there will be an analysis of CG implementation within each jurisdiction, with regards, at the very least, to the following areas: <ul style="list-style-type: none"> <li>• Supervision of enterprises in the compliance of laws relating to corporate governance</li> <li>• Reports on the efforts or problems of firms in corporate governance compliance</li> <li>• Inspiration of companies to introduce the principles of corporate governance</li> </ul>	

**Date and Venue:**

A detailed report of survey findings will be submitted at the 2013 APEC meeting in Indonesia. Simultaneously, a half-day roundtable forum will be held to collect feedback from APEC members, with a final report being rendered to APEC at the EC1, in 2014.

Signature of Project Overseer:



2012/05/28

(Separate written confirmation acceptable for email submission)

Date:

Signature of Committee Chair/WG Lead Shepherd: (Not applicable to Progress Report and Evaluation Report)

(Separate written confirmation acceptable for email submission)

Date:



**Asia-Pacific  
Economic Cooperation**

**2012/SOM2/EC/030**  
Agenda Item: 13

**2013 APEC Economic Policy Report on Promoting  
Fiscal Transparency and Public Accountability:  
Draft Structure and IERs Template**

Purpose: Consideration  
Submitted by: Chinese Taipei; Indonesia



**Second Economic Committee Meeting  
Kazan, Russia  
30-31 May 2012**

**2013 APEC Economic Policy Report on Promoting Fiscal Transparency and Public Accountability: Draft Structure and IERs Template**

*Proposed by Chinese Taipei and Indonesia*

2012 APEC Economic Committee Meeting 2  
Kazan, Russia

**Structure of the APEC Economic Policy Report (AEPR)**

As discussed at the first Economic Committee meeting (EC1/2012) in Moscow, the theme of 2013 AEPR will focus on one of the five priority areas of the Public Sector Governance FoTC Group. Following the discussion, Chinese Taipei has held an email survey in March 2012 and most economies replied their preferences on "Promoting Fiscal Transparency and Public Accountability" as the theme of 2013 AEPR. According to the survey result, Chinese Taipei and the host Economy of 2013 APEC, Indonesia, prepared a draft structure for 2013 AEPR. The three main parts of the report are as follow. Annex 1 provides a detailed draft outline for Part1 and Part 2.

- Part 1: Introduction and an overview of APEC's progress on promoting fiscal transparency and public accountability (prepared by Chinese Taipei);
- Part 2: Key elements of fiscal transparency and public accountability (prepared by Indonesia);
- Part 3: Individual Economy Reports (IERs) on promoting fiscal transparency and public accountability (provided by individual economies, coordinated by the EC Chair's office, and synthesized by Chinese Taipei).

Each economy is asked to provide an IER with approximately 5-8 pages of text (i.e. in addition to the text of the template) on the key fiscal transparency developments in your economy; in particular, economies are invited to describe initiatives that your economy has undertaken during the past five years or plans to undertake to enhance the degree of fiscal transparency.

To encourage a degree of consistency and facilitate comparisons among economies, Annex 2 provides a suggested template for the preparation of IER. Please respond to questions listed on the template as fully as possible and **display your responses in italics**. Since the template is intended to be suggestive rather than prescriptive, modifications that make it easier to present information about your economy are welcome.

**Response Deadline**

The deadline for submissions of the IER is:

- ◆ TBD

This is necessary for IERs to appear in Part 3 of the AEPR. Please submit your IER or any queries to Ms. Sunny WU ([kjwu@rdec.gov.tw](mailto:kjwu@rdec.gov.tw)) and Ms. LIN ([cclin@rdec.gov.tw](mailto:cclin@rdec.gov.tw)).

**Annex 1. Draft Outline of Part 1 and Part 2 for 2013 AEPR on Promoting Fiscal Transparency and Public Accountability**

**Part 1: Fiscal Transparency as a Key to Public Accountability**

**A. Background**

1. Definitions of fiscal transparency
2. Linkages between fiscal transparency and public accountability

**B. Why Do We Need to Enhance Fiscal Transparency?**

1. Worldwide financial crises since late 1990s
2. Fiscal transparency and sound financial management
3. International initiatives

**C. Promoting Fiscal Transparency in APEC Economies**

1. Historical review on dialogues and efforts to promote fiscal transparency
2. Key trends in the development of fiscal transparency

**D. Future Challenges in Promoting Fiscal Transparency and Accountability**

**Part 2: Key Elements of Fiscal Transparency and Public Accountability**

**A. An Overview of the Scope of Fiscal Transparency**

**B. Clarity of Roles and Responsibilities**

1. *The scope of government (including relation between central and local government)*
2. *The framework for fiscal management: clear and open legal, regulatory, and administrative framework*
3. *Leadership challenges*

**C. Open Budget Processes**

1. *Sound budget preparation: compliance with a concrete timetable and well-defined macroeconomic and fiscal policy objectives*
2. *Clear Procedures for Budget Execution, monitoring, and reporting*

**D. Public Availability of Fiscal Information**

1. *Adequate and relevant fiscal information to the public : information on the past, current, and future fiscal activities, and on critical fiscal risk*
2. *Fiscal Information as a means to the ends of accountability*
3. *Issues related to Extractive Industry Transparency*

**E. Assurance of Integrity**

1. *Control and data quality*
2. *Internal control and Risk Management*
3. *External scrutiny*

## Annex 2. Template for Individual Economy Reports on Promoting Fiscal Transparency and Public Accountability

### <<Economy Name>>: Developments in Promoting Fiscal Transparency and Public Accountability

#### Section 1. Budget Institutions and Fiscal Performance

**General Budget Institutions:** Please provide information on your economy's budget institutions, including: (1) annual budget process, (2) budget law and regulations associated with government's fiscal activities, (3) ministries/agencies responsible for budgetary decisions and budget operations, and institutions overseeing budget process (e.g. Legislatures and Supreme Audit Institutions). An outline (chart/graphic) of the relationships between agencies would be useful for our attempt to make international comparisons. Further, a brief discussion on your economy's fiscal picture and fiscal performance is also expected.

#### Section 2. Assessing Fiscal Transparency and Accountability

Fiscal transparency is increasingly acknowledged in facilitating good governance worldwide. It strengthens public accountability by incorporating citizens' oversight on government's fiscal behavior and thus holding government accountable for its policy outcome. Good governance will in turn spur high-quality economic growth by fostering entrepreneurial spirits that nurture innovation and enhance long-term economic competitiveness. Besides, international capital markets also exhibit preference to economies with better performance of fiscal transparency, which lead to sustainable economic growth and prosperity. Hence, international organizations such as APEC, OECD and IMF have been endeavoring efforts to promote fiscal transparency and foster accountability in both emerging markets and advanced economies.

In the following paragraphs, we employ general principles of fiscal transparency and accountability established by OECD and IMF and transform them into diagnosis format for APEC economies to self-examine their institutional arrangements and performances of fiscal transparency.

##### 1. Open Budget Processes

Budget is the single most important policy document of governments. To hold government accountable to the public, budget preparation, execution and reporting should be undertaken in an open manner. Please describe the budget process in your IER and focus on addressing, but not limited, to the following points:

- Does the budget preparation follow an established timetable? Does the timetable allow the legislature adequate time to review the draft budget?
- Does your budget system exhibit clear procedures for budget execution, monitoring, and reporting?
- Is the budget preparation guided by well-defined macroeconomic and fiscal policy objectives? For instance, is the annual budget based on a longer-term (more than one year) macroeconomic and fiscal policy framework?
- How are the economic assumptions and fiscal forecasts in the budget documentation made? Which agencies are responsible for making economic assumptions and fiscal forecasts? Are they independent agencies?

##### 2. Public Availability of Fiscal Information

Please describe the public accessibility to comprehensive fiscal information in your economy. You may want to include the following information in your description:

- What kinds of fiscal reports, such as monthly/quarterly/mid-year/year-end budget implementation report, are published on a regular basis? Are they free of charge and downloadable from the web?
- Is the fiscal data reported on a gross basis, distinguishing revenue, expenditure, and financing? Is expenditure classified by economic, functional, or administrative category?

- Are government receipts from all revenue sources, including resource-related activities and foreign assistance, separately identified in the annual budget presentation?
- Is the information on the level and composition of national debt and financial assets published?
- Do you report the fiscal position of sub-national governments and the finances of state-owned enterprises in the budget documentation?
- Do you publish information about significant tax expenditures<sup>1</sup>, contingent liabilities<sup>2</sup>, employee pension liabilities, and quasi-fiscal activities? Do you include an assessment of primary fiscal risks or fiscal sustainability in the budget documents?
- Do you include performance information of major expenditure programs in the fiscal reports? Are they submitted to the Legislature?

#### 3. Assurance of Integrity and Accountability

Government fiscal activities and information should be subjected to independent assurances of integrity, including internal oversights and external scrutiny. Besides, civil society organizations, media and the wider public should be empowered to actively participate in the budget process if the linkage between fiscal transparency and public accountability is to be enhanced.

Please elucidate institutional arrangements and practices in ensuring the credibility and integrity of all fiscal information in your economy. A succinct portrayal of the following guidelines is recommended.

- Is the compilation and presentation of fiscal data following generally accepted accounting standards, e.g. IPSAS, GAAP?
- Are major revisions to historical fiscal data and changes to data classification explained in the budget documentation?
- Is there a separate body of law that regulates public procurement? Do those regulations meet international standards? Are public procurements undertaken in an open manner and tender opportunities and bidding information adequately publicized?
- Are government's activities and finances internally audited? Are audited procedures open to review?
- Are public finances and policies subject to scrutiny by a national audit body, i.e. Supreme Auditing Institution (SAI)? Is this institution independent of the executive branch? Is SAI required to submit all auditing reports to the legislature for review? Do you have mechanisms ensuring follow-up actions being taken by agencies?
- Are there any independent experts invited to assess fiscal forecasts, and their underlying economic assumptions? In addition, is there any independent institution invited to verify the quality of fiscal data?
- Does the government actively promote an understanding of the budget process and budget outcomes by individual citizens and civil society organizations? Are there formal channels for citizen participation in the establishment of budget priorities and monitoring the results of fiscal activities?

#### Section 3. Challenges and Priorities for Future Reform

This section summarizes briefly key fiscal transparency developments in your economy and discusses the salient issues and challenges encountered in efforts to promote fiscal transparency and foster accountability in the past years. Additionally, please also describe priorities or plans for reform in the coming years with respect to: (1) open budget processes; (2) public availability of fiscal information; and (3) assurance of integrity and accountability in your economy.

<sup>1</sup> Tax expenditure refers to revenue forgone as a result of selective provisions of tax code. Common examples include 1) deduction, exclusion, or exemption from the taxpayers' taxable expenditure, income, or investment; 2) deferral of tax liabilities; and, 3) preferential tax rate.

<sup>2</sup> Contingent liabilities are liabilities that may or may not occur, depending on development of future events. Common examples consist of government loan guarantees, government insurance programs, and legal claims against government.

**Section 4. Resource Bibliography**

For the final draft of the AEPR, we hope to include a section on web resources available in each economy. Please provide a list of relevant website URLs and brief descriptions of each resource. Feel free to include references to both government and non-government resources.

**附件五：APEC Economy Trends Analysis (文件編號：  
2012/SOM2/EC/028)**



**Asia-Pacific  
Economic Cooperation**

**2012/SOM2/EC/028**  
Agenda Item: 11

## **APEC Economic Trends Analysis**

Purpose: Information  
Submitted by: Policy Support Unit, APEC Secretariat



**Second Economic Committee Meeting**  
**Kazan, Russia**  
**30-31 May 2012**



Asia-Pacific  
Economic Cooperation

## APEC Economic Trends Analysis

APEC Policy Support Unit  
30 May 2012

Advancing Free Trade for Asia-Pacific Prosperity

Prepared by:  
Asia-Pacific Economic Cooperation Policy Support Unit  
Asia-Pacific Economic Cooperation Secretariat  
35 Heng Mui Keng Terrace  
Tel: (65) 6891-9500 Fax: (65) 6891-9690  
Email: [psugroup@apec.org](mailto:psugroup@apec.org) Website: [www.apec.org](http://www.apec.org)

APEC#212-SE-01.6



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The views expressed in this paper are those of the authors and do not necessarily represent those of APEC Member Economies.

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## Highlights

### APEC's economic growth decelerated in 2011

The APEC region's GDP growth in 2011 moderated from a strong 5.9% in 2010 to 4.1% in 2011. While the intensification of the Euro area sovereign debt crisis in late 2011 had a limited effect on the APEC region's financial conditions, it did have a significant impact on many APEC economies' trade and investment performance. This was further exacerbated by disruptions in the region's supply and production chains, caused by a series of devastating natural disasters.

Despite uncertainty in the external environment, private consumption in the APEC region remained strong and was the key driver of growth in many APEC economies.

### Globally, economic performance in the first few months of 2012 remained mixed

Global industrial production has started to recover, suggesting that global growth could accelerate, albeit at a weak pace, in Q1 2012. However, economic performance has remained weak in much of Europe. The UK entered a technical recession in Q1 2012 while the Euro area registered no growth in the same quarter.

In the APEC region, the U.S. economy recorded its 11th consecutive period of growth in Q1 2012 while Japan rebounded strongly from the Q4 2011 recession. In emerging and developing APEC, export growth continued to weaken and contributed to moderated growth in some economies.

### Short-term prospects for growth are uncertain with risks remaining on the downside

Global GDP is forecast to slow from 3.9% in 2011 to 3.5% in 2012 before accelerating to 4.1% in 2013

The global economy is vulnerable to a fresh intensification of the Euro area crisis, which could be triggered by a severe recession from large-scale government budget-tightening across Europe and/or a drastic contraction of European banks' balance sheets.

Oil prices, which regained early-2011 highs in March 2012, could surge higher as a result of geopolitical concerns. A sustained 20% increase in oil prices could subtract global growth by a substantial 1.5 percentage points.

### The APEC region is expected to outperform the world with growth forecast to accelerate to 4.3% in 2012 and 4.7% in 2013

Industrialized APEC has defied the global trend of moderating economic growth with GDP forecast to pick up by 2.1% in 2012. This is quite significant given that a recession of 0.1% is forecast for non-APEC industrialized economies in 2012.

Growth in emerging and developing APEC economies is expected to soften to 6.3% in 2012 before picking up by 6.9% in 2013. Despite this moderation in growth, emerging and developing APEC remains the fastest growing region in the world, contributing to more than 50% of global real GDP growth.

### However, APEC's growth prospects are likely to be influenced by external forces

In industrialized APEC, both governments and households are expected to tighten spending in order to consolidate their balance sheets. The uncertain global economy, which could translate into lower investment and export growth, could seriously jeopardize the recovery process of these economies.

The uncertain global growth outlook remains the strongest headwind for emerging and developing APEC in 2012 and 2013. Economies with large and robust domestic markets and less reliance on exports as a driver of growth will be in a better position to weather the external slowdown. On the other hand, growth is expected to slow sharply among economies with relatively high exposure to the external market but with small domestic consumption bases.

The APEC region as a whole is a net oil-importer. Large and sustained increases in oil prices due to geopolitical concerns in the Middle East could also negatively impact APEC's growth by putting upward pressure on inflation and deteriorating the region's terms of trade.

## I. Economic Growth in the APEC Region in 2011: Strengths and Weaknesses

The APEC region's GDP growth in 2011 was moderated from a strong 5.9% in 2010 to 4.1% in 2011. The slowdown in growth over the period from 2010 and 2011 was sharper in Korea (from 6.3% in 2010 to 3.6% in 2011); Japan (from 4.4 to -0.7%); the Philippines (from 7.6% to 3.7%), Singapore (from 14.8% to 4.9%); Chinese Taipei (from 10.7% to 4.0%) and Thailand (from 7.8% to 0.1%).

Economic growth in Chile; Indonesia; Papua New Guinea and Russia was strong in 2011. Indonesian GDP expanded by 6.5%, marking the highest growth rate since the 1998 Asian financial crisis. Papua New Guinea extended its decade of uninterrupted expansion, with GDP growing 8.9% in 2011. Despite the slowdown in Europe, Russia maintained a strong GDP growth rate of 4.3% in 2011.

### With the exception of a few economies, private consumption remained the key driver of growth in 2011

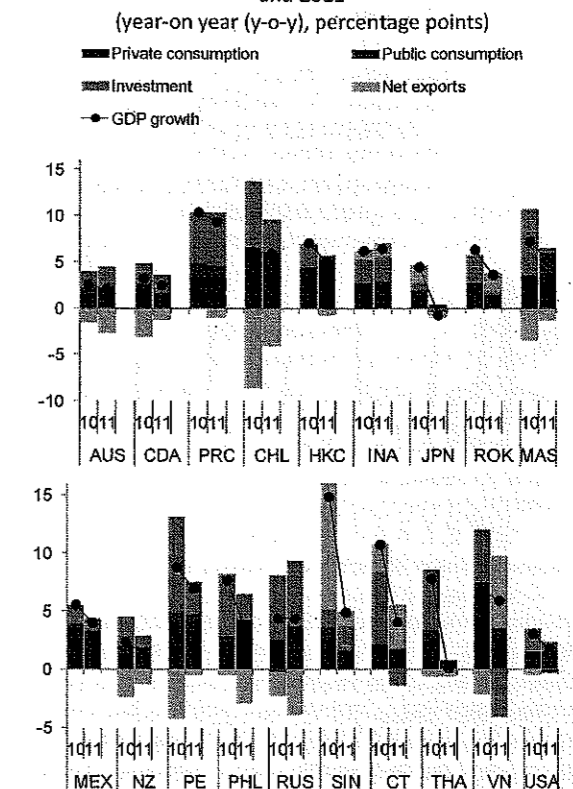
Amid the turbulent external environment, the APEC region's private domestic consumption was fairly robust in 2011 (Figure 1). This was supported by healthy employment growth and rising incomes, with most APEC economies reporting lower unemployment rates in 2011 compared to the previous year (Figure 2).

In Hong Kong, China, for example, the annual unemployment rate declined visibly by a full percentage point from 4.4% in 2010 to 3.4% in 2011. At the same time, employment surged to a record high. The tight labour market as well as the implementation of a statutory minimum wage significantly boosted wages and household incomes. As such, consumer spending was the main driver of growth for Hong Kong, China in 2011.

Domestic consumption in the APEC region has benefited from favorable credit conditions, which can be attributed to the continued easing of macroeconomic policy across most economies. Toward the end of 2011, many central banks in the APEC region have either lowered or stopped raising the monetary policy rate.

In some emerging economies where growth in private consumption decelerated, high inflation was one of the main underlying factors. In Viet Nam, private consumption growth decelerated to 2.4% in 2011 as high inflation – averaging at 18.6% – eroded real purchasing power. Similarly, consumer spending in Korea was also affected by inflation. Real household income actually declined in 2011: consumer prices rose by 4.0% while nominal wages grew by 1.2%. As Korean households have relatively low saving rates, there was not much buffer against price increases and they had little option but to opt for a reduction in spending.

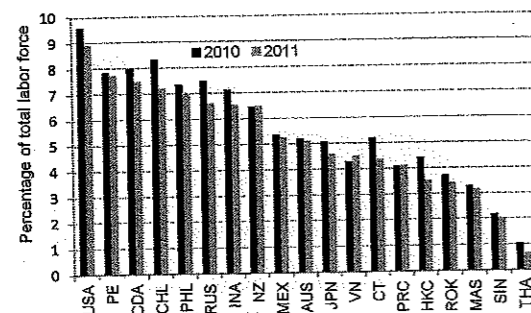
Figure 1: GDP Growth: Selected APEC Economies<sup>1</sup> in 2010 and 2011



Source: Thomson Reuters, APEC Policy Support Unit

<sup>1</sup> Abbreviations used for figures are as followed: Australia (AUS); Brunei Darussalam (BD); Canada (CDA); Chile (CHL); China (PRC); Hong Kong, China (HKC); Indonesia (INA); Japan (JPN); Korea (ROK); Malaysia (MAS); Mexico (MEX); New Zealand (NZ); Papua New Guinea (PNG); Peru (PE); the Philippines (PHL); Russia (RUS); Singapore (SIN); Chinese Taipei (CT); Thailand (THA); Viet Nam (VN).

Figure 2: Unemployment rates (% of total labor force)

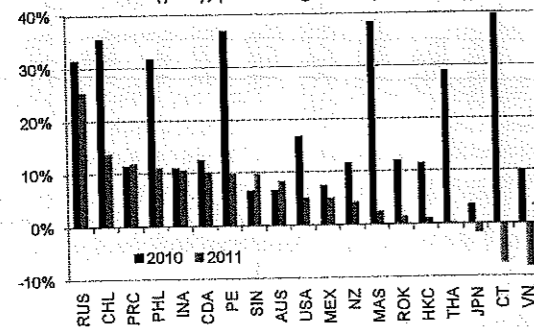


Source: IMF WEO April 2011

**However, investment weakened sharply**

Of the nineteen APEC economies where data on GDP by expenditure is available, sixteen saw investment growth weakened in 2011 (Figure 3).

Figure 3: Investments in selected APEC economies (y-o-y, percentage change)



Source: Thomson Reuters

In Viet Nam, real levels of investment contracted by 8.2% in 2011, owing to high lending rates and cuts in public infrastructure investment, both elements of policy tightening. Investment therefore became a significant drag for growth in 2011, subtracting 4.0 percentage points from real GDP growth rate. Gross capital formation as a ratio to GDP moderated to 38.7%, the lowest in 4 years.

The moderating pace was pronounced in Chile; Hong Kong, China; Korea; Malaysia; Peru; the Philippines, and Chinese Taipei. One common theme in the weakening of investment growth across these economies was that uncertainties in the global economic environment affected business plans for capacity expansion. This was reflected in decreasing investment in export-oriented industries such as automobiles and semiconductors in Korea and electronics in Chinese Taipei during the global

economic slowdown in 2011. In Chile, Mexico and Peru, uncertainty in the economic growth outlook has translated into reduced investment spending on machinery and equipment, especially those related to capital goods flows.

In those APEC economies that were struck by major natural disasters in 2011 – most notably Japan, New Zealand and Thailand – investment levels were inevitably affected. In Japan, the rapid pick-up in investment following the earthquake and tsunami disaster was disrupted again later in the year, due to supply constraints caused by severe flooding in Thailand. In these three economies, business fixed investment and public investment have been on an improving trend since late 2011, mainly reflecting pent-up domestic demand as well as the reconstruction process.

In the United States, low levels of investment reflected an ongoing weakness in the real estate sector. A high inventory of vacant houses and an imminent pending supply of foreclosures exerted downward pressure on house prices and restricted the construction of new homes. Construction was also weak in the non-residential sector, due to high vacancy rates and tight credit conditions.

In Australia; Canada; China and Indonesia, investment remained robust. The strength of business investment in Australia and Canada reflected favorable credit conditions, high commodity prices and strong currencies. In the case of Indonesia, an increase in investment was partly attributed to the strong macroeconomic climate in the domestic economy. The spur of foreign direct investment (FDI), which reached a record high of USD 20 billion in 2011, provided further support to fixed business investment. Accordingly, investment grew strongly by 8.8% in 2011 and contributed 2.1 percentage points to GDP growth.

In China, despite government measures to curb speculation in the real estate sector, fixed asset investment grew by almost 24% in 2011. Local government expenditure on infrastructure was also strong. This, together with the high level of private and foreign investment, saw investment remaining the main engine of growth in China, contributing to 5.7 percentage points to GDP growth.

**Government spending growth was modest**

The contribution of government spending to real GDP in most APEC economies was modest in 2011. This

reflected the fiscal plans of many governments aimed at consolidating spending and unwinding fiscal stimulus packages which were introduced during the 2008 global financial crisis.

Malaysia is a notable exception. In 2011, government consumption grew strongly by 16.8% compared to 2010, when it grew by only 0.5%. Most of this increase can be attributed to higher emoluments and outlays on supplies and services.

Public spending was also strong in China, surging by 24.4% in 2011 as the government increased its budget on social spending programs, e.g. supporting medical reform, education programs for migrant workers' children in urban areas and other poverty relief measures.

The trend of tightening government spending is forecast to continue in 2012 and 2013, especially in many advanced economies, in line with the fiscal plans being considered by some APEC economies.

**Export growth was weakened sharply**

The deteriorating global outlook in 2011 directly affected export earnings and impacted on growth in most APEC economies. Weakness in the external sector was compounded by natural disasters that severely disrupted the region's supply chains (Box 1). The earthquake in Japan and then the flood in Thailand, for example, caused plant closures and production outages. As Japan and Thailand are major suppliers of electronic components and automotive parts in APEC, the region's production and exports of electronics and automobiles in particular were severely affected.

The compound effect of weak external demand and supply chain disruption undermined APEC's position in world trade. The annual growth of nominal export earnings in APEC dropped to 18% in 2011, from a strong growth of 28% in 2010 (Figure 4). In comparison, the rest of world's exports grew by 19% in 2011, from a 16% growth rate registered in 2010.

Box 1: Estimated damages and losses from major natural disasters in the APEC region in 2011

Economy	Damages and losses (USD million)	% of GDP	Types of natural disasters
Australia	2,554	0.2	Storm and wildfire
Canada	2,300	0.1	Wildfire and Flood
China	12,339	0.2	Flood, storm, earthquake, extreme temperature
Japan	212,520	3.6	Earthquake and storm
Korea	62	0.0	Flood
Mexico	598	0.1	Extreme temperature and storm
New Zealand	18,000	10.7	Earthquake
Philippines	728.71	0.3	Storm
Thailand	40,317	11.9	Flood
United States	57,300	0.4	Storm, drought and flood
APEC Total	348,709	0.9	
World	980,000	0.6	

Source: International Disaster Database, Centre for Research on the Epidemiology of Disasters, available from [www.emdat.be](http://www.emdat.be);

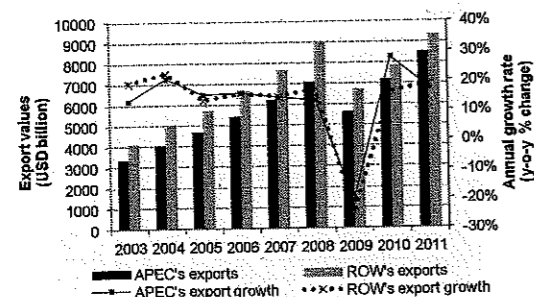
Devastating earthquakes and a large number of weather-related catastrophes made 2011 the costliest year ever for natural disaster losses, in economic terms. In 2011, global economic losses from natural disasters are estimated to be USD380 billion, nearly two-thirds higher than in 2005, the previous record year when there were losses of USD220.5 billion. Less than 30% of 2011's economic losses were insured.

The APEC region incurred 91% of the total USD380 billion economic losses from natural disasters and weather calamities in 2011. It started with the 6.3 magnitude earthquake in Christchurch, New Zealand, in February 2011. The economic damage and losses from that earthquake are estimated to be USD18 billion, an equivalent of 10.7% of New Zealand's GDP.

The New Zealand earthquake was followed by a 9.0 magnitude earthquake in Tohoku, Japan, the most destructive event of the year. The damage from the tremors themselves was relatively moderate thanks to strict building codes, but the tsunami triggered by the quake devastated the northeast coast of the main island Honshu. The economic losses caused by the quake alone amounted to a record USD 212 billion. This does not take into account the consequences of the accompanying nuclear accident which added significantly to the economic cost.

In the second half of 2011, other severe weather-related catastrophes occurred in Asia and the USA. Severe flooding in Thailand in late 2011 inflicted more than USD40 billion worth of damage and losses and seriously hampered the region's supply and production chains.

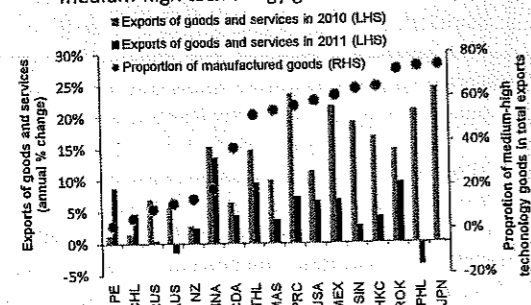
Figure 4: Exports to world market, in current USD



Source: IMF Financial Statistics, APEC Policy Support Unit

Among individual APEC economies, export performance varied markedly. The deceleration in export growth was most pronounced among economies where technological goods accounted for a large proportion of total exports (Figure 5). In the Philippines, where electronics and semiconductor shipments account for almost 50% of export revenues, the total value of exports in 2011 (in real terms) contracted by 3.8%, against a growth rate of 21.0% in 2010. Similarly, for Singapore, real export growth moderated to 2.6% in 2011, from the strong expansion of 19.1% a year earlier.

Figure 5: Growth in real exports and the proportion of medium-high technology goods<sup>2</sup> in total exports



Source: Thomson Reuters, UN Comtrade and APEC Policy Support Unit

Among APEC's commodity producers, exports were weak in Australia and Russia in 2011. In real terms, Australian exports contracted by 1.6% in 2011 while they grew only marginally, by 0.4%, in Russia. The contraction in Australian real export earnings reflected a weakness in coal exports which were disrupted by

<sup>2</sup> This report follows the United Nations Industrial Development Organization for the classification of medium- and high technology manufacturing goods. This information can be found at [http://www.unido.org/fileadmin/user\\_media/Services/Research\\_and\\_Statistics/Technical\\_notes.pdf](http://www.unido.org/fileadmin/user_media/Services/Research_and_Statistics/Technical_notes.pdf)

floods in Queensland in early 2011. For Russia, as half of its exports traditionally go to Europe, slowing European growth had a negative impact on export earnings, despite high oil prices - which at their peaks in 2011 were more than triple the 2009 low.

On the other hand, exports remained relatively strong among other APEC commodity exporters, partly supported by sustained high commodity prices. In this context, the performance of Peru's exports was notable, with total real values of exports advancing strongly at 8.8% in 2011, compared to the 1.3% growth rate in 2010. This strong export performance was underpinned by strong global demand for agricultural and food products. Peru's export values (in nominal terms) for non-mining products grew 32.6%, more than offsetting the moderation in the mining exports.

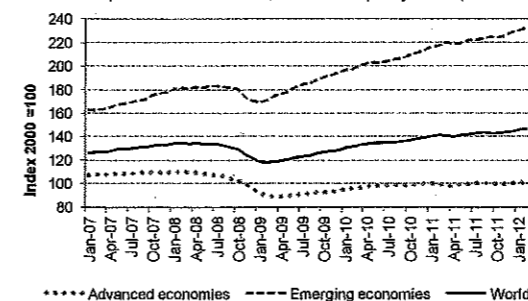
## II. Recent Economic Developments

### *In the first few months of 2012 weakness continued to pervade in the external economic environment*

In the first few months of 2012, the global economy continued to show mixed signals. Global industrial production has started to recover after leveling out during in the second half of 2011, suggesting that global growth could accelerate, albeit tentatively, in Q1 2012. However, the pick-up in growth appears to be set for a softer patch, with the aggregate indicator of global activity - the JP Morgan Global All-Industry index<sup>3</sup> - edging down to 52.2 in April 2012, from February's one-year high of 55.4. This indicates that while global output is still growing, it is doing so at an increasingly weaker pace.

There is also a wide divergence in performance among economies. In emerging and developing economies, growth is progressing at a much faster pace than in advanced economies. Industrial output in advanced economies is still well below its early 2008 level while it has risen by a considerable margin in emerging economies (Figure 6).

Figure 6: Industrial Production, excluding Construction (Index 2000 = 100, seasonally adjusted)



Source: CBP Netherlands

In much of Europe, economic performance has remained weak. Q1 2012 GDP data from the United Kingdom revealed that the economy had entered a technical recession, defined as two or more consecutive quarterly falls in GDP. GDP contracted by 0.2% quarter-over quarter (q-o-q) in Q1 2012, on the back of a 0.3% q-o-q in the final quarter of last year.

Following a contraction of 0.3% q-o-q in Q4 2011, the Euro area narrowly avoided a technical recession. The region's GDP was unchanged in the first three months of 2012 (0.0% q-o-q growth), with Germany registering strong growth (0.5% q-o-q) while Italy contracted by 0.8% q-o-q. However, activity in the region is set for a period of softer growth in the second quarter of 2012. The latest survey of the Euro area's production, composed by Markit<sup>4</sup>, showed that the downturn in the Euro area had deepened in April 2012.

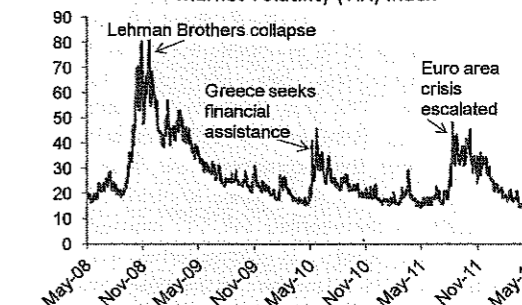
Weakness in activity was widespread across all sectors in the Euro area. Activities in banking and the manufacturing of electronic and electrical equipment declined sharply. Despite recent job cuts, signs of spare capacity have persisted across Europe. If sustained, this is a harbinger of further job losses. Rising unemployment in parts of the Euro area would undoubtedly contribute towards dampening the underlying growth momentum in the region going forward.

<sup>4</sup> The Markit's Composite Output Purchasing Manager Index for the Euro area fell to 46.7 in April, down from 49.1 in March. A reading below 50 indicates a contraction in output.

### *Global financial markets have improved but significant headwinds are expected for the rest of 2012*

In global financial markets, conditions have improved relative to late 2011, as reflected in the reduction of Chicago Board Options Exchange Market Volatility Index<sup>5</sup> (Figure 7). The successful implementation of the Long-term Refinancing Operation (LTRO) has bought time for European governments to implement necessary reforms that are required to put sovereign finances on a sustainable footing.

Figure 7: Evolution of the Chicago Board Options Exchange Market Volatility (VIX) Index



Source: Yahoo finance

However, since mid-April 2012, some degree of instability has re-emerged in the global financial market. At first, it was in response to concerns that some governments in the Euro area may not be able to live up to their deficit reduction plans. In Spain, for example, the government's plan to improve its fiscal position is being obstructed by two powerful forces:

- Firstly, months of unrelenting fiscal austerity are driving the economy into a severe recession that might undo improvements achieved so far in state finances; and
- Secondly, the central government's debt at 68.5% of GDP - while still significantly lower than that of Italy (120% of GDP) - is at risk of rapid expansion if the government is required to provide large financial assistance packages to troubled domestic financial institutions and local governments.

<sup>5</sup> The Chicago Board Options Exchange Market Volatility Index (VIX) is a popular measure of the implied volatility of the S&P 500 index options. It represents the market's expectation of stock market volatility over the next 30 day period and is often referred to as the fear index.

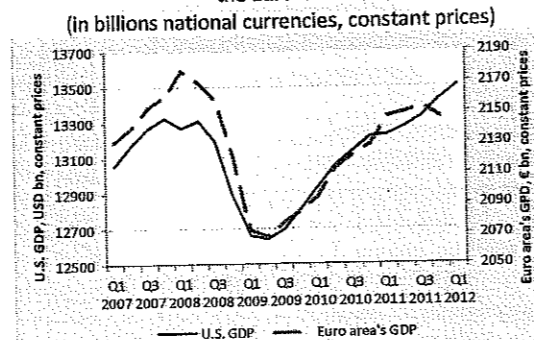
In early May, investors' fears about the possibility of Greece leaving the Euro area re-emerged again after some European Central Bank officials publicly discussed for the first time a possible Greek exit from Europe's Monetary Union. In addition, political uncertainty, following the inconclusive general elections in Greece, cast serious doubts on the economy's commitment to pursue structural reforms and budget tightening measures demanded under its international financial assistance packages.

**Industrialized APEC economies are defying the global trend of moderating economic growth**

In the first quarter of 2012, economic activity in APEC industrialized economies has continued to be relatively positive. The U.S. economy in particular has performed well. Although the first estimate of Q1 GDP showed that the economy grew less than expected, at a seasonally adjusted annualized rate (saar) of 2.2%, it represented the 11<sup>th</sup> consecutive quarter of positive growth. In volume terms, the U.S. economy is now 1.3% larger than its pre-crisis peak in 2007 (Figure 8). This is in stark contrast to the Euro area in which real GDP has not yet recovered from the 2008 global financial crisis. As such, the US has remained one of the few drivers of global demand and economic growth since late 2011.

In Japan, the economy returned to growth in the first quarter of 2012 with GDP advancing robustly at an annualized rate of 4.1% (saar). Japan's export performance has held up well in the quarter despite slower global growth. The appreciation of the Japanese Yen, which raised concerns about the competitiveness of Japanese exports, has been restrained in recent months following the Bank of Japan's expansionary asset purchases. Stronger demand for Japanese exports from the United States has helped to provide a buffer against the weaker demand from other large trading partners.

Figure 8: Gross Domestic Products: The United States and the Euro area



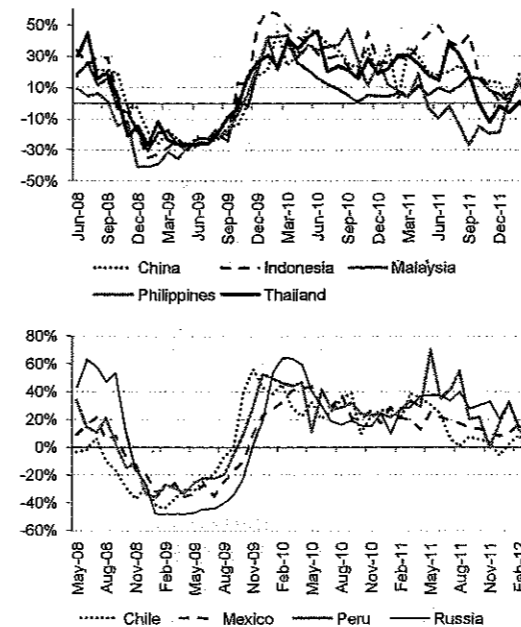
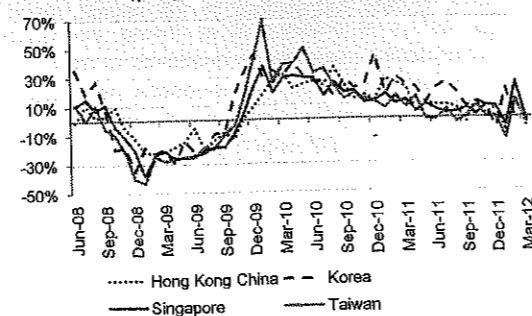
Source: Thomson Reuters, APEC Policy Support Unit

**Economic performance was mixed among emerging and developing APEC**

Uncertainty in global growth has continued to affect developments in emerging and developing APEC economies during the first few months of 2012. Export growth has been weak across emerging and developing APEC (Figure 9) and contributed to moderated growth in some economies, including in China and Indonesia.

In China, real GDP grew at 8.1% (y-o-y) in Q1 2012, marking the first lowest quarterly growth figure in almost three years. Indonesia's economic growth also moderated slightly in Q1 2012 with GDP expanding 6.3% (y-o-y), down from a 6.5% growth in the fourth quarter of 2011. In Russia, weaker global demand has translated to a slowdown in industrial production which grew at 2.0% y-o-y in March 2012, the slowest pace in October 2009. However, more recent indicators suggest that the slowdown in large developing APEC economies has reached its nadir and that activity should pick up in coming quarters.

Figure 9: Export growth in selected emerging and developing APEC economies (y-o-y % change, current prices)



Source: Thomson Reuters, APEC Policy Support Unit

Despite slowing export growth, APEC NIEs posted an upturn in growth in the first quarter of 2012. In Korea, real GDP advanced by a strong 3.6% (saar) in Q1 2012. In Singapore, early estimates indicate that real GDP advanced by 9.9% in Q1 2012 (saar), after contracting 2.5% in Q4 2011. Similarly, real GDP returned to growth in Chinese Taipei Q1 2012, rising 1.1% (saar). This broke a pattern of two consecutive quarters of decline during the second half of 2011. In Korea and Chinese Taipei, growth was supported by a strong rebound in investment.

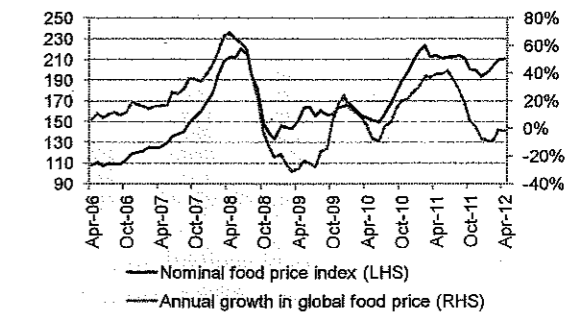
APEC economies in Latin America continued to make strong gains in the first quarter of 2011. The Mexican economy showed signs of strengthening as growth in the U.S. economy stabilized and Mexican automobile production benefited from strong demand from the United States. After dropping by as much as 36% in the trough of the cycle, remittances have steadily recovered, thus contributing positively to economic growth.

**III. The APEC region: Recent Evolution in Prices**

Consistent with the global trend, inflation pressure eased further in many APEC economies in the first quarter of 2012. Global food prices, which reached

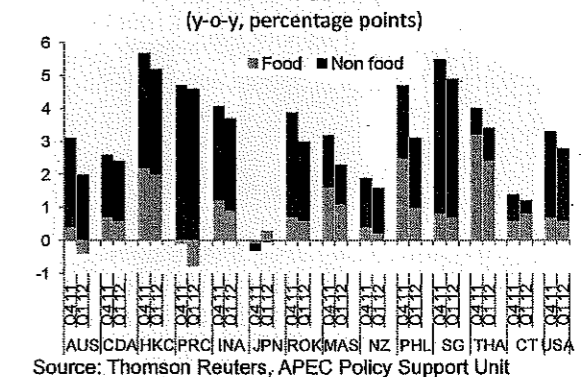
historical highs (in nominal terms) in February 2011, receded in the second half of the year (Figure 10). As a result, food price inflation has moderated in Q1 2012, contributing to a lowering of headline inflation in the APEC region (Figure 11).

Figure 10: Recent Evolution of Global Food Prices and Global Food Price Inflation



Source: World Bank

Figure 11: Contributions of food inflation in the headline inflation for selected APEC economies: Q4 2011 versus Q1 2012

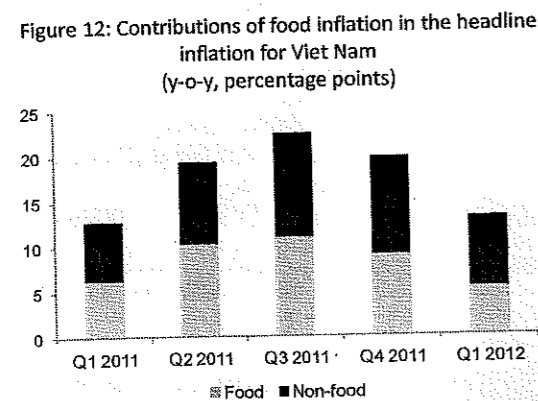


In Viet Nam, headline inflation in Q1 2012 was 15.9% (y-o-y), a significant decrease from the last quarter when inflation reached 19.8% (y-o-y) (Figure 12). As food accounts for approximately 40% of Viet Nam's CPI basket, the sharp decline in food prices in Q1 2012 helped to bring down the headline rate.

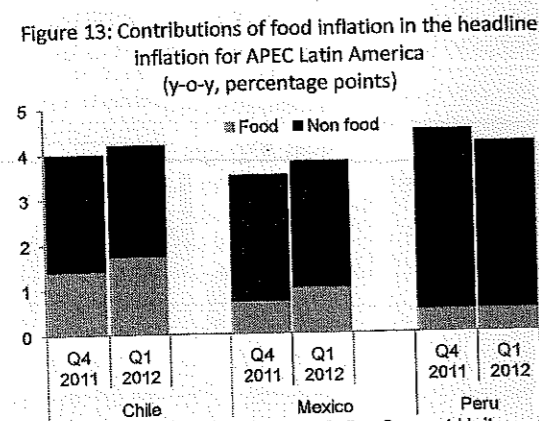
In Thailand, as the impact of floods receded, prices for fresh food began to drop. This helped to bring the headline inflation rate down to 3.4% in Q1 2012, from 4.0% in Q4 2011. In order to maintain inflation at a moderate level, the Thai government has implemented a price freeze for natural gas and liquefied petroleum, as well as transportation fares.

In the Philippines, high food prices contributed to a significant portion of headline inflation in Q4 2011.

With food inflation moderating from 5.0% (y-o-y) in Q4 2011 to 1.9% (y-o-y) in Q1 2012, headline inflation was lowered from 4.7% in Q4 2011 to 3.1% in Q1 2012.



Source: Thomson Reuters, APEC Policy Support Unit



Source: Thomson Reuters, APEC Policy Support Unit

In Latin America, recent adverse weather has affected yields of food crops. As a consequence, food price hikes in Chile and Mexico, contributed to the rise in their inflation rates in Q1 2012 (Figure 13). In Peru heavy rains have caused flooding in important agricultural areas. The subsequent loss in agricultural output is expected to exert upward pressure on food prices and contribute to overall price inflation in Peru over the short-term. Over the next few months, inflation is expected to remain elevated in Latin America.

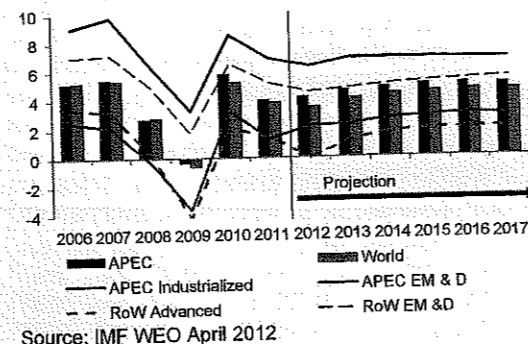
In Singapore, although inflation has dropped from 5.5% in Q4 2011 to 4.9% in Q1 2012, this moderation is expected to be short-lived. As food accounts for only a very small portion of Singapore's CPI basket, inflation is more likely to be under pressure from rising health-care and education costs, the continued escalation of vehicle prices and housing rentals.

#### IV. Outlook for 2012 & 2013

##### a) Global growth forecasts for 2012 & 2013

In its latest World Economic Outlook (WEO) in April 2012, the International Monetary Fund (IMF) forecast that global GDP growth would slow from 3.9% in 2011 to 3.5% in 2012, followed by an acceleration of 4.1% in 2013 (Figure 14). These forecasts represent slight upward revisions from the January WEO update, which projected that global real GDP would grow by 3.5% in 2012 and 3.9% in 2013. In comparison, the APEC region as a whole is forecast to accelerate from 4.1% in 2011 to 4.3% in 2012 and 4.7% in 2013.

Figure 14: IMF Forecasts for Global GDP Growth (Percentage change over previous year)



Source: IMF WEO April 2012

##### b) Industrialized APEC

*Economic activity in industrialized APEC economies as a whole is forecast to pick up at faster rates than non-APEC industrialized economies*

Table 1: Growth Forecasts for 2012 & 2013: Industrialized APEC and Rest of the World's Industrialized Economies (Annual % change, constant prices)

	2010		2011		2012		2013	
	actual		forecast		forecast		forecast	
Australia	2.5	2.0	3.0	3.5				
Canada	3.2	2.5	2.1	2.2				
Japan	4.4	-0.7	2.0	1.7				
New Zealand	1.2	1.4	2.3	3.2				
United States	3.0	1.7	2.1	2.4				
<b>APEC Industrialized</b>	<b>3.3</b>	<b>1.3</b>	<b>2.1</b>	<b>2.3</b>				
<b>RoW Industrialized</b>	<b>2.0</b>	<b>1.5</b>	<b>-0.1</b>	<b>1.2</b>				

Source: IMF WEO April 2012, APEC Policy Support Unit

APEC industrialized economies as a whole are forecast to grow by 2.1% in 2012 and 2.3% in 2013

(Table 1). In comparison, a recession of 0.1% is forecast for non-APEC industrialized economies in 2012. These economies, however, are expected to bounce back in 2013 with GDP forecast to grow by 1.2%.

For Japan and New Zealand, the reconstruction processes following last year's major natural disasters will be important drivers of economic growth. In Japan, with the rapid restoration of supply chains, economic activity is expected to rebound this year, turning the contraction of 0.7% in 2011 to a strong growth of 2.0% in 2012.

In the United States, an improved labour market and low consumer lending rates will provide some support to consumer spending in 2012. For both the U.S. and Canada, the quickening pace of growth in emerging markets will help to offset the loss of demand from European markets, thus boosting export growth. For both of these economies, GDP is forecast to grow by 2.1% in 2012.

##### *The growth outlook for industrialized APEC can be challenged on the sustainability of consumer spending*

Across the five APEC industrialized economies, consumer spending has been strong. However, the strength of consumer spending growth has been accompanied by high levels of consumer debt. Strong consumer demand has also led to trade imbalances in some industrialized APEC economies which have caused net exports to be a drag on growth. Accordingly, questions are raised as to whether household spending will continue to hold up and if so, what does that mean for net exports?

In New Zealand, growth in household consumption spending has fallen below the rate of income growth. In the first quarter of 2012, households' savings became positive for the first time in more than a decade. This pattern of increased savings is expected to be persistent as households work at rebuilding wealth lost through declines in financial and property values. Similarly, in the United States, consumption spending growth is expected to be modest by historical standards as households rebuild their balance sheets in an environment of persistently weak house prices, fiscal consolidation and only modest gains in employment.

If the trend of moderation in consumer spending continues, it is a concern that other sources of growth

would not be strong enough to offset the reduction in private consumption. Business investment will remain a volatile source of growth given the uncertainty in global growth prospects. Furthermore, as industrialized APEC governments are taking measures to consolidate fiscal balances, government consumption will unlikely contribute significantly to growth, at least not in the short to medium term. Policy makers in industrialized APEC are therefore facing a daunting task of having to strike the right balance between preserving economic growth and reducing the imbalances in the economy.

##### c) Emerging and developing APEC (APEC EM&D)

##### *Economic growth in emerging and developing APEC economies is forecast to soften in 2012 before accelerating in 2013*

For the year 2012, the IMF forecast that economic growth in emerging and developing APEC economies as a whole would soften from 6.9% in 2011 to 6.3% in 2012 (Table 2). Growth prospects are expected to improve in 2013 when GDP is forecast to grow by 6.9%. Despite the slowdown in 2012, emerging and developing APEC economies remain the fastest growing in the world, contributing to more than 50% of global real GDP growth (Figure 15 & Figure 16).

Table 2: Growth forecasts for 2012 and 2013: Emerging and Developing APEC (APEC EM&D) versus Rest of the World's Emerging and Developing Economies (RoW EM&D) (Annual % change, constant prices)

	2010	2011	2012	2013
	actual	actual	forecast	forecast
Brunei Darussalam	2.6	1.9	3.2	1.6
Chile	6.1	5.9	4.3	4.5
China	10.4	9.2	8.2	8.8
Hong Kong, China	7.0	5.0	2.6	4.2
Indonesia	6.2	6.5	6.1	6.6
Korea	6.3	3.6	3.5	4.0
Malaysia	7.2	5.1	4.4	4.7
Mexico	5.5	4.0	3.6	3.7
Papua New Guinea	7.6	8.9	7.7	4.0
Peru	8.8	6.9	5.5	6.0
Philippines	7.6	3.7	4.2	4.7
Russia	4.3	4.3	4.0	3.9
Singapore	14.8	4.9	2.7	3.9
Chinese Taipei	10.7	4.0	3.6	4.7
Thailand	7.8	0.1	5.5	7.5
Vietnam	6.8	5.9	5.6	6.3
<b>APEC EM&amp;D</b>	<b>6.5</b>	<b>6.9</b>	<b>6.3</b>	<b>6.9</b>
<b>RoW EM&amp;D</b>	<b>6.5</b>	<b>5.2</b>	<b>4.6</b>	<b>4.8</b>

Source: IMF WEO April 2012, APEC Policy Support Unit

Figure 15: Contribution to Global Real GDP Growth: APEC vis-à-vis the Rest of the World (in percentage points)

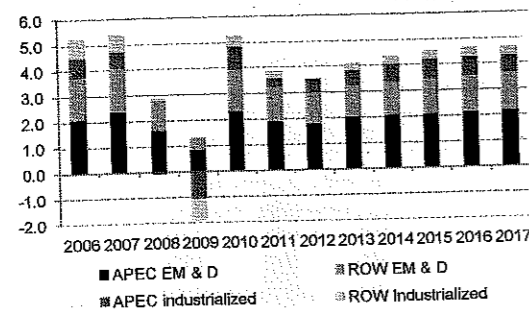
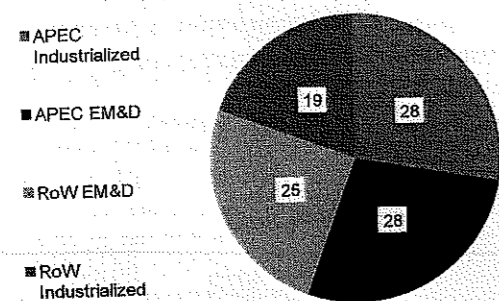


Figure 16: Share of Global GDP based on Purchasing Power Parity in 2011 (% of global GDP)



Source: IMF WEO April 2012, APEC Policy Support Unit

### The uncertain global outlook remains the strongest headwinds for emerging and developing APEC in 2012 and 2013

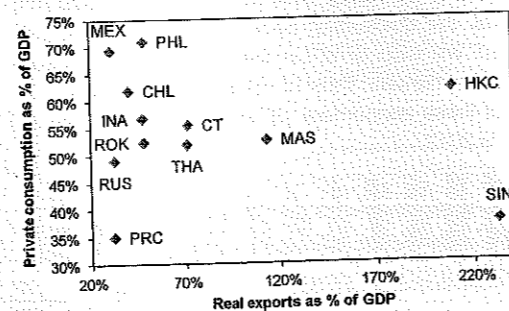
The forecast moderation in growth in emerging and developing economies in 2012 is largely attributable to weaker external demand. The magnitude of the slowdown in 2012 is likely to vary substantially across the region, depending on the size of individual economy's domestic market and the extent of reliance on external trade.

Economies with large and robust domestic markets and less reliance on exports (e.g. Indonesia) will be in a better position to weather the external slowdown. On the other hand, growth is expected to slow sharply among economies with relatively high exposure to the external market but with small domestic consumption base. In this respect, Singapore is most vulnerable due to the relatively small size of their domestic market and a large reliance on exports as a source of growth (Figure 17). In 2012, Singapore's GDP is forecast to slow to 2.7%, down from a 4.9% growth in

2011 and less than one-fifth of a 14.8% growth in 2010.

The composition of exports is also important in determining growth. As seen in the 2008 and 2011 downturns, during hard times consumers and companies typically forgo the purchase of electronic products such as new computers and electronic appliances. This trend is expected to continue in 2012, consistent with the slowdown in the production of electronic and electrical equipment in Europe.

Figure 17: Proportion of exports and private consumption in GDP for selected emerging and developing APEC economies (2007-2011's average)



Source: Thomson Reuters, APEC Policy Support Unit

For commodity exporters, the fluctuations in commodity prices are the most obvious sources of macroeconomic volatility. Currently, the growth outlook for commodity exporters is relatively more favorable as commodity prices are expected to remain high after strong gains in the first quarter. Oil prices, for example, have been sustained on supply concerns which in turn will benefit the export performance of Brunei Darussalam, Papua New Guinea and Russia. Similarly, the price of copper, an export mainstay of Chile and Peru, is likely to be supported in the second quarter from the tighter supply environment in the international market. However, the strength of commodity prices is directly related to the strength of the global economy. Therefore, if global growth is to deteriorate further, the risks for lower economic growth in these economies will increase.

## V. Risks to the economic outlook

An improvement in lead indicators of global growth momentum in the last few months has helped to

mitigate the risk of a hard-landing in large emerging economies. In Europe, the risk of a disorderly Greek sovereign default has been avoided to-date following the finalization of the world's biggest debt-restructuring deal – the Private Sector Involvement (PSI) – between the Greek government and its private bond holders in February 2012. The €1 trillion extra liquidity provided to the banking system in Europe by the European Central Bank helped to ease rising borrowing costs and the consequent risk of a credit crunch. Despite these positive developments, there continues to be significant downside risks to global growth prospects.

### a) The re-intensification of the Euro area crisis

The future course of the crisis emanating from Europe remains central to the downside risks of global economic growth. Although this risk has been mitigated to some extent since December 2011, fundamental challenges of dealing with the unsustainable fiscal deficit of some Euro area economies remain unresolved. Furthermore, the path towards a resolution for Europe will not be a smooth one and it will remain vulnerable to economic and policy setbacks. Currently, governments in Europe are confronting a divided market with one group pushing governments to tighten budgets while the other reacts negatively when fiscal austerity deflates growth.

Two potential triggers for a fresh intensification of the Euro area crisis include:

- a severe recession from large and concerted government budget-tightening across Europe; and
- a drastic contraction of European banks' balance sheets, which could see banks unwinding around USD 2,600 billion worth of risky assets in their portfolios. If not properly monitored, a synchronized and large-scale deleveraging process by banks could spark financial instability and severely impact growth.

Developments in Spain and Greece will also need to be watched closely. Any further deterioration could have a contagion effect on other markets in Europe, with Italy being particularly vulnerable. A debt restructuring or default by the Euro area's third and fourth largest economies – Italy and Spain – would be

devastating for Europe and the global economy as it would lead to far greater losses than the private sector could absorb, or that could be covered by any of Europe's existing or proposed rescue facilities.

### b) Oil Prices

Since the February 2012 edition of APEC Economic Trends Analysis, the risk of rising oil prices as a result of geopolitical tensions in the Middle East has increased. Brent crude prices regained early-2011 highs in March, underpinned by concerns about supply disruptions. Further increases in oil prices could occur, particularly if unrest were to spread to other large oil producers. In an extreme scenario, increased tensions in Iran could shut the transit of oil through the Strait of Hormuz, equivalent to 20% of global oil production and 5% of gas. If that were to occur, oil prices could be pushed upward by 20%, equivalent to a USD 24 increase on the current Brent prices of USD 120 per barrel.

The net effect of further oil price increases on global growth would be negative. According to the International Energy Agency<sup>6</sup>, a sustained USD 24 increase in the price of oil would subtract as much as 1.5 percentage points off global growth. This would reduce the IMF forecast for global growth from 3.5% to 2.0% in 2012.

## VI. APEC Economies: Implications of Downside Risks

### APEC businesses remain vulnerable by a re-intensification of the Euro area crisis

As seen in late 2011, the intensification of the Euro area's sovereign debt crisis has created an uncertain business environment, causing firms to scale back investments. Going forward, if the Euro area crisis were to deteriorate further, businesses and firms in the APEC region would be affected through four channels:

- a) A sharp contraction in aggregate demand

<sup>6</sup> According to the IEA, a USD 10 increase in oil price potentially reduce global growth by 0.5 percentage points

A recent Asian Economic Monitor (AEM) report<sup>7</sup> by the Asian Development Bank illustrated that if the Euro area's GDP in 2012 were to contract sharply (e.g. contracting by 3.9% vis-à-vis the current forecast of a 0.1% contraction) as the result of an intensification of the crisis, economic growth could slow to 1.6% in both the United States and Japan in 2012. The negative impact of such a scenario would be larger for Hong Kong, China and Singapore – with 2012 GDP growth 1.2 and 2.0 percentage points below their baseline forecasts, respectively. GDP growth in China and Chinese Taipei would also fall by 1.2 percentage points due to their large trade exposure to Europe. For major ASEAN economies, the crisis could subtract between 0.5 to 0.8 percentage point off the 2012's GDP growth baseline forecasts.

Any economic downturn in the world economy would directly affect the APEC region's business environment by reducing market opportunities. After being battered by the 2008-09 global financial crisis and then again by the global slowdown in 2011, some businesses may not be able to survive another round of global turmoil.

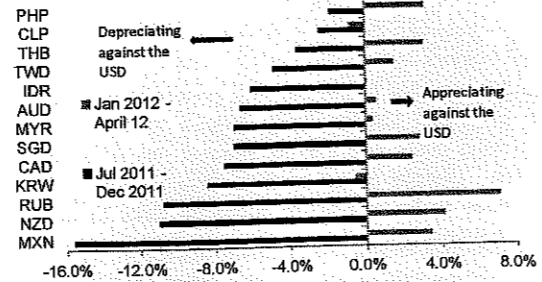
b) Increased exchange volatility

Global financial instability is typically associated with a reduced risk appetite and increased market volatility. This in turn can result in sharp fluctuations in the currency markets. In particular, financial instability makes the carry-trade less appealing, thus putting downward pressure on perceived 'risky' currencies. On the other hand, currencies that are perceived as a 'safe-haven' would see large appreciation.

Currency fluctuations were evident in the global financial crisis of 2008-09 and again in 2011. During both of these periods, many APEC economies experienced abrupt and large capital flows, leading to sharp depreciation in their nominal exchange rate. The Mexico peso, for example, depreciated by almost 16%, over the period between July 2011 to December 2011, as the crisis in the Euro area intensified (Figure 18). On the other hand, larger APEC economies, such as the United States and Japan, experienced substantial capital inflows, leading to marked appreciation of their currency. The Japanese yen reached record highs on a nominal basis in late 2011, gaining as much as 7.4% against the USD in 2011.

<sup>7</sup> Asian Development Bank (2011), Asia Economic Monitor December 2011

Figure 18: Large fluctuations in the nominal values of the currency of selected APEC economies (% change over two periods: July 2011 – December 2011 and January 2012 to April 2012)



Source: Thomson Reuters and APEC Policy Support Unit

If the Euro area debt crisis were to materialize into a full-scale crisis, there could be precipitous fluctuations in the currency of many APEC economies, similar to that experienced during the global financial crisis of 2008-09. Unexpected fluctuations in the value of foreign currencies would increase commercial risk, introduce uncertainty into costs and can seriously affect the profitability and solvency of businesses.

In the case of an economy with a perceived 'risky' currency, an acute exchange rate depreciation would affect business operating costs because imported inputs would be higher as a result of the new exchange rate. On the one hand, a depreciation of the local currency would stimulate demand for goods and services of export-oriented businesses. However, in the case of global financial turmoil, most export-oriented businesses would face lower revenues as external demand collapses. The combination of lower revenues and tighter costs would squeeze profit margins, and in some cases, make some businesses unprofitable.

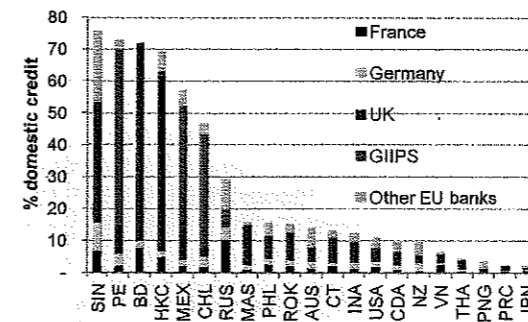
Currency fluctuations are particularly problematic for Small and Medium Enterprises (SMEs). Unlike large corporations that would have a contingency plan and sophisticated processes to hedge against currency risks, most SMEs typically do not have the capacity or resources to prepare for these challenges.

c) Tighter credit conditions

The ongoing sovereign and banking challenges in the Euro area have already affected credit conditions in some APEC economies. While the APEC region is not significantly exposed to the Euro area's sovereign debt, some APEC economies rely heavily on European banks for funding: EU banks account for more than 70% of total domestic credit in Brunei Darussalam; Peru and Singapore (Figure 19). As

European banks are under pressure to recapitalize by July 2012, some of them have already reduced their foreign lending in order to strengthen their balance sheets. This has translated into reduced availability of funds in some APEC economies. The cost of funds in wholesale funding markets has also been rising, which in turn pushes up borrowing costs for businesses.

Figure 19: European Banks' Lending to Selected APEC Economies (% of total domestic credit, as of September 2012)



Source: The Bank for International Settlements' Quarterly Review, March 2012

If the Euro area crisis worsens, banks may become reluctant to lend to each other due to concerns over counterparty risk. This can lead to tightened liquidity in the interbank market, thus reducing further the availability of credit and increasing funding costs. These developments would negatively impact on the operations of firms and businesses. Asian businesses and households, which have traditionally benefited from relatively low interest rates, would potentially suffer a larger impact from rising funding costs.

d) Liquidity crunch in trade finance

About 80% to 90% of world trade is supported by trade finance.<sup>8</sup> During the 2008-09 global financial crisis, trade finance in advanced economies fell by 9.2% over the period between October 2008 to January 2009, compared to the decline in goods exports of 31.0%. Over the same period, trade

<sup>8</sup> International Chamber of Commerce (2010), Global Survey: Rethinking Trade Finance; and WTO (2009), Restoring Trade Finance during a period of Financial Crisis, Staff Working Paper ERSD-2009-16.

finance in developing Asia decreased by 9.1%, relative to the fall in goods exports of 8.8%.<sup>9</sup>

A general liquidity squeeze and increased risk aversion to finance cross border trade operations made it increasingly difficult for banks to provide trade credit.<sup>10</sup> The price of trade credit also spiked due to a combination of scarce liquidity and a re-assessment of customer and country risks.

As European banks deleverage in order to boost their capital adequacy ratios as a cushion against any fallout of the Euro area debt crisis, one of the non-core assets at risk is trade finance in Asia. If the Euro area crisis deteriorates, a substantial contraction in the supply of trade finance could occur due to a liquidity squeeze and re-pricing of risks. The interruption to trade credit lines would severely affect import and export businesses in the APEC region because they would not be able to conduct their normal trade.

Net impact of oil price hike on APEC would be negative

The APEC region as a whole is a net importer of oil. While oil is imported from a number of different economies, four of those (Iran, Saudi Arabia, United Arab Emirates and Venezuela) provided over half of the region's imports. By far, the largest share of oil trade from the Middle East is destined for Asia, reflecting the region's large share of demand as well as its own limited crude oil production. Therefore, an intensification of geopolitical tensions in this area would significantly impact on the oil supply flow to Asia, which in turn would translate into higher costs for oil imports.

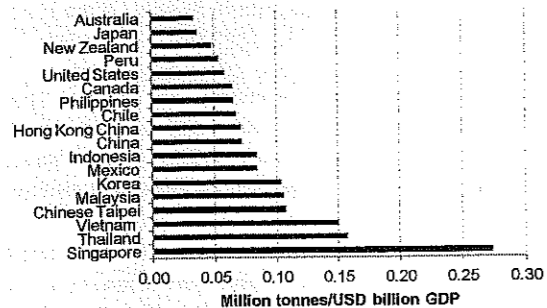
Economic growth in net oil importers (e.g. Australia; Chile, China; Hong Kong, China; Japan; New Zealand; Peru; the Philippines; Korea; Singapore, Thailand and the United States) would be negatively affected by higher oil prices. This is because sustained high oil prices would result in reduced real disposable income, deteriorating terms of trade and rising costs of oil inputs. The degree of the impact on net oil-importing economies depends on both their level of oil intensity and the proportion of oil used in total energy consumption.

<sup>9</sup> Asmundson, T., Dorsey, T., Khachatryan, A., and Saito, M. (2011), Trade and Trade Finance in the 2008-09 Financial Crisis, IMF Working Paper.

<sup>10</sup> IMF and BAFT Trade Finance Survey (2009).

An economy with relatively high oil intensity<sup>11</sup> and high reliance on oil as the source of energy consumption would be more adversely affected by rising oil prices than an economy with lower oil intensity. As shown in Figure 20, industrialized APEC economies tend to have lower levels of oil intensity than APEC emerging and developing. This partly reflects the adoption of less oil-intensive technology as well as the expansion of the service sectors within their domestic economies.

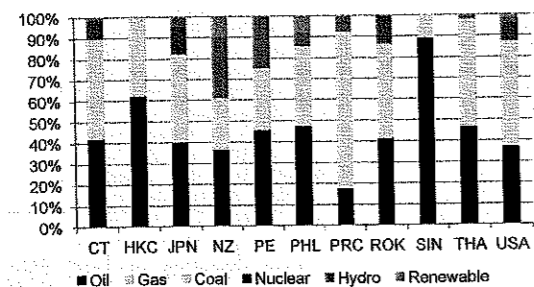
Figure 20: Indicators of Oil Intensity<sup>12</sup>: Selected APEC Economies 2010



Source: BP Statistical Review of World Energy 2011, IMF WEO April 2012

The impact of sustained high oil prices would be significant for some emerging and developing economies - such as Hong Kong China; Korea; Malaysia; the Philippines; and Thailand - as they have relatively a high level of oil intensity. In these economies, oil is also the primary source of energy consumption, accounting for more than 35% of total energy use (Figure 21).

Figure 21: APEC's Net Oil Importers: Mix of Energy Use in 2010



Source: BP Statistical Review of World Energy 2011

<sup>11</sup> High oil intensity indicates that an economy is relatively more reliant on oil as an input to production than in an economy with lower oil intensity

<sup>12</sup> In this report, oil intensity is calculated as the ratio of total oil consumption and level of GDP

Singapore is an interesting case. The impact of high oil prices on the economy would be negative, as oil accounts for 89% of total primary energy consumption, the highest among all APEC economies. However, the magnitude of the impact is unclear. Among APEC economies for which data is available, Singapore has the highest level of oil intensity. However this also reflects its role as a regional importer and refiner of crude oil and exporter of petroleum products, rather than high levels of domestic oil consumption.

In comparison to industrialized economies, China has a relatively higher level of oil intensity as a result of rapid industrial growth and increases in its automobile ownership. However, oil accounts for less than 20% of total energy consumption. The primary source of energy in China comes from coal, which accounts for 70% of total primary energy consumption. This indicates that the impact of high oil prices on China can be mitigated to an extent.

Not surprisingly, increases in oil prices are more often than not beneficial for net oil exporters (e.g. Canada; Indonesia; Malaysia; Mexico; Russia and Viet Nam). This is usually true when rising oil prices are led by an increase in world aggregate demand. The gain in real income associated with the improvement in the terms of trade and higher export volumes would be more than offset increases in costs for businesses and households.

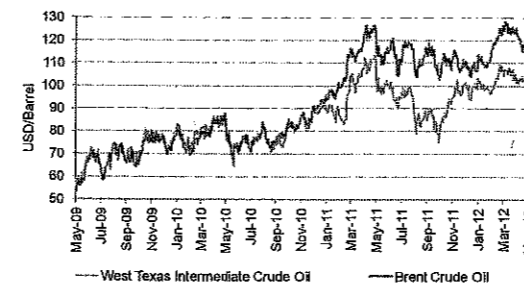
However, if an increase in oil prices is associated with supply disruptions from other oil exporters, the net benefit for oil exporters in the APEC region may be reduced. This is because lower economic growth in the economies of their main trading partners would depress demand for oil as well as demand for other non-oil commodities. The positive effects could be further reduced if higher oil prices have spill-over effects on other commodity, raising the price of their imported commodities.

Despite the fact that Canada is a net oil exporter, the economy has not benefitted from recent rises in the price of oil. As the current evolution in oil prices has been largely driven by concerns over supply disruptions from certain oil producing markets in the Middle East, the price of oil that Canada imports (more closely tied to Brent crude oil) has increased. On the other hand, new production of crude oil in North Dakota and Canada and decreased U.S. demand have limited the increases in price of oil that Canada exports (more closely tied to West Texas Intermediate (WTI)) (Figure 22). By itself, the wedge

between the price of oil that Canada imports and the price of oil it exports could deteriorate its terms of trade, which in turn reduces gross domestic income

The increase in the price of imported-oil has also raised production costs for Canadian firms. Also, as half of the gasoline consumed in Canada is produced from imported crude oil, consumers and businesses have been faced with higher gasoline prices. Together, rising costs and reduced income have dampened spending on domestically produced goods and services,

Figure 22: Recent Evolution in Oil Prices: Brent versus West Texas Intermediate Crude Oil



Source: Thomson Reuters

## VII. Concluding remarks

After a year which has seen a deepening crisis in the Euro area, volatile stock markets and devastating natural disasters, 2012 is set to be another challenging year for the global economy. For APEC, the short-term economic outlook will continue to be influenced by global economic and financial developments. A re-intensification of the crisis in the Euro could setback growth in the APEC region, with small and open economies being the most vulnerable. There are also concerns over oil supplies if Middle East sources are disrupted.

A potential worsening of the Euro area crisis would create an uncertain business environment, causing firms to scale back investment, and negatively impacting on business activity through four channels:

- A sharp contraction in aggregate demand;
- Increased exchange volatility;
- Tighter credit conditions; and
- Liquidity crunch in trade finance

The APEC region as a whole is a net importer of oil. Sustained and large increases in oil prices could result in reduced real disposable income, deteriorating terms of trade and rising costs of oil inputs, thereby reducing the region's overall economic growth.

The APEC Policy Support Unit provides APEC members and fora with professional and tailor-made research, analysis, policy support and evidence-based policy suggestions.

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APEC#212-SE-01.6





**Asia-Pacific  
Economic Cooperation**

2012/SOM2/EC/031

Agenda Item: 13

## **EC Chair Nomination from the United States**

Purpose: Consideration  
Submitted by: United States



**Second Economic Committee Meeting  
Kazan, Russia  
30-31 May 2012**

**Curriculum Vitae**  
**Raymond F. Greene**

**Work Experience**

Director, Office of Economic Policy, Bureau of East Asian and Pacific Affairs, U.S. Department of State

(July 2012-present)

- *Advises State Department leadership in advancing U.S. economic, trade, and public health interests in the Asia-Pacific region*
- *Oversees coordination for U.S. participation in the Asia-Pacific Economic Cooperation (APEC) Forum*

Consul General, U.S. Consulate General, Okinawa

(August 2009-July 2012)

- *Served as senior U.S. Government Representative in Okinawa*
- *Oversaw budget, administrative, and personnel issues for 27-person diplomatic post*
- *Engaged local, national, and international press on U.S. base realignment*
- *Led efforts to expand U.S.-Okinawa Economic and Scientific Exchanges, including the bilateral Hawaii-Okinawa Renewable Energy Partnership*
- *Acted as Political Advisor to the Commander of Operation Tomodachi following the March 11, 2011 tsunami in northern Japan*

Chief, Security Policy Unit, U.S. Embassy, Tokyo

(June 2006-July 2009)

- *Led 11-person Unit charged with managing the U.S.-Japan Security Alliance*
- *Negotiated \$2.8 billion host nation support agreement and was State Department-lead in talks with Japan to secure \$3.2 billion in funding for the relocation of U.S. Marines to Guam*
- *Co-chaired bilateral standing committees on base realignment, information security, and crisis management*
- *Participated in trilateral security dialogues with Korea and Australia*

Baker-Kato Diplomatic Exchange Fellow, Japanese Ministry of Foreign Affairs, Tokyo

(September 2005-June 2006)

- *First U.S. diplomat assigned to Japanese Foreign Ministry*
- *Worked in North American and Asia Bureaus on public diplomacy, ASEAN, and ODA issues*

Deputy Chief, Political Section, American Institute in Chinese Taipei

(June 2002-July 2005)

- *Responsible for cross-Strait issues and liaison with Presidential Office and ruling parties*
- *Led engagement with Legislative Yuan on key bilateral issues, including passage of intellectual property legislation*

Political Officer, U.S. Embassy, Tokyo

(September 1998-July 2000)

- *Sole domestic political reporting officer*
- *Portfolio included Japan's relations with the Middle East and Africa, counter-terrorism, and human rights*
- *Supported U.S. engagement in G-8 process, including through participation in counter-terrorism working group*

Rotational Officer, U.S. Embassy, Manila

(December 1996-August 1998)

- *Responsible in Political Section for bilateral security issues, counter-narcotics, and Philippine relations with China and ASEAN*

- *Provided Visa and American Citizens Services in Consular Section*

Researcher, Institute for International Economics, Washington, DC

(June 1995-July 1996)

- *Research focus on APEC, including contribution to book "Asia Pacific Fusion"*
- *Supported IIE projects on North Korean economy and economic sanctions*

**Education**

Foreign Service Institute, Chinese Language and Area Studies, Washington, DC and Taipei  
*Certificate in Advanced Chinese Language and Area Studies, 2002*

University of Maryland, College Park, MD

*M.P.M., International Security and Economic Policy, 1995*

*B.A., Government and Politics/Japanese Language, 1992*

*Certificate, East Asian Studies, 1992*

International Christian University, Tokyo

*Exchange Student (1990-1991)*

**Languages**

Japanese; Mandarin Chinese

**Awards and Honors**

Secretary of Defense Meritorious Civilian Service Medal, Three Department of State Superior Honor Awards, Elected (2004) as Term Member, Council on Foreign Relations (CFR)



CONSULATE GENERAL OF THE  
UNITED STATES OF AMERICA

May 25, 2012

Dear EC Colleagues,


As interim Chair, I very much appreciate the contributions and hard work that the Secretariat and member economies have put into the upcoming EC2 meeting in Kazan. We have a robust agenda and I look forward to a spirited dialogue. During the EC2 meeting, we will also be electing a new Chairman to replace Louis Bono. As you know, the United States has put my name forward to fulfill Mr. Bono's tenure as EC Chair. Ahead of our meeting next week, I thought it would be useful to share my vision for the EC during this critical time in APEC's development.

The EC has evolved considerably from its early days as the successor to the Ad Hoc Economic Trends and Issues (ETI) Group. Originally tasked with the important mission of analyzing economic trends and related data, the EC in recent years has assumed an increasingly central role in facilitating the implementation of core APEC policy objectives. The impressive progress in achieving 2009 Ease of Doing Business (EoDB) goals is but the latest example of the pro-active work by the EC to effectively define and measure concrete, quantifiable policy targets. Looking to the future, I expect the EC to further deepen its involvement in policy implementation. As the Committee on Trade and Investment (CTI) focuses on removing cross-border barriers to realizing the Bogor vision for a Free Trade Area of the Asia Pacific, the EC should continue to lead the harmonization of policies and practices within borders that will promote business development and innovation. The convergence of internal structural reform with trade and investment liberalization will be key to maintaining the tremendous economic growth the Asia Pacific has enjoyed for so long.

At the same time, we should not forget the EC's original mandate to advise APEC Leaders on macro- and micro-economic trends in the region. Given both the uncertainty in the global economy and the rapid growth in trade and investment within APEC, it is critical that policy makers be prepared to react effectively to market-driven changes in how the region does business. Constant interaction with the ABAC and other private sector organizations as well as close coordination with the PSU and partners such as the OECD will help ensure that the EC is able to effectively identify future challenges and policy priorities for our Leaders, Ministers, and Senior Officials. The EC should also closely monitor developments in other multilateral forums like the G-20 to maximize synergies and avoid duplicative efforts.

As Chair, I hope to build on the successful work by my predecessors and Vice Chairs to make the EC a core part of APEC's work. With support from my first rate team in the State Department and benefiting from the experience and counsel of the EC's Vice Chairs and APEC Secretariat, I have no doubt we can achieve even more in the future. I look forward to working with you all to realize our shared objectives.

Sincerely,



Raymond E. Greene