STATE OF THE REGION
2011 – 2012
State of the Region

- A succinct overview of the major developments in the Asia-Pacific region
  - Chapter 1: Sustaining Global Growth
  - Chapter 2: Survey of Opinion Leaders
  - Chapter 3: Index of Asia-Pacific Regional Economic Integration

- Prospects for Transpacific Energy Trade
  - Supplement to the SOTR Report
Growth Expectations Sliding

- 2006: 63% (Weak) 12% (Stronger)
- 2007: 73% (Weak) 6% (Stronger)
- 2008: 2% (Weak) 93% (Stronger)
- 2009: 67% (Weak) 12% (Stronger)
- 2010: 36% (Weak) 26% (Stronger)
- 2011: 10% (Weak) 85% (Stronger)
Growth expectations: by sub-region
Growth expectations by economy/group

<table>
<thead>
<tr>
<th>Economy</th>
<th>Weaker</th>
<th>Stronger</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>30%</td>
<td>-36%</td>
</tr>
<tr>
<td>India</td>
<td>38%</td>
<td>-22%</td>
</tr>
<tr>
<td>Japan</td>
<td>-57%</td>
<td>-17%</td>
</tr>
<tr>
<td>USA</td>
<td>-80%</td>
<td>7%</td>
</tr>
<tr>
<td>European Union</td>
<td>-80%</td>
<td>4%</td>
</tr>
<tr>
<td>The world economy</td>
<td>-65%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Top Issues for APEC leaders’ meeting

- Free Trade Area of the Asia-Pacific
- A green growth strategy for the region
- The WTO Doha Development Round
- Corruption
- APEC growth strategy
Top Risks

Risks to Growth

- Protectionism: 0.6
- Natural disasters: 0.7
- Sharp fall in asset prices: 0.7
- High food prices: 1.0
- US credit rating: 1.2
- Bank crisis: 1.2
- Chinese economy: 1.2
- Energy security (prices, supply): 1.3
- Euro-zone crisis: 1.8
- US economy: 2.1
Policies for achieving sustained growth

- Investment in new technologies and innovation systems
- Reducing the US fiscal and current account deficits
- Rebalancing growth in East Asia
- Strengthening financial regulations across the world
- Improving social safety nets
- Increasing final goods trade among Asian economies
- Reducing the volatility of exchange rates
- Regulating short term capital flows
- The development of a new settlements system
Challenges to Doing Business
Regulatory Impediments in Overseas Markets: by sub-region
Pathways to Regional Economic Integration

TPP

ASEAN Plus
Evaluating APEC's performance

- Achieving free and open trade and investment in the Asia-Pacific region
- Supporting the global trade regime
- Reducing trade transactions costs
- Implementing a balanced, inclusive, sustainable, innovative and...
- Implementing structural reforms
- Enhancing human security
- Improving energy efficiency and reduced energy intensity
Intra-Regional Flows

- **Trade Share**
- **Intra-regional tourists**
- **FDI/K**
How serious is the issue of safe and secure access to energy for your economy

- 52% extremely serious
- 24% moderately serious
- 15% not at all serious
- 13% don't know
- 8% total

By region:
- **Northeast Asia**: 50% extremely serious, 23% moderately serious, 15% not at all serious, 2% don't know, 4% total
- **North America**: 45% extremely serious, 16% moderately serious, 16% not at all serious, 8% don't know, 16% total
- **Southeast Asia**: 80% extremely serious, 23% moderately serious, 11% not at all serious, 2% don't know, 2% total
- **Oceania**: 60% extremely serious, 23% moderately serious, 11% not at all serious, 2% don't know, 2% total
- **South America**: 42% extremely serious, 25% moderately serious, 22% not at all serious, 8% don't know, 8% total
How important should different sources of energy be?

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>All</th>
<th>Northeast Asia</th>
<th>North America</th>
<th>Southeast Asia</th>
<th>Oceania</th>
<th>South America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear energy</td>
<td>2.6</td>
<td>3.2</td>
<td>3.1</td>
<td>2.1</td>
<td>2.4</td>
<td>1.8</td>
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<td>Unconventional fossil fuels</td>
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<td>2.9</td>
<td>3.2</td>
<td>3.0</td>
<td>2.4</td>
<td>2.6</td>
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<tr>
<td>Conventional fossil fuels</td>
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<td>3.7</td>
<td>3.6</td>
<td>3.6</td>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Renewables</td>
<td>3.9</td>
<td>3.6</td>
<td>3.8</td>
<td>4.2</td>
<td>3.7</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Actions to Promote Energy Security

- Increasing energy efficiency in production and consumption (e.g., smart grids) - 3.9
- Policies to promote energy conservation (e.g., building regulations, promoting green transport systems, etc.) - 3.8
- Investment in renewable energy sources (wind, solar, geothermal, bio-mass, etc.) - 3.7
- Investment in infrastructure (pipelines, LNG/bulk carrier terminals, energy grids etc.) to enable Asia Pacific-wide trade in energy, including conventional - 3.4
- Further exploration for conventional and unconventional fossil fuel sources - 3.3
- Investment in nuclear energy - 2.3
Perceptions of Nuclear Energy

How effective is investment in nuclear energy in addressing energy security concerns in your economy?

How important should nuclear energy be as a source of energy for your economy?
Effectiveness of Policies to Reduce GhG Emissions

- Technology transfer: 3.8
- Subsidies for renewables: 3.7
- Carbon taxes: 3.4
- Ending fossil fuel subsidies: 3.4
- Investment in carbon capture and storage technologies: 3.4
- A global climate change accord: 3.3
- EGS agreement: 3.1
- The introduction of cap and trade programs: 3.0
- Other (please specify in the space provided below): 2.1
Energy Subsidies

Ending fossil fuel subsidies

Subsidizing renewables

- **Not effective**
- **Effective**

<table>
<thead>
<tr>
<th>Region</th>
<th>Not Effective</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>-18%</td>
<td>53%</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>-18%</td>
<td>42%</td>
</tr>
<tr>
<td>North America</td>
<td>-18%</td>
<td>70%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>-18%</td>
<td>60%</td>
</tr>
<tr>
<td>Oceania</td>
<td>-20%</td>
<td>56%</td>
</tr>
<tr>
<td>South America</td>
<td>-25%</td>
<td>51%</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Region</th>
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<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>-13%</td>
<td>67%</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>-7%</td>
<td>71%</td>
</tr>
<tr>
<td>North America</td>
<td>-26%</td>
<td>58%</td>
</tr>
<tr>
<td>Southeast Asia</td>
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<td>74%</td>
</tr>
<tr>
<td>Oceania</td>
<td>-40%</td>
<td>32%</td>
</tr>
<tr>
<td>South America</td>
<td>-13%</td>
<td>67%</td>
</tr>
</tbody>
</table>
INTRA ASIA-PACIFIC TRADE FLOWS (2010)

US $3.5 Trillion = 63% of global goods export
Figure 3: Pattern of global oil trade in 2010

A: ME => AP 14.1
B: WAF => AP 1.5
C: LA => NA 2.3
D: CAN => US 2.5
E: WAF => NA 1.8
F: NAF => EUR 1.9
G: ME => NA 1.8
H: ME => EUR 2.3
I: FSU => EUR 5.9
J: FSU => AS 1.5

ME = Middle East  
NAF = North Africa  
EUR = Europe  
AS = Asia  
NA = North America  
LA = Central & S America  
WAF = West Africa  
CAN = Canada  
FSU = Former Soviet Union

All figures are in MMBD

Source: BP Statistical Review of World Energy 2011
Figure 4: Pattern of global gas trade in 2010

A: SEA => NEA 93.9
B: ME => NEA 46.8
C: CAN => US 92.4
D: AF => EUR 84.3
E: ME => EUR 45.0
F: FSU => EUR 185.7
G: FSU => NEA 16.0
H: CA => RUS 31.9

ME = Middle East  NEA = Northeast Asia  SEA = ASEAN+Australia  AF = North and West Africa
CAN = Canada  EUR = Europe  FSU = Former Soviet Union  CA = Central Asian FSU members

All figures are in Bcm (Billions of cubic metres)

Source: BP Statistical Review of World Energy 2011
Figure 1: Energy mix of selected economies in 2010

Source: BP Statistical Review of World Energy 2011
Figure 2: Energy mix of selected economies in 2010 and 2035

Source: BP Statistical Review of World Energy 2011
Figure 9: Natural gas prices in North America and Asia
Figure 11: Cost buildup for breakeven prices for US and Canada LNG exports to Japan, 2011

Required Price Differentials:
- Canada: $3.35
- US: $5.35