

# Message from the Chairman of PECC

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On behalf of the 26 member committees of the Pacific Economic Cooperation Council, it is my pleasure to present our second annual report on the State of the Region. This report provides an assessment of the key challenges affecting the Asia Pacific region.

Our report is based on three main elements: the views of our panel of forecasters, the results of an annual survey of opinion leaders, and discussion between the members of the editorial team on key regional issues and institutions. None of these elements would be possible without the generous contributions of all of our member committees who support the work of the forecast group as well as tap their extensive networks to access the views of senior policy-makers, scholars, business people and the media throughout the region.

This year's report presented the PECC editorial team with special challenges because of the great uncertainties regarding the future outlook. There is uncertainty about how the ongoing sub-prime mortgage crisis will affect the United States economy and the rest of the region and world. There is uncertainty over whether the broader Asia Pacific region is sufficiently resilient to withstand a potentially sharp slowdown in the region's biggest consumer market. And there is uncertainty over whether the societies or the region have the political will and the appropriate institutions to face up to the many challenges associated with rapid growth and globalization. The failure to reach a conclusion of the WTO's Doha Development Round, and the inability so far of domestic and global financial systems to adequately contain the volatility in financial markets are just two examples of complex issues that the regional and global communities are facing.

Aside from the theme of uncertainty, three substantive areas stand out throughout this report: the growing concern over environmental challenges (including climate change) and energy security; the future of the region's trade system in the wake of the stalled Doha talks and the proliferating bilateral trade arrangements; and the continued risk of persistent transpacific imbalances. PECC work will be continuing on these and other important challenging facing the region.

I would like to express appreciation to everyone who has contributed to this report, especially Yuen Pau Woo, Gary Hawke and Jusuf Wanandi who launched our discussions on the trends affecting the region in March 2007. I would also like to thank the Japan PECC committee who have played host to our forecasting panel for many years. Finally, we are grateful to the almost 400 citizens of the region who have responded to our questionnaires in each of the past two years.

I look forward to your views on the report and on how PECC can continue to provide useful and timely information on the Asia Pacific region.



**Charles E. Morrison**  
**International Chair**  
**Pacific Economic Cooperation Council**