

## **The Global Economic Crisis: Impact on the Asia Pacific Region and Regional Responses**

The global economic crisis that began with the collapse of the United States sub-prime mortgage market and which quickly spread to the broader US economy and the rest of the world has sparked a debate about leadership and governance of the international economic system. To better understand the impact the crisis on the Asia-Pacific region, the Pacific Economic Cooperation Council (PECC) conducted a survey of opinion-leaders in the region from 15 April to 6 May 2009. \*

Over 400 opinion-leaders from 25 different economies participated in the survey.

This survey is not one of public opinion, but rather of those who lead opinions. Panelists include those who have to make decisions or give advice to regional and international forums like APEC and G20 as well as those who frequently contribute editorial pieces to leading media in the region. The selection of respondents is the responsibility of PECC member committees. On the whole, we believe that respondents selected to participate in the survey broadly represent the community most actively engaged in debates on the Asia Pacific region.

The survey analysis includes breakdowns for sub-regional groupings, namely Oceania; North America, Northeast Asia; South America; and Southeast Asia. For this survey we define those sub-regions as:

Oceania: Australia; New Zealand and Papua New Guinea

North America: Canada; United States of America; and Mexico

Northeast Asia: China; Japan, Hong Kong SAR, Korea, and Chinese Taipei

South America: Chile; Colombia; Ecuador; and Peru

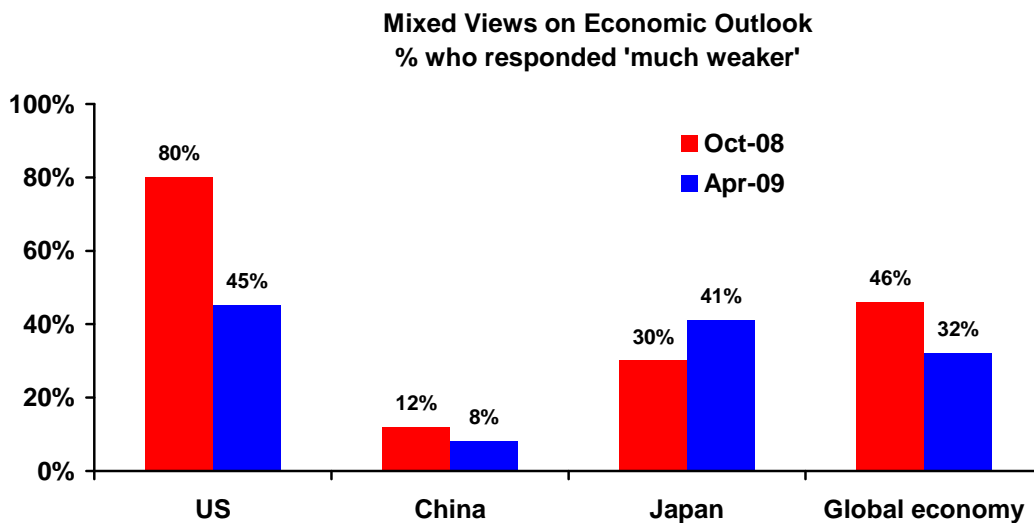
Southeast Asia: Brunei; Indonesia; Malaysia; the Philippines; Singapore; Thailand; and Vietnam

The survey was undertaken in collaboration with the Asian Development Bank's Office of Regional Economic Cooperation. The responsibility for the analysis and survey results are PECC's alone.

## The Economic Outlook

Most respondents were pessimistic about the economic outlook for the next 12 months, with 74% expecting weaker to much weaker growth for the global economy. Respondents were just as pessimistic about the outlook for the US and Japanese economies, with 72% and 71% respectively expecting weaker or much weaker growth. On the other hand, respondents were more hopeful about China and India, with 54% and 49% respectively expecting weaker to much weaker growth in those economies. Other key findings on the economic outlook include

- Respondents from government were uniformly more bullish about the prospects for economic growth in the next 12 months compared to respondents from business and the non-government sectors
- Respondents from Northeast Asia were the least pessimistic about the prospects for economic growth for all their own economies
- Respondents from South America were the most pessimistic about the prospects for global economic growth



### Is the worse over?

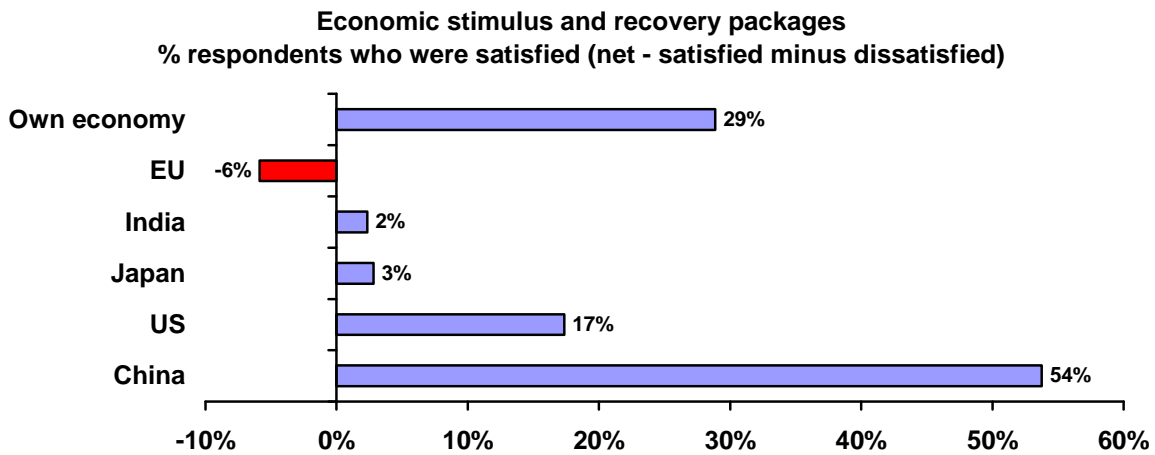
In terms of the outlook for the global economy, respondents were less pessimistic than they were in October last year. In a similar survey undertaken by PECC in October 2009, 46% of respondents expected economic growth to be much weaker for the global economy, compared to 32% in the most recent survey. Respondents have become less pessimistic about the US economy but are more pessimistic about Japan.

**% respondents who expected weaker to much weaker economic growth for the global economy over the next 12 months**

	Oct-08	Apr-09
All respondents	93%	74%
Business	93%	75%
Government	95%	73%
Non-government	92%	73%
Oceania	94%	73%
North America	91%	78%
Northeast Asia	95%	65%
South America	90%	80%
Southeast Asia	94%	79%

**Economic Stimulus Packages**

When asked how satisfied they were with the economic stimulus packages of their own economies as well as the world’s largest economies, there was a far-from-resounding endorsement of government actions. The exception was China: Over 60 percent of respondents were “satisfied or very satisfied” with the stimulus package taken by Beijing.



Respondents from Northeast Asia were generally pleased with the way their governments have responded to the crisis. In contrast, only 37% of respondents from Southeast Asia expressed satisfaction with the responses of their governments to the economic crisis.

**How satisfied are you with the economic stimulus and recovery packages of your own economy in response to the crisis?**

	Dissatisfied to very dissatisfied	Satisfied to Very satisfied	Net satisfaction
All	23%	52%	29%
Business	21%	43%	22%
Government	13%	64%	51%
Non-government	27%	51%	24%
Oceania	31%	55%	24%
North America	26%	46%	20%
Northeast Asia	13%	70%	57%
South America	18%	48%	29%
Southeast Asia	29%	37%	7%

On the whole, respondents were more satisfied than dissatisfied with the US economic stimulus and recovery package, but the level of satisfaction varied among sub-regions.

**How satisfied are you with the economic stimulus and recovery packages of the United States in response to the crisis?**

	Dissatisfied to very dissatisfied	Satisfied to Very satisfied	Net satisfaction
All	29%	46%	17%
Business	33%	40%	8%
Government	28%	40%	12%
Non-government	28%	51%	23%
Oceania	45%	39%	-6%
North America	22%	53%	31%
Northeast Asia	28%	49%	21%
South America	46%	31%	-15%
Southeast Asia	18%	50%	32%

Dissatisfaction over economic stimulus and recovery actions was greatest in the business community, compared to respondents from government, civil society, the research community and media.

While there were substantial differences between the responses of the sub-regions of the Asia-Pacific to actions by the world's biggest economies, one interesting feature was the widespread negative view of opinion-leaders from on the response of the European Union to the crisis. The EU was the only economy/region that received a negative rating for its policy actions on the crisis. Most dissatisfied were respondents from North America. Forty-six per cent of respondents from North America said they were dissatisfied with the European Union's economic stimulus and recovery packages while only 23% expressed satisfaction.

**How satisfied are you with the economic stimulus and recovery packages of the European Union in response to the crisis?**

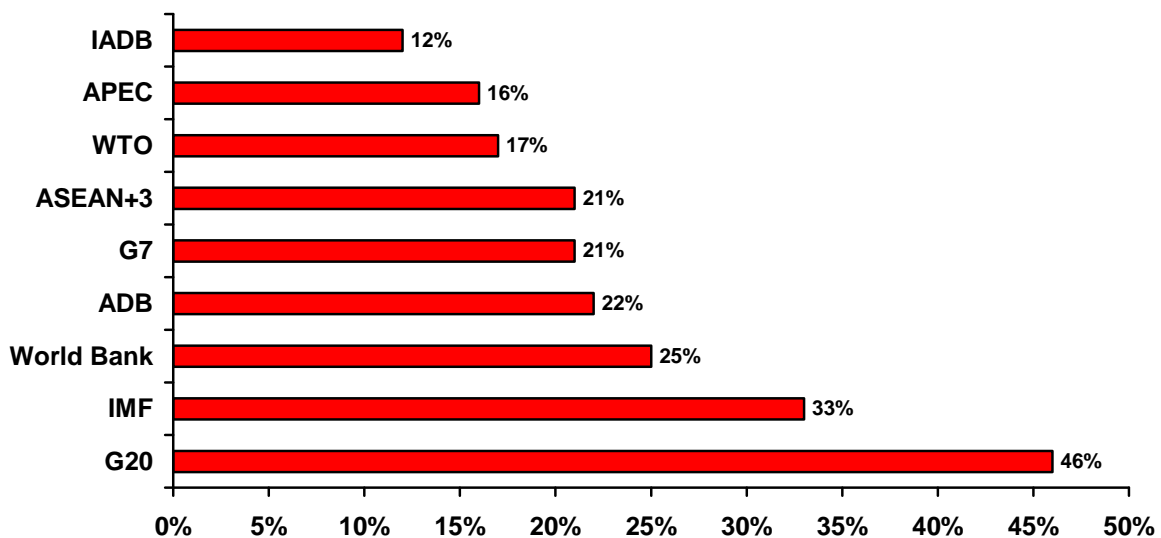
	Dissatisfied to very dissatisfied	Satisfied to Very satisfied	Net satisfaction
All	34%	28%	-6%
Business	35%	25%	-10%
Government	34%	27%	-7%
Non-government	34%	30%	-4%
Oceania	43%	35%	-8%
North America	46%	23%	-23%
Northeast Asia	29%	37%	8%
South America	35%	23%	-12%
Southeast Asia	27%	22%	-4%

**Regional and International Cooperation**

There was a high level of discontent with the actions of international and regional institutions in combating the crisis. With the notable exception of the G20, respondents were more dissatisfied than satisfied with the responses by regional and global institutions. The timing of the survey, which was carried out soon after the G20 summit in London, may have been a key factor in this result.

Regional institutions also came in for some criticism with APEC, ASEAN Plus 3, the Asian Development Bank and Inter-American Development Bank all receiving negative scores. A high percentage of respondents were simply unaware of actions taken by IADB, the ADB, ASEAN Plus Three and APEC.

**Responses by regional and international organizations**  
**% respondents who were satisfied to very satisfied**



### Priorities for international cooperation in addressing the economic crisis

Choosing from a list of seven areas for international cooperation, respondents identified the top three priorities as follows:

- Avoiding protectionist practices
- Improved international regulations of the financial system
- Strengthening social safety nets

“Replacing the US Dollar as the dominant reserve currency” was the lowest ranked item, with a score substantially below the next lowest priority – completion of the Doha Development Agenda.

Interestingly, there was broad agreement across different sectors on the order of priorities. However, there were differences between sub-regions on priorities. Southeast Asians were less concerned about protectionism and more concerned about improved international regulation of the financial system.

### Priorities for international cooperation in addressing the economic crisis (1= very low priority, 5= very high priority)

	All	Oceania	North America	Northeast Asia	South America	Southeast Asia
Avoiding protectionist practices	4.34	4.70	4.46	4.29	4.45	4.03
Improved international regulation of the financial system	4.26	4.12	4.12	4.21	4.34	4.39
Strengthening social safety nets	3.97	3.50	4.15	3.77	4.10	4.26
Larger fiscal stimulus	3.82	2.68	3.70	4.07	4.16	3.98
Giving Asian economies a larger voice and vote in the IMF	3.71	3.78	3.57	3.77	3.35	3.93
Completion of the WTO Doha Development Round	3.50	4.04	3.29	3.23	3.65	3.58
Replacing the US Dollar as the dominant reserve currency	2.53	2.73	2.44	2.23	2.42	2.95

### The Role of the US in the Asia-Pacific Economy

There was general agreement that the United States will resume its leading role in the global economy at the end of the crisis, but this view was held more strongly among North America respondents (64%) than in Southeast Asia (46%). At the same time, respondents also agreed that slower growth in Western industrialized countries for the foreseeable future will encourage a shift to domestic demand growth in Asian economies.

**The US economy will recover from the economic crisis to resume its leading position in the world economy?**

	Disagree	Agree	Net Agreement
All	20%	56%	36%
Oceania	24%	55%	31%
North America	20%	64%	43%
Northeast Asia	18%	60%	42%
South America	19%	58%	39%
Southeast Asia	23%	46%	22%

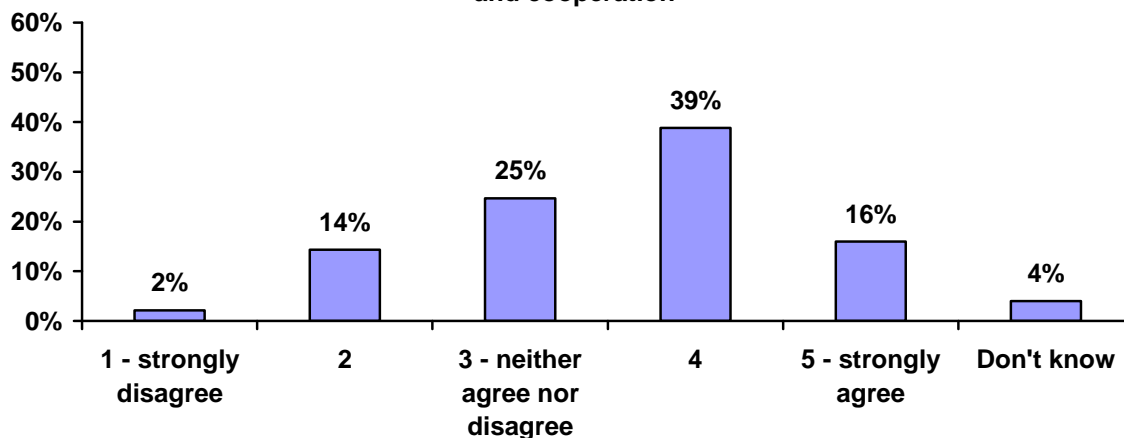
**Slower growth in Western industrialized countries for the foreseeable future will encourage a shift to domestic demand growth in Asian economies**

	Disagree	Agree	Net Agreement
All	8%	74%	67%
Oceania	4%	76%	73%
North America	11%	74%	64%
Northeast Asia	12%	75%	63%
South America	5%	67%	63%
Southeast Asia	4%	76%	72%

**Asian Economic Integration**

One path for recovery that has been suggested is for Asian economies to focus on regional economic integration efforts to boost domestic demand. Respondents to the survey agreed that the global crisis will accelerate the pace of Asian economic integration and cooperation.

**The global crisis will accelerate the pace of Asian economic integration and cooperation**



## Survey Results

### What are your expectations for economic growth over the next 12 months?

	Much Weaker	Somewhat weaker	Same	Somewhat stronger	Much stronger	Don't know	Total
Own economy	22%	44%	13%	20%	1%	0%	100%
China	8%	46%	18%	24%	4%	0%	100%
India	8%	41%	24%	17%	2%	8%	100%
Japan	41%	30%	19%	9%	1%	1%	100%
US	45%	27%	12%	15%	1%	0%	100%
Global	32%	42%	13%	13%	0%	0%	100%

### How satisfied are you with the responses by the following economies to the economic crisis?

	1 - very dissatisfied	2	3 - neither satisfied nor dissatisfied	4	5 - very satisfied	Don't know	Total
Own economy	7%	16%	21%	41%	11%	5%	100%
China	1%	7%	23%	46%	16%	6%	100%
EU	6%	28%	32%	25%	3%	5%	100%
India	2%	10%	42%	11%	3%	33%	100%
Japan	5%	22%	33%	25%	5%	10%	100%
US	7%	22%	23%	37%	10%	1%	100%

### How satisfied are you with the responses by the following organizations to the economic crisis?

	1 - very dissatisfied	2	3 - neither satisfied nor dissatisfied	4	5 - very satisfied	Don't know	Total
IMF	11%	26%	27%	28%	5%	4%	100%
G20	6%	19%	25%	37%	9%	4%	100%
G7	13%	27%	31%	19%	2%	8%	100%
World Bank	9%	23%	34%	22%	4%	8%	100%
ADB	6%	16%	34%	19%	3%	21%	100%
IADB	6%	17%	30%	10%	1%	34%	100%
APEC	12%	23%	35%	15%	1%	15%	100%
ASEAN+3	9%	19%	31%	19%	1%	20%	100%
WTO	15%	25%	32%	15%	2%	11%	100%



**Please rate the following actions in terms of their immediate priority in addressing the economic crisis**

	1 - very low priority	2	3	4	5 - very high priority	Don't know	Total
Larger fiscal stimulus	3%	10%	24%	26%	35%	2%	100%
Improved international regulation of the financial system	1%	4%	15%	27%	52%	1%	100%
Giving Asian economies a larger voice and vote in the IMF	2%	11%	25%	36%	24%	2%	100%
Strengthening social safety nets	1%	6%	19%	37%	32%	5%	100%
Avoiding protectionist practices	1%	5%	11%	21%	57%	5%	100%
Replacing the US Dollar as the dominant reserve currency	25%	23%	27%	13%	8%	4%	100%
Completion of the DDA	8%	14%	24%	22%	27%	4%	100%

**Please indicate your level of agreement with the following statements**

	1 - strongly disagree	2	3 - neither agree nor disagree	4	5 - strongly agree	Don't know	Total
The US economy will recover from the economic crisis to resume its leading position in the world economy	4%	16%	23%	42%	14%	0%	100%
Slower growth in Western industrialized countries for the foreseeable future will encourage a shift to domestic demand growth in Asian economies	1%	7%	16%	52%	23%	3%	100%
Asian economies will recover from the global crisis more quickly than the US economy	1%	14%	16%	37%	31%	1%	100%
The Chinese economy has begun a transition away from export-led growth to domestic demand-driven growth	4%	16%	26%	36%	14%	4%	100%
The global crisis will accelerate the pace of Asian economic integration and cooperation	2%	14%	25%	39%	16%	4%	100%

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\* Over 400 opinion-leaders from 25 different countries and territories participated in the survey. The panelists were selected from the academe; business; government; civil society and the media by PECC's member committees on the basis of their level of knowledge of the Asia-Pacific region. The criteria given for the selection of panelists was as follows:

- **Government**  
Panelists should be either decision-makers or senior advisors to decision-makers. As a guide, the government respondents last year included a number of former and current Ministers, Deputy and Vice-Ministers, Central Bank Governors and their advisors for Asia Pacific issues, current APEC Senior Officials, and a number of former APEC Senior Officials.
- **Business**  
Panelists should be from companies who have operations in a number of Asia Pacific economies or conduct business with a number of partners from the region, this might include each economy's current ABAC members as well as past ABAC members. In last year's survey these included CEOs, Vice Presidents for Asia Pacific Operations, and Directors of Chambers of Commerce.
- **Research Community/Civil Society/Media**  
Panelists should well-versed in Asia Pacific affairs, being the type of person governments, businesses, and the media would tap to provide input on issues related to Asia Pacific cooperation. These included Presidents of institutes concerned with Asia Pacific issues, heads of departments, senior professors, and correspondents covering international affairs.