

Editorial Statement

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Asia-Pacific Perspectives is a key publication of CTPECC and an open forum welcoming submissions of analyses, perspectives, and commentaries on the Asia-Pacific region. The periodical focuses on political, economic, business and social issues.

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Revive the Regional Growth Momentum

Darson Chiu

In December, 2015, the Economist Intelligence Unit revised its forecast for the world economic growth in 2016 from 2.7% to 2.6%. In January, 2016, three other signature institutes, the International Monetary Fund, Global Insight, and World Bank adjusted their forecasts of global GDP growth rate from 3.6%, 2.9%, 3.3% to 3.4%, 2.8%, and 2.9% respectively. All of these recent adjustments conducted by major institutes have one thing in common; every one of them is downward. In short, pessimism betides, and optimism subsides.

Economists have been stressing the coming of new normal or new mediocre. The tumbling crude oil prices did not pick up consumption as expected since June, 2014. Quite the contrary, falling energy prices have caused distortions on base effects and dragged down aggregate output growth on year-on-year basis. Strong growths occurring before the most recent global financial crisis seem hardly likely for the time being or even in the near future. "A little happiness", a phrase that has been so popular at bad times will probably be cited even more frequently from now on.

Asia Pacific great powers are all coping with either tepid growth or slowing down. The US Federal Reserve had its first rate hike in December 2015 since December 2008, however forced to conduct a negative interest rate pressure test in February, 2016 due to contracting businesses. China


has been trying all it can to avoid a potential hard landing and bid goodbye to 7% growth rate for good. Japan's central bank cut its interest rate further to negative level and announced that its monetary operations could go even looser.

In addition to that the geopolitical factors are furthering uncertainties to the deteriorating economic conditions; large countries are not performing adequate leadership in pulling the world economy along but desperately coping with their own difficulties. With respect to heavy fiscal constraints and debt pressures, extreme monetary operations in the means of quantitative easing have become one of the very few workable options. Overcapacity due to over investment at bad times has been an issue causing inexhaustible structure reforms, whereas continuous reforms have also slowed down the growth momentum and limited the growth potential. When big players are dealing with either tepid growth or periodically headwinds, soggy demands hold back others that are closely associated with global or regional supply value chains.

As every economy is specialized in specific parts and components at its relevant statuses of supply value chains with respect to particular comparative advantages, almost none can be immune from the shrinking world demands. Therefore, to pick one's growth potential is no longer simply to seek the betterment of oneself but the wellbeing of all.

Consumption, investment, and trade are main engines that used to drive economic growth yet seemed to lose steams in recent times. Decision makers are indeed responsible for building hale and hearty environments that are able to encourage activities of consumption, investment, and trade.

Private or household consumption is the most important component of GDP. The private consumption accounts for 58% of the world aggregate GDP, 61.9% of OECD and 51.5% of non-OECD countries estimated as of the year



of 2015. Despite the consumption preferences and decisions are dissimilar across countries; it is the rule of thumb that the demand for consumption goods is strong at good times, whereas consumers tend to retrench at bad times. Since the marginal propensity to consume theory indicates that an increase in consumer spending occurs with an increase in disposable income, avoiding income traps is essential for supporting consumption. Income traps have been present in different forms: emerging economies are suffering from middle income traps, and advanced economies are stressing high income traps.

In addition to escape from income traps, building sound social safety nets is also a necessary task to promote private consumption. Saving is critical especially for developing economies when lacking sufficient social safety nets. However, high saving rate on the other hand restricts other economic activities such as consumption. With well functioning safety nets, consumers will be more willing to spend their money.

As for investment, it is the key for growth from here on out. Besides the fact that investment is a crucial component of domestic demand, it also paves the way for supplying external demand in the future. Not only emerging but also advanced economies have strived to attract foreign investments. For emerging economies, foreign investments come with technology, a chance to upgrade their economic capacity. For advanced economies, foreign investments bring in capital and job opportunities. Complicated and excess regulations, poor infrastructures, and unstable political systems are some of many reasons that could impede potential foreign investments. Hence, capacity building to create healthy environments through information and knowledge sharing among economic partners to eliminate or mitigate those unattractive factors would be much needed.

6 Furthermore, foreign investment can come in two forms: foreign direct

investment (FDI) and foreign portfolio investment (FPI), the former is also known as cold money, and the latter is recognized as hot money. It seems that cold money is more popular and welcomed by governments, because it provides solid contributions to GDP. By comparison, hot money is resented by governments especially by central banks due to that it influences or even twists currency exchange rates and sometimes forms financial bubbles. Creating sound peripheries that can help direct hot money into cold money would be another signature joint mission for economists, decision makers, and businesses.

Trade is the last but not least engine for GDP growth; otherwise, negotiations for most free trade agreements wouldn't be so difficult to conclude. Recently, the conclusion of Trans-Pacific Partnership (TPP) has been on the spotlight, as regional supply chains will be reshuffled when the treaty comes about. TPP also sets a high quality benchmarks for others including the Regional Comprehensive Economic Partnership (RCEP) and Transatlantic Trade and Investment Partnership (TTIP).

Free trade is in theory good for all participants. If the agreement covers the region, then it is beneficial for the entire region. When a free trade deal is implemented, tariff and non-tariff barriers are eliminated. As a result, suppliers' and consumers' surpluses are maximized; overall welfares increase, and resources are optimally allocated.

However, free trade poses serious threat for outsiders. For example: rules of origin require a high percentage of intermediate components of a final product to enjoy free duty treatment. Said requirement simply edge out outsiders' chances to compete with signed members in that trading bloc. As more members will certainly create more benefits; making sure every economy is included would be to seek wellbeing of all in our region.

(Dr. Darson Chiu is the Director General of CTPECC.)



Enhancing the G20-APEC Relationship for Advancing the Global Economy

Chen-Sheng Ho

This year, 2016, will be an exceptional year for advancing international economic cooperation and Asia-Pacific regional economic integration, if the G20 and APEC work with each other to address pressing economic issues. In the era of globalization, characterized by robust connectivity, the deepening of collaboration between organizations at the international level and at the regional level is indispensable for achieving economic benefits.


China is holding the presidency of the 2016 G20 and will host the G20 Summit in Hangzhou, China on September 4-5, 2016. The theme for this year is: "Building an Innovative, Invigorated, Interconnected and Inclusive World Economy." According to the information provided in the official G20 Website (www.g20.org), an important message is that economic globalization has deepened in the world, so that cooperation is the most effective way for countries to mitigate challenges and realize common development (G20 2016).

Moreover, the G20 Website has also indicated that the G20 should seek to tackle critical issues that affect the global economy and to achieve strong, sustainable and balanced growth. In addition, the main idea is that the world should strengthen global economic and financial governance, in order to fight inequality and imbalance in global development. Furthermore, it is necessary to ensure that people of all countries are able to equitably share benefits of economic growth (G20 2016).

From analyzing the major messages that have been put forward regarding this year's G20, it can be said that APEC should become an important partner of the G20. In 2016, Peru the APEC host, has chosen the theme of: "Quality Growth and Human Development." The other priorities for APEC in 2016 are: 1) Advancing Regional Economic Integration and Quality Growth; 2) Enhancing the Regional Food Market; 3) Towards the Modernization of MSMEs in the Asia-Pacific; and 4) Developing Human Capital (APEC 2015).

An examination of the 2016 priorities of the G20 and APEC shows similarities. For example, the G20 emphasizes an inclusive world economy. As for APEC, the main theme is about advancing quality growth and human development. The important unifying idea is the focus on inclusiveness. As a matter of fact, APEC has developed the 2015 APEC Strategy for Strengthening Quality Growth. APEC Leaders calls for APEC to work towards a balanced, inclusive, sustainable, innovative, and secure growth. In addition, according to The APEC Leaders' Growth Strategy, inclusive growth is about ensuring that APEC citizens have the opportunity to benefit from global economic growth. Therefore, both the G20 and APEC are striving to promote balanced, sustainable and inclusive growth. With the existence of common issues for advancement, the G20 and APEC can cooperate through extending invitations to attend each other's meetings.

An excellent area for starting cooperation between the G20 and APEC can be the sharing of ideas relating to the issues being covered by the various ministerial meetings on specific sectors. It can be seen in Table 1 that both the G20 and APEC are holding several ministerial meetings. The sharing of ideas can start from the ministerial meetings because they provide policy direction. In addition, the ministerial meetings are high-profile events that attract substantial attention from the international media.



Specifically, the initial focus can be on ministerial meetings that both the G20 and APEC will be holding this year. These ministerial meetings are in the following specific sectors: finance, tourism, agriculture, and trade. The main guiding principle is that the organization that is holding a ministerial meeting at an earlier date will provide the meeting's main points and recommendations to the organization that will hold the meeting next. This means that the G20 will first provide the ministerial meeting summary report to APEC in the sectors consisting of finance, tourism, and agriculture.

On the other hand, APEC can first furnish the summary report of the APEC Food Security Ministerial Meeting to G20. Certainly, both the G20 and APEC will all have each other's ministerial meeting summary reports by the end of the year. Furthermore, the ministerial meeting summary reports that are available will also be provided to the G20 Summit and the APEC Economic Leaders' Meeting (AELM). Since the G20 Summit (September 4-5, 2016) will be held before the AELM (November 19-20, 2016), the main points of the G20 Summit can serve as a reference for the AELM. In doing so, the linkage between the international level and the regional level is strengthened with the cooperation between the G20 and APEC.

Once the G20-APEC relationship has been enhanced, both organizations can advance their collaboration to the working group level, as the G20 and APEC have established working groups to address economic and trade issues. According to the official G20 Website, it has stated that China will stimulate dialogues between the G20 and other international/regional organizations, such as the UN, Group of 77 and APEC. This is an excellent idea and this year is an opportune year to strengthen cooperation between the G20 and APEC to advance global economic development and prosperity.

(Dr. Chen-Sheng Ho is a research fellow at the Chinese Taipei APEC Study Center.)

Table 1: 2016 G20 and APEC Ministerial Meetings on Specific Sectors

2016 G20	2016 APEC
●Finance Ministers and Central Bank Governors Meeting: Feb. 26-27; April 13-14; July 23-24; October 6	●Ministers Responsible for Trade Meeting: May 17-18
●Tourism Ministers Meeting: May 20	●Tourism Ministerial Meeting: May 28-29
●Agriculture Ministers Meeting: June 3	●Small and Medium Enterprises Ministerial Meeting: September 9
●Energy Ministers Meeting: June 29-30	●Food Security Ministerial Meeting: September 26-27
●Trade Ministers Meeting: July 9-10	●Education Ministerial Meeting: October 4-6
●Labor and Employment Ministers Meeting: July 11-13	●Finance Ministerial Meeting: October 14-15

Sources: www.g20.org; www.apec.org

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- 2.APEC. 2015. "APEC Pursues Quality Growth and Human Development."<www.apec.org>



The US 2016 Presidential Election and the implication for the future political economy of the Asia-Pacific Region


Gratiana JUNG

Before Donald Trump, the US Republican party candidate in the Primary for 2016 presidential election, comes to the scene, no one would have seen the Trans-Pacific Partnership (TPP) could face up the uncertainty other than the twist and turn on the Capitol Hill. Many would just think it might delay for a while resulting from the election hassling and bustling. That probably was the worst scenario. But, here are Donald Trump, a New York estate business tycoon, and Bernie Sanders, a long-serving Democratic Senator running on the anti-establishment sentiment. Their hostility towards something outlandish has been particular pronouncing in trade, immigration, and traditional foreign policy remits. Their arguments have generated overwhelming supports and heated media interests. Indeed, the whole election campaign is characterised by this isolationist and protectionist tone that the US experienced long time ago.

This trend worries the US allies, in particular those in the Asian-Pacific where Japan, South Korea, and China were singled out by candidates for sucking in already constricted US resources and taking advantages of the country's liberal trade policy. However, the world is no longer the one that the US could just adopt the Monroe Doctrine or simply shape it according to its own wishes. The day the US single-handedly shaped world economic system in Bretton Woods has ended, and it is not the hegemon in complete command.

The US now needs more friends rather than foes. The new president would probably only come to realise the difference between campaign rhetoric and real policy implementation the day when he/she is inaugurated officially. Nevertheless, the presidential primary does indicate the shift in the US politics where the undercurrents cut through the globalisation. It is, therefore, not merely a Trump or Sanders phenomenon. Allies of the US might need to take note on the trend, and adjust their policy and approach accordingly.

On trade policy for the four major hopefuls in both parties nomination, all put premises on opening up the US markets. It seems that "fair trade" instead of "free trade" would be the game to play for the next administration whoever being elected as the new US president. Jobs back home is paramount, and not only in terms of increasing in numbers but also in quality. It is the message centred to this campaign. Undoubtedly it would also be the policy battle ground after July when the party nomination is finalised. Both Trump and Sanders have been rallying on an anti-Wall Street and anti-establishment sentiment. They both stressed the ultimate objective for the US external policy is to safeguard and generate jobs at home, and not allowing foreign workers to abuse the US welfare system and steal the employment opportunity that supposed to be the Americans'. Their view, if examining carefully, is indeed shared by other major candidates. Ted Cruz of the Republic party has stated clearly that he supports free trade. But while initially backing for the Obama Administration's TPP deal, he later withdrew his endorsement. Though he argued that free trade is good for US when it facilitates the liberalisation of foreign markets, thus helps farmers, ranchers, and manufacturers in US. Hillary Clinton has been supporting trade liberalisation for decades, and devoted to promoting regional economic integration and the TPP as the Secretary of State under President Obama. But in 2015 turning her back to the novel and ambitious free trade agreement, that



she termed in 2012 "the gold standard in trade agreements." She stated that "I don't believe it's going to meet the high bar I have set." She also argues that "[a]ny trade deal has to produce jobs and raise wages and increase prosperity and protect our security," in April 2015. Among the four candidates, Sanders has gone to the extreme that he intends to annul all the FTAs, while Trump wants to have some be renegotiated, such as the TPP, and Cruz holds the same argument on the matter.


Hillary Clinton's opposition to the TPP is a distinctive feature in the current US trade politics ambiance. While the whole idea of the TPP is key to the Obama administration's strategic pivot to Asia, in 2015 she lost confidence in the deal without giving a robust argument. If Clinton could this easily shrug off her pass records in helping to build up such a vital architecture in the region, it is not all surprising that other candidates who has no previous burdens could just voice out whatever that would please grassroots and civil society.

But how to prevent the US from inundated foreign goods? How to ensure good quality in job creation? How can those objectives to be achieved? It is all about "levelling the playing field," according to the majority of candidates. So far, the policy option that being manifested ranges from high import taxes, prohibiting US enterprises to set up overseas factories, to penalise currency manipulators, and China obviously has been the target in more than one case above. Trade deficit, investment, and monetary policy have all been linked to job creation in the US. Nevertheless, there is no novelty in it. The US has been there before. During the Great depression and the 1970s in a protectionist stance the super 301 act was deployed to penalise countries conducting unfair trade. But the "beggar thy neighbour" policy did not help to generate jobs back home, nor did it increase competitiveness.

14 Indeed, the merits of trade deficit, in- and outbound investments, as

well as the currency issue are not entirely straight forwards. It is much more complicated, so is the overall welfare effects of liberalisation. Besides, bear in mind that the two financial crises has changed the perspective on economic policy-making. Instead of pursuing growth in numbers, the quality and its long-lasting impact is stressed. But sustainable growth and income inequality has not been properly singled out in debates in this primary campaigns. Developed and developing economies all encounter structural problems that calls for reforms, and the US is included certainly. To tackle issues like these needs cooperation at all levels. Especially, since the Clinton administration in 1993 launched the APEC summit in Seattle, it has foretold the new area for US trade policy pertaining to the Asian-Pacific. Since then, the region's political and economic landscapes have been different.

There was a brief time when the US under George Bush Junior was so preoccupied with the middle-East and the war on terror. But until the end of his administration, he, too, realised the region is too vital to lose, especially when China was growing in an accelerating speed. He then proposed the Free Trade Area of Asian-Pacific (FTAAP) in the 2006 APEC summit. Under the incumbent President Obama, through rebalancing and pivot, the role of the US in the Asian-Pacific is firmly put back on the map again. This is the structure with many historical and strategic facets, and any new president will inherit it in the foreign policy-making for years to come. The Clinton administration has also set the tone of the US trade policy firmly on multilateralism and rule-based international economic order, while supporting by different layers of diplomacy. If the unilateral-minded Bush Junior failed to challenge it, and furthermore backfired when he did that should sufficiently predict the future evolution of the US foreign economic policy. Despite that demands for protectionism or isolationism is looming domestically at this moment.



On the foreign affairs front, in a globalised world, the debates is indeed tightly interwoven with jobs. In the recent TV interview, Donald Trump boldly stated that he thinks nuclear armament of Japan could be a policy option to assist the US in patrolling the region. The concept has its rooted cause in domestic politics where the budget is constrained and the US voters have long doubted external military involvement. Candidates tend to argue the case for caps on defence spending, except for Hillary Clinton and Ted Cruz. But the policy appears to be in a paradox. On the one hand, candidates expect less military involvement; on the other hand, they also assert a hard-line stance on terrorism and unfriendly countries. How the US security is to be safeguarded without trading with its allies in return for supports. As discussed, the US could not maintain a world order that it preferred unilaterally under globalised world where terrorists attack is increasingly random. Don't look far, just focus on what happened in Brussel and Paris. Intelligent sharing and cyber-security as well as the freedom of maritime navigation, just to name a few, are issues where cooperation with allies is vital. The average Americans might not understand the significance of these issue on their jobs and livings back home. But, it does matter. Failing to maintain a workable and effective foreign relations, and losing control in international affairs would risk the stability in markets.

When Trump said he wants to make the country great again, he probably has also recognised the US hegemon is in declining. For a while, it is tempting to attribute all the criticisms and credits to Trump or Sanders, but the truth is they are only a phenomena which reflects how the US politics has shifted. But, the good news is that this is not entirely new. The US has been there before. Recently, a comparison has been drawn between Ronald Regan's political belief and his unconventionality at his time and that of the candidates in the 2016 campaign. This might give some positive hope to our

so far gloomy forecast for the US future foreign policy. Whoever is elected, there is bound to be uncertainty for a period of time. Obviously for the US allies in the Asian-Pacific, the 2016 US presidential election is not about candidates did not debate enough on Asia. It is about the imbalanced and ambivalent policy stance they hold pertaining to the region with a growing economic potential and a challenging new hegemon in making.

(Gratiana JUNG is a senior researcher of Yuanta-Polaris Research Institute.)



Advancing Quality Growth through further Enhancing Inclusive Growth

Wayne Chen

Setting off from the commitment and achievement materialized at the Manila summit on 19 November, 2015, APEC is continuing its Inclusive Growth agenda in 2016 under the leadership of Peru.

APEC 2015 Incorporated a Strong Inclusive Growth Chapter in the APEC Growth Strategy


APEC 2015 under the theme of "Building Inclusive Economies, Building a Better World", the Philippines attached great importance on social inclusiveness to the APEC growth strategy. As a result, in addition to the traditional priority area of Regional Economic Integration, Building Inclusive Economies; Fostering Micro, Small and Medium Enterprises' Participation in Regional and Global Markets; Building Sustainable and Resilient Communities, and; Investing in Human Capital Development, were highlighted in APEC Leaders' Declaration. APEC Leaders "acknowledged that inequality acts as a brake on economic growth and that reducing it is essential to spurring development and prosperity in the Asia-Pacific", and called for more intensive efforts for the reduction and eradication of poverty.

APEC 2016 Continues the Inclusiveness Centered Agenda and Focuses on Human Capital

Last November, Peru announced "Quality Growth and Human Development" as the theme of APEC 2016, followed by 4 priority areas including Advancing Regional Economic Integration and Quality Growth; Enhancing Regional Food Market; Towards the Modernization MSMEs in the Asia Pacific, and; Developing Human Capital. The agenda setting accents inclusive growth, and for the very first time rests human capital as the theme for APEC.

One primary reason addressing human capital for the APEC development agenda is that education and labor skill are strong driving forces and decisive factors for a economy's economic performance and peoples' welfare. As shown by the UNDP Human Development Report that 1 additional year of schooling leads to significant increase in average annual growth in the long run for both developed and developing economies. It also explains developed economies where people receive longer education can maintain their competitiveness and advantage in the international economic arena. The average years of schooling of the US, Australia, New Zealand, and Canada are more that 12 years, while Indonesia, China, and Thailand are about 7 years, and the figure for Vietnam is below 6 years. Therefore, 70.5% of advanced APEC member economies, and 81.2% of emerging economies agree that Provision of Public Education at the Primary and Tertiary Levels is essential and priority work for enhancing inclusive growth as shown in the survey of What do you think are most important in promoting inclusive growth conducted by PECC for the report of State of the Region 2015.

In this light, for Developing Human Capital, APEC 2016 focuses on 3 work areas, including Higher and Technical Education, Employability &



Skills for work, and Educational, Scientific, Technological and innovative capabilities. In the regard of Higher Education, APEC will work intensively on the promotion of cross-border educational cooperation, exchange of views on issues related to academic mobility, and the encouragement of public-private alliances for education and research. For Employability & Skills for work, promoting the development, qualification and mutual recognition of skills and knowledge in the Asia Pacific, strengthening a linkage between academia and the private sector, and the Development of Skills for the 21 Century, including hard and soft skills are the 3 main fields. Noticeably, the APEC Skills Development Capacity Building Alliance (ASD-CBA) proposed by Chinese Taipei will contribute to the skill set for the 21 century in this domain. For Educational, Scientific, Technological and innovative capabilities, promoting research funding and training programs in S&T; promoting the use of information technology toward the attainment of an innovation network in APEC; fostering inter-university collaboration and technology transfer; Advancing APEC efforts to strengthen education and skill development for Science, Technology, Engineering, and Mathematics (STEM) careers, and; Facilitating the mobility of highly skilled human capital will be strengthened.

Food Market is another priority areas for the Peru year, in the aim to increase Peru's engagement in regional food chains and promote export of local agricultural products including avocado, asparagus, corn, coffee and a wide range of fish and fishery products. 4 thematic clusters of work are tabled including sustainability, market access, investment and infrastructure, and food production and trade related services. To enhance sustainability of food market, APEC needs to promote adaptation and mitigation actions for climate change, foster development of rural communities, and enhance blue economy, in particular to deter illegal, unregulated and unreported

fishing (IUU). Food trade facilitation and trade facilitation action are two emerging issues this year and are expected to have some progress at the Food Security Ministerial meeting in September. The Multiyear Project to Reduce Food Losses in the Supply Chains, led by Chinese Taipei is crucial to food production and trade related services and will contribute to the realization of APEC Food Security Roadmap 2020 through promoting the use of technology for the good management and utilization of waste from the food industry.

To foster APEC MSMEs, the Boracay Action Agenda endorsed by the APEC Ministers will be further implemented through promoting innovation and SMEs connectivity; moving forward to integration and development through productive infrastructure, and; advancing Green SMEs integration into the global value chains.

2016 is also an check point for APEC regional economic integration chapter where the FTAAP Collective Strategic Study initiated by the Beijing Roadmap will be finalized for the realization of the FTAAP. Other undertakings of FTAAP tasks involves the realization of technical and high-level Dialogues on RTAs/FTAs topics, the Capacity Building Needs Initiative(CBNI) will also be carried forward this year. In addition, the Second Term Review of the Bogor Goals including a revised Individual Action Plan (IAP) report will sharpen the focus of reporting on non-tariff measures (NTMs).

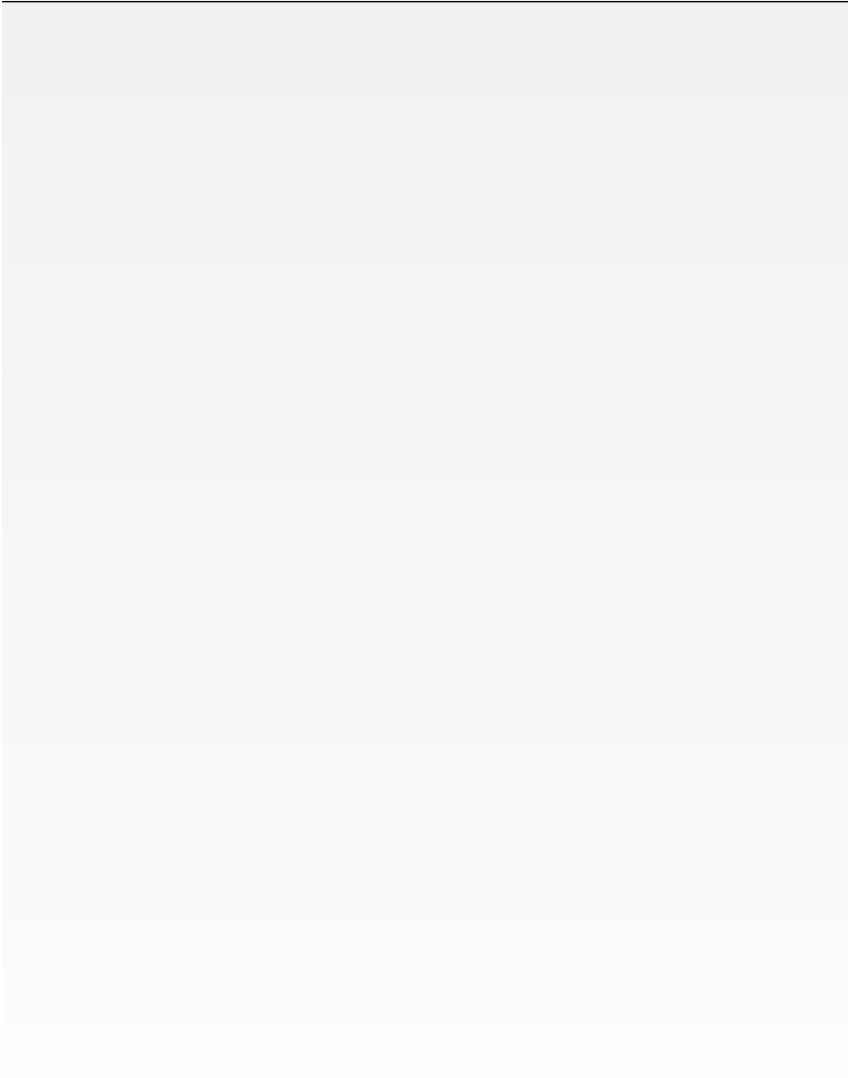
In Sum, "Quality growth and Human development" as the main theme chosen by Peru for 2016 reflects that although economy prosperity often refers to material flourish, knowledge and access to information is indeed essential ground to ensure the economic benefits will contribute to people centered societies. Following and for the realization of the new APEC Strategy for Strengthening Quality Growth adopted by the Leaders in Manila,



Peru takes a socio+ approach to achieve the idea through promoting regional economic integration, human capital, MSMES and food market for APEC 2016.

(Wayne Chen is an associate research fellow at the Chinese Taipei APEC study Center.)

Memo





Memo

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