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Compatibility in Asia-Pacific trade deals key to big gains

(Vladivostok) - Against the background of a grim outlook in Europe, uncertainty in the US, and a slowdown in China, the Asia-Pacific needs to act on the new growth agenda adopted by APEC leaders in response to the crisis. One growth engine would be to accelerate progress on the region’s plan for creating a free trade area, which could boost global demand by US$2 trillion or 1.9 percent a year, according to a report released today by the Pacific Economic Cooperation Council (PECC).

With the US economy recovery uncertain with much talk of a new round of stimulus and the Eurozone unable to find solutions to their problems, there had been hopes that emerging markets would provide a boost to global growth. However, according to the State of the Region report which contains results from a survey of over 500 regional opinion-leaders, concerns have spread to emerging markets with a slowdown in China cited as a top risk to growth. Over 50 percent of the respondents expected weaker growth for Asia’s biggest economy over the next 12 months. These prospects make the urgency for making progress on regional initiatives that would bolster growth, including the Free Trade Agreement of the Asia-Pacific (FTAAP) all the more important.

However, the survey showed some skepticism amongst opinion-leaders over the likely conclusion of any of the agreements currently being proposed in the region. Just over 50 percent of respondents to the survey thought that the ASEAN Economic Community would reach a successful conclusion, 34 percent for the Transpacific Partnership and 38 percent for the East Asian Free Trade Area. The Regional Comprehensive Economic Partnership (RCEP) launched by ASEAN in November 2011 ranked rather low, however some 18 percent of respondents selected ‘don’t know’ in evaluating this agreement, so it may be too early for such a judgment as the details of the mechanics of the RCEP were not yet released at the time of the survey.

“We are seeing progress on multiple tracks in regional trade agreements which is encouraging as momentum for trade liberalization is continuing even in these difficult times,” said PECC Co-chair, Don Campbell. “But if these gains are to be achieved the tracks need to lead to a region-wide agreement. This objective should be of prime consideration, one way to do so would be to establish a new high level dialogue that would connect the different tracks.” The report cites estimates that the TPP would result in global GDP gains of US$295 billion, the Asian track US$500 billion but if they lead to a region-wide agreement the gains would be US$1.9 trillion.

The survey also asked respondents to select the top 5 issues APEC leaders should address during their upcoming meetings in Vladivostok. Regional economic integration initiatives topped the list, followed by, the region’s response to the Eurozone crisis and lessons from the crisis for Asia-Pacific regional integration, the APEC growth strategy, regulatory impediments to business, and regional cooperation to foster innovative growth.

One concern is what regional leaders could do about the DDA. Over the past five years, interest in DDA has dropped. In 2007, over 50% of respondents picked the WTO DDA as an issue APEC leaders should discuss; this year, it dropped to 17.5%, barely making it into the top 10 list. Business leaders place even less importance on the DDA ranking it 21st out of 27 issues for APEC leaders to address.

“Looking beyond the headline survey results, we saw a big divergence of views over the DDA,” said Eduardo Pedrosa, Secretary General of PECC. More respondents from Northeast Asia thought the DDA should be on the leaders’ agenda than any other sub-region while those from Oceania were the least enthusiastic about the issue. “Some still think it’s worth spending time and resources on the DDA while others favor moving on,” he added.
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About the Pacific Economic Cooperation Council
The Pacific Economic Cooperation Council (PECC) is a non-profit international organization committed to the promotion of cooperation and dialogue in the Asia Pacific. Founded in 1980, PECC is a tripartite network of 26 member committees comprising individuals and institutions dedicated to this shared mission. Of the 26 member committees, 23 represent the economies of Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong (China), Indonesia, Japan, Korea, Malaysia, Mexico, Mongolia, New Zealand, the Pacific Islands Forum, Peru, the Philippines, Singapore, Chinese Taipei, Thailand, the United States of America, and Vietnam. The PECC also has one associate member, France (Pacific Territories), and two institutional members, the Pacific Trade and Development Conference and the Pacific Basin Economic Council. As the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), PECC provides independent business and research input for the regional policy-making process. www.pecc.org