

PRESS RELEASE

## Asia-Pacific growth sours with no respite from global trade war in 2019

- *Regional economic growth is expected to decrease to 3.3% in 2019.*
- *Export growth has slowed from 4% last year to just 0.9% this year for Asia-Pacific economies.*
- *64% of policy makers most concerned over escalating protectionism.*
- *Only 26% agree that both APEC industrialized and developing economies have met the Bogor goals, while, 37% disagree.*
- *In spite of this, 68% say that APEC is just as important as it was when it was created.*
- *83% of respondents highlight APEC's ability to provide a platform for robust dialogue and effective cooperation among member economies.*
- *Education and skills issues top the list of issues to promote more people-oriented growth moving ahead, with 86% saying that education and training strategies to upskill the workforce are important or very important.*

**Kuala Lumpur, 13 December 2019** – A global trade war and rising protectionism has taken its toll on Asia-Pacific economic growth, according to a new report by the Pacific Economic Cooperation Council (PECC).

The fourteenth annual State of the Region report for 2019-2020 by the PECC was released today in Kuala Lumpur, Malaysia, which will also host the Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in 2020.

The report includes the results of a survey of 627 regional policy experts on key developments and challenges the Asia-Pacific region is facing. According to the survey, the **top five risks to regional growth** in the coming two to three years are:

- **Increased protectionism and trade wars**
- **Slowdown in world trade growth**
- **Slowdown in the Chinese economy**
- **Slowdown in the US economy**
- **Lack of political leadership**

The report shows the mood across Asia-Pacific has soured since last year with expectations for global growth turning distinctly negative. Regional economic growth is expected to slow from 3.8% in 2018 to 3.3% this year. Of greater concern is the sharp slowdown in the external sector with export growth slowing from 4% in 2018 to just 0.9% this year. While governments are acting to moderate a slowdown through stimulus measures and primarily interest rate cuts, other actions are also needed.

However, there remain some bright spots, with the regional policy community optimistic about the prospects for growth in Southeast Asia over the next year.

**Mr Eduardo Pedrosa, Secretary General, PECC**, said "Forty-two percent of respondents to our survey are bullish on Southeast Asia. We believe this is because there is strong momentum towards integration in the region with the ASEAN Economic Community, many of them are in a demographic sweet spot, and there may be expectations of trade diversion."

The list of risks remains the same as in 2018, with the exception of a slowdown in the US economy entering the top five list. The US economy has been going through its longest ever economic expansion overtaking the boom that lasted from 1991 to 2001 that ended with the bursting of the dotcom bubble. The report speculates that there is potential for more to come in the form of increased protectionism and trade wars and a further slowdown in world trade growth – the top two risks in this year’s survey. However, it notes that governments are undertaking measures to forestall a slowdown through significant stimulus measures and recommends that these be complemented by significant economic reforms.

These conflicts come at a critical juncture for the world economy. After a slow multi-year recovery from the 2008 Global Financial Crisis, the green shoots of economic growth are now being weighed down by unprecedented policy risks and uncertainties. The multilateral rules-based trading system is also being further degraded in fundamental ways. Equally significant issues around inclusiveness, environmental sustainability and the onset of the digital and technological revolution are rising to the fore. This context poses both a unique challenge and opportunity for Malaysia as the chair of APEC in 2020.

In 1994, APEC leaders set the target of 2020 for the region to achieve free and open trade in the Asia-Pacific, next year APEC will need to both assess the progress made as well as set forth a new vision to drive the work of the organization. “APEC was established on the basis that positive-sum cooperation was essential to sustain the region’s economic dynamism and progress,” said **Dato Steven Wong, a contributor to the report.**

The PECC vision for APEC is to work towards “*An Asia-Pacific community of openly interconnected, and innovative economies cooperating to deliver opportunity, prosperity and a sustainable future to all their peoples*”. Yet today, relations among key economies are marked by a degree of suspicion and hostility not seen in over half a century.

Pedrosa, continued “There is now a consistent view that neither industrialised and developing APEC members have met the Bogor Goals, which is perhaps symptomatic of the present reality of trade conflicts in the region. In spite of this perception, close to 70% of our survey respondents say that APEC is just as important as it was when it was founded. This indicates the continued if not increased importance of APEC’s informal non-binding dialogue process – it allows for a genuine exchange of views on difficult issues.”

**Respondents in this year’s report further outlined the following areas of focus as the most important in order to achieve the Post-2020 Vision:**

- Robust dialogue and effective cooperation among member economies.
- Strong APEC support for the rules based multilateral trading system.
- High-quality trade, investment and economic partnerships among members.
- Structural reforms that drive growth.
- Long term policy initiatives that promote environmental sustainability.

PECC’s report sets out stakeholder views on a range of issues that officials will grapple with throughout the next year with respect to the post-2020 vision for APEC. For example, respondents were asked to give their views on 14 different policy initiatives to promote people-oriented growth. “Interestingly education, especially upskilling, is the most pressing issue, with 86% of respondents rating education and training strategies to upskill the workforce as top priorities,” said Pedrosa.

The report includes PECC’s innovative index on connectivity in the region. “Regional economic integration is not an end in itself. The ultimate objective is better quality of life and opportunity. Freer trade is a part of that, but we need the connectivity – the infrastructure, the ports, the customs, the education exchange and so on to make sure people can benefit from trade – to make trade inclusive,” explained Pedrosa.

The report reveals the Asia-Pacific region is most connected through physical infrastructure – transport, technology, energy, at 63.3 points, but needs to improve its people-to-people connectivity with business travel, tourism, labor mobility, migration and others at 36.1 points.

In the region, physical connectivity accounts for 41% of connectedness followed by institutional at 35%, and people-to-people at 24%. While there are some differences by economy, the pattern is fairly common across all economies in the region, irrespective of the level of development.

Pedrosa said, “The issue around connectivity is not just one for economists and statisticians but is critical for policy-makers to understand how they can improve people’s quality of life and increase access to opportunities. Free and open trade are necessary but are not sufficient on their own. The index showed that the region needs to make more progress in areas such as infrastructure, transport, trade facilitation, education mobility, and labor exchange.

**Ambassador Su Ge, PECC Co-Chair, said:** “As one of the most important international governmental organizations of the region, APEC has made great achievements in promoting trade and investment liberalization and facilitation and enhancing economic and technical cooperation. As one of the three official observers of APEC, PECC has brought together business and industry, government, academic circles and civil society to promote economic cooperation and the idea of a Pacific Community and to work towards its realization. In the meantime, PECC has also conducted prospective studies on important issues of the region and provided strong intellectual support to APEC.

He continued, “In recent years, we have seen notable uncertainties in the realm of global economic governance, including protectionism and risk of fragmentation of the regional economic integration. Next year, APEC will reach the milestones of 2020 which is the deadline for the Bogor Goals of free and open trade and investment in the Asia-Pacific. Therefore, for this year’s SOTR, we chose to focus on the future of APEC.”

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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, the PECC is a tripartite network of 26-member committees comprising individuals and institutions dedicated to this shared mission.

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. For more information, please visit: [www.pecc.org](http://www.pecc.org)

### **About State of the Region**

The State of the Region is an annual report of PECC’s views on the major developments affecting Asia-Pacific regional cooperation. The report contains a macroeconomic overview of the current state of the region and related issues. It contains results from its annual survey of opinion-leaders of perceptions on key developments in the region and priorities for APEC. This year, the survey was conducted from 5 August to 20 September and responses were received from 627 opinion leaders.

Respondents to the PECC survey are high-profile senior individuals from the academia, business, government, civil society, and the media. For more information, please visit: [www.pecc.org/research/state-of-the-region](http://www.pecc.org/research/state-of-the-region)