

## PRESS RELEASE

### **Geopolitical tensions risk distracting Asia-Pacific from efforts dealing with climate change and trade**

**16 November 2022 (Bangkok, Thailand)** – According to the Pacific Economic Cooperation Council’s annual poll of regional opinion-leaders, inflation, global fragmentation, climate change, and rising protectionism and slowing economic growth, were key concerns facing the Asia-Pacific as regional leaders gather in Bangkok for the annual Asia-Pacific Economic Cooperation (APEC) Leaders’ Meeting. The Council’s annual report was released today on the sidelines of APEC meetings taking place in Bangkok this week. It includes the results of a survey of the regional policy community on key developments and challenges for the Asia-Pacific. This is the first time that APEC Leaders will meet since 2018 when a social uprising in Chile forced the hosts to cancel the 2019 event and focus on the concerns of the demands of their people followed by the hiatus caused by the Covid-19 pandemic. The APEC meetings come in a series of intense summitry in the region with the ASEAN meetings being held in Cambodia and the G20 in Indonesia.

All of these meetings will face the same challenges of how to achieve more inclusive and sustainable growth after the pandemic against a backdrop of high geopolitical tensions. The economic rebound experienced in 2021 after the depths reached in 2020 has fizzled out with the added problem of inflation. Just a year ago only one regional economy was expecting inflation at above 5 percent, today 18 regional economies are expecting inflation for 2022 to be above 5 percent. Inflation in the region is now expected to be 5.7 percent in 2022 and 3.3 percent next year, reflecting upwards revisions of 2.9 percentage points and 0.9 percent respectively. Growth expectations have come down from an expected 5.1 percent to 2.6 percent, presenting a formidable set of challenges to address. Food price inflation continues and have been exacerbated by the Russia-Ukraine conflict and its impact on wheat and fertilizer trade. While stocks are in place this year, the high price of fertilizers threatens crop yields into 2023.

Climate change and its impact on growth have remained top of mind after a dramatic increase in concern last year. It remains to be seen whether APEC members, who have traditionally been among the world’s fastest growing economies, can cooperate on this issue given their diversity. Concerns over inflation have replaced concerns about new waves of Covid and new variants as the top risk to growth. According to the survey, the top 5 priorities that the APEC Leaders’ should address in Bangkok were:

1. Ameliorating geopolitical and trade conflicts in the region;
2. Taking a new look at the Free Trade Area of the Asia-Pacific, drawing on lessons learned from the pandemic;
3. Providing support for the multilateral trading system including outcomes from the 12th WTO Ministerial Conference;
4. Taking measures to reduce barriers to growth of the digital economy; and
5. Making progress on the region’s goals on promoting connectivity.

Reflecting concerns about climate change, issues related to sustainable growth such as structural reform for a green recovery; a major APEC initiative on the bio-circular-green economy; and sustainability through managing resources including marine and forest resource trade, were top issues that stakeholders wanted to see APEC progress with a combined 68 percent of respondents selecting them as top issues for Leaders’ discussions.

Dr Richard Cantor, co-chair of PECC and chair of the US PECC committee said that *“our survey clearly shows that there is a need for a coherent and integrated framework to address climate change issues. Achieving sustainable and inclusive growth in such a diverse region requires cooperation across a wide-range of issues including climate finance disclosure standards, and how to scale renewable energy technologies, to mention just a few. Just as APEC set the Bogor Goals in the 1990s to guide future work, PECC believes that clear goals on sustainable growth issues can help to guide cooperation moving ahead.”*

In spite of the current geopolitical tensions and trade disputes, stakeholders also wanted to see APEC take a fresh look at its long-held vision of a Free Trade Area of the Asia-Pacific. Covid-19 led to a realization of the risks that trade faces during a pandemic with 61 percent of respondents saying that limitations on the supply side (domestic and international) and increased demand had a major effect on global supply chain disruptions and 62 percent believed capacity limitations on port operations and related logistics constraints had a major role to play in the disruptions. Moreover, since APEC leaders last met in person, two mega-regional agreements – the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive TransPacific Partnership (CPTPP) – have entered into force. Respondents to PECC’s survey thought that APEC’s aspiration – to have a seamlessly and comprehensively connected and integrated region – took a serious hit over the past 2 years and requires attention.

Respondents recognized the need to reduce geopolitical tensions and trade conflicts in order to make progress on APEC’s longstanding goals such as the FTAAP and connectivity but also climate change. According to PECC’s survey, the biggest factor that influences attitudes towards freer trade and investment is geopolitical tensions with 73 percent of respondents saying they have a serious or very serious impact. At the same time they were bullish on the economic impact of mega-regionals, with 68 percent of respondents saying the CPTPP would have a positive impact on their economy and RCEP closely behind at 63 percent.

Ambassador Zhan Yongxin, co-chair of PECC as well as the chair of the Chinese National Committee for Pacific Economic Cooperation said that *‘it is clear that in spite of the pandemic and sluggish economic recovery, regional stakeholders firmly believe that the best route forward is through continued openness. In order to make progress on development, all regional economies need to commit to cooperation and openness.’*

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## **About State of the Region**

The *State of the Region* report ([www.pecc.org/research/state-of-the-region](http://www.pecc.org/research/state-of-the-region)) is an annual statement 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. It is useful for gauging converging as much as diverging perceptions of stakeholders from business, government, and the research/ media/ civil society. This year, the survey was conducted from 11 August to 16 September and responses were received from 544 opinion leaders.

Respondents to the PECC survey are high-profile senior individuals from the academia; business; government; civil society and the media. They are selected by PECC member committees on the basis of their level of knowledge of the Asia-Pacific region. The criteria given for the selection of panelists were as follows:

### *Government*

Panelists should be either decision-makers or senior advisors to decision-makers. The past government respondents 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. They may be CEOs, vice presidents for Asia-Pacific operations, and directors of chambers of commerce.

### *Research Community/Civil Society/Media*

Panelists should be well versed in Asia-Pacific affairs, being the type of people governments, businesses, and the media would tap into for input on issues related to Asia-Pacific cooperation. These include heads of institutes concerned with Asia-Pacific issues, heads of departments, senior professors, and correspondents covering international affairs.

**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 25 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, New Zealand, Peru, the Philippines, Singapore, Chinese Taipei, Thailand, the United States of America, Vietnam as well as the Pacific Islands Forum. 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](http://www.pecc.org)