

PRESS RELEASE

PECC: ECONOMIC RECOVERY IN 2021 POSSIBLE BUT REQUIRES COMMITMENT TO GREATER REGIONAL COOPERATION

Kuala Lumpur, 17 November 2020 – Despite significant challenges this year, a global economic recovery is projected for 2021, contingent on reduced global volatility and greater multilateral cooperation to contain the Covid-19 pandemic, according to a new report by the Pacific Economic Cooperation Council (PECC).

The fifteenth annual State of the Region for 2020-2021 was released today, ahead of an Economic Leaders' Meeting to be hosted by the Asia-Pacific Economic Cooperation (APEC) this week. In 1994, APEC leaders adopted the goal of free and open trade and investment in the Asia-Pacific by 2020, this year they will seek to adopt a new vision to drive cooperation and integration.

Ambassador Don Campbell, Co-chair, PECC, said: "APEC leaders meeting this week need to send a strong signal to businesses and consumers of a commitment to growth and stability. They have an opportunity to do so through APEC's post-2020 vision".

The economic outlook for the Asia-Pacific¹ has improved somewhat in recent months, but recovery will be uneven and fragile as the global pandemic has deepened in some places. Asia-Pacific economies are expected to shrink by about 3.1% in 2020. Growth of 5% is now expected next year which is then expected to decline towards 3.5% in subsequent years.

Mr Eduardo Pedrosa, Secretary General, PECC, said: "While there is hope for a recovery in 2021, the risk of protectionism holds back investment in new jobs and innovation, it will be essential for the region to respond appropriately and decisively in order to restore confidence for sustainable recovery."

Similarly, for trade, exports and imports figures are expected to fall by 8.6% and 9.7% respectively in 2020 but will rebound to 7.8% and 9.2% growth in 2021. However, this is unlikely to offset losses in the medium-term as the risk of protectionism and slowing trade growth have weighed in heavily on confidence for a sustainable recovery.

Efforts in poverty reduction and elimination have also been hampered by the pandemic leading to an exacerbation of income inequality in both advanced and developing economies within the region. According to the World Bank, should the worst-case scenario materialise, the pandemic will wipe out all poverty reduction achievements over the past five years. A deeper discussion into social and fiscal reform is critically needed to combat these effects and align with APEC's goals.

Foreign direct investment has also taken a hit and is expected to drop below US\$1 trillion for the first time since 2009. The impact of widespread lockdown, demand shock and policy uncertainty have affected both greenfield investment which has seen a 30% drop, and cross-border M&As which fell by 21%. Prolonged shutdown of economic activities is likely to have a larger impact on emerging economies that are reliant on foreign investment for industrial activity and infrastructure development.

Ambassador Su Ge, Co-chair, PECC, said: "Improving connectivity was not only important for boosting growth but underpins the region's other goals - regional economic integration, free and open trade and investment, improving the quality of economic growth, shared prosperity, and enhance resilience of development."

¹ The definition of Asia-Pacific in the report is broad, including the members of APEC, PECC and the East Asia Summit.

Professor Christopher Findlay, Vice Chair, Australia PECC, said: “Given the need for growth boosting initiatives after the Covid-19 crisis, a fresh look at the role that trade integration can play in boosting growth needs to be taken. The recently signed Regional Comprehensive Economic Partnership (RCEP) agreement provides welcome momentum for trade integration.”

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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

About State of the Region

The State of the Region is an annual report presenting the views of the Asia-Pacific policy community on major developments affecting Asia-Pacific regional cooperation. The report contains a macroeconomic overview of the current state of the region, key developments and priorities for APEC.