

## PRESS RELEASE

### Asia-Pacific economic must deliver on structural reforms

**7 November 2014 (Beijing, China)** – According to *State of the Region* report released today by the Pacific Economic Cooperation Council (PECC), one of APEC’s official observers, the region needs to undertake significant reforms over the coming months and years to maintain its strong growth. PECC’s annual survey of the regional policy community identified technological innovation; policy reform; trade (to both emerging and advanced economies); and investment in infrastructure as the future drivers of growth over the next 5-10 years. These engines are needed to replace the region’s reliance on exports as the primary engine of growth.

The growth of the Asia-Pacific economy over the next few years is set to be substantially slower compared to the pre-Global Financial Crisis period unless governments are able to implement structural reforms to allow new engines to power growth over the coming years.

The region is expected to grow at 3.7 percent and then 3.8 percent in 2014 and 2015 respectively, significantly lower than the pre-crisis period when the Asia-Pacific as a whole was growing at above 5 percent. The good news is that the US economy is rebounding to such an extent that the Federal Reserve has now decided to end its third round of quantitative easing; the bad news is that ultimate impact of its ending on the region – especially emerging economies - is not yet known.

At a time when global growth is lackluster and the risks from another recession in Europe are high, the Asia-Pacific needs to take on leadership and drive a forward-looking policy agenda to ensure that the world economy continues its recovery from the Global Financial Crisis. China, as chair of this year’s APEC meetings has put forward an ambitious set of objectives to be achieved on this front.

The leaders of 21 Asia-Pacific economies will gather in Beijing for the annual Asia-Pacific Economic Cooperation (APEC) summit. This event starts a week of intense summitry which will move from China to Myanmar for the East Asia Summit and then finally Australia for the G20. Since its foundation 25 years ago, one of the central objectives of APEC has been to open up trade among the world’s most dynamic economies. The Bogor Goals of free and open trade adopted in 1994 continue to drive APEC work but the global route to their achievement seems blocked and unilateral policies are sometimes moving in a reverse direction.

The most important factors identified by the PECC survey for future growth prospects of the region were the success of structural reforms in China, further liberalization and improvements to the rule of law. These factors were echoed throughout the survey findings which placed a slowdown in the Chinese economy; a lack of political leadership in the region; and failure to implement structural reforms as the top three risks to growth. “The findings show what we already know intuitively – we escaped the economic crisis through concerted actions to stimulate growth but concerted actions have been lacking since then. The world badly needs concerted political leadership to implement difficult reforms that will create new engines of growth,” said Jusuf Wanandi, co-chair of PECC.

The Report also highlighted a typical problem for trade liberalization, while it was ranked as the second most important factor for the Asia-Pacific as a whole, when it came to individual economies it was only the seventh. “While people recognize the importance of trade liberalization as a

concept, you need a lot of confidence to actually do it on an individual economy basis,” said Don Campbell, co-chair of PECC and former Canadian Deputy Minister for International Trade. “APEC provides a venue that gives economies the confidence to implement reforms knowing that everyone else in the club is also on the same track,” he added.

The same issues also came through in the survey when the policy community was asked what the top priorities for the APEC summit in Beijing should be, they were: progress towards an FTAAP; innovative development; and the APEC growth strategy. “All of these priorities show that APEC agenda has been on the right track but the difficulty is in turning the cooperative process into concrete actions,” said Eduardo Pedrosa, Secretary General of PECC.

According to the Report, further liberalization via the Trans-Pacific Partnership (TPP) could add an around US\$220 billion and the Regional Comprehensive Economic Partnership (RCEP) US\$640 billion to the global economy by 2025. However, a high quality FTAAP which includes all APEC members would be the biggest prize and increase the size of the global economy by US\$2.4 trillion.

Of 602 opinion-leaders who contributed to the PECC annual survey, 164 were from the business sector, 121 from government, and 317 from the rest – academic, media, and/or civil society. For full report, please visit: <http://www.pecc.org/research/state-of-the-region>

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**For media enquiries:**

Jessica Yom, Director of Public Affairs, PECC International Secretariat, Singapore  
E. [jessica.yom@pecc.org](mailto:jessica.yom@pecc.org)  
T. +65 6737 9822/3

**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](http://www.pecc.org)