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International cooperation critical for the success of structural adjustments post-crisis: PECC

11 November 2009 (Singapore) - The global economy is showing signs of recovery, and the Asia-Pacific region is leading the way. However, ‘a full recovery is far from assured,’ said Prof Peter Petri (Brandeis University/East West Center), the coordinator of a PECC task force on the economic crisis.

Policy responses to the economic crisis have been swift and effective but the task ahead is to ensure that this recovery is sustainable. “US consumers are not likely to drive world demand in the medium term, and the slack will have to be taken up in part by Asian consumption and investment,” Petri added. “Before the crisis, unsustainable borrowing supported high US consumption, while unprecedented savings—including more than half of China’s national income—went into unsustainable investments in export industries and dollar assets,” he explained.

“The early responses to the crisis were not designed to address these issues, and some are even counterproductive from that perspective,” Petri cautioned. Avoiding large new imbalances is an important prerequisite for a sustained recovery. According to the task force, the unsustainable portion of the imbalance amounted to about $300 billion. This is a large value, but one that needs to be viewed in the context of the Asia-Pacific region’s $28.8 trillion economy.

Achieving solid, balanced growth will require economies to exit their stimulus programs and to adopt complex and varied structural reforms. Since these structural adjustments are difficult to implement politically, international coordination and support are critical for their success. “Alongside other multilateral fora such as G-20, ASEAN+3 and ASEAN+6, APEC has an important role to play in efforts to help each of its economies meet its rebalancing objectives,” said Dr Charles E. Morrison, co-chair of PECC and President of the East West Center.

With APEC members accounting for almost half of the G-20 membership, the regional forum can provide an effective platform for international cooperation to those not included in G-20.

APEC’s post-crisis work plan should address priority issues such as reducing the “behind-the-border” obstacles to trade and boosting engines of growth based on common social and environmental goals. The new growth engines based on joint regional initiatives could focus on the following four areas:
Economic integration: efforts to create new types of trade and strategic investments in connectivity;
Green economy: investments in energy conservation, clean energy research and development, and energy efficient vehicles and transport system;
Investments in people: programs in education, healthcare, and social safety nets; and
Knowledge and productivity: investments in technology and reforms to drive gains in productivity.

The stakes are high and there are opportunities to be seized at this juncture as we prepare to transition from crisis recovery to sustainable growth. “APEC can make a difference now where it has failed the last time an economic crisis hit the region during 1997-1998,” said Mr Jusuf Wanandi, co-chair of the PECC

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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. 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