

News Release

Improved US/ASEAN trade ties offer a potential offset to economic doldrums, says HSBC

Economic discussions set to take place during the US/ASEAN Summit in California this week could be a step towards improved cooperation and an opportunity to provide a boost to business in the face of stiff economic headwinds, according to HSBC.

On February 15 and 16, leaders of the 10 ASEAN countries will gather at Sunnylands, California to meet with US political leaders to discuss issues of cross-border security, defence, trade and broader economic cooperation. This will be the first time a US/ASEAN Summit will be held on US soil and will also build upon the elevation last November of US/ASEAN ties to a strategic partnership.

"In this time of global economic doldrums, it makes sense to open markets and enable businesses to connect and to capitalise on new economic opportunities. The liberalising of trade between these two economic powerhouses can go a long way to achieving that," HSBC's Senior Trade Economist, Doug Lippoldt, said

The US, which currently ranks fourth as an export destination and import source for ASEAN, could expect to improve its two-way trade if leaders are able to translate the strategic partnership into concrete action in favour trade liberalisation.

"Improved cooperation between US/ASEAN can generate win/win outcomes. For the US, it means tapping into economies that are growing at two times the pace of the US economy. For ASEAN countries it means reaching a large consumer base in the US that continues to increase spending as well as accessing a market that is an important source of inputs that can help ASEAN countries increase their manufacturing competitiveness," Lippoldt said.

One element in improved relations is the Trans-Pacific Partnership (TPP) – the 12-country "mega regional" trade agreement, which counts 4 ASEAN countries (Brunei, Malaysia, Singapore and Vietnam) and the US among its members. The recently concluded agreement is now out for ratification by the members. A grouping that represents almost 40 percent of global output and 25 percent of global exports of goods and services, the TPP will certainly be a point of reference in the Summit's discussions.

"US/ASEAN trade ties are in line to be buoyed by the Trans-Pacific Partnership. We think that the TPP can affect trade by removing not only at-the-border barriers to trade, but also behind the border barriers such as misaligned regulations that can impede trade in services or discourage investment and technology transfer," Lippoldt said.

"I would hope that Summit discussions will affirm the positive role that TPP can play in expanding trade relations and encourage ratification of the pact by those countries that are

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members. Moreover, the summit discussions may provide an opportunity for ASEAN members not yet engaged in the TPP to explore the possibility of eventually joining in this high-standards trade agreement.”

Reviving trade would be a boost to business conditions that are broadly at their most sluggish since the 2008-09 global financial crisis. HSBC is the world's leading international bank. It settles about 12 percent of global trade and is the only bank to operate at both ends of the world's biggest bilateral trade corridors - those worth at least US\$100 billion.

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