

# News Release

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## **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 early next week, could be a step towards improved cooperation and an opportunity to provide a boost to South-east Asian businesses in the face of stiff economic headwinds, according to HSBC.

Over 15 and 16 February, leaders of several ASEAN countries will converge upon 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.

HSBC's Senior Trade Economist, Doug Lippoldt, said it is pleasing that economic issues and the promotion of bi-lateral trade were on the Summit's agenda.

"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."

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 US/ASEAN strategic partnership into concrete action around trade liberalisation.

Lippoldt said: "We see the US remaining an important destination for merchandise exports from ASEAN countries and we note from our Global Connections forecast that for economies such as Vietnam, Malaysia and Singapore, the US will be an important source of demand."

"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."

One element in improved relations is the Trans-Pacific Partnership – the 12-country "mega regional" trade agreement, which counts four 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.

Lippoldt continued: "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."

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

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