News Release

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Protectionism Biggest Risk to Deepening ASEAN Integration

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- The biggest risk to sustained growth in Asia is economic protectionism, said panellists in opening of the World Economic Forum on East Asia
- Balancing domestic growth with deepening regional integration is key
- Curbing corruption and inequality is central to ensuring broader support for deepening integration
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Bangkok, Thailand, 31 May 2012 – The return of Asia to the global economic stage will define this century, but the region ' s rising prominence and influence must be underscored by a willingness to avoid protectionism, eliminate trade barriers and deepen regional integration, Pascal Lamy, Director-General, World Trade Organization (WTO), told participants at the opening of the World Economic Forum on East Asia in Bangkok today.

" This region is doing better than the rest of the world, but it is not immune. Economic uncertainty in the United States and Europe and a slowing economy in China will impact this region. This biggest risk is protectionism; it is a serious risk and a growing risk, " warned Lamy.

With a combined GDP of US$ 3 trillion, a wealth of natural resources and a demographic dividend, the ASEAN region has all the assets to become a global economic pillar, but sustained regional growth hinges upon an increasingly intertwined ASEAN.

" The main action, which has been going on for several years, is ASEAN integration, " noted Lamy. " That is the strong comparative advantage of this region. The more this happens, the more resilient the region will be. "

In light of the goal to form a single ASEAN market by 2015, Kittiratt Na-Ranong, Deputy Prime Minister and Minister of Finance of Thailand, said he was optimistic that a regional consensus would be achieved. He emphasized the need for countries to strike a balance between driving domestic, regional and global economic growth and creating a buffer for external shocks.

" East Asia and South-East Asia have for too long been focused on export-led growth and we forget that we have room for improvement in our own economies, " said the Thai Deputy Prime Minister. " These days, the key word is balance. It is our job to help ourselves so we can help other economies, too. "

Focusing on domestic growth in combination with an openness to deepen regional integration, argued Kittiratt Na-Ranong, would be advantageous to individual economies, the broader region and the ailing markets in the US and Europe. He also called for lower logistical costs within the region to better facilitate trade ties and ensure logistical connectivity.

Acknowledging the logistical challenges of an archipelagic nation, Gita Wirjawan, Minister of Trade of Indonesia, concurred that an intra-economic ASEAN economy would bolster the region from externalities despite tendencies to resort to protectionist policies in times of economic turmoil.

In the context of an increasingly volatile external market, deeper trade integration not only boosts growth but also

increases vulnerability. Key to ensuring broad support for increased intraregional connectivity, argued Eswar Prasad, Professor, Cornell University, USA, is to eradicate the " toxic combination " of corruption and inequality.

" ASEAN has to make sure that greater openness is not only benefiting the elite, as inequality and corruption will erode broader support for future reform, " he told participants.

Empowering ASEAN ' s population by increasing purchasing power and productivity and moving up the value chain was perceived as the best way to spread the economic benefits more broadly.

Taking note of beleaguered Western economies, avoiding currency integration and embracing decisive actions were viewed as the key lessons for ASEAN nations.

More than a decade after Asia faced an economic crisis of its own, Wirjawan called for patience and long-term commitment to a united ASEAN, a region comprised of countries of greatly varying levels of wealth and development.

" The point of connectivity is that we are getting there, " he explained. " It may not be as ambitious and grandiose as we want it to be, but we will get there. We are clear where the problems are and they can ' t be fixed overnight, but it is happening. "

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MCOT is the Host Broadcaster of the World Economic Forum on East Asia 2012.

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