

**PRESS RELEASE (#3)
4 October 2013****Developing economies need boost in infrastructure to benefit from integration**

4 October 2013 (Bali, Indonesia) – With the US and Japanese economies now showing more positive signs, concerns of slowdown are now shifting from developed to emerging economies including China and India. According to the *State of the Region* report (www.pecc.org/research/state-of-the-region) which contains results from a survey of 560 regional opinion-leaders, visible slowdown in China is cited as a top risk to growth. Over 60 percent of the respondents expected weaker growth for Asia's biggest economy over the next 12 months. On the other hand, positive sentiments about the US economy have visibly shifted from 30% last year to 60% this year, as well as for Japan, with 55.4% showing optimism compared with mere 19.9% according to last year's survey.

“While it is encouraging to see more positive prospects in regards to the US and Japan economies, we are also conscious of the fact that these two economies have had to rely on some quantitative easing measures,” said PECC Co-chair, Don Campbell. “While the overall economic outlook is positive for the region, the trajectory of growth is a concern, so we must continue to implement the APEC Growth Strategy adopted in Yokohama three years ago,” he said.

As the PECC report shows, while the region has grown, the development gap is widening. The emerging economies are faced with the needs to implement structural reforms while continuing to integrate with the other economies of the region. According to a PECC study, TPP has the potential to increase the global GDP gains by US\$223 billion and RCEP US\$644 billion. Together, as an integrated, region-wide FTAAP, the output could potentially increase by as much as US\$1.9 trillion. However, in order for the developing economies to actually benefit from the regional integration, certain supply-side constraints such as education, infrastructure, and basic services (e.g. water, sanitation, electricity) need to be improved or overcome. While the region's opinion-leaders expressed strong support for APEC's work on trade and investment liberalization with 74% agreeing that it has had positive effects on growth for their economy, it was also highlighted that stronger domestic institutions are needed to ensure that the benefits of integration process flow to the less well-off in the community. Respondents from South America and Southeast Asia in particular thought that the benefits were limited by supply-side constraints.

In terms of APEC's performance over the years, the results show a steady climb in approval rating, which climbed from net approval of 1.3% in 2007 to 17.1% this year. When asked which regional institution is seen to be most effective in achieving its objectives, the highest ranking went to the ASEAN, followed by APEC. Also, when asked to rank the likelihood of success in concluding the various regional integration initiatives in three years, ASEAN Economic Community ranked the highest, followed by the TPP, and then the Pacific Alliance. Views were almost equally divided in regards to RCEP and TTIP. Respondents were least hopeful about WTO DDA concluding in three years with close to 60% choosing “not likely.”

The survey also asked respondents to select the top 5 issues APEC leaders should address during their upcoming meetings in Bali. Regional economic integration initiatives topped the list, followed by the APEC growth strategy, fighting corruption, attaining Bogor Goals of free and open trade and investment, and reducing the income inequality in the region. One noticeable absence from the list of top ten priorities is the WTO Doha Round. Over the past five years, interest in DDA has dropped from 52% in 2007 to mere 16% this year. Business leaders place even less importance on the DDA, with only 11% choosing it as a top issue for APEC leaders to address. “Regional trade agreements are not going to solve all our trade problems. We need to move on the multilateral track through the Doha Round. APEC showed leadership before, with the Uruguay Round. It should do so again.” said Jusuf Wanandi, Co-chair of PECC.