

**PRESS RELEASE (#4)
4 October 2013****US Shutdown and Political Stalemate Pose Risks to Asia-Pacific Growth**

4 October 2013 (Bali, Indonesia) – The US government shutdown and the political stalemate over the deficit and budget could undermine US economic growth and pose a risk to the growth of the Asia-Pacific region at a time when recovery from the global crisis remains shaky. In the annual *State of the Region* report (www.pecc.org/research/state-of-the-region) released yesterday by the Pacific Economic Cooperation Council (PECC), the failure to come up with a package of economic and budget measures in the US was rated as the fifth highest risk to growth by 560 regional opinion-leaders. “While the survey was conducted almost two months ago, with the government shutdown, if the survey were conducted today, it would likely rank even higher,” said PECC Secretary-General Eduardo Pedrosa, coordinator of the Report. “At this time of economic volatility throughout the world, if these domestic political problems continue for much longer they have potentially far-reaching consequences beyond the US, as seen by our survey results.”

Worries about a prolonged US government shutdown and a possible debt default if the US does not raise its legislated debt ceiling are likely to be on the minds of delegates at the APEC meetings in Bali. Also of concern is the slowdown in emerging economies, particularly China and India. In the PECC report, China’s economic slowdown is the top risk to growth in the Asia Pacific. The study found that over 60 percent of respondents predicted that China would record weaker growth over the next 12 months, as has been indicated by the policy reforms implemented by the government. Those surveyed were more positive about the US, with 60 percent expecting stronger growth in the American economy, up from 30 percent last year. Optimism about the Japanese economy was at 55.4 percent, compared to 19.9 percent in 2012.

“It is encouraging to see more positive prospects for the US and Japan, but we are also conscious of the fact that these two economies have had to rely on some quantitative easing measures,” said Ambassador Don Campbell, Co-Chair of PECC. “While the overall economic outlook is positive for the region, the trajectory of growth is a concern so we must continue to implement the Growth Strategy adopted by APEC (Asia-Pacific Economic Cooperation) three years ago.”

In the PECC report, the contributors highlight how the development gap has widened both within and among economies in the region. Emerging and developed economies alike have to implement critical structural reforms, while deepening regional integration and connectivity to drive new growth, they argue. To benefit from regional integration, developing economies will have to address constraints posed by poor education, inadequate infrastructure and the lack of basic services such as water, sanitation and power.

Survey respondents strongly supported APEC’s work on trade and investment liberalization, but stressed the need for stronger domestic institutions to make growth inclusive. Overall approval for APEC’s performance was 17.1 percent. In 2007, it had reached a low of just 1.3 percent.

The survey also asked respondents to select the top five issues that the APEC economic leaders should address during their upcoming meeting in Bali. Regional economic integration initiatives topped the list, followed by the APEC Growth Strategy, corruption, the Bogor Goals of free and open trade and investment, and reducing the income inequality in the region. Notably absent from the list of priorities: concluding the Doha Round of global trade talks under the World Trade Organization (WTO). Since 2007, interest in the Doha Round has fallen from 52 percent to 16 percent this year. In the survey, only 11 percent of business leaders said it should be the top issue for APEC members to address. Said Jusuf Wanandi, Co-Chair of PECC: “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.”