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Economic slowdown takes toll on regional integration

(Vladivostok) – The global economic slowdown continues to impact regional economic integration with the composite index showing a decline after having peaked in 2007. This is a reversal of the trend seen since 1990 of the region’s economies steadily showing more integration with each other. This is according to PECC annual report, State of the Region 2012-2013.

Open economies such as Hong Kong (China) and Singapore have topped the list since we began the index. However, for the very same reason, they have also dropped drastically as they suffered losses from less flows in trade, capital and tourist flows. The two are followed by Korea, Malaysia, and New Zealand rotating places year after year.

The United States and China – the world’s two largest economies – were ranked the last two in the list. In comparison with the others, they have deep economic connections with economies outside the region and rely more on domestic or immediate neighbor economies within their own sub-region group (e.g. the US with Canada and Mexico; China with Hong Kong (China) and Chinese Taipei). The measure excludes trade and investment flows among geographically contiguous economies.

Despite a definite trend towards increased regional integration based on trade, investment and flow of tourists, since 1999, there has also been a divergence in terms of development indicators such as GDP per capita, life expectancy, level of urbanization and educational investments.

There are many ways to measure free and open trade; increased integration is an outcome one would expect from the liberalization process. PECC’s index of economic integration is based on a combination of measures that looks on the one hand at the extent to which the reference economies are becoming more alike in their economic characteristics, and on the other hand at the relative importance of trade, investment and human flows within the region compared to economic relations with the rest of the world.

Also, the Report highlighted that rankings should not be read normatively as “league tables” in the sense that a higher ranking is superior to a lower ranking. Indeed, a low ranking may simply indicate that an economy is more oriented globally than regionally, as is likely the case of China and the United States. However, a change in index value for a given economy over time can be read as a measure of its changing economic orientation. The index value for the region as a whole can also be seen as a measure of closer economic ties among Asia-Pacific economies and as one indicator of APEC’s success.

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About the Pacific Economic Cooperation Council
The Pacific Economic Cooperation Council (PECC) is a non-profit international organization committed to the promotion of cooperation and dialogue in the Asia Pacific. Founded in 1980, PECC is a tripartite network of 26 member committees comprising individuals and institutions dedicated to this shared mission. Of the 26 member committees, 23 represent the economies of Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong (China), Indonesia, Japan, Korea, Malaysia, Mexico, Mongolia, New Zealand, the Pacific Islands Forum, Peru, the Philippines, Singapore, Chinese Taipei, Thailand, the United States of America, and Vietnam. The PECC also has one associate member, France (Pacific Territories), and two institutional members, the Pacific Trade and Development Conference and the Pacific Basin Economic Council. As the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), PECC provides independent business and research input for the regional policy-making process. www.pecc.org