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Index Suggests Asia-Pacific more Integrated but Development Gaps Growing

11 November 2009 (Singapore) - The Asia-Pacific region has become more integrated since APEC was founded, according to a new index released by the Pacific Economic Cooperation Council (PECC). The region as a whole as well as individual economies have become steadily more integrated with each other since 1990, except for a brief period between 2001-2003.

The economies which have become more integrated with the region since 1991 are Hong Kong, New Zealand, Viet Nam, and the Republic of Korea. Singapore tops the list as the most integrated economy in the region even though it is in fact less integrated with the Asia-Pacific region in 2006 than it was in 1991.

“As APEC approaches the 2010 Bogor target of free and open trade for developed economies, members can take some satisfaction in the recognition that the region as a whole is more integrated today than it was in 1990,” said Mr Yuen Pau WOO, coordinator of the PECC report and President of the Asia Pacific Foundation of Canada.

The 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.

“While there has been a definite trend towards regional integration based on trade, investment and people flows, since 1998 there has been divergence in terms of development indicators such as GDP per capita, life expectancy, level of urbanization and educational investments,” explained Mr Woo.

An important feature of the index is that it excludes trade and investment flows among geographically contiguous sub-regional trade agreements, namely NAFTA, the ASEAN free trade agreement, and Australia-New Zealand Closer Economic Relations. 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. “We believe that deepening regional integration is an important – and positive -- factor in assessing APEC’s progress towards the 2010 Bogor target,” said Mr Woo.

For media enquiries:
Jessica Yom, Public Affairs, PECC International Secretariat,
jessica.yom@pecc.org, +65 67379822 ext 19, Mobile: +65 9875 1473

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. 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