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SUMMARY

One Way to Measure Regional Integration

Countries that get a high score in regional integration appear to have integrated value chains and higher trade competitiveness.
Photo credit: ADB.

An index that measures the degree of regional integration in Central Asia will help identify policy gaps and measures to enhance economic cooperation.
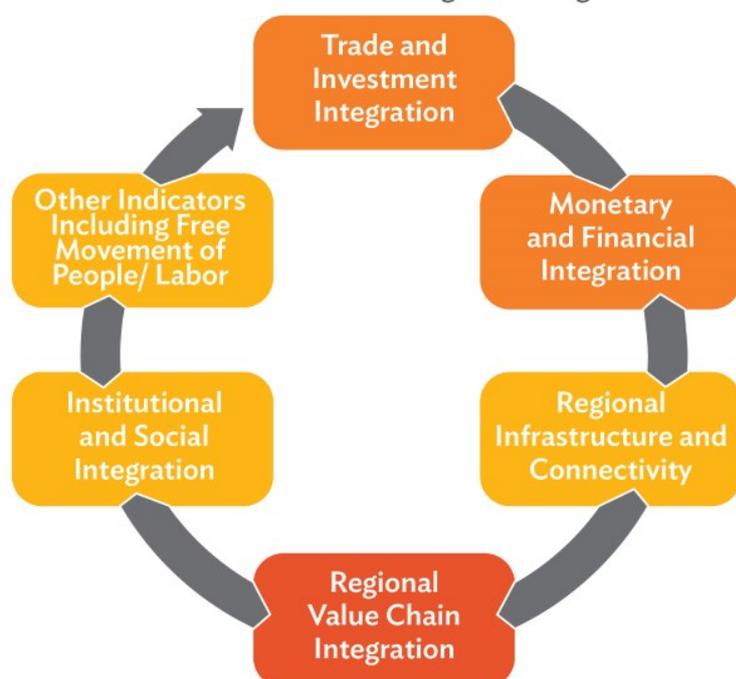
Published: 05 September 2017

Overview

This is a summary of Dr. Saeed Qadir's presentation at the Second CAREC Think Tank Development Forum.

It is challenging to do an economic analysis of the Central Asia Regional Economic Program (CAREC) because the sizes of its member economies vary widely. The largest economy, the People's Republic of China (PRC), accounts for more than 94% of the region's gross domestic product and foreign trade, and more than 80% of its population. In contrast, the Kyrgyz Republic, Mongolia, and Tajikistan each account for about 0.1% of the region's GDP.

The CAREC Regional Integration Index is designed to measure the depth and breadth of regional economic cooperation among the 11 member countries. It will compare the intra-CAREC state of integration vis-a-vis regional and the global integration index rankings. It will help identify policy gaps and provide policy recommendations to enhance regional integration.

The index will filter out the asymmetries that exist in their economies' structure, size, and scope. It is a weighted index comprised of six dimensions of integrations: trade and investment; monetary and financial; regional infrastructure and connectivity; institutional and social; regional value chain integration; and other indicators, including free movement of people/labor. There will be 26 indicators, which will be calculated subject to the availability of data for the whole of CAREC and for CAREC excluding the PRC.

Six Dimensions of the CAREC Regional Integration Index
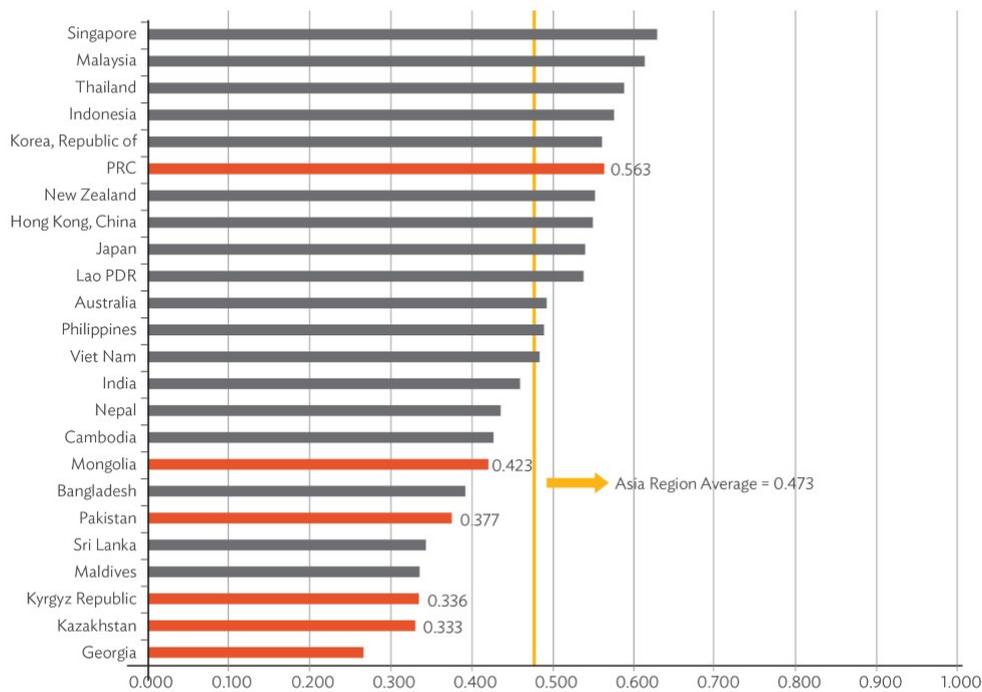

Key Findings

The CAREC Regional Integration Index indicates a low level of integration in the six key dimensions of regional economic cooperation for the CAREC member countries, excluding the PRC. The index assigns a value of zero (low) to 1 (full) for economic integration.

Research indicates that the CAREC Regional Integration index rankings are lower than the Asia Pacific Regional Integration Index's (APRII) average of 0.473. The average for CAREC is 0.316 and for CAREC (excluding the PRC), 0.299.

CAREC countries with a higher value (approaching 1) appear to have integrated value chains and higher trade competitiveness.
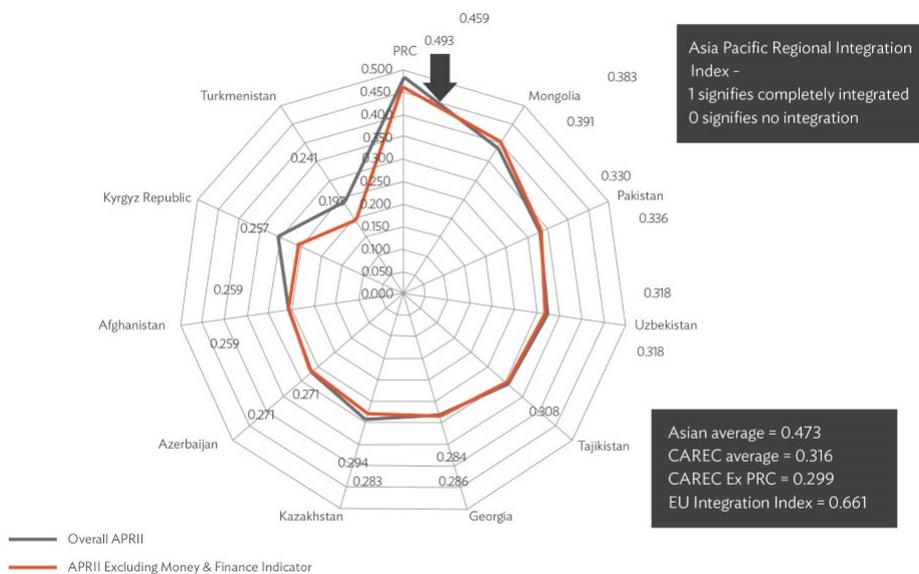
Data is based on 2013 APRII. The updated data for CAREC's index will be available by December 2017.

CAREC Countries with a Higher Value (Approaching 1) Appear to Have Integrated Value Chains and Higher Trade Competitiveness

Country	Value
Singapore	
Malaysia	
Thailand	
Indonesia	
Korea, Republic of	
PRC	0.563
New Zealand	
Hong Kong, China	
Japan	
Lao PDR	
Australia	
Philippines	
Viet Nam	
India	
Nepal	
Cambodia	
Mongolia	0.423
Bangladesh	
Pakistan	0.377
Sri Lanka	
Maldives	
Kyrgyz Republic	0.336
Kazakhstan	0.333
Georgia	

Asia Region Average = 0.473

Source: Asia-Pacific Regional Integration Index: Construction, Interpretation, and Comparison by Hyeon-Seung Huh and Cyn-Young Park.
ADB April 2017

CAREC Regional Integration Index-APRII

Asia Pacific Regional Integration Index –
1 signifies completely integrated
0 signifies no integration

PRC 0.493
0.459
Mongolia 0.383
0.391
Pakistan 0.330
0.336
Uzbekistan 0.318
0.318
Tajikistan 0.308
Georgia 0.286
0.284
Kazakhstan 0.283
0.294
Azerbaijan 0.271
0.271
Afghanistan 0.259
0.259
Kyrgyz Republic 0.257
0.197
Turkmenistan 0.241

Asian average = 0.473
CAREC average = 0.316
CAREC Ex PRC = 0.299
EU Integration Index = 0.661

— Overall APRII
— APRII Excluding Money & Finance Indicator

Asia-Pacific Regional Integration Index: Construction, Interpretation, and Comparison by Hyeon-Seung Huh and Cyn-Young Park.
ADB April 2017

Conclusion

The CAREC Regional Integration Index is a dynamic index that will constantly track initiatives and efforts of member countries in the six dimensions of integration.

A low score on the index signifies that an economy is less open and less integrated regionally and globally. Policy makers may pursue an open and inclusive regionalism policy, which gives nondiscriminatory treatment to most competitive products, sectors, and trade partners, to spur economic growth. However, these policies may factor in trade adjustment costs and other noneconomic development objectives.

Note: ADB placed on hold its assistance in Afghanistan effective 15 August 2021 .

Resources

Asia Regional Integration Center. Integration Indicators Database

Central Asia Regional Economic Cooperation. Trade Policy Strategic Action Plan: Where Are We? Presented by the CAREC Trade Policy Coordinating Committee at its 24th meeting in Tblisi, Georgia. 19 June 2017.

H. Huh and C.Y. Park. 2017. *Asia-Pacific Regional Integration Index: Construction, Interpretation, and Comparison.* Mandaluyong City: Asian Development Bank.

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Dr. Saeed Qadir manages the institute's research portfolio and spearheads the flagship research on the CAREC Regional Integration Index. He is a Fulbright scholar and holds a doctorate in Economics and Public Policy from Claremont Graduate University in the United States. His research interests include international trade and sustainable development, globalization, and economic policy analysis.