



# CAREC REGIONAL INTEGRATION INDEX

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# SCHEME OF THE PRESENTATION

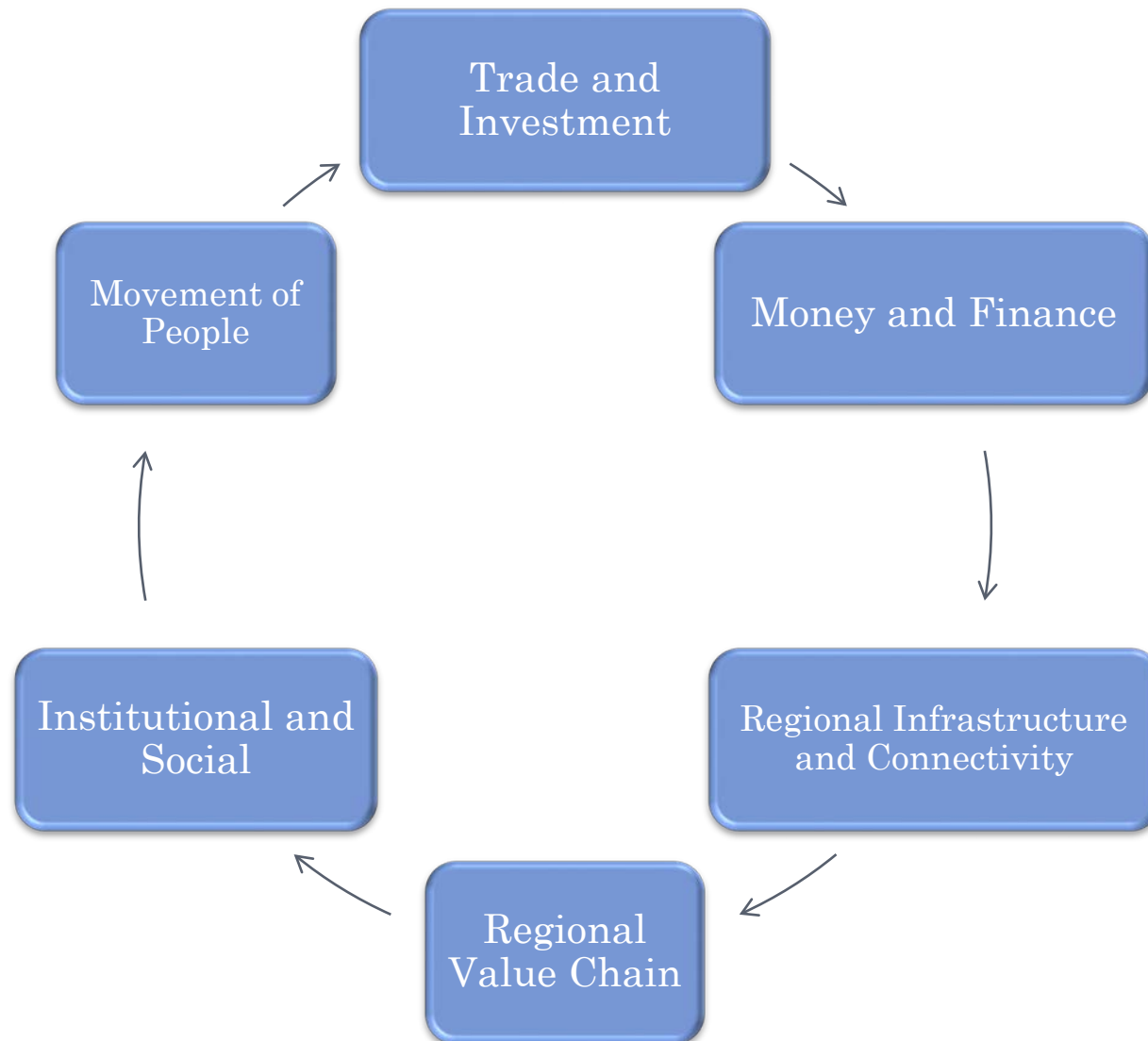
- REGIONAL INTEGRATION- THEORY AND CONCEPT
- ABOUT THE CAREC REGIONAL INTEGRATION INDEX
- CAREC REGIONAL INTEGRATION INDEX- CONSTRUCTION CHALLENGES
- CAREC REGIONAL INTEGRATION INDEX
- METHODOLOGY AND STEPS FOR CONSTRUCTING CRII
- CRII: RESULTS AND INTERPRETATION
- CONCLUSION & WAY FORWARD



# ABOUT THE CAREC REGIONAL INTEGRATION INDEX

- CAREC Regional Integration Index measures the extent of regional economic cooperation and integration (RCI)
- Provides a mechanism to monitor and evaluate progress, benchmark against its set goals and targets
- Specific to CAREC countries, the Index offers a menu of policy coordination and action plans to enhance regional cooperation
- CRII is a composite weighted index comprising of six dimensions capturing diverse socioeconomic aspects of the RCI

# SIX DIMENSIONS TO MEASURE CRII



# CAREC REGIONAL INTEGRATION INDEX

- The CRII is a subset of ADB's flagship Asia Pacific Regional Cooperation and Integration Index
- CRII adds values as it introduces sub-groups CWC and CWC excl PRC to deal with size and scale
- proxy variables for dimension 2 MFI by using four variables from the IMF Financial Development Index (Financial Institutions Depth; Financial Institutions Efficiency; Financial Market Depth; and Financial Market Access)
- Liberalization is generally more beneficial and less risky
  - when countries reach certain threshold levels of financial and institutional development.
  - well planned, timed and sequenced with other supporting policies and each country's institutional and financial development



## CAREC REGIONAL INTEGRATION INDEX- CONSTRUCTION CHALLENGES

- Size Asymmetry: Economic analysis of the CAREC countries as a group poses a special challenge because of the wide range in the sizes of the economies: China accounts for 95% of region's GDP; 94% Foreign Trade as well as 81.7 percent of the region's population
- Kyrgyz Rep., Mongolia and Tajikistan each account for about 0.1 percent of the region's GDP.
- Pakistan, Kazakhstan and Uzbekistan account for about 80 percent of GDP of the CAREC excluding the PRC subgroup with 47.2 percent, 22.2 percent and 11.1 percent of subgroup's GDP respectively in 2016



# STEPS FOR CONSTRUCTING CRII

- 1) Obtain and clean the data
- 2) Normalized Data – to make it comparable
- 3) First stage: PCA on the indicators in each dimension to construct a composite index for each of the six dimensions
- 4) Second stage: PCA again to combine the six composite indexes into a CAREC Regional Integration Index.
- 5) Analysis and Interpretation
- 6) Analytical Report Writing

# PRINCIPAL COMPONENT ANALYSIS

- Reduction of data dimensionality
- Combine weights of several indicators into one single index
- PCA summarizes a dataset into a smaller number of dimensions while preserving the variation in the data to the maximum extent possible

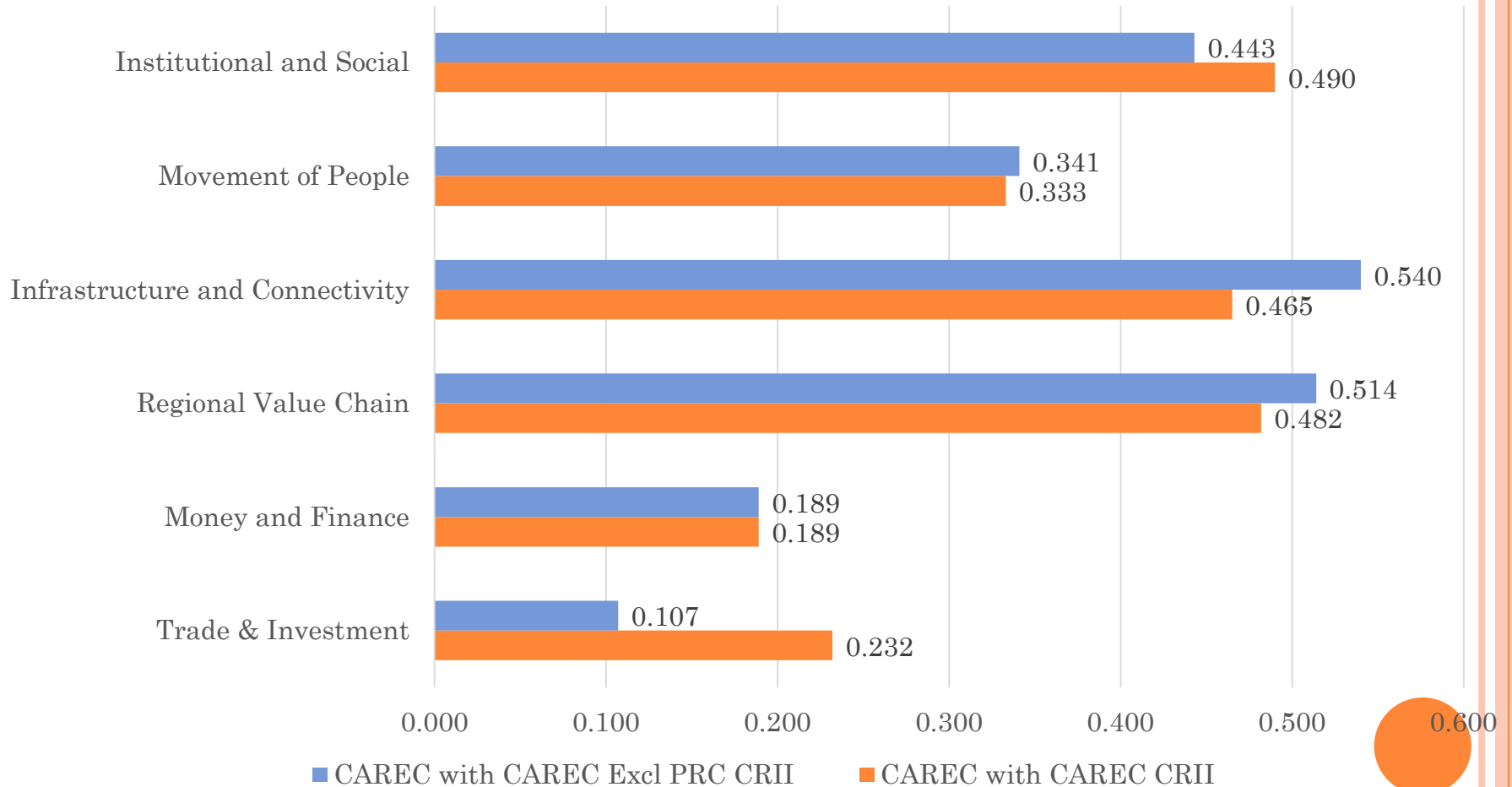
For this paper, we utilized a two-staged PCA.

- 1) First stage: PCA on the indicators in each dimension to construct a composite index for each of the six dimensions
- 2) Second stage: PCA again to combine the six composite indexes into CRII





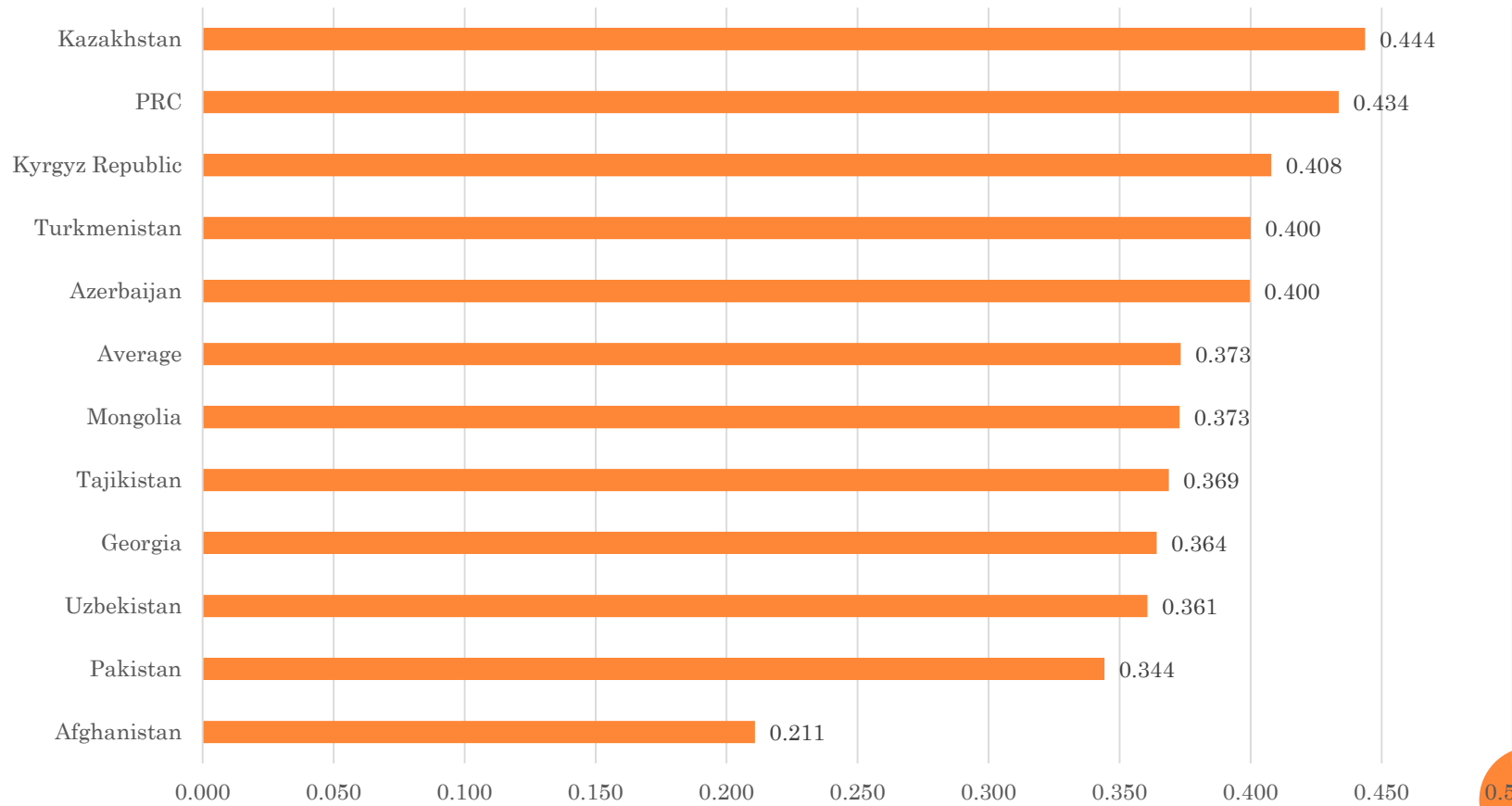
## CAREC REGIONAL INTEGRATION INDEX- COMPARATIVE SIX DIMENSIONS SCORES



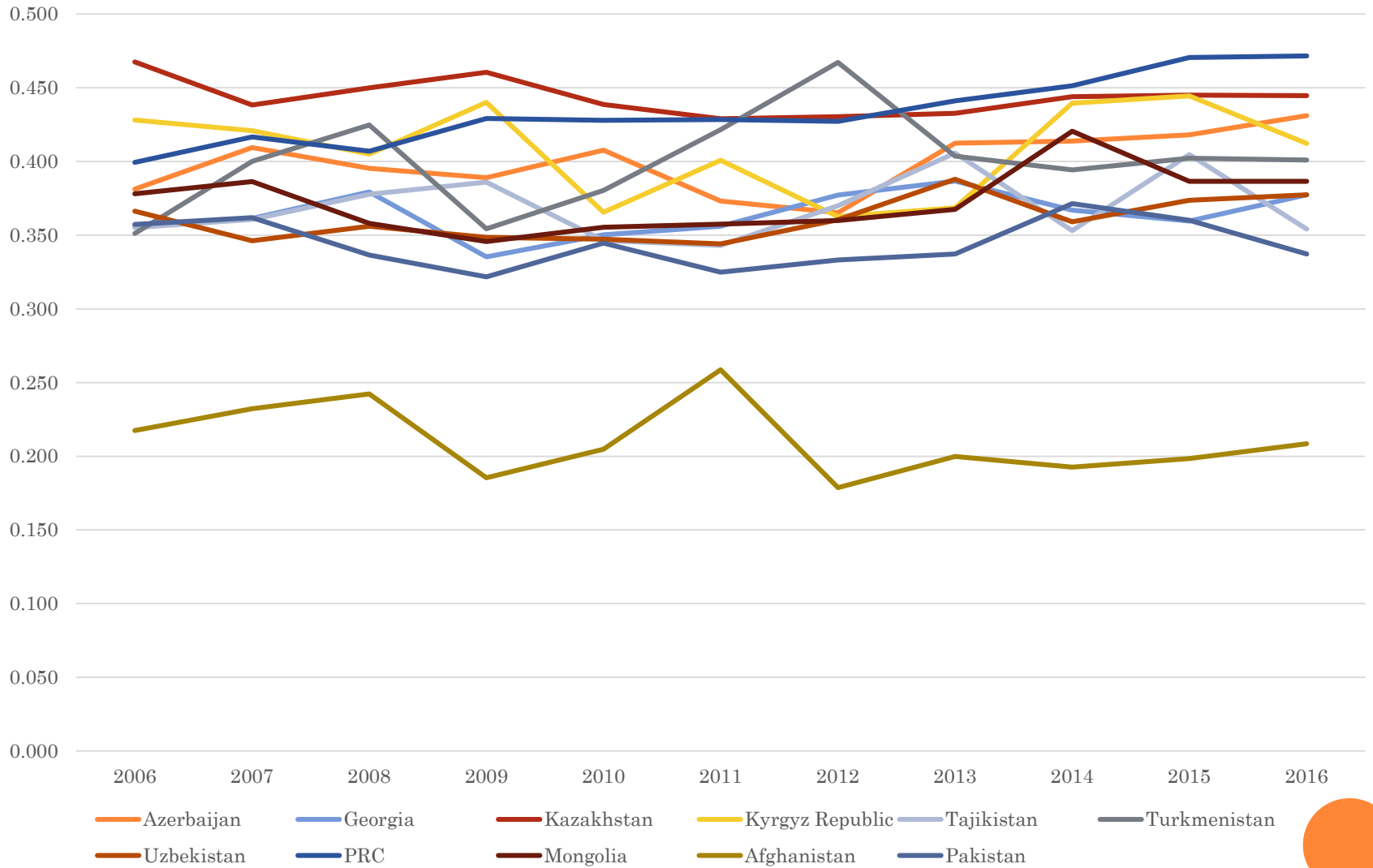
# RESULTS & INTERPRETATIONS



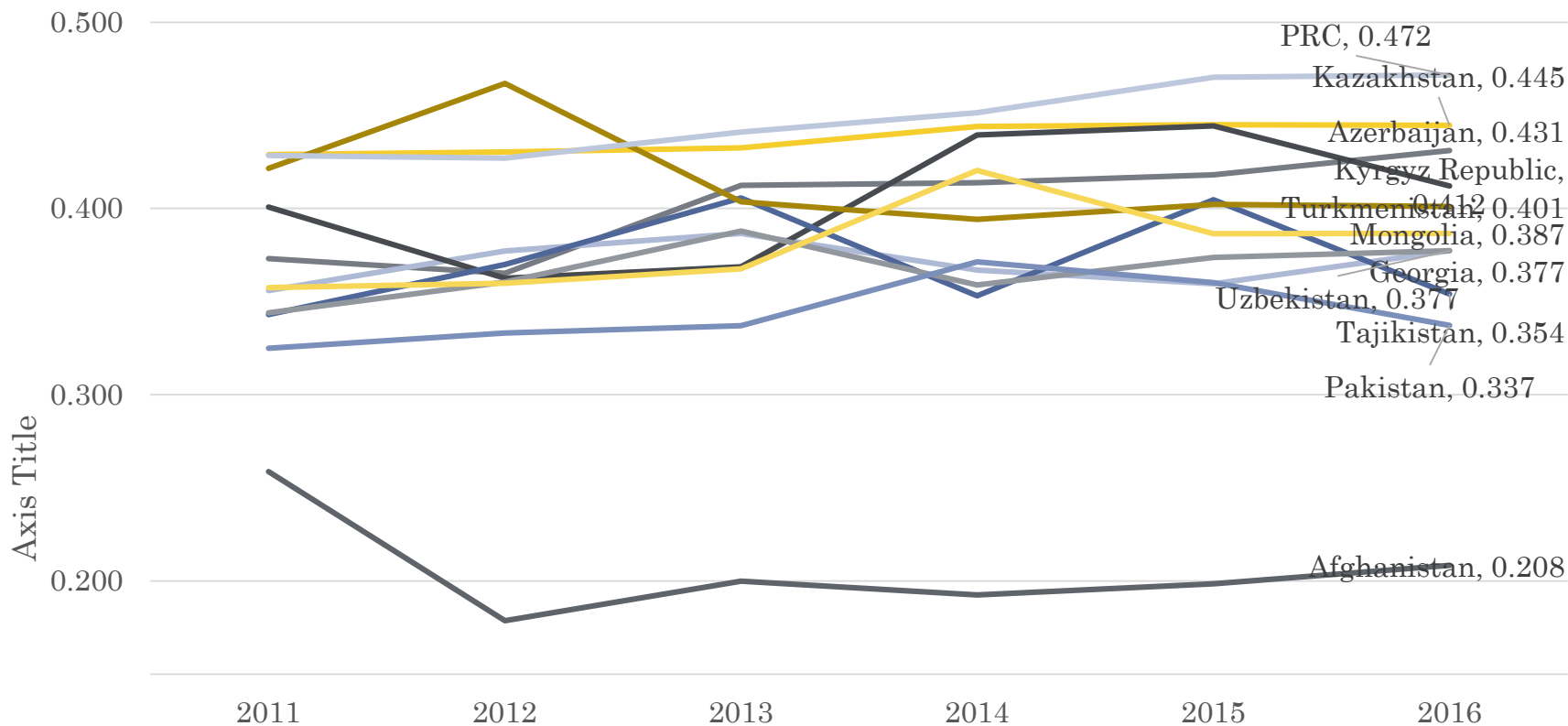
### CRII Av values for the years 2006-2016



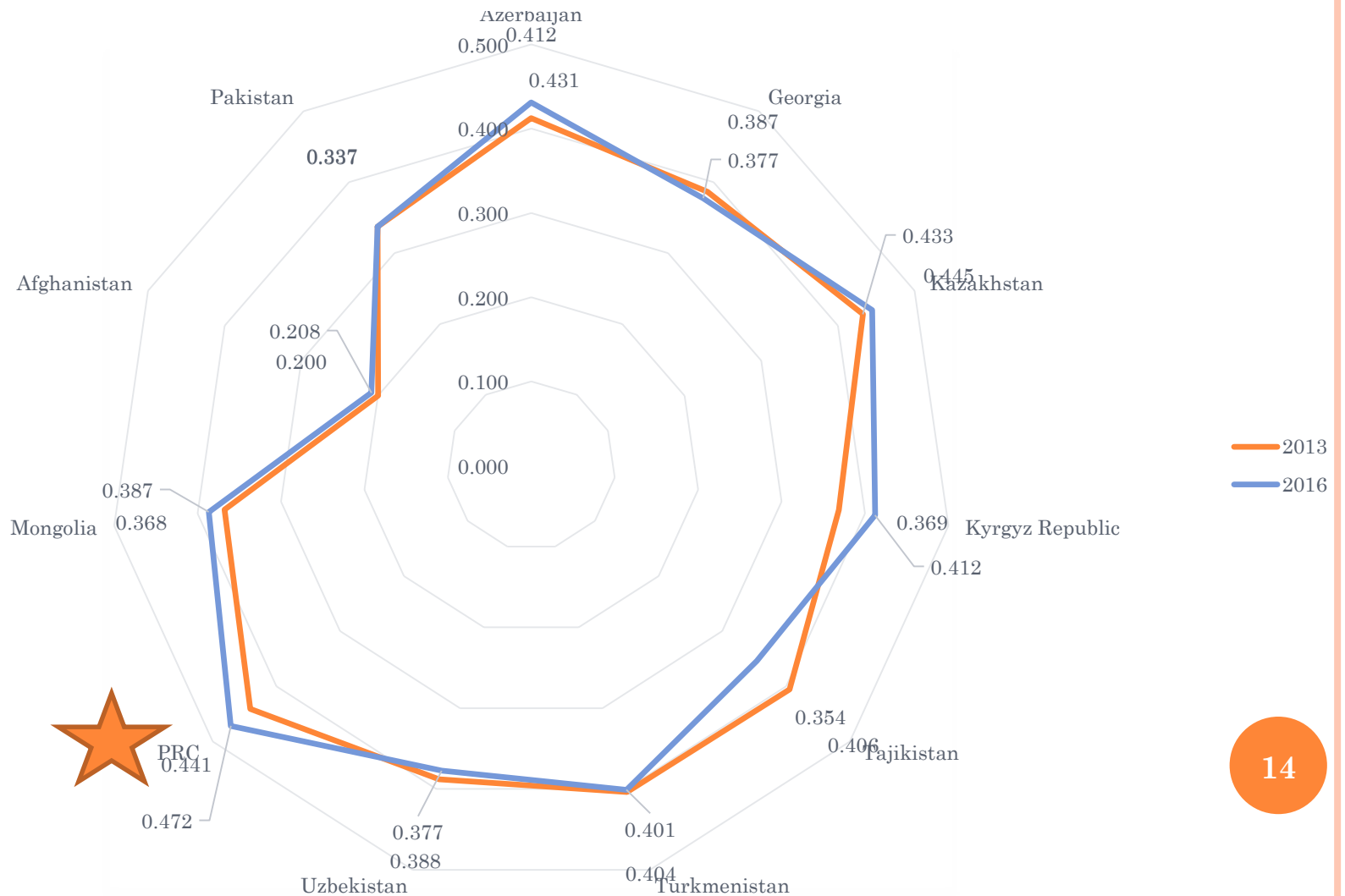
## CRII CAREC with CAREC



# CRII CAREC with CAREC



# CAREC REGIONAL INTEGRATION INDEX- COMPARATIVE SCORES FOR 2013-2016



# CONCLUSION

- CRII reveals the lower level of RCI in the CAREC region and identifies the weak areas which needs the attention of the policy makers specially to enhance the trade and investment, MF and RVC integration.
- PRC has emerged as a top scorer in terms of CRII ranking within the CAREC and globally and Afghanistan trails behind.
- Size and scale asymmetries among the CAREC membership calls for special and differential treatment for landlocked and BOP crisis vulnerable economies
- Scale up the level of institutional cooperation from an informal arrangement to a more formal CAREC economic integration model compatible with the development challenges that beset the region.

# WAY FORWARD

- Cooperation on the regional public goods including shared water and energy resources, environment challenges
- Liberalization of Trade in Services (all four modes of Services)
- Lower the Trade Costs to spur economic competitiveness
- Look East & Focus on Regional Markets - East Asia, Asian, Eurasian
- Trade Promotion and Trade Finance (Export-Import Bank, Insurance)
- Generalized System of Preferences by PRC, India and Kazakhstan for CAREC Landlocked Economies
- Special and Differential Treatment for all 8 landlocked economies
- Open and inclusive Regionalism - non-discriminatory treatment to most competitive products, sectors and partners



THANKS  
COMMENTS AND QUESTIONS