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Asia-Pacific Regional Integration Index: Construction, Interpretation, and Comparison

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Abstract

We develop a composite index to measure the degree of regional integration in Asia. The index comprises 26 indicators in six dimensions of regional integration, namely, trade and investment, money and finance, regional value chains, infrastructure and connectivity, free movement of people, and institutional and social integration. We use principal component analysis to apportion a weight to each indicator to construct dimensional sub-indexes, then follow the same procedure to weight the sub-indexes to construct the overall index. Asia is shown to be relatively well integrated along dimensions of trade and investment and the free movement of people, not so well integrated along the institutional and social dimension. Overall, Asia is somewhat more integrated than South America and Africa, but much less integrated than the European Union.

Keywords: Asia; Regional integration; Composite index

JEL Classification: F1; F3; O1; O5

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