



MEASURING THE CAREC REGIONAL PROGRESS- FROM LANDLOCKED TO LANDLINKED REGION: CAREC REGIONAL INTEGRATION INDEX

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SCHEME OF THE PRESENTATION

- CAREC PROGRAM
- STOCKTAKING: EXTENT OF REGIONAL COOPERATION
- ASSESSING THE POTENTIAL AND OPPORTUNITIES
- MEASURING THE EXTENT OF REGIONAL INTEGRATION
- CUSTOMIZING THE REGIONAL INTEGRATION INDEX FOR CAREC
- POLICY TAKEAWAYS: CRII- Adding Value to Policy Analysis
- WAY FORWARD AND RECOMMENDATION

MEASURING THE CAREC REGIONAL PROGRESS: FROM LANDLOCKED TO LANDLINKED REGION

- CAREC Program, in its 17th year of operation, aims to
 - create an “open and inclusive regional cooperation platform for shared and sustainable development”.
 - expand trade and enhance competitiveness
- Regional Cooperation and Integration Strategy envisages
 - *Connectivity* between the economies
 - *Competitiveness*- Raising in connected markets
 - *Collective Action* for Regional Public Goods
- CAREC 2030: strategize five operational clusters to connect people, policies and projects in sync with national and international development agendas
- CAREC’s Trade Policy Strategic Action Plan (TPSAP) seeks for achieving trade expansion through regional cooperation to
 - increase trade openness to stimulate stronger growth and development, contributing to poverty reduction;
 - assist in (pre- & post accession) WTO challenges and opportunities;
 - build capacity in area of trade policy and trade facilitation

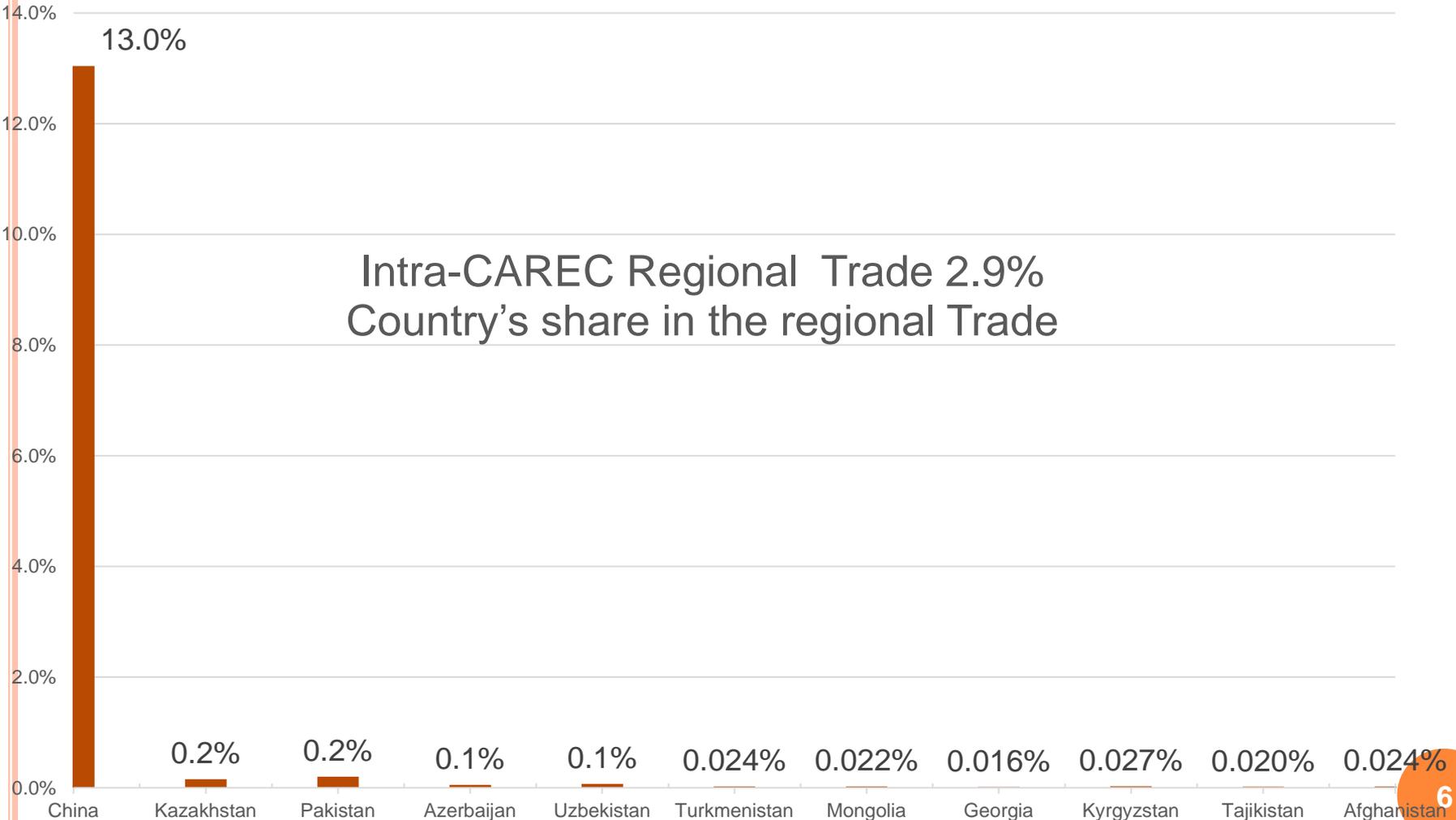
MEASURING THE CAREC REGIONAL PROGRESS: FROM LANDLOCKED TO LANDLINKED REGION

- Resuscitating ancient Silk Route: leveraging on the physical connectivity to bridge East and Central Asia with Europe in the West, India and Pakistan in the South, Russia in the North*
- Geo-strategic location and endowments offer unprecedented opportunity for CAREC countries to build resilient and sustainable regional infrastructure for economic connectivity to emerge as a center of gravity to achieve higher levels of economic growth, and create jobs
- Graduating and scaling up from Transport corridors to economic corridors to Knowledge Corridors

STOCK TAKE-WHERE WE ARE

- The CAREC region is characterized as highest share of reforming economies in Doing Business 2018 (WB Doing Business 2018)
- Intra-CAREC regional trade is less than 3%
- Excluding PRC, CAREC region is least regionally integrated in terms of trade, investment, and movement of people
- CAREC countries global trade share hovers at 0.7% (PRC share is 11.4%)
 - merchandise trade and commercial trade in services declined by -8.2% and -3.4% in 2016
 - Export mix : highly dependent on primary and resource-intensive commodity
 - For CAREC Corridors road transport, payments and fees for escort/convoy, customs clearance, and loading/unloading and border crossing are costly inhibiting the trade volumes*

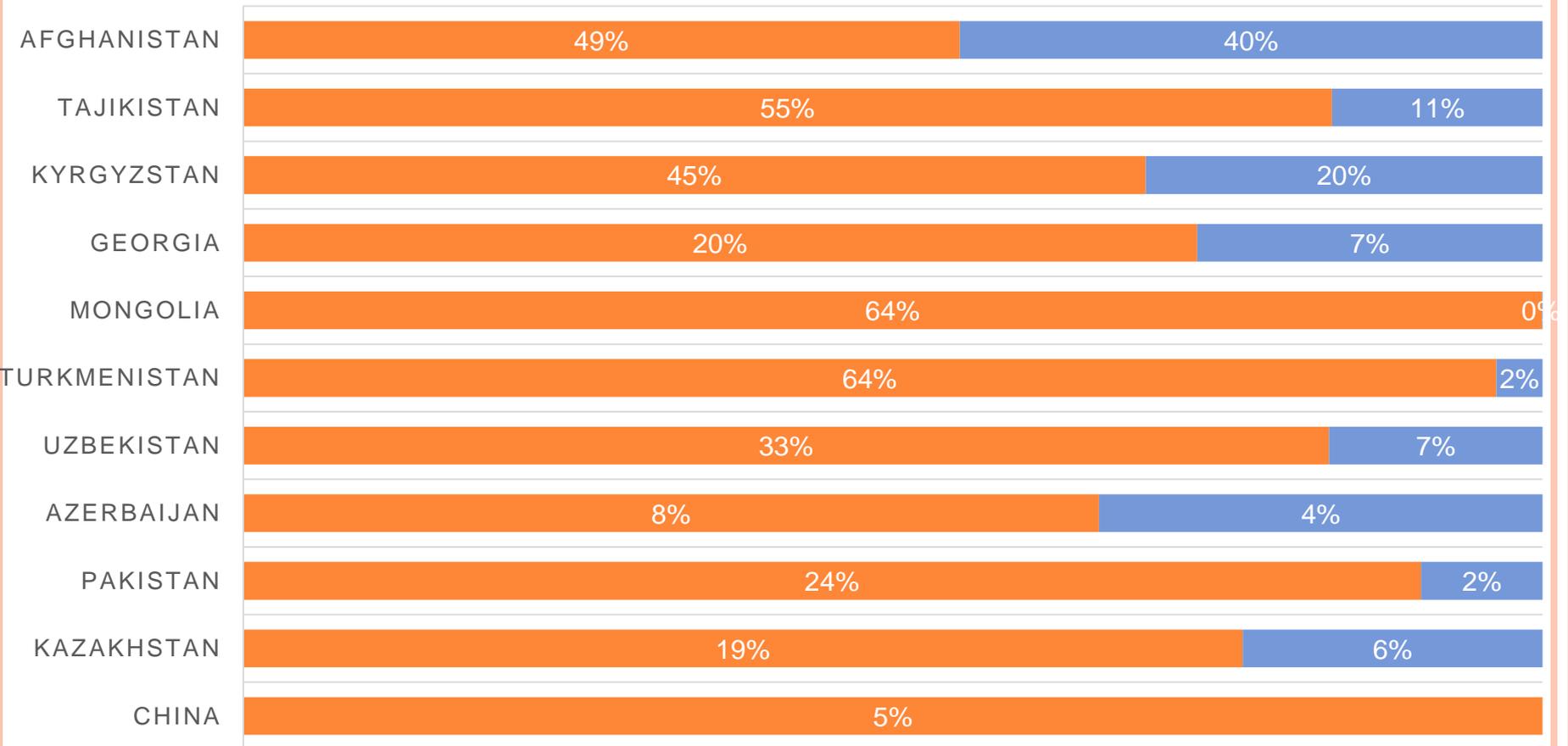
STOCK TAKE-WHERE WE ARE



Sources: Author's calculations based on ITC calculations based on UN COMTRADE and ITC statistics for 2017 and Intra-CAREC Regional Trade Share based on ADB's calculations

INTRA-CAREC TRADE BILATERAL WITH AND EXCLUDING PRC

■ Intra-CAREC Trade ■ Intra-CAREC Excl PRC



Trade among CAREC regional is dominantly bilateral

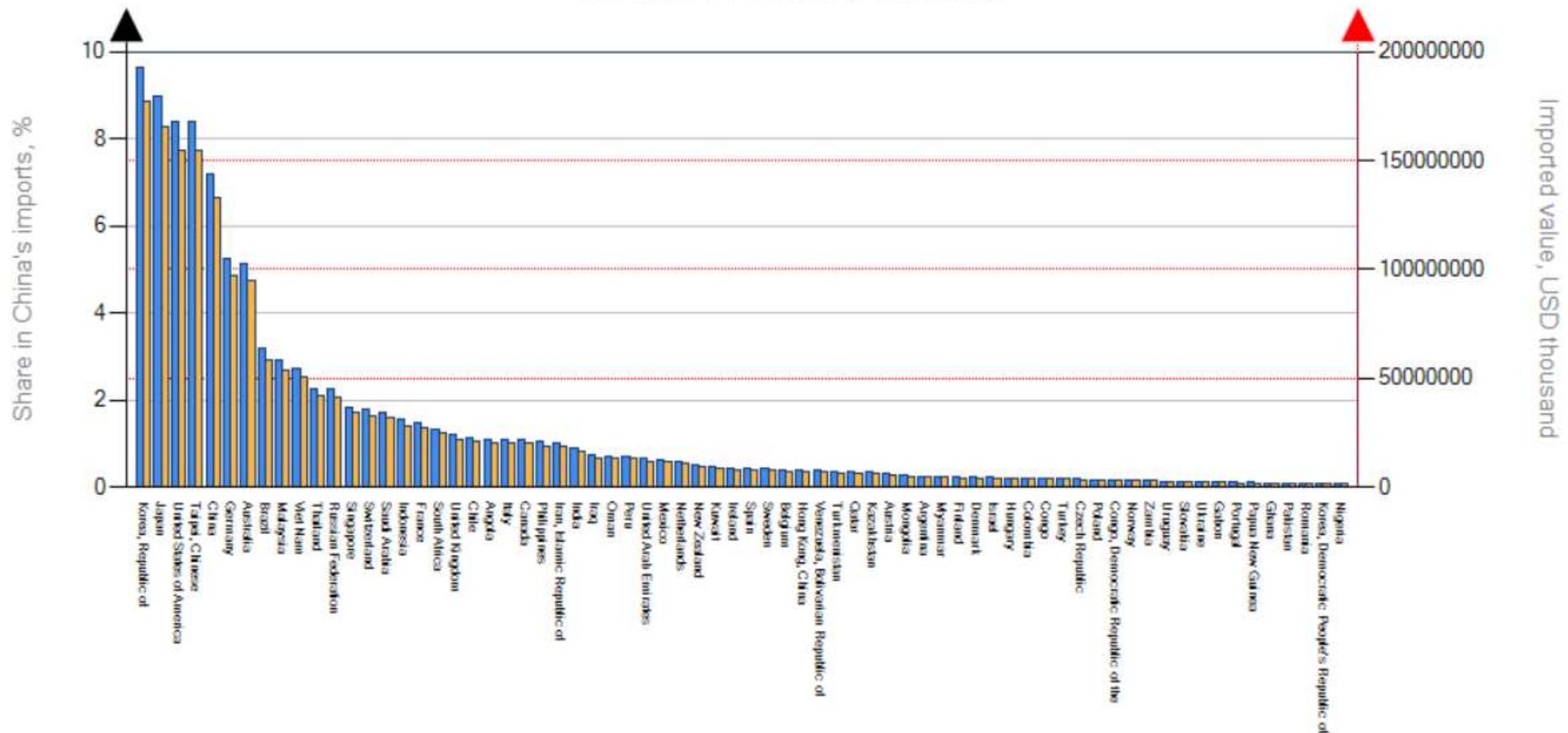
- Afghanistan trades with Pakistan
- Tajikistan, Kyrgyzstan, Turkmenistan, Mongolia, Pakistan, Kazakhstan trade with PRC
- Intra-Regional Trade needs to be promoted for regional integration

STOCK TAKE- ASSESSING THE BOTTLE NECKS

	Trading Across Borders (TAB)	Distance to Frontier (TAB) (0–100- Higher the better)	Documentary compliance for Export and Import (US\$)	Border compliance Export and Import (US\$)
Afghanistan	175	30.63	334 /750	453/900
Azerbaijan	83	73.56	300 /200	214/300
China, P.R	97	69.91	84.6/170.9	484.1/745
Georgia	62	82.43	35/189	383/396
Kazakhstan	123	63.19	320/NA	574/NA
Kyrgyz Republic	84	73.34	145/200	445/512
Mongolia	110	66.89	64/83	191/210
Pakistan	171	41.94	257/735	406/936.6
Tajikistan	149	57.17	330/260	313/223
Uzbekistan	168	44.31	292/292	278/278

STOCK TAKE-ASSESSING THE POTENTIAL

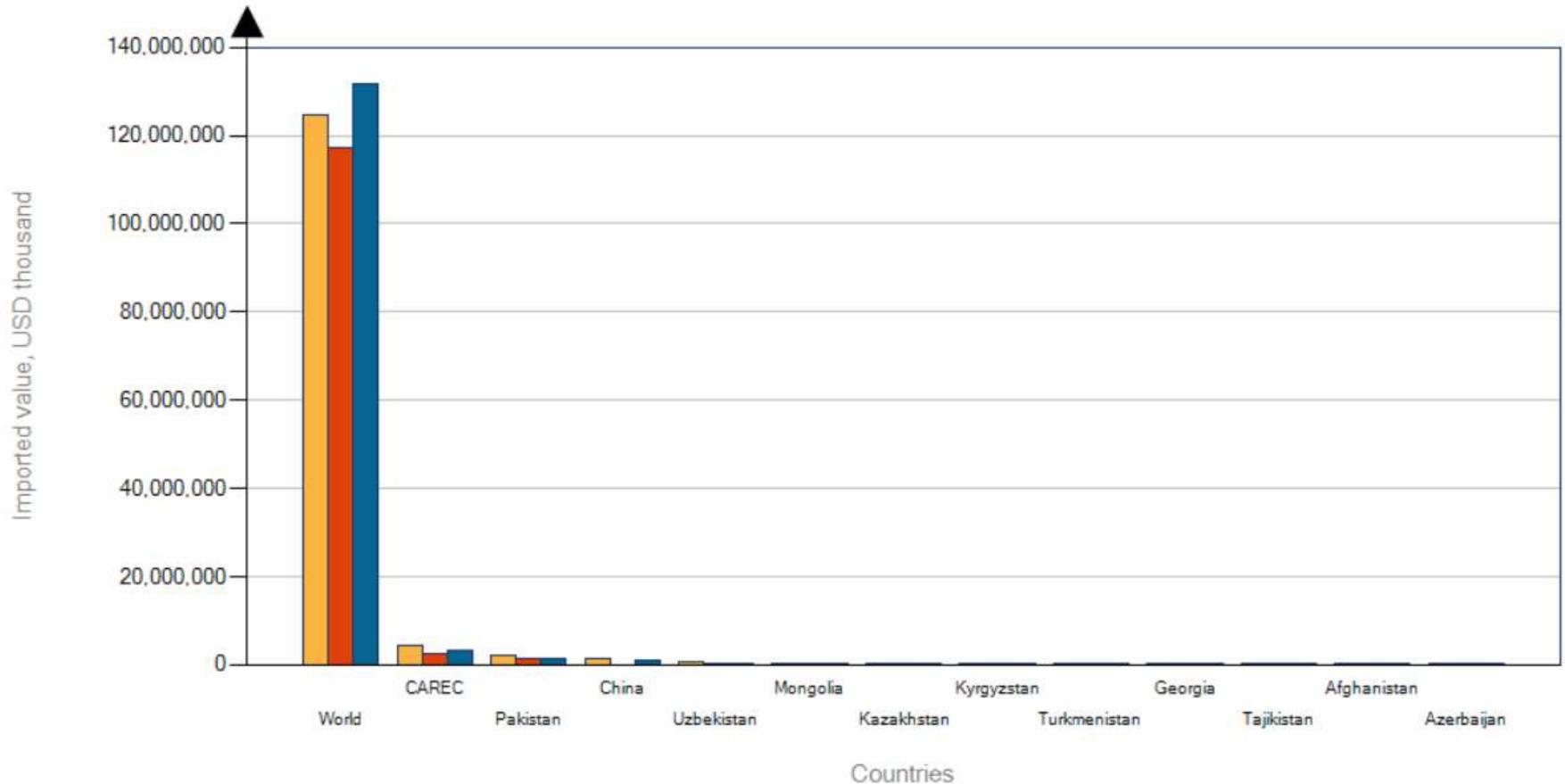
List of supplying markets for a product imported by China in 2017
Product : TOTAL All products



- Only two CAREC countries appear in Top 70 Import Partners for 2017
- Out of US\$ 1.84 trillion, CAREC countries contribution is US\$ 22.1 billion – merely 1.2 % import share in PRC's import

STOCK TAKE-ASSESSING THE POTENTIAL

List of supplying markets from CAREC for a product group imported by China
Product group: Agriculture

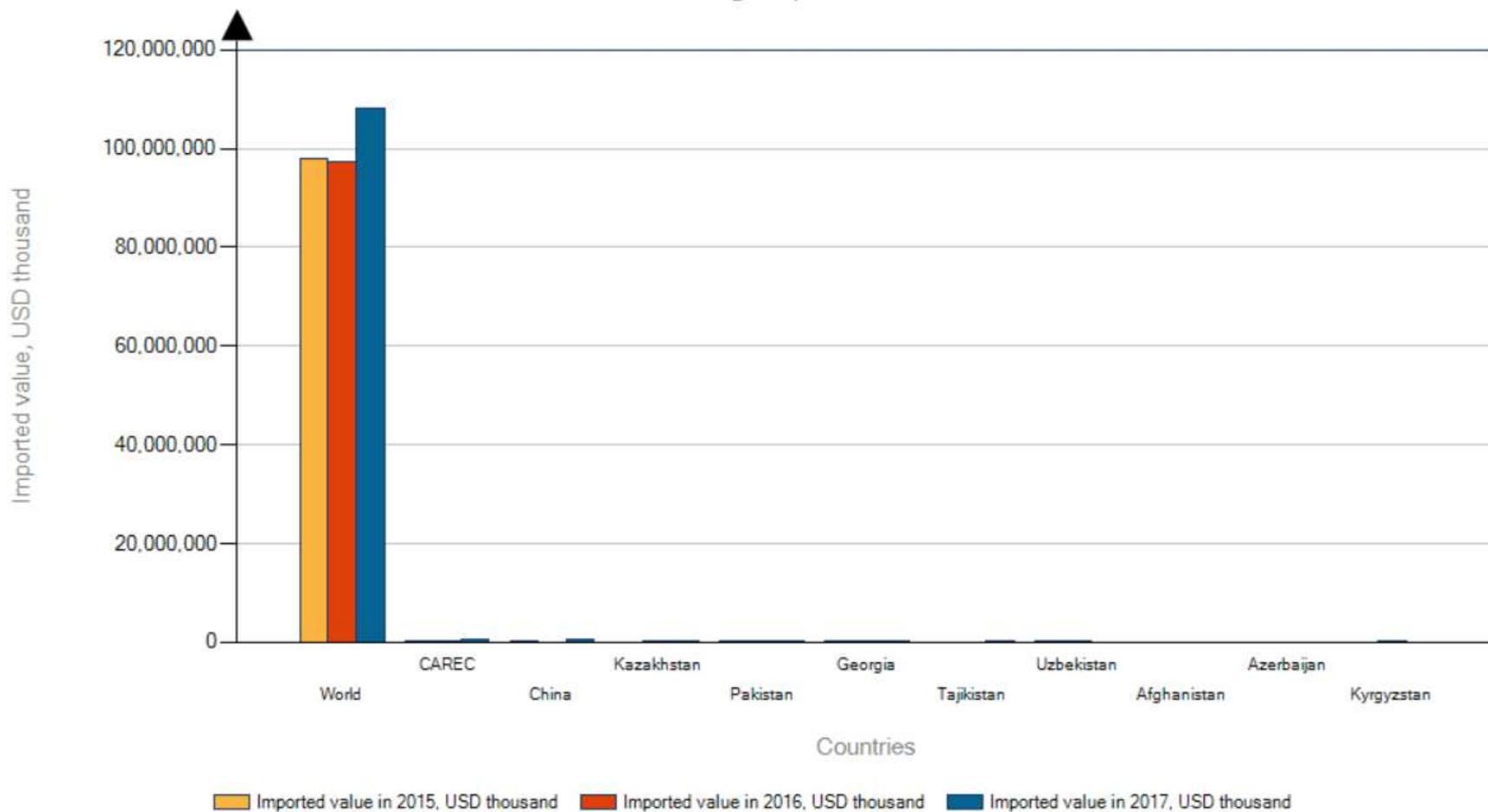


Imported value in 2015, USD thousand Imported value in 2016, USD thousand Imported value in 2017, USD thousand

- China Agriculture imports amounts to US\$ 131.65 billion
- CAREC member countries supplies only 2.6% (US\$ 3.42 billion)of Agricultural products to China
- CAREC region has lot of potential to capitalize on agricultural deficit (Agriculture market .
- If we include Central Asia-South Asia, CAREC Region can be food basket for the region
- Lot of potential to attract investments and JV from China, European, India, North American and CAREC members

STOCK TAKE-ASSESSING THE POTENTIAL

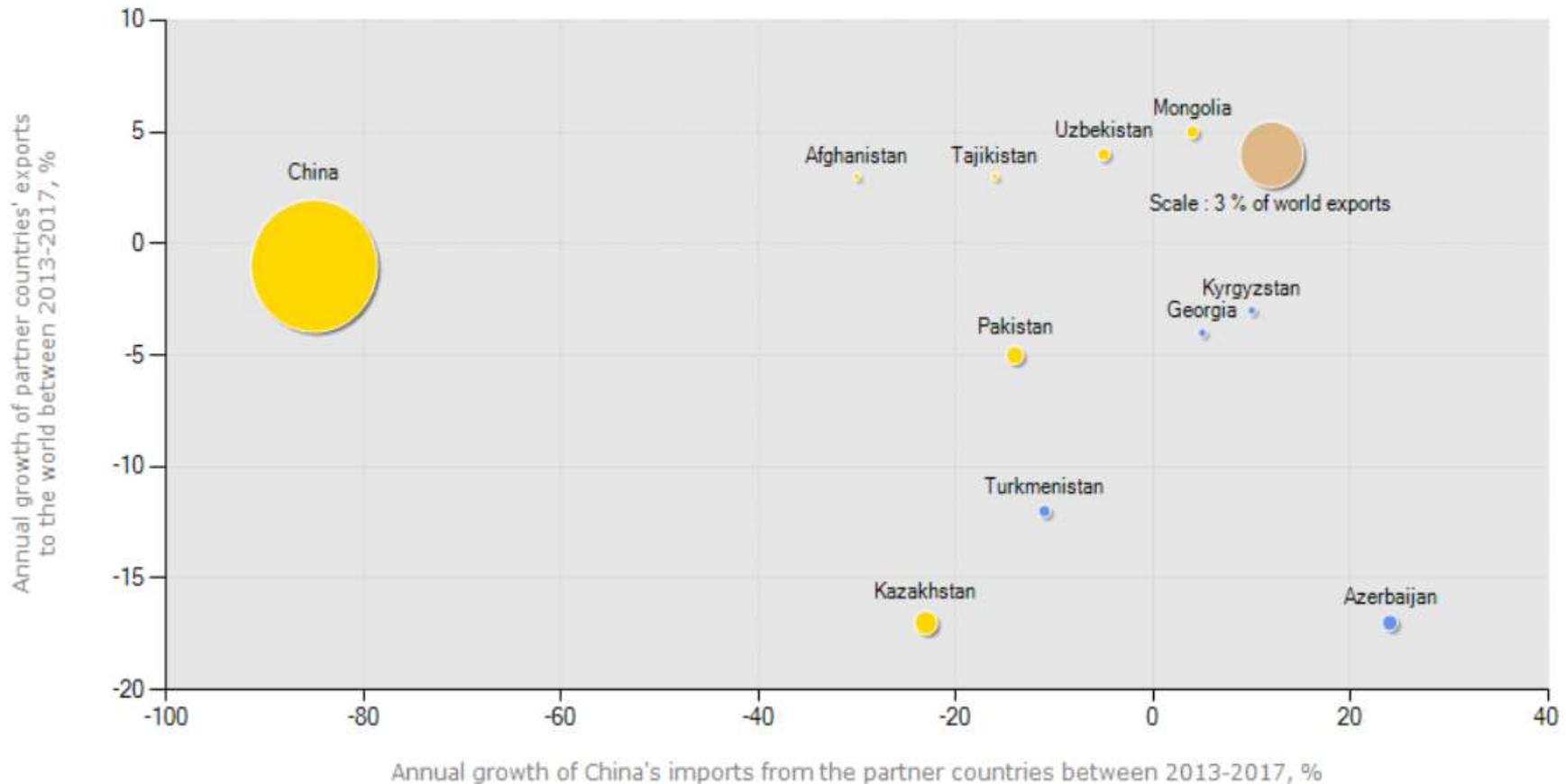
List of supplying markets from CAREC for a product group imported by China
Product group: Auto



- China Auto imports amounts to US\$ 108 billion
- CAREC member countries supplies only 0.6% (US\$ 0.635 billion)of Auto products to China
- CAREC region has lot of potential to capitalize on Auto sector deficit
- Lot of potential to attract investments and JV from China, European, India, North American and CAREC members

STOCK TAKE-ASSESSING THE POTENTIAL

Competitiveness of supplying countries for a product imported by China in 2017
 Product : TOTAL All products



China import growth from partner < Partner export growth to the world

China import growth from partner > Partner export growth to the world

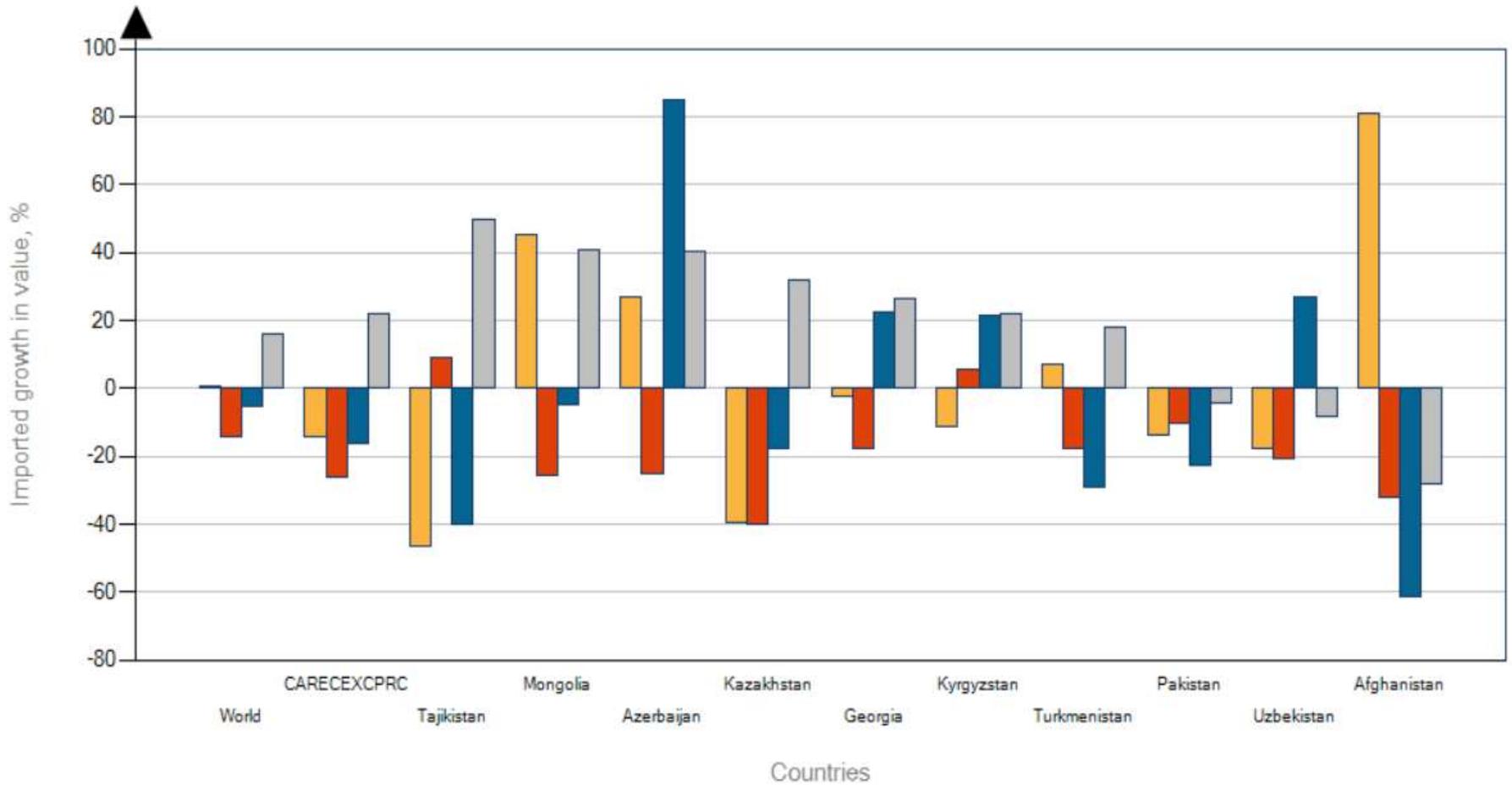
Reference bubble
 Some bubbles may not be displayed due to lack of growth rate indicators

The bubble size is proportional to the share in world exports of partner countries for the selected product



STOCK TAKE-ASSESSING THE POTENTIAL

List of supplying markets from CAREXCPRC for a product imported by China
 Product: TOTAL All products



■ Imported growth in value between 2013 - 2014, %
 ■ Imported growth in value between 2015 - 2016, %
 ■ Imported growth in value between 2016 - 2017, %
 ■ Imported growth in value between 2014 - 2015, %

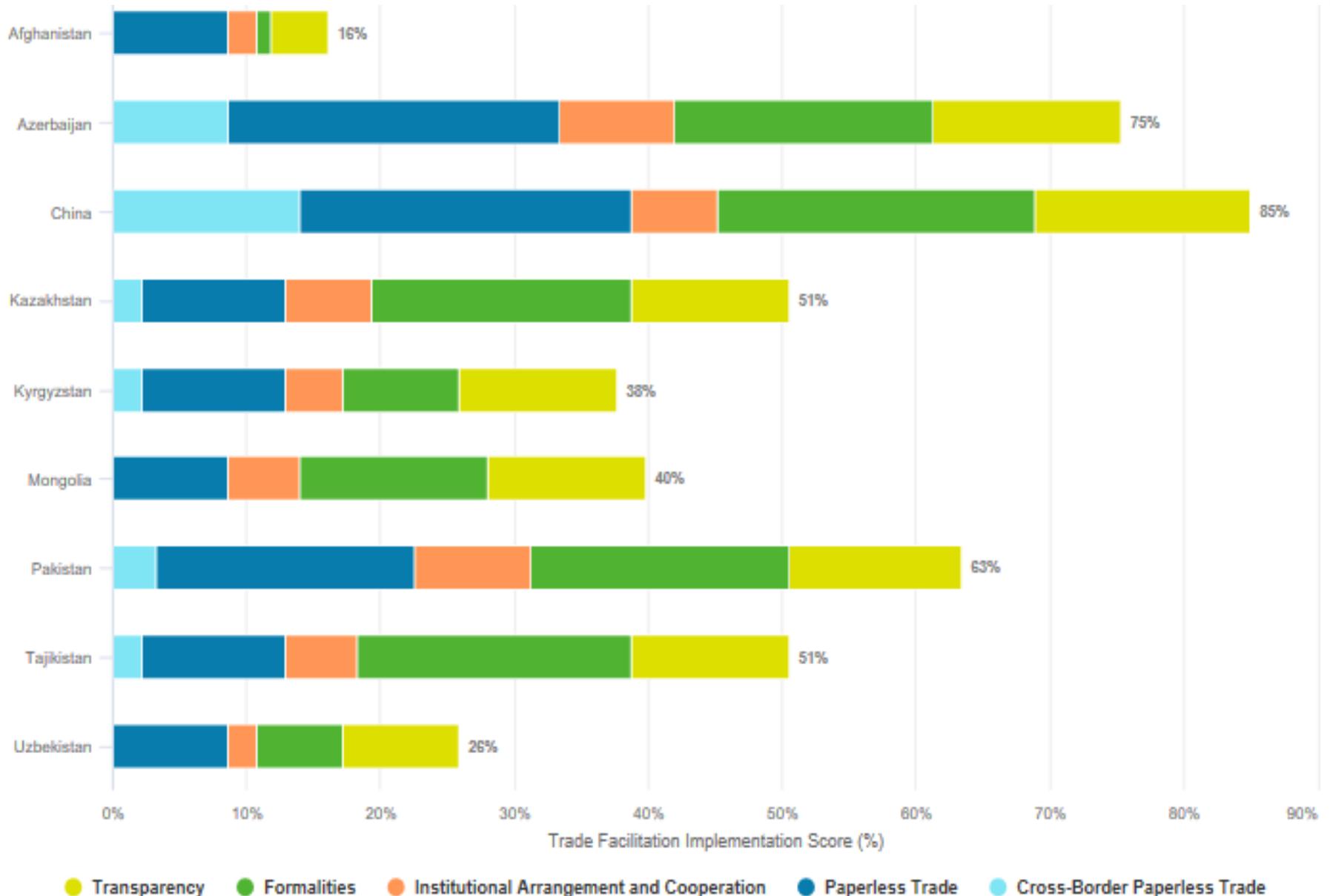
FACTORS AFFECTING TRADE INTEGRATION

- Asymmetrical Market and Institutional (under) Development Constraints
- Market Access restrictions (trade in goods & services)
- Inconsistent and restrictive foreign direct investment (FDI) policies
- High trade costs
- Trade Facilitation and Economic connectivity
- **Fragmentated Regionalism:** Each member of CAREC is already party to at least one RTA and but no economic integration regionally

TRADE COSTS MATTER-WTO TRADE FACILITATION AGREEMENT

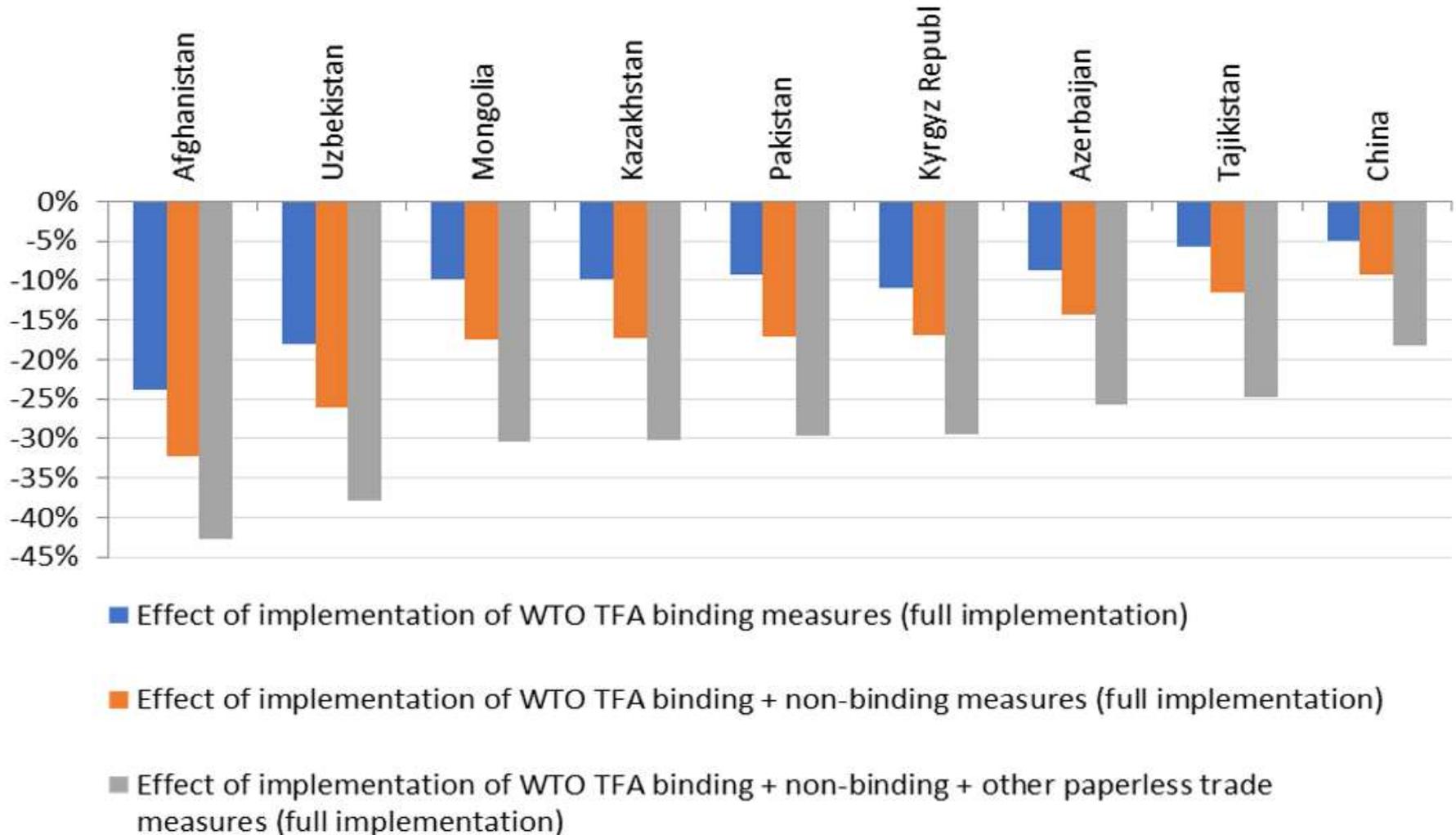
- Trade costs inflate prices and delay the delivery time (rent-seeking eroding competitiveness)
- TC adds up to 219% tariff equivalent burden in developing countries*
- Reductions in time and costs to trade can enhance competitiveness and aid in integration with global value chain
- CAREC contribute significantly to reducing trade costs and increasing intra-regional trade volume. A 10% reduction in time at the importers' border raises intra-CAREC trade by 2%–3%, for a \$1.4 billion increase in intraregional trade.
- Full implementation of WTO Agreement on Trade Facilitation (TFA) will reduce trade costs of manufactured goods by 18 per cent and of agricultural goods by 10.4 per cent

TRADE FACILITATION AND PAPERLESS TRADE IMPLEMENTATION SCORE



TRADE FACILITATION MATTERS-

IMPACT ON TRADE COSTS



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

@ <https://www.carecprogram.org/uploads/10-Trade-Facilitation-and-paperless-Trade-Implementation-in-CAREC-by-Ms.-Yuhua-Zhang.pdf>

CAREC REGIONAL MARKET POTENTIAL

- Energy Market – both traditional fossil fuels and Renewables
- Regional Agriculture Market potential (more than US\$ 200bn)
- Sunset industries from China can be relocated to Central Asia
- Cross-border Free Zones and regional value chains
- Cross-border movement of goods, **services**, capital, and people
- High-tech industrial manufacturing and services sector
- Infrastructure and economic connectivity- High speed train and transportation
- Economic revitalization of Urban Corridors in the Central Asia – Regional Development Policy based on consumption and production and not focusing merely on national industrial / Trade Policies
- **Micro-trade, E-commerce and Eco-Tourism**
- Transborder Governance of Regional Public Goods to mitigate the Climate Change impact

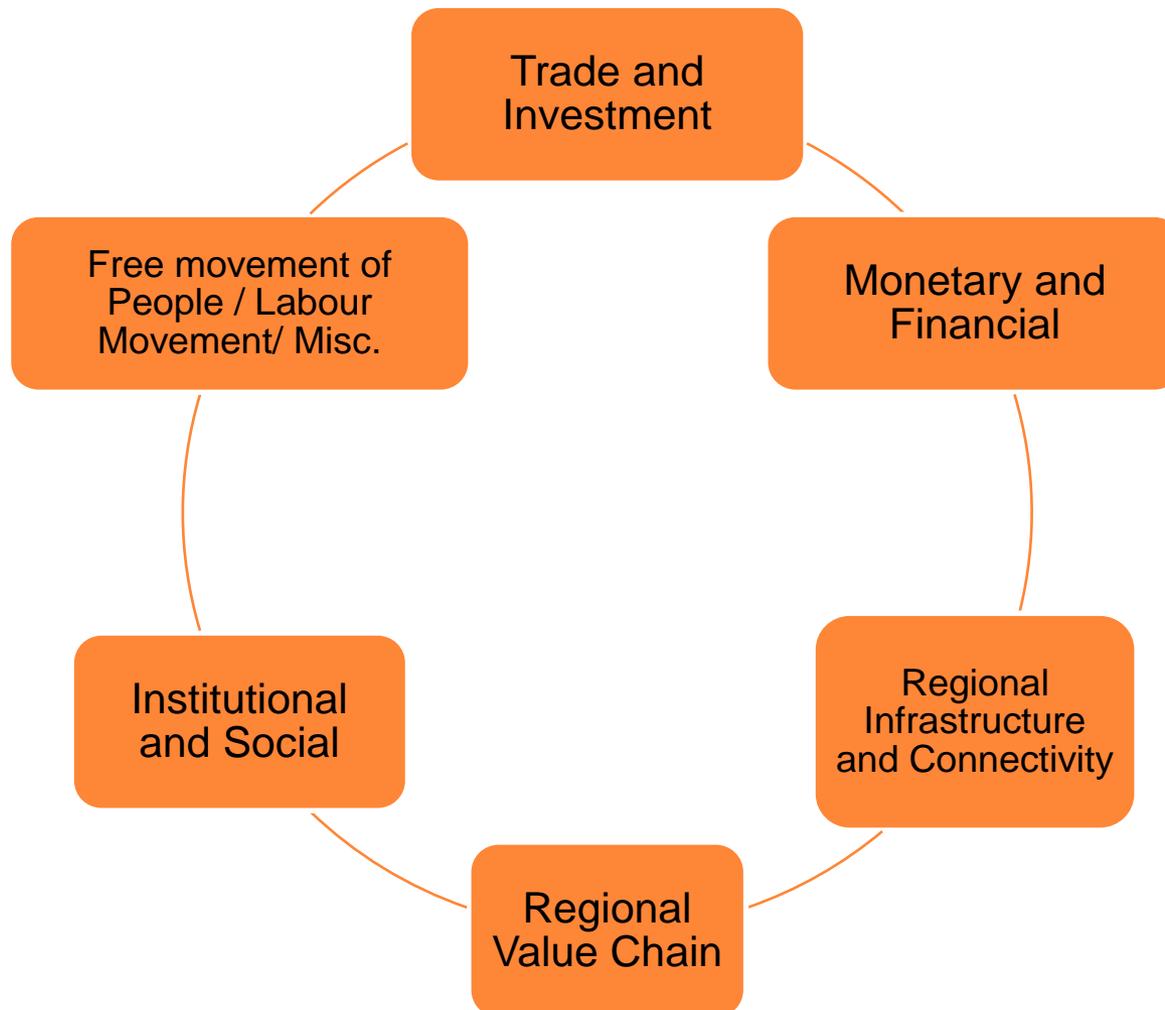
MEASURING INTEGRATION

- Conceptual Framework
- Mapping Policy Objectives with Integration Index
- Ease of doing trade: Behind the border, at the border and beyond the border trading costs
- Theoretical framework- measurement, index construction, parameter selection , contextual framing, methodology and analytical framework
- Benchmarking – measuring against stated policy objectives : FTA or Economic Framework
- Open platform no formal agreements on Trade, Investment and Infrastructure and Trade Facilitation

ABOUT THE CAREC REGIONAL INTEGRATION INDEX

- Integration is a dynamic and consensus oriented process
- Measurement may be complex and cumbersome process
- CRII aims to measure the depth and breadth of regional cooperation on six socioeconomic dimensions
- a weighted index comprising of six distinct parameters
- On scale of 0 (low) to 1 (Full) Economic Cooperation
- provides a user-friendly tool to assess the state of the integration in each of the dimensions and identify gaps.
- provides a menu of suggestive measures (policy coordination and harmonization) for a targeted strategy and action plan to boost the regional cooperation and economic integration process
- **Assesses the Operational Clusters progress:** Results Framework for CAREC Integrated Trade Agenda
- Possibilities are myriad: **Assessing SDGs and CO2 emissions-** how are national and multilateral initiatives aligned to achieve shared growth and prosperity

SIX PARAMETERS TO MEASURE CRII



Dimension	Indicator		Data source
I. Trade and Investment Integration	I-a	Proportion of intra-regional goods exports to total goods exports	Direction of Trade, IMF
	I-b	Proportion of intra-regional goods imports to total goods imports	Direction of Trade, IMF
	I-c	Intra-regional trade intensity index	Direction of Trade, IMF
	I-d	Proportion of intra-regional FDI inflows to total FDI inflows	Greenfield FDI: FDI Markets,
	I-e	Proportion of intra-regional FDI inflows plus outflows to total FDI inflows plus outflows	M&A FDI: Zephyr
II. Money and Finance Integration	II-a	Proportion of intra-regional cross-border equity liabilities to total cross-border equity liabilities	Coordinated Portfolio Investment Survey, IMF
	II-b	Proportion of intra-regional cross-border bond liabilities to total cross-border bond liabilities	ADB using various sources
	II-c	Pair-wise dispersion of deposit rates averaged regionally relative to that averaged globally	ADB using various sources
	II-d	Pair-wise correlation of equity returns averaged regionally minus that averaged globally	ADB using various sources
III. Regional Value Chain	III-a	Ratio between the averaged trade complementarity index over regional trading partners and the averaged trade complementarity index over all trading partners	UNCTAD
	III-b	Ratio between the averaged trade concentration index over regional trading partners and the averaged trade concentration index over all trading partners	UNCTAD
	III-c	Proportion of intra-regional intermediate goods exports to total intra-regional goods exports	UNComtrade
	III-d	Proportion of intra-regional intermediate goods imports to total intra-regional goods imports	UNComtrade
IV. Infrastructure and Connectivity	IV-a	Ratio between the averaged trade cost over regional trading partners and the averaged trade cost over all trading partners	World Bank/UNESCAP
	IV-b	Ratio between the averaged liner shipping connectivity index over regional trading partners and the averaged liner shipping connectivity index over all trading partners	UNCTAD
	IV-c	Logistics performance index (overall)	World Bank
	IV-d	Doing Business Index (overall)	World Bank
V. Free Movement of People	V-a	Proportion of intra-regional outbound migration to total outbound migration	UN Population Division
	V-b	Proportion of intra-regional tourists to total tourists (inbound plus outbound)	WTO
	V-c	Proportion of intra-regional remittances to total remittances	World Bank
	V-d	Proportion of other Asian countries that do not require an entry visa	National sources
VI. Institutional and Social Integration	VI-a	Proportion of other Asian countries that have signed FTAs with	DESTA
	VI-b	Proportion of other Asian countries that have an embassy	Europa World Yearbook
	VI-c	Proportion of other Asian countries that have signed business investment treaties with	UNCTAD, DESTA
	VI-d	Proportion of other Asian countries that have signed double taxation treaties with	UNCTAD
	VI-e	Cultural proximity with other Asian countries relative to that with all other countries	CEPII

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
 - Because of large variation, indicators "CAREC Total" or "CAREC Average" need to be interpreted with care
 - CRII will analyze for CAREC, CAREC Excl. PRC
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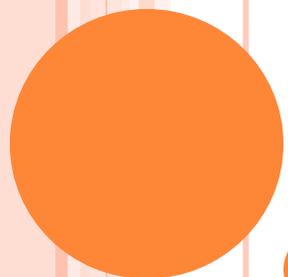
CRII- ADDING VALUE TO POLICY ANALYSIS

- The CRI index will filter out the asymmetries that exist in the CAREC member economies' structure, size and scope.
- Weights to each of the six indicators would be assigned using both the Principal Component Analysis (PCA) Technique and gap and situational analysis – it will measure the variance of these indicators vis-a-vis actual level of regional integration.
- Proxy variables for missing data: Data availability constraints especially on CAREC Money & Finance and Infrastructure connectivity Indicators pose a challenge
- Identify policy gaps and provide perspectives and roadmap at national and regional level to attain the higher regional integration milestones as per following Gap Analysis and Targeted Policy Measures Matrix

CRII- Dimension

Policy Gaps

Targeted Policy Measures



BENCHMARKING PROGRESS : MONITORING RESULTS FRAMEWORK FOR CITA 2030*

Specific Indicator for country's progress

- Trade Expansion from Increased Market Access
 - Open Trade Policies
 - Lower Trade Costs
 - Trade Enabling and Trade Facilitation- Regional improvement of border services (RIBS)
 - Regional upgrade of SPS for Trade (RUST)
 - Greater Diversification (Market and product mix)
- Strong Institutions for Trade Matters - Regional Policy Coordination like establishment of one-stop shop/online trade policy and data portal for CAREC countries

○ Source: <https://www.carecprogram.org/uploads/2018-RTG-Inaugural-Meeting-Working-Paper.pdf>

ROAD MAP : BUILDING INFORMATION NETWORKS AND KNOWLEDGE CORRIDORS

CI-ADB to support the capacity of National Statistical office (Knowledge and Support Technical Assistance (KSTA) 9356-REG: Data for Development)

- ADB-CI intends to partner with national Statistical Offices to build their capacity to record National Accounts
- Partner with Think Tanks to develop National Integration Index based on the CRII framework to monitor the progress of the Regional Integration for shared prosperity
- Customized Integration Indices-additional parameters to assess the operational clusters progress and alignment with SDGs and CO2 emission
 - Economic Connectivity including investments
 - Agricultural Value Chain
 - Social Indices
 - Tourism Indicators
 - Regional Public Goods Governance
- Develop Integrated web-based database for policy analysis and monitoring (Target Next 3 years)

WAY FORWARD AND RECOMMENDATION

- REGIONAL FORMAL ARRANGEMENTS TO OPEN UP MARKET ACCESS OPPORTUNITIES BY ELIMINATING TARIFF, NON-TARIFF AND OTHER BARRIERS TO TRADE (BEHIND-THE-BORDER AND AT-THE-BORDER)
- LIBERALIZATION OF TRADE IN SERVICES (ALL FOUR MODES OF SERVICES)
- HARMONIZATION OF REGULATORY REGIME
- 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)
- TRADE ADJUSTMENTS – SUPPORT TO VULNERABLE SECTORS AND ADDRESS DEVELOPMENTAL CHALLENGES
- GENERALIZED SYSTEM OF PREFERENCES BY PRC, INDIA AND KAZAKHSTAN FOR CAREC LANDLOCKED ECONOMIES
- LEVEL PLAYING MARKET RULES FOR DOMESTIC SMALL AND MEDIUM ENTREPRENEURS' AND INDUSTRIAL SECTOR
- SPECIAL AND DIFFERENTIAL TREATMENT FOR ALL 8 LANDLOCKED ECONOMIES
- OPEN AND INCLUSIVE REGIONALISM - NON-DISCRIMINATORY TREATMENT TO MOST COMPETITIVE PRODUCTS, SECTORS AND PARTNERS

THANKS

AND

Q & A

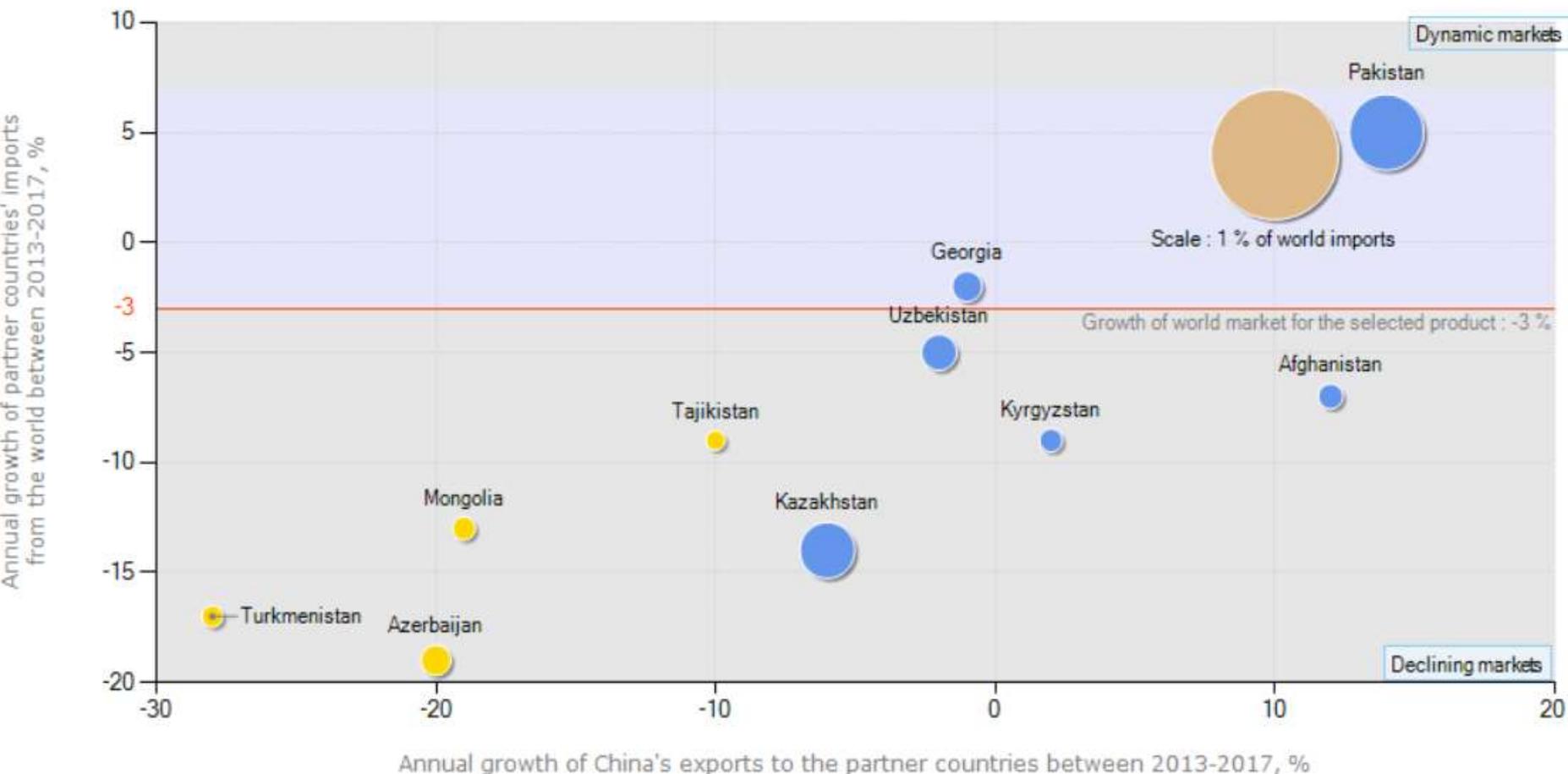
EXPORT PROFILE

Exporters	Value exported in 2017 (USD thousand)	Trade balance in 2017 (USD thousand)	Annual growth in value between 2013-2017 (%)	Annual growth in value between 2016-2017 (%)	Share in world exports (%)	Average distance of importing countries (km)	Concentration of importing countries
World	17420.7	-297.5	-3	10	100	4655	0.04
CAREC Aggregation	2387.1	412.1			13.7		
China	2271.8	430.8	-1	8	13	6537	0.07
Kazakhstan	48.3	19.0	-17	31	0.3	3918	0.08
Pakistan	21.9	-35.6	-5	7	0.1	6107	0.05
Azerbaijan	16.5	8.9	-17	29	0.1	3857	0.13
Uzbekistan	8.5	-2.9	4	21	0.00	3736	0.25
Turkmenistan	7.7	4.1	-12	3	0.00	4704	0.73
Mongolia	6.0	2.0	5	31	0.00	2348	0.72
Georgia	2.7	-5.3	-4	29	0.00	2465	0.06
Kyrgyzstan	1.8	-2.7	-3	26	0.00	3253	0.15
Tajikistan	0.97	-2.1	3	31	0.00	3030	0.19
Afghanistan	0.8	-4.3	3	8	0.00	1574	0.4

Importers	Import Analysis							
	Value imported in 2017 (USD Billion)	Trade balance in 2017 (USD Billion)	Annual growth in value between 2013-2017 (%)	Annual growth in value between 2016-2017 (%)	Share in world imports (%)	Average distance of supplying countries (km)	Concentration of supplying countries	Average tariff (estimated) applied by the country (%)
World	17718	-297.5	-3	10	100	5082	0.05	
CAREC Aggregation	1975	412.1			11.1			
China	1841	430.8	-3	16	10.4	6222	0.05	11
Pakistan	57.4	-35.6	5	22	0.3	4671	0.1	16.1
Kazakhstan	29.3	19	-14	17	0.2	3378	0.19	4.2
Uzbekistan	11.4	-2.9	-5	24	0.1	3430	0.14	26.9
Georgia	8.0	-5.3	-2	10	0.000	2879	0.07	0.7
Azerbaijan	7.6	8.9	-19	3	0.000	2935	0.11	7.2
Afghanistan	5.2	-4.3	-7	8	0.000	4057	0.14	7.2
Kyrgyzstan	4.5	-2.7	-9	17	0.000	3194	0.2	4.3
Mongolia	4.0	2.0	-13	32	0.000	3293	0.22	4.6
Turkmenistan	3.6	4.1	-17	-23	0.000	3800	0.13	...
Tajikistan	3.0	-2.1	-9	-7	0.000	3323	0.27	5.5

STOCK TAKE-ASSESSING THE POTENTIAL

Growth in demand for a product exported by China in 2017
 Product : TOTAL All products



China export growth to partner < Partner import growth from the world

China export growth to partner > Partner import growth from the world

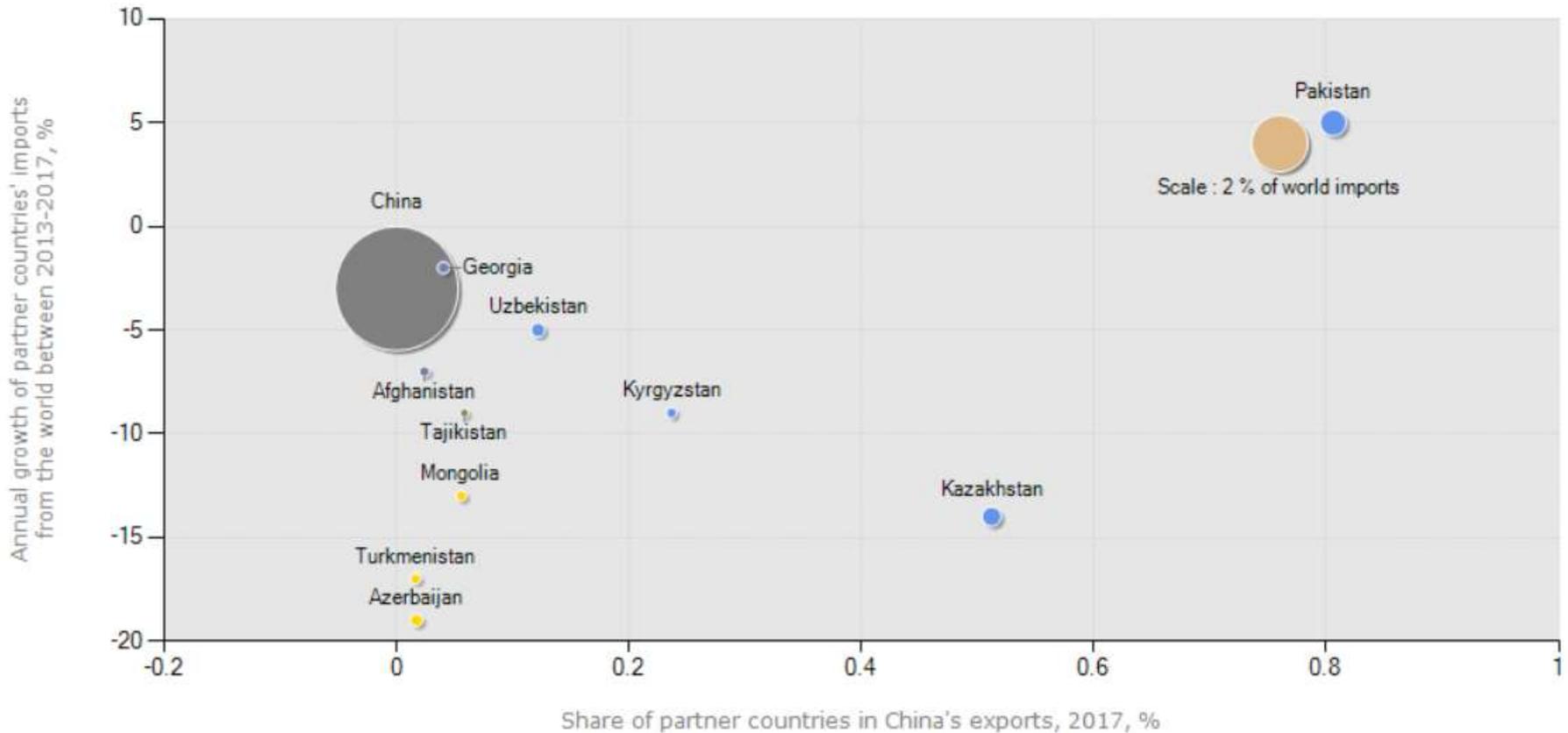
Reference bubble
 Some bubbles may not be displayed due to lack of growth rate indicators

The bubble size is proportional to the share in world imports of partner countries for the selected product



STOCK TAKE-ASSESSING THE POTENTIAL

Prospects for market diversification for a product exported by China in 2017
 Product : TOTAL All products



● China export growth to partner < Partner import growth from the world

● China export growth to partner > Partner import growth from the world

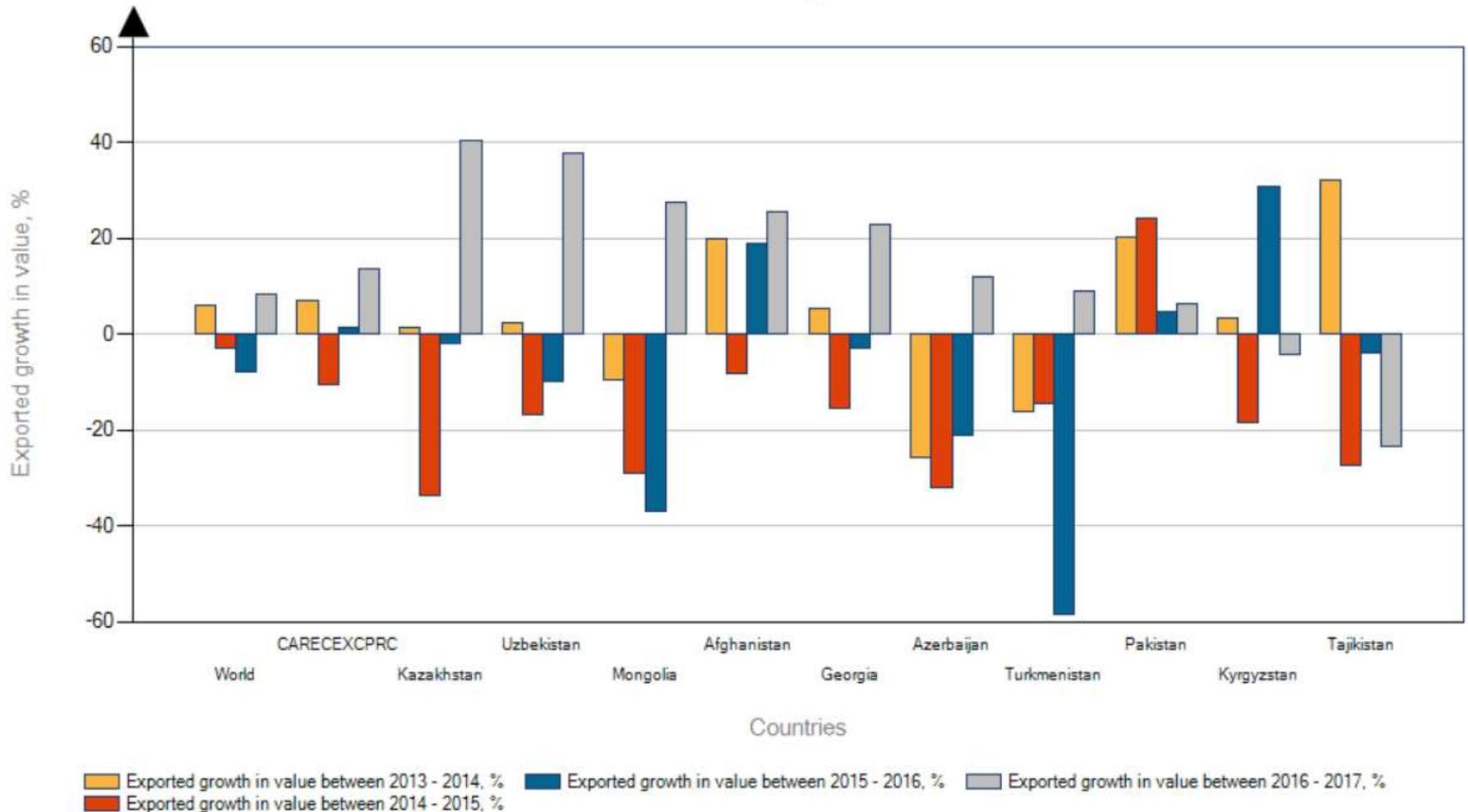
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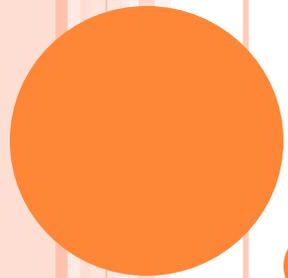
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STOCK TAKE-ASSESSING THE POTENTIAL

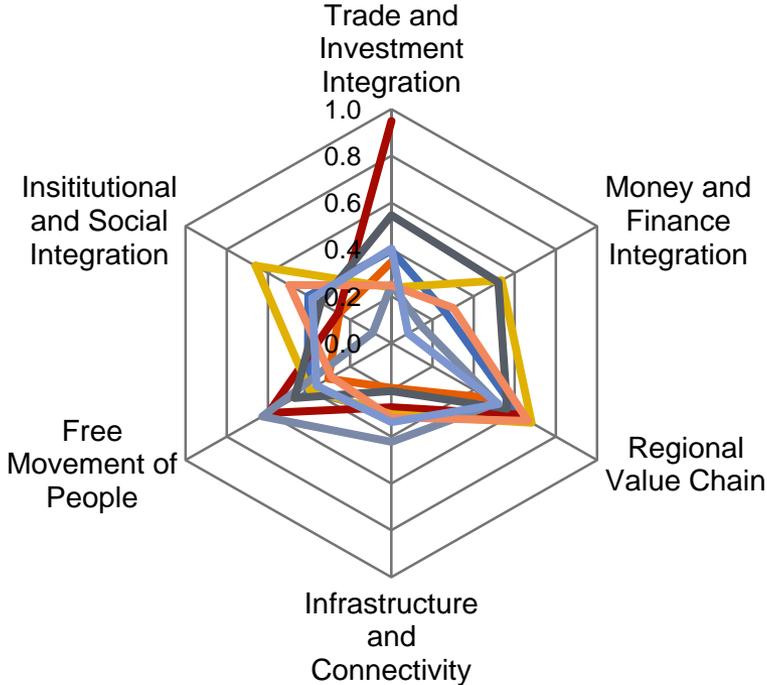
List of importing markets from CARECEXCPRC for a product exported by China
 Product: TOTAL All products





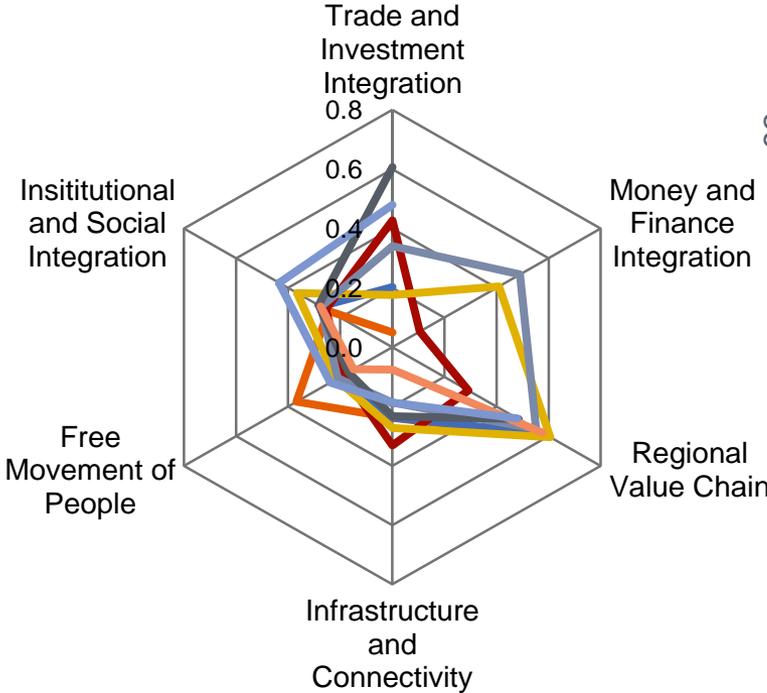
ASIA REGIONAL INTEGRATION INDEX: SUBREGIONS (2)

South Asia



- Afghanistan
- Bangladesh
- Bhutan
- India
- Maldives
- Nepal
- Pakistan
- Sri Lanka

Central Asia



- Armenia
- Azerbaijan
- Georgia
- Kazakhstan
- Kyrgyz Republic
- Tajikistan
- Turkmenistan
- Uzbekistan

