



PROCEEDINGS OF THE SECOND CAREC THINK TANKS DEVELOPMENT FORUM

EXPLORING KNOWLEDGE SOLUTIONS
FOR REGIONAL COOPERATION AND INTEGRATION

JULY 2018



ADB-PRC
RKSI
Regional Knowledge
Sharing Initiative



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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org

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ISBN 978-92-9261-272-6 (print), 978-92-9261-273-3 (electronic)
Publication Stock No. TCS179116-2
DOI: <http://dx.doi.org/10.22617/TCS179116-2>

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In this publication, "\$" refers to United States dollars, "RMB" refers to renminbi, "KZT" refers to Kazakhstani tenge, and "TJS" refers to Tajikistani somoni.
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ABBREVIATIONS

ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CAREC	Central Asia Regional Economic Cooperation (Program)
CI	CAREC Institute
CCIEE	China Center for International Economic Exchanges
CPEC	China–Pakistan Economic Corridor
CRII	CAREC Regional Integration Index
CTTN	CAREC Think Tanks Network
CWRD	Central and West Asia Department
ECO	Economic Cooperation Organization
EPA	economic partnership agreement
ERCD	Economic Research and Regional Cooperation Department
FDI	foreign direct investment
GDP	gross domestic product
GMS	Greater Mekong Subregion
GVC	global value chains
M&A	merger and acquisition
PRC	People’s Republic of China
PPP	public–private partnership
RCI	Asia–Pacific Regional Cooperation and Integration Index
RKSI	Regional Knowledge Sharing Initiative
SAARC	South Asian Association for Regional Cooperation
SREB	Silk Road Economic Belt
SME	small and medium-sized enterprises
SEZ	Special Economic Zone
SKF	Strategic Knowledge Framework
WTO	World Trade Organization

SESSION 1

OPENING OF THE SECOND CAREC THINK TANKS DEVELOPMENT FORUM

Welcoming Remarks

Sanjaasuren Bayaraa, Director, CAREC Institute

Welcome dignitaries, resource persons, and participants to the second Central Asia Regional Economic Cooperation (CAREC) Program Think Tanks Development Forum.

To effectively harness the potential of regional economic cooperation, there is a growing need to formulate coherent policies and strategies in a scientific manner, and ensure sustainable and prudent use of scarce resources.

As a subregional think tank and a knowledge sharing platform, the CAREC Institute (CI) is playing a leading role in integrating available resources and establishing collaborations with various international, regional, and national institutions.

CI member countries have a great deal to learn from each other on development practices and policy lessons, and such learning is particularly useful since they face similar challenges and circumstances.



Welcome remarks by Sanjaasuren Bayaraa, CAREC Institute.



A participant asking a question during the forum.

In the process, think tanks play a critical role in sharing knowledge and practices as many are involved in supporting governments in preparing medium- and long-term development plans and making policy recommendations to address emerging policy issues.

By providing knowledge services to member countries, CI's Strategic Knowledge Framework places CI in a leading role in establishing a subregional knowledge sharing network for CI member countries.

The first CAREC Think Tanks Development Forum was held in Astana, Kazakhstan on 20–21 June 2016, and one of the most important consensuses reached was that CAREC think tanks need to conduct more exchanges of views and closely contribute to regional economic development.

As a follow-up, CI agreed to make the forum an annual event and establish an informal network of regional think tanks for knowledge exchanges and experience sharing. CI proposed that the Second CAREC Think Tanks Development Forum provide a platform for discussing important regional issues and exploring the possibility of informally establishing a CAREC Think Tanks Network (CTTN).

The following are the key objectives of the proposed forum: (i) to invite eminent resource persons to discuss key policy issues confronting CAREC member countries with a view to finding sustainable solutions, (ii) to discuss critical issues confronting think tanks in the region and beyond, and (iii) to establish an informal network of think tanks working in the CAREC region for knowledge and experience sharing.

The theme of this year's forum is "exploring knowledge solutions for regional cooperation and integration." To achieve the theme's objectives, topics such as the regional integration index, global value chains, sustainable infrastructure, and trade policy will be discussed by the eminent speakers during the forum.

In addition, in 2017, two sessions have been allocated to deliberate upon institutional challenges the think tanks face in the region and beyond. In the last session, an informal network of CAREC Think Tanks will also be established.

Opening Remarks

Sean O’Sullivan, Director General, Central and West Asia Department (CWRD), ADB

CI Director Sanjaasuren Bayaraa, distinguished resource persons and think tanks representatives, ladies and gentlemen:

I am honored to be here today to open the Second CAREC Think Tanks Development Forum. This forum follows on from last year’s inaugural CAREC Think Tanks Development Forum in Astana, Kazakhstan.

The forum provides an important opportunity for exchange of knowledge and research on contemporary development issues and challenges confronting the CAREC region.

Many countries in the region have suffered significant adverse fallouts from the global financial crisis of 2007–2008. The collapse in commodity prices starting in 2014 has further exacerbated economic challenges in both commodity-exporting countries and other neighboring countries dependent on trade and remittances from exporting countries. Related challenges include the need to revive and sustain economic growth and create jobs, diversify economies to reduce dependence on natural resources, eliminate poverty and reduce inequalities, strengthen institutions and improve delivery of services, and protect the environment and address climate change.

Deepening regional cooperation is critical to maintaining economic and financial stability, sustaining growth, promoting trade, and creating economic opportunities. The CAREC Program has played an important role in the region in promoting investments and policy improvements in the areas of transport, energy, and trade to support economic growth and poverty reduction. From 2001 to December 2016, there has been \$29.4 billion worth of CAREC-related investments in the region covering 176 projects. Of this, \$10.4 billion (35%) was financed by the Asian Development Bank (ADB), and the rest was contributed by other donor organizations and CAREC governments.



Opening remarks by Sean O’ Sullivan, Director General, CWRD, ADB.

CI is central to providing knowledge solutions on which to build CAREC's operational program for the future. We are pleased to work with and support the institute. We are also happy to support the organization of this forum. As our President said in his speech this morning, ADB wants to see CI emerge as an internationally recognized and respected leader in research, knowledge, and capacity building in the region. We look forward to CI developing its own specific areas of expertise and knowledge, and contributing to the dialogue between knowledge institutions.

I am pleased to see that over 25 regional think tanks have come together today from all corners of the region to share knowledge and best practices with each other over the next one-and-a-half days. I am sure that the deliberations at the forum will provide new analytical insights and suggest strategies to address some of the challenges I have outlined in my remarks today.

Turning to the agenda, I am pleased to see that this second forum will look at several key questions facing member countries, including how to measure participation in global value chains, how to sustainably finance infrastructure investments, how to best harmonize trade policy, and how to measure progress on regional cooperation using a regional integration index. These are all important questions with strategic implications for CAREC's support to member countries in the region.

I understand that a key objective of the forum today is to make progress toward establishing an informal network of think tanks in the region to institutionalize the process of exchanging knowledge and best practices. This will help think tanks in the region share and leverage each other's research and capacity-building efforts, and help them to better connect with think tanks in other parts of the world. The network will provide a platform to collaborate on knowledge activities and build synergies, drawing on the comparative advantages of participating institutions.

We have brought ADB colleagues to the forum from our headquarters in Manila, as well as from field offices and from the ADB Institute (ADBI) to exchange their insights, ideas, and research with you. Our ADB–People's Republic of China (PRC) Regional Knowledge Sharing Initiative colleagues are also here. I would like to acknowledge their support and contributions to this forum.

Thank you again for inviting ADB here to be a part of this event. I wish you all a productive forum and I am sure your conversations will be rich and informative. I look forward to tangible outcomes that will help inform strategies of CAREC member countries to overcome their development challenges, and which will support progress and prosperity of the region.

Thank you.

SESSION 2

STATE OF ECONOMIC COOPERATION AND INTEGRATION IN THE CAREC REGION

CAREC Regional Integration Index: Measuring the Extent of Regional Cooperation

Moderator: Ninny Khor, Coordinator, ADB-PRC
Regional Knowledge Sharing Initiative

Speaker: Saeed Qadir, Senior Research Officer, CI

Introduction

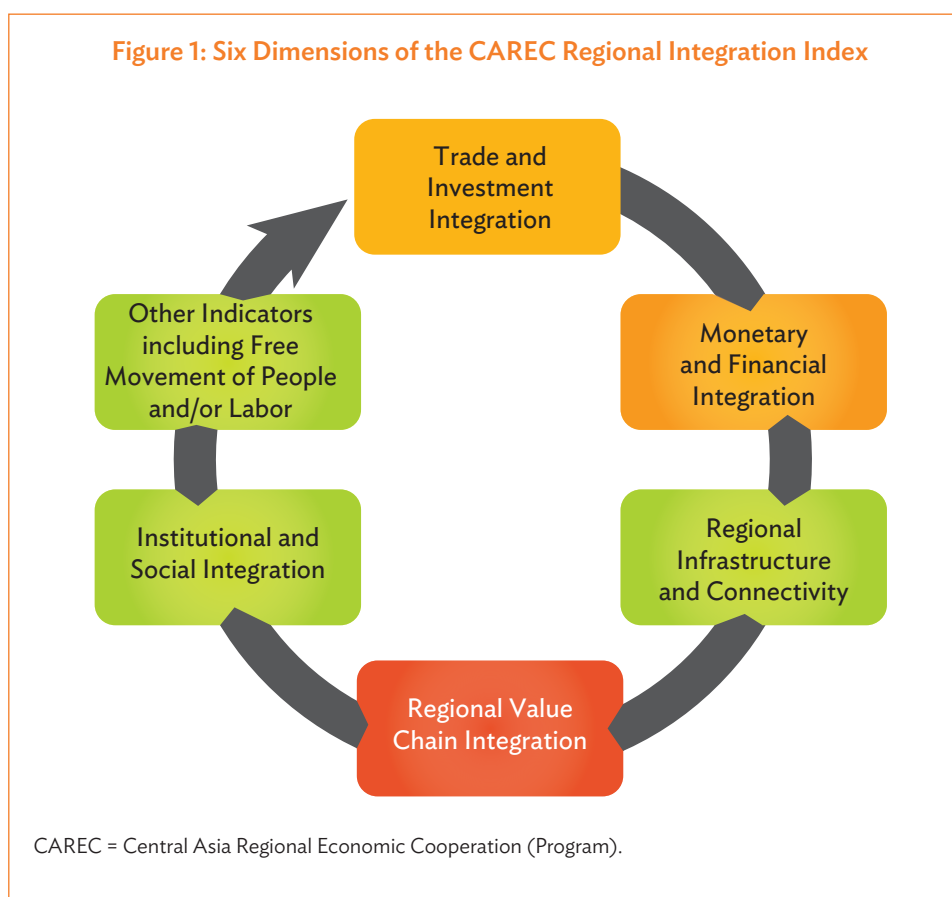
It is challenging to undertake an economic analysis of CAREC because the sizes of its member economies vary widely. The largest economy, the PRC, accounts for more than 94% of the region's gross domestic product (GDP) and foreign trade, and more than 80% of its population. In contrast, the Kyrgyz Republic,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

The CAREC Regional Integration Index (CRII) is designed to measure the depth and breadth of regional economic cooperation among the 11 member countries. It compares the intra-CAREC state of integration vis-a-vis regional and global integration index rankings. It also helps identify policy gaps and provides policy recommendations to enhance regional integration.



Saeed Qadir, Senior Research Officer, CI, speaking in the session on the CAREC Regional Integration Index.

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 integration: 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 and/or labor (See Figure 1). There are 26 indicators, which are calculated subject to the availability of data for the whole of CAREC, and for CAREC excluding the PRC.



Key Findings

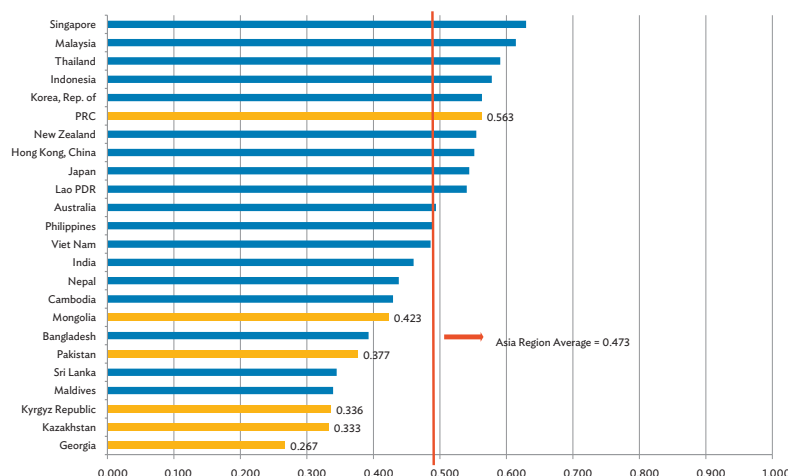
CRII indicates a low level of integration in the six key dimensions of regional economic cooperation for the CAREC member countries, excluding the PRC. The index assigns a value of zero (low) to 1 (full) for economic integration.

Research indicates that CRII 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 (See Figure 2).

CAREC countries with a higher value (approaching 1) appear to have integrated value chains and higher trade competitiveness.

Data are based on the 2013 APRII (See Figure 3). Updated data for CRII became available in December 2017.

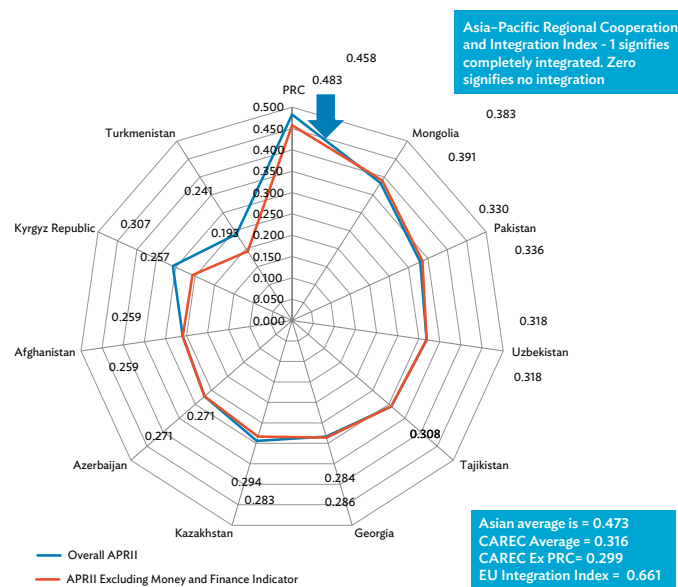
Figure 2: CAREC Countries with a Higher Value (Approaching 1) Appears to Have Integrated Value Chain and Higher Trade Competitiveness



CAREC = Central Asia Regional Economic Cooperation (Program), PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic.

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

Figure 3: CAREC Regional Integration Index - APRII



CAREC = Central Asia Regional Economic Cooperation (Program), PRC = People's Republic of China, EU = European Union.

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

Conclusion

CRII is a dynamic index that constantly tracks 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.

Discussant I: Hyeon-Seung Huh, Associate Dean, School of Economics, Yonsei University, Seoul, Republic of Korea

CAREC has been promoting economic cooperation among its member countries. As part of this development, CAREC now plans to implement CRII, which measures the degree of regional integration for each of the member countries. CRII will monitor and evaluate progress, judge it against set goals, and identify strengths and weaknesses. It will also be able to offer a menu of policy coordination and action plans to enhance regional cooperation among CAREC countries.

CRII shares the same structure as RCI.¹ However, there are issues specific to CAREC countries that need to be addressed to ensure the accuracy and adequacy of CRII. Most notable are significant differences in the economic size and structure of member countries. Data availability constraints pose another challenge. Various alternative procedures will be examined to deal with these difficulties. Upon completion, CRII will be tailored to suit the needs of CAREC countries, and should be able to provide valuable information for boosting cooperation and economic integration in the region.

Discussant II: Fahad Hassan Khan, Economist, Economic Research and Regional Cooperation Department, ADB

Overview

CRII replicates RCI, which was developed by Huh and Park (footnote 1) to track the progress of regional integration in the CAREC economies in a comparative Asian context. A lack of indicators that are broad-based and comprehensive, and which capture multiple dimensions of regional integration, limit our ability to understand the regional integration dynamics and assess their progress. Following the lead of RCI, CRII comprises 26 indicators that measure various aspects of regional integration along six dimensions: (i) trade and investment integration, (ii) money and finance integration, (iii) regional value chains, (iv) infrastructure and connectivity, (v) free movement of people, and (vi) institutional and social integration. The 26 indicators are normalized and aggregated using principal component analysis to yield an index ranging from 0 to 1, with higher values representing higher levels of integration.

¹ H. Huh and C.Y. Park. 2017. Asia-Pacific Regional Integration Index: Construction, Interpretation, and Comparison. *ADB Economics Working Papers*. No. 511. Manila: Asian Development Bank.



Fahad Khan, Economist, ADB, speaks at the forum.

Key Findings

Based on RCI, significant progress has been made in Asia and the Pacific, but the degree of regional integration varies across different subregions and socioeconomic dimensions. Asian regional integration has been largely driven by trade and investment integration, which is as advanced as that in the European Union (EU); but progress has been slow in the institutional and social dimensions. Some dimensions (especially, money and finance/institutional and social) require greater attention to promote regional integration.

Based on preliminary computation of CRII, CAREC is more integrated within the subregion than with the rest of Asia and Pacific (except for the dimensions of trade and investment, and regional value chains). Given the dominance of the PRC across all dimensions, the index is also computed excluding the PRC. Excluding the PRC, CAREC is also more integrated within itself than with the rest of Asia (except for the dimensions of infrastructure connectivity, and institutional and social integration).

Placing CAREC's regional integration in a comparative context with Asia and the Pacific, it is found that CRII is lower than the Asian index in trade and investment, the regional value chain, and free movement of people. However, it is substantially higher than the Asian RCI in institutional and social integration, due to shared historical ties amongst the economies of CAREC. Moving forward, CRII potentially provides guidance for subregion policy makers to integrate more forcefully by deepening trade and investment linkages, and developing regional value chains.

Conclusions

Moving forward, CRII could be made more robust and useful for policy analysis through the following methodological improvements.

- CI might help fill in the data gaps (i.e., mostly for Turkmenistan and financial indicators for many CAREC economies).
- Due to data limitations, the infrastructure and connectivity dimension includes nonbilateral data (World Bank's Logistic Performance Index and Ease of Doing Business Indicators). The quality of data used for this dimension could still be improved by utilizing the bilateral data from CAREC Corridor Performance Measurement and Monitoring.
- CI may want to explore constructing a historical series to track the progress of integration over time.

Conceptually, it may be worthwhile to consider the following in the process of interpreting CRIL.

- Are all dimensions of integration equally desirable?
- Intraregional integration versus across regions. Does intraregional integration imply inward orientation?
- How can CRIL assess not only the state of regional integration, but also analyze economic costs and benefits, and the optimal extent of regional integration?



Participants at the forum.

Measuring Participation in the Global Value Chain: a PRC Case Study

Moderator: Nobuya Haraguchi, Industrial Research Officer, United Nations Industrial Development Organization, Austria

Speaker: Mahinthan Joseph Mariasingham, Statistician, Economic Research and Regional Cooperation Department, ADB

Introduction

The expanding and deepening participation of the PRC's economic sectors in global production networks, especially since the country joined the World Trade Organization (WTO), not only propelled its economic growth but also enabled it to become the largest trading nation by 2013, overtaking the United States. However, the PRC's participation in globalized production processes varied by sector and largely depended on relative factor endowment advantages.

This discussion paper provides an overview of recent trends in global value chains (GVCs), particularly with respect to the changing role of the PRC's economic sectors in the global economy.

Key Findings

More than 80% of the added value in the PRC's gross exports is domestically produced. Although the PRC's export intensity and its role as a global assembly hub have moderated since 2008, domestic value chains and high-tech sectors within the PRC continue to strengthen. As the fragmentation of production within the PRC deepened, domestic intermediate inputs have been replacing imported intermediate inputs, and indirect exports have become more important in the PRC.



Mahinthan Mariasingham, Statistician, Economic Research and Regional Cooperation Department, ADB, speaks at the forum.



Participants at the forum.

Manufacturing sector exports continue to remain important, especially those of high-tech industries, though the deepening of domestic value chains varies by sector.

The importance of the textile sector to the PRC's exports (measured by the sector's domestic value added as share of the gross domestic product) has declined, while that of the electrical and optical equipment sectors has risen.

Indicators of the comparative advantage of the textile sector also continued to decline, but remain higher than the high-tech sectors, which have continuously risen, suggesting that the PRC is graduating to more sophisticated value chains.

GVC indicators also suggest that the PRC is moving to higher positions in the various global value chains that its sectors are participating in.

Conclusions

Indirect exports are at least as equally important as direct exports for policy making, although trade-related policy discussions mainly focus on the latter. An implication of this is that policies may need to be tailored for different sectors as some sectors have much higher reliance on indirect exports. Indirect exports also mean job opportunities for the local labor force. The opening of the PRC to the world led to job creation, not only through direct exports, but also through the growing domestic network of producers that has increased the PRC's capacity to produce goods and services.

If the current trends seen in the value-added comparative advantage measures continue, the comparative advantage of some sectors, such as textile and telecommunications, may be lost in the PRC, while others, such as transport equipment, may gain comparative advantage. This suggests that the current framework of sector-oriented policy support could benefit from a deeper consideration of structural transformation in the economy.

GVC participation indicators also point to the PRC moving to higher positions in global value chains. This type of involvement in global production networks is in sharp contrast to the “assembly hub” or processing trade type of supply chain contribution, and bodes well for the future of GVC participation by the PRC sectors.

Discussant I: Fahad Hassan Khan, Economist, Economic Research and Regional Cooperation Department, ADB

Overview

Participation in global production sharing has been a successful export-oriented strategy followed by many Asia and Pacific economies, particularly in East and Southeast Asia. The great trade expansion over the past decades was driven by the expansion of global and regional value chains. Traditionally, Japanese and Korean multinationals, as well as those from outside the region, relocated parts of the production process in search of lower labor cost, most notably in the PRC. Initially, the PRC emerged as a hub for final assembly. However, as wages rose and the PRC moved up the value chain through industrial upgradation, export-oriented multinationals (including Chinese multinationals) relocated downstream parts of the production process to other developing economies in the region. This discussion investigates the drivers of a multinational’s decision to invest and locate in certain country.

Key Findings

Using firm-level data that provides information on the global ultimate ownership of foreign direct investment, as well as the industrial classification of the both the headquarters and the affiliate of a multinational, ADB research (*Asian Economic Integration Report*, 2016) reaches the following conclusions through a rigorous applied econometric methodology:

- Greenfield foreign direct investment (FDI) is most common in manufacturing while mergers and acquisitions (M&As) are most common in services.
- Determinants of FDI are diverse across different modes of entry and motivation, and different sectors, and source economies.
- Governance is the most important factor for both greenfield FDI and M&A, more so for M&A. Governance also matters most for North–South FDI.
- Improving the business environment could supplement low governance in developing countries; it is vital in fostering productive private investment, both domestic and foreign.
- Ease of downstreamed exports, labor abundance, low trade barriers, and access to credit foster GVC FDI in Asia; labor abundance can be leveraged by developing economies to attract multinationals.
- Relatively speaking, GVC FDI is undertaken more through greenfield investments, while market-seeking FDI takes the M&A mode of entry.

Conclusions

Given the uncertain global economic environment and trade growth recovery, it is increasingly important for developing economies to continue attracting export-oriented FDI, particularly from within the region. Based on empirical findings, the following policy recommendations can be offered:

- Policy makers need to carefully consider the different types of investment that may best suit their development strategies when devising FDI policy on incentives and facilitation in the context of an economy's development stage, comparative advantage, and industrial structure.
- Strong political will and commitment help attract FDI in developing Asia. Good governance and quality institutions of the host economy are the most important determinants of a multinational's FDI decisions.
- Credible policy reforms creating better governance and institutions maximize the host economy's chances of attracting productive FDI. In the absence of good governance or institutional quality, developing countries can still attract multinationals by improving the business environment or domestic policy regime, and through international investment agreements or treaties.
- A good investment climate is vital in fostering productive private investment—either domestic or foreign. Creating an investment-friendly environment encourages private investment that is key to strong economic growth and rapid poverty reduction.
- Upgrading the business environment is particularly important for economies with relatively weaker institutions to attract FDI inflows, as improving the general quality of institutions would often require comprehensive and painstaking reforms.
- Labor abundance and low levels of development can be leveraged by economies in developing Asia to attract multinationals and link to GVCs through lowering trade barriers and greater integration.

Discussant II: Quanrun Chen, Assistant Professor, University of International Business and Economics, Beijing

Key Findings

New indicators derived from the ADB multiregional input–output tables are used to reveal the PRC's role in GVCs:

- To avoid double-counting in the gross exports indicator, the present study has used the value-added exports indicator to track the added value gained by an economy from GVCs.
- The present study does not only focus on direct exports but also considers indirect exports by using backward and forward linkage indicators. This is especially important for the service sector, which has moderate exports but has large amounts embodied in exported goods.

The current study has the following improvement potentials:

- The production heterogeneity issue. Processing exports have accounted for 40%–50% of the PRC's total exports of goods over the past decade. The production of processing exports is much more import intensive than production for domestic use. Therefore, it is worth distinguishing the PRC's processing trade in the multiregional input–output table in order to avoid significant bias in bilateral trade in value added. Studies have shown that the PRC's value-added exports would be overestimated by 15%, if the PRC's processing trade is hidden in the world input–output tables.



Quanrun Chen, Assistant Professor at the University of International Business and Economics, PRC, speaks at the forum.

- (ii) Besides value added, jobs—especially decent jobs—are also important indicators in terms of revealing an economy’s participation in GVCs. Studies based on the PRC’s jobs data have shown that the share of the PRC’s production workers involved in GVCs is decreasing and the share of research and development workers, as well as sales and marketing workers, are increasing, as the PRC economy continues to mature.

Conclusions

- (i) Production for processing exports should be distinguished in the multiregional input–output tables for countries with a large share of processing trade such as the PRC to avoid distorting the accounting results for bilateral trade in value added.
- (ii) Jobs data shows that the PRC is taking part in more and more research and development activities in the GVCs. The PRC is moving up the GVCs, but at a much lower rate than high-income Asian economies such as the Republic of Korea and Japan.

SESSION 3

EXPLORING AVENUES FOR COOPERATION IN INFRASTRUCTURE AND TRADE IN THE REGION

Sustainable Infrastructure Development and Financing Options in the CAREC Region

Moderator: Saeed Qadir, Senior Research Officer, CI

Speaker: Naoyuki Yoshino, Dean, ADBI, Japan (video presentation)

Overview: Infrastructure Investment, SME Promotion and Education for Sustainable Growth

There are three elements key to achieve sustainable growth in CAREC, where distances are vast and population density is low. First is infrastructure, especially since the region has a comparative advantage in agricultural products, which would require infrastructure to access consumer markets. The other two elements are small and medium-sized enterprises (SME) promotion and education.





Participants at the forum.

Key Findings

The provision of infrastructure requires huge investments and infrastructure will remain under-supplied if it is left to the private sector alone. However, infrastructure investments result in significant spillover effects, and in the CAREC region, these spillover effects are even more important. Direct spillover effects are immediate; infrastructure investments create jobs directly. In addition, there are the indirect effects of spillover. In Japan, data shows that indirect effects are significant from 1956–1960 onwards. An important indirect effect comes from positive spillovers for fiscal revenues: as the private sector grows alongside improved infrastructure, tax revenues also grow as economic growth picks up.

Given these spillover effects on tax revenue, infrastructure bonds are recommended to provide for long-term stable financing for infrastructure. Our studies provide positive empirical evidence in the following three examples:

- (i) Using differences-in-differences analysis, we examined the impact of regions close to a Metro Manila highway versus far away from highway. The results suggest that tax revenues increased in areas close to the highway following its construction. In the Batangas province alone, tax revenue doubled within 4 years of highway completion.
- (ii) Cross-border infrastructure investment could benefit from spillover effects. For example, connecting northern India to ports in Bangladesh benefits both regions. For CAREC, Uzbekistan's railway improvements provide a case where connectivity spillover effect is large and significant by creating access to markets.
- (iii) In 2003, a high-speed railway was completed in Kyushu, Japan. After 2011, we observed a significant impact, with an increase in the number of taxpayers and the value of tax revenues.

Conclusions

In addition to infrastructure investments, estimates based on the neoclassical growth model suggest that education is equally important for growth, and investment in education will be needed in CAREC.

Lastly, access to finance for SMEs is important. How do we increase these funds? One possible conduit is through Hometown Investment Trust Funds. These types of funds were used in Japan, and are now expanding to Mongolia, Peru, and Viet Nam. Since these investment funds are very local in nature, they can be directed toward not just SMEs, but also small-scale localized infrastructure.

Discussant I: Qiangwu Zhou, Director General, International Economics and Finance Institute, Beijing, PRC

Overview

The huge infrastructure deficit in Central Asia has become an obstacle to the region's economic development. One of the reasons for the infrastructure deficit is lack of funding. This study focuses on analyzing diverse financing resources for infrastructure construction, including multilateral development banks, policy banks, and the private sector. It also explores the possibility of forming a synergy of all the financing resources and making joint efforts to boost infrastructure construction.

Key Findings

Multilateral development banks could play a unique role in infrastructure construction with their rich experience in financing, adequate capital supply, strong capital mobilization, cross-border coordination, and other institutional expertise.

Development finance is an important component of infrastructure financing. It is different from financial allocation and concessional financing support. Basically, it is market-driven, fulfilling the needs of infrastructure investment and financing. The PRC's national development bank, the Export-Import Bank, and other policy banks and development financing sources have contributed much in advancing the interconnectivity of some crucial routes and projects in Central Asia. Development finance and policy banks have provided valuable insights and experience for Central Asian countries to solve their problems in infrastructure financing.

The private sector should be more actively involved in infrastructure projects. Governments are responsible for creating a favorable policy environment to encourage the private sector to engage more in infrastructure projects.



Qiangwu Zhou, Director General, International Economics and Finance Institute, Beijing, PRC.



A participant asking a question during the forum.

Conclusions

A stable, sustainable, and risk-controlled platform for infrastructure investment and financing is required in Central Asia. To facilitate the infrastructure development, a joint effort is necessary by all financing resources, including multilateral development banks, development finance, policy banks, commercial banks, institutional investors, and the private sector. All parties are required to uphold the *Guiding Principles on Financing the Development of the Belt and Road* so as to make concerted efforts to boost regional infrastructure development.

The PRC's Belt and Road Initiative (BRI) should achieve synergies with the development strategies of other countries in Central Asia. Areas of cooperation between the PRC and Central Asia includes policy coordination, bilateral trade, and cultural exchanges. Central Asia is a key area and an important partner for BRI. In the future, the PRC and Central Asian countries should seek stronger integration between their development strategies and plans, giving priority to cooperation between provinces and cities along the borderline, discussing potential areas of cooperation under the framework of BRI, and further enhancing their cooperation in infrastructure construction.

CI should play a more active role by undertaking in-depth investigation into regional conditions, proposing regional planning, and strengthening design. CI is also expected to provide intellectual support and decision-making references for regional infrastructure construction in Central Asia.

Discussant II: Shinichi Nakabayashi, Director for Administration, Management, and Coordination, ADBI, Japan

The dean, Naoyuki Yoshino, gave a video presentation on sustainable infrastructure development and tax-sharing bonds, and the director, Shinichi Nakabayashi, spoke about fiscal sustainability, public–private partnerships (PPP), and tax-sharing bonds. He also emphasized how cross-border connectivity will be key to development in the region and that transportation network projects will be best coordinated by multilateral development banks such as ADB. To improve logistics, capacity building on broad policy issues such as trade policy will be important and ADBI will help CI build capacity for policy makers.

Many countries in CAREC, such as the Republic of Azerbaijan, Kazakhstan, and Mongolia, have been recently affected by the decline in commodity prices. In order to achieve sustainable infrastructure development, stop-and-go policies should be avoided. Fiscal sustainability should be strengthened by introducing a medium-term fiscal framework. PPPs will improve infrastructure and fiscal sustainability only if they are well-designed. The risks involved in a project should be fairly shared between the private and public sector. Infrastructure development will increase land value and tax revenues. Meanwhile, it should be possible for private investors to share increased tax revenues to increase their rates of return. Transport infrastructure developments such as railways or motorways will benefit from adjacent financial investment, and financing by SMEs and hometown investment funds will be of assistance.

Cross-border connectivity to link the CAREC region to major markets such as East Asia and Europe will be key for development. To achieve sustainable infrastructure development, the tax-sharing bonds will help attract private investors for PPP projects. Financial development should also be an integral part of development.



Shinichi Nakabayashi, Director for Administration, Management, and Coordination, ADBI.

Xinjiang: At the Crossroads of Regional Economic Cooperation

Moderator: Qiangwu Zhou, Director General, International Economics and Finance Institute, PRC

Building the Silk Road Economic Belt and Sharing the Fruits of Development Jun Gao, Deputy Director General of Development and Reform Commission, Xinjiang Uygur Autonomous Region

During the period of Twelfth Five-Year Plan, the transportation industry in the Xinjiang Uygur Autonomous Region (Xinjiang) achieved substantial development and exceeded the planned investment targets. In the five years, fixed-asset investment in the sector reached an accumulated CNY175.1 billion (\$27.5 billion), accounting for around 4.4% of CNY3.96 trillion, which was the total fixed-asset investment for the plan in the autonomous region—2.1 times greater than that of the period of Eleventh Five-Year Plan and 1.3 times greater than the total amount for the first 60 years before the Twelfth Five-Year Plan. A total of 46,200 kilometers (km) of highways had been constructed, connecting all cities in the region (a highway connecting Hetian, or Hotan, in southwestern Xinjiang was still under construction).

By the end of 2016, 182,100 km of roads were open to traffic in the region (including 34,300 km constructed by the Xinjiang Production and Construction Corps), 105 counties and cities had 100 roads of Grade II and above, and 64 counties and cities had Grade I highways. Furthermore, all villages and towns had access via rural roads. In the same period, the region opened 111 international road transportation lines (including 54 for passenger transport and 57 for freight) that connected with five of the eight neighboring countries. The region had also signed five bilateral international road transportation agreements with Kazakhstan, the Kyrgyz Republic, Pakistan, Mongolia, and Tajikistan, and three multilateral international road transportation agreements for a PRC–Pakistan–Kazakhstan–Kyrgyz Republic road, a PRC–Kyrgyz Republic–Ukraine road, and a PRC–Russian Federation road passing through the territory of Kazakhstan. By speeding up self-building development and promoting exchanges and cooperation with neighboring countries, the region's international road transportation is supporting implementation of the Silk Road Economic Belt (SREB) initiative and promoting international trade, and economic and cultural exchange.



Participants ask questions at the forum

The Thirteenth Five-Year Plan will focus on promoting the “Four Transports” (integrated transportation, intelligent transportation, green transportation, and safe transportation). Meanwhile, efforts will be made to achieve the “Four Transformations:” becoming a European–Asian traffic hub; emphasizing channel and hub transportation construction; moving from a domestic transportation-focused strategy to equally emphasizing international and domestic transportation; and developing a modern, big data-enabled transportation system.

The SREB initiative will bring about major upgrading for Xinjiang, bringing historic opportunities for the region and making it a traffic hub with international channels connecting it with countries to the east, north and west. This will improve the region’s internal and external openness, and accelerate the transformation of its development model and economic structure, enhancing internationalized development. It is a major opportunity for the reform and development of Xinjiang’s transportation industry, also providing stability to the region. Future development must follow the target of Xinjiang serving as a major international channel to the Western world in the spirit of BRI, which is based on equality, mutual benefits, and wide-ranging exchanges and integration.

BRI: Building the Silk Road Economic Belt **Erken Umer, Deputy Director General of Urumqi Customs**

The Government of Xinjiang has made great efforts to promote customs cooperation with Central Asian countries in order to promote core efficiencies in line with the goals of the SREB initiative.

In May 2015, the General Administration of China Customs held the Connectivity and Win-Win Development Forum for Heads of Customs Administrations along BRI in Xi’an, Shaanxi Province, focusing on issues such as new opportunities for regional development, new reform directions, and new cooperation opportunities between customs and business communities. The forum held candid discussions on new ideas, exchanges of experience, and offered advice and suggestions, while also reaching a consensus on key customs issues.

Customs has realized great achievements in expanding and deepening international cooperation, with economic and social development benefits through facilitating trade and enhanced security.

Urumqi Customs now has a historic opportunity to carry out pragmatic cooperation with the customs at the borders of neighboring countries so as to promote connectivity and development of SREB. Key policy initiatives introduced by the Xinjiang government are the following:

- Positively build normalized and institutionalized conference mechanisms with surrounding countries.
- Expand the “green channel” mode, providing fast clearance at customs for agricultural products.
- Take multiple measures to support the go global policy for Xinjiang enterprises.
- Roll out an international multimodal transportation and logistics system in Xinjiang.
- Actively provide services for building the PRC’s major cross-border energy channel.
- Boost the construction of a major international railway channel for SREB in Xinjiang.
- Enhance imports of finished automobiles.
- Vigorously drive the development of commerce and trade in Xinjiang.
- Have the General Administration of Customs and Urumqi Customs actively engage with the work of CI.

Urumqi Customs will implement the five BRI objectives: deepening cooperation on linkage mechanisms, undertaking supervisory innovation, sharing information, implementing trade security, and building capabilities.

Reflections on Promoting Monetary Cooperation with Central Asian Countries

Peiying Zhang, Vice President of The People's Bank of China, Urumqi Central Sub-branch, People's Bank of China, Xinjiang Uygur Autonomous Region

The Central Asian nations are situated at the meeting point between Europe and the Asia and Pacific region. A region that is likely to experience rapid economic development in the coming years, the nations along SREB have strong investment potential. As the PRC increases efforts to deepen cooperation with Central Asia politically, economically, and culturally, the exploration and promotion of monetary cooperation with these nations will significantly facilitate financial integration, which is one of the five SREB priorities. The exploration and promotion of monetary integration will also underpin a diversified financing model and an open, inclusive, and mutually beneficial financial cooperation platform. Most importantly, this will also contribute greatly to the common prosperity of the region.

Construction of SREB has presented great opportunities for renminbi (RMB) internationalization. The RMB will be an effective carrier for infrastructure investment in nations along SREB. Numerous opportunities arising from trade cooperation between the PRC and the nations along SREB will increase the scale of RMB settlement. In short, the RMB can serve as an alternative currency as Central Asian nations implement “de-dollarization” policies.

The cross-border RMB business has enhanced economic and trade exchanges between Xinjiang and Central Asian nations. Bank clearing and settlement channels have been increased and the role of Xinjiang in the Central Asian region has been highlighted, facilitating bilateral currency cooperation.

As financial integration is regionally weak and the Central Asian nations are troubled with large foreign debt burdens, it is currently impossible to establish a single currency area. The “2+X” model, which is based on subregion theory, is therefore the most effective way to achieve monetary cooperation between the PRC and the Central Asian nations. The “2” in “2+X” refers to two major currencies as the basis for monetary cooperation, which are the RMB and ideally the Kazakhstani tenge (KZT) and Tajikistani somoni (TJS) are now tradable in Xinjiang’s commercial banks, where over-the-counter prices and/or rates of exchange for RMB and KZT and TJS are determined and quoted on the basis of the exchange rates of the KZT–United States Dollar and the TJS–United States Dollar, and then adopted by their branches in Xinjiang.

The aim is to increase efforts to make the RMB the reserve currency of Kazakhstan, and to strive to increase the loyalty of RMB traders by expanding cross-border RMB settlement in Kazakhstan, the Kyrgyz Republic, and Tajikistan.



A participant asking a question during the forum.

Promoting Regional Cooperation in Central Asia through Building Transport Infrastructure

Zhinong Li, Deputy Director General of Transport Department, Xinjiang Uygur Autonomous Region

In 2013, PRC President Xi Jinping proposed a major initiative to jointly promote construction of BRI, with the aims of policy coordination, connectivity, unimpeded trade, financial integration, and people-to-people bonds to create a community of shared interests, destiny, and responsibility. This has received the support of the countries and regions along BRI. Connectivity is a priority for the initiative. It is imperative to remove policy bottlenecks; harmonize standards for connectivity; and reduce costs and the time required for cross-border flows of people, goods, and finances.

The following five policy interventions have been introduced for the development of the core area of SREB and for cooperation with the Central Asian region:

- (i) The policy and planning system has been comprehensively improved for the construction of SREB core areas, with the *Implementation Scheme of Xinjiang to Conduct Construction of the SREB and Alignment and Planning of the Kazakhstan Bright Road New Economic Policy*.
- (ii) By the end of 2016, operating railway in Xinjiang had reached 5,868 km, 19 airports had been built and were operational, with 197 domestic and 41 international routes were available, including eight international routes to five Central Asian countries. The 2017 Priority Projects List for Construction of the Core Area of SREB in Xinjiang was also established.
- (iii) The construction of Urumqi International Harbor Zone is on fast-track for timely completion. Cooperation on capacity building in Central Asian countries is intensifying, and Xinjiang enterprises such as Sino Lead Holdings, TBEA, and Xinjiang Guanghui Industry Investment Group have smoothly carried out construction projects in Central Asia.
- (iv) The people-to-people bond is the soft power of social cohesion. Great efforts are being made to promote the “Silk Road Spirit,” as well as comprehensively strengthen exchanges and cooperation in culture, science and technology, education, medical treatment, and tourism, with Central Asian countries.
- (v) Financial integration is a major pillar for development of the core area. The boom associated with the development of core areas of the Silk Road Belt has caused significant improvement in the financial system of Xinjiang. The Khorgos Economic Development Zone is the first pilot zone in the PRC related to offshore RMB, and the scope of innovative cross-border RMB policies continues to expand, making Xinjiang a RMB spearhead in terms of opening up to the West.

Promoting Regional Economic Development and Achieving Regional Prosperity in Central Asia through Trade

Xudong Ying, Director of Research Division of the Lead Team Office of Opening, Department of Commerce, Xinjiang Uygur Autonomous Region

The Central Asian region has achieved rapid economic development in recent years, but sovereign borrowing has also witnessed double-digit growth, showing strong demand for investment. The trade-swap model seems to play an effective role in bridging the investment gap.

In the 1980s and 1990s, there was a very famous expression, *san lai yi bu*—the processing of supplied materials, the assembly of supplied equipment, the production of goods based on samples, and the compensatory trade. The

Mandarin word *bu* refers to the swap trade. The contract executing time for such trades usually lasts 3–10 years, or even longer, and in most cases, financial institutions or the government will directly or indirectly be involved in such contracts.

In 1931, Germany was the first to adopt this model, and the former Soviet Union and the Eastern European countries usually used this model for trade with the West. After its reforms and open-door policy, the PRC also started to widely use this model.

The trade-swap process can be generally divided into three types, according to differing swap objectives:

- (i) Direct product swap
- (ii) Other product swap
- (iii) Labor services swap

There are two basic features of a trade swap: first, a credit loan relationship exists with a long executing period for contract; second, the Party B must, in the meantime, promise to re-purchase the products.

The PRC generally engaged in direct product swaps, but different trades employ different measures:

- (i) Full-amount swap
- (ii) Partial swap
- (iii) Surplus swap
- (iv) Related labor services swap

Trade swaps require national policy support. Policy can, for example, exempt the tariff and value-added tax on imported equipment so as to promote the development of trade swaps.

Trade swaps are a mature and tested cooperation model for countries in partnership. Learning from the PRC's experience, Central Asian countries can follow this model in the processing of agricultural products, technical transformation of enterprises, scale expansion of small enterprises, and the development of mineral resources, agricultural production, the logistics industry, and even infrastructure development. To benefit from and promote trade swaps, countries need to take following steps:

- (i) Relevant agreements should be signed to develop trade swaps.
- (ii) Goals, tasks, and schemes for cooperation are proposed, including priority fields.
- (iii) Each party puts forward enterprises that are interested in engaging in trade swaps.
- (iv) Each country sets relevant policies and measures to promote compensatory trades.
- (v) The project contracts should be signed with defined implementation plans.

In the initial stage of trade swaps, a series of projects with investment of no more than \$10 million should be piloted to learn from the experience.

Harmonizing Trade Policy in the CAREC Region

Moderator: Safdar Parvez, Director, CWRD, ADB

**Speaker: Kaushalendara Arha, former Diplomat, speaking on behalf of S. Frederick Starr, Chairman of the Central Asia–Caucasus Institute and Silk Road Studies Program—
John Hopkins University, United States**

It is useful to look at trade in a continental context rather than a regional one. Probably, the most important economic transformative event of the 21st century will be increasing trade and commerce between Asia and Europe. The obvious feature of the current trade dip is that it is, of course, cyclical, not structural, based on the basic fact that the PRC accounts for 18% of global GDP, India 7%–8%, and Southeast Asia 7%–8%. In other words, one-third of global GDP is at one end of this land mass and Europe, at the other end, accounts for another 15%–20% of global GDP. If only by economic gravitational forces, they will trade with each other more as this century goes by. Between them, they have more than half of global GDP and more than half of the global population.

Trade between these two land masses goes back almost to the time when Indo-Arians left the Caucasus region and ended up in the northern India and Pakistan area 3,500 years ago. Trade being blocked would appear to be a 50- to 100-year phenomenon given that this is the most important, the oldest, the most diverse, and the most vibrant land route in the world. It has been so for thousands of years and is once again on the cusp of being so again.

In that context, Central Asia straddles two land masses. It is important for Central Asia to visualize this, to optimize its regional interests as a place where transcontinental trade occurs. Currently, trade connections are insufficient, and while building trade corridors through Afghanistan, the Kyrgyz Republic, and Tajikistan may be of great development value, it is difficult to imagine that the trade value would justify the cost of infrastructure development



Kaushalendara Arha, former US Diplomat, speaking in the session on harmonizing trade policy in the CAREC region.

required. However, the continental context helps to visualize how best the region can position itself to optimize its interests, looking ahead. This is why the PRC should be applauded for implementing the audacious and aspirational BRI. It allows us to see the shared interests of landlocked countries such as Afghanistan, the Republic of Azerbaijan, Georgia, and Mongolia as continental trade winds revive.

The most important thing is how they position themselves collectively and harmonize trade policy by learning from the past. Take the Association of Southeast Asian Nations (ASEAN), which launched in 1967, and when it faced issues similar to those Central Asia faces today. The countries were preoccupied with national identities, they replicated policies and practices, and they weakened possible shared value, rather than taking a regional perspective.

BRI is one continental perspective. It is not the only one. All member countries—as the PRC has—should come up with their own complementary visions of interconnectivity. Ultimately, every country will have its own vision of how it positions itself within this continental story.

In this organic way, BRI is complemented by alternative continental visions, but where does CAREC fit in, looking ahead? In view of the concept of Central Asia, CAREC has been catalytically successful in terms of kick-starting the region, but BRI is much more ambitious and audacious. Taking a continental view, ADB can reinforce the continental context, as it does in South Asia with the South Asia Subregional Economic Cooperation Program (SASEC), and as it does in the Greater Mekong Subregion (GMS). That raises the question of the linkage between South Asia through Central Asia to Europe.

Similarly, how is the PRC connecting Central Asia to Europe? It used to be that most of the trade would come via the Caspian Sea and up through Turkmenistan, Afghanistan, and Iran before bifurcating to the south and to Kashgar and into the PRC. Who takes on such massive infrastructure development? Those who have the manufacturing basis and the goods to sell. Europe certainly has the demand and the PRC has the supply. Neither India nor Southeast Asia has sufficient manufacturing heft, but together—and if they were connected, as efforts are currently underway to make happen—then there is a manufacturing base that would justify engaging and building corridors connecting with Europe. That would be beneficial to the entire region in that it adds value to economic corridors.

Historically speaking, Samarkand, Bukhara, Ghazni, Mazar, Nishapur, and Herat were once sprawling and wonderful cities—not only in terms of trade but also for science and culture. Many famed scholars and artists emerged from the region because it was a trade hub.

Looking at the three East–West Corridors, the Northern Corridor is the Trans-Siberian Railway, which is relatively new and limited in its scope. At present, the dominant corridor is the Middle Corridor, which is the so-called CAREC I—from the PRC through Kazakhstan, the Russian Federation and Ukraine, and into Europe. What is missing is the Southern Corridor, which connects Southeast Asia and South Asia to Europe—historically the oldest but now disused. It could be an important area of focus for CAREC.

The next question is what should CI do? The question applies not only to CI but to all other think tanks. Regional think tanks are well-established and they now have the opportunity to merge East and West methodologies and paradigms into social science research, particularly in the broader context of trade and commerce. It is also important for think tanks to take both a regional and continental perspective. Think tanks should try to strike a balance between the national priorities of the governments that fund them and broader regional interests. The following includes some interesting questions that think tanks might look at:

- How do we, the prisoners of our colonial past, embrace and view modernity?
- What were regional connections and priorities 400–500 years ago and what were the competitive advantages of the region?

- Write and speak English so that the rest of the world reads and listens to regional voices.
- As regionalism gathers pace in Central Asia, what regional entity might manage this?

Discussant I: Dr. Safdar A. Sohail, Director General, National Institute of Management, Islamabad, Pakistan

The use of the term “trade policy” by CAREC has been traditionally based on World Trade Organization (WTO) practice as manifested through the accession process, WTO agreements, and assessed through the trade policy review process. In this sense, trade policy addresses cross-cutting issues such as WTO accession, trade facilitation, connectivity, and nontariff barriers. CAREC has put in place an elaborate system to deal with trade policy issues in CAREC countries through mechanisms such as the Trade Policy Coordination Committee, implementation of the Trade Policy Action Matrix, and through capacity-building programs.

BRI and the Limits of Trade Integration

The current “trade policy” agenda of CAREC responds to the challenges faced by CAREC trade partners (excluding the PRC) such as declining export-to-GDP ratios, increasing trade deficits with the PRC, low levels of product sophistication, and overall economic decline or stagnation. But the emerging challenge for the majority of CAREC countries is, more importantly, how to integrate with the Russian Federation and, on the other hand, how to manage the gravitational effects of the new leading trade and investment partner for almost all CAREC countries, the PRC. In short, BRI has serious implications for CAREC member countries, requiring trade policy adjustments.

BRI seeks to promote policy coordination, infrastructure, connectivity, unimpeded trade, financial integration, increased economic performance and productivity, and people-to-people bonds. But BRI-driven trade and



Safdar Sohail, Director General, National Institute of Management, Islamabad Pakistan speaking on harmonizing trade policy in the CAREC region.

investment relations run the risk of being non-inclusive, lacking supporting regulations, and could suffer from poor financial management and procurement practices. Therefore, participating BRI countries need strong governance and strategic planning when it comes to BRI strategy. In this regard, looking to Pakistan, the country is at a junction. Pakistan has an open trade policy and is an active supporter of WTO-led liberalization. It has an ambitious free trade agreement with the PRC but a shallow one with the South Asian Association for Regional Cooperation (SAARC), and its biggest export markets are the EU and the US. The EU has given Pakistan unilateral free market access. But the outcomes of all these arrangements are generally unimpressive as Pakistan's exports have significantly declined, creating serious balance of payment problems. Its patterns of trade are fast changing as trade with SAARC declines, trade with EU and US remains stagnant, and 40% of Pakistan's trade deficit derives from trade with the PRC. At present, structural problems stand in the way of increased trade with SAARC.

Pakistan's poor competitiveness means that the prospects of more trade with the EU and the US continue to be modest. This represents a major challenge for Pakistan's trade policy. A growing body of literature suggests that, if Pakistan can undertake effective commerce reform and development and promote trade in services, it could significantly grow its trade with the PRC under the China–Pakistan Economic Corridor (CPEC), a \$56 billion project. But mainstreaming Pakistan's trade policy with CPEC could be very problematic as both BRI and CPEC do not embrace traditional forms of regional integration such as a customs union, a common market, and an economic and fiscal union. The PRC has little in the way of free trade agreements other than closer economic partnership agreements with Hong Kong, China and Macau, China. However, BRI does offer significant opportunities in the form of special economic zones (SEZs) centered around the relocation of PRC industries and PRC investment. In Cambodia, for example, relatively small, enclave-type SEZs employ low-skilled workers in the garment, electronics, and household furnishing industries, which has been relocated from the PRC. These early-stage SEZs do help in generating employment and foreign exchange, and second-stage SEZs help diversify economies' production bases due to their connections with the domestic economy. Malaysia and Thailand, for example, have moved from assembling imported inputs to increasing sales of their own branded merchandise in domestic and global markets. Third-stage SEZs can bring nationwide developmental impact, with high exports and participation in global and regional supply chains.

Countries such as Viet Nam and Indonesia—with the help of reforms and aid—have successfully exploited the opportunities brought about by SEZs, improving productivity and innovation, and strengthening the development of skills, resulting in expansion of production capabilities. Meanwhile, in the PRC, cities continue to emerge as centers of growth under a unified framework of industrial and urban development.

The New Language of Regional Development

In promoting BRI, the PRC is using a new language of spatial development through connectivity and regional integration, with expressions such as resource integration, shared prosperity, regional development, and re-mixing of regions. This narrative presents new trade policy challenges for BRI partners, as BRI rolls out projects such as infrastructure developments, industrial parks, SEZs, export processing zones, free trade zones, technology parks, logistic parks with PRC foreign direct investment (FDI) and relocation of industries.

Whether these PRC-centered or PRC-dominated logistic networks can eventually equal something akin to Marshall Plan or Soviet–Russian investment in Eastern Europe and Central Asia, it is too early to say. The EU has many tools in its kit of economic and geostrategic engagement with developing countries, including the Generalized System of Preference, plus economic partnership agreements with African countries, and association agreements. Looking ahead, perhaps the PRC's trade template will become more clear. In either event, CAREC member countries will need to carry out their own analysis of trade policy implications of BRI opportunities and challenges. In this regard, we have tried to develop a fresh paradigm that responds to new national and regional challenges, and which the narrowly defined CAREC trade policy is ill-suited to deal with.

New Strategic Regional Trade and Industrial Policy as a Paradigm for CAREC

Traditional trade theory is based on the concept of comparative advantage. This means that countries produce what they are most efficient in, and the subsequent trade is then based on strengths of each country in terms of goods manufactured. Other goods are implied to not be manufactured. This is, however, an overly simplistic model and thus serves at best as a benchmark for theory only.

New trade theory, however, focuses on industrial competitiveness rather than country competitiveness. Therefore, it is much wider in scope in terms of differences in efficiency, and embraces a wider range of products. However, it is still not an accurate representation of global trade dynamics even though it does better explain trade phenomena.

Progress in economic thought has led to the rise of a new trade policy. It focuses on firm-level economy, and productivity dynamics. This changes the trade dynamics, as it presents the world as a much more complex arena. Countries and industries are no longer the primary (or only) indicators of competitiveness. Macroeconomic and microeconomic features of the economy, productivity dynamics and influencers, and firm-level characteristics determine the overall trade flow, dynamics, and policy. However, with changing times, new trade policy is proving inadequate, leading to talk of a “new” trade policy that focuses not only on industry characteristics and firm-level productivity, but sees the state as playing a larger role in infrastructure development and manufacturing.

BRI is bringing the state back in a major way, enabling the states of developing countries to recast their roles and receive financial support, if they seek it, and to play an important role in overcoming critical infrastructure bottlenecks and to create efficiencies. Another important characteristic of this theory is that it highlights the “regionality” of connectivity networks and trade and investment flows, thus bypassing traditional strategic trade policy as practiced by Japan, the Republic of Korea, and the PRC. This has led to the emergence of strategic regional trade, investment, and logistics policy, which lies between models such as ASEAN and the Trans-Pacific Partnership. CAREC member countries have competing visions of the region vying for their attention in the form of Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, ASEAN, BRI, and GMS. We contend that the presence, or otherwise, of a robust industrial policy would make a real difference for individual countries in terms of benefits from these regional drivers. CI can help CAREC member countries better position themselves for this journey.

Recommendations for Developing a New CAREC Trade Policy Agenda

- (i) Develop a program to study and critically review and discuss BRI as the new template of deeper economic integration in Asia.
- (ii) Commence work on developing national trade policy assessments using broader notions of trade policy.
- (iii) Initiate studies, with special reference to BRI and Eurasian Economic Union, on the sustainability of FDI as a means of deeper integration.
- (iv) Establish an advisory center to help CAREC member countries benefit better from their respective free trade agreements or regional arrangements.
- (v) Adopt subregional and national programs with other development partners.
- (vi) Promote the adoption of CAREC by the PRC as a formal subregional block of BRI with unilateral market access from the PRC to its CAREC partners and provide more aid with FDI.
- (vii) Study the feasibility of adopting cumulative rules of origin on the pattern established by the SAARC–EU arrangement.
- (viii) Grow CI on the model of ADBI to make the institute a regional ADBI.

Discussant II: Eric Livny, President, ISET Policy Institute, Tbilisi, Georgia

Many countries in the Central Asian region are going through a very peculiar process of establishing their own sovereign national identities while at the same time forming regional unions and opening to the rest of the world. This process is inevitably loaded with contradictions, making regional integration a daunting task. The PRC's ascendancy as a global economic and political power is likely to accelerate the process of regional integration, eventually helping integrate Central Asia's landlocked economies in the global marketplace.

The need to establish national borders and customs procedures goes against the market-driven regional and global trend of increasing trade and labor markets integration. The need to canonize exclusive national mythologies, and enforce linguistic and cultural identity within arbitrary national borders creates fertile ground for internal ethnic and religious strife and international conflicts.

In more than one way, the PRC's economic and political ascendancy brings the region "back to the future." Historically, high-value trade along the Silk Road corridor has had a very powerful integrative influence all along the vast Eurasian space. For example, it helped hold together ancient kingdoms, such as Georgia, where feudal princes found it profitable to maintain peace to be able to serve trade and transport flows. It also promoted knowledge diffusion, cultural, and technological exchanges, leading to the establishment of magnificent science and artisanship, and led to the rise of manufacturing hubs, such as Bukhara and Samarkand. Today, the PRC's BRI will most certainly incentivize the newly forged independent nations of Central Asia to adopt a more integrationist approach to trade policy, border management, investment in trade, and transport and transit infrastructure. The economic incentives to open up and cooperate will eventually trample isolationist tendencies by rent-seeking national elites within each independent state, taking the whole region to a new level of cooperation, triggering a process of fast-paced economic, social, and cultural development.



Eric Livny, President ISET Policy Institute, Tbilisi, Georgia, speaking on harmonizing trade policy in the CAREC region.

SESSION 4

THINK TANKS – INSTITUTIONAL DEVELOPMENT AND THE WAY FORWARD

Establishing the CAREC Think Tanks Network

**Moderator: Syed Shakeel Shah, Joint Secretary (Economic Affairs),
Prime Minister's Office, Pakistan**

Since yesterday afternoon, we have been engaged in very productive discussions on multiple economic policy issues that are essential for promoting regional economic cooperation. Eminent speakers have provided deep insight into topics such as regional integration, global value chains, and infrastructure and trade policy. After this session, we will have two more sessions particularly focused on institutional issues confronting think tanks in the region and beyond.

Evidence-based policy making is the most effective and rational way of addressing policy issues and problems. The way governments work in incremental ways, makes it difficult for them to devote time and resources for collecting evidence and developing consequent policies based on evidence. This gap is filled by think tanks. Their rationale for



Syed Shakeel Shah, Joint Secretary (Economic Affairs), Prime Minister's Office, Pakistan, facilitating establishment of the CAREC Think Tanks Network (CTTN).

existence is to provide research and data to governments for making informed policy decisions. It is an intellectual and knowledge-driven public–private partnership (PPP).

This critical role of think tanks at the national level is appreciated by governments, and think tanks' research findings and data are often used by governments to formulate national-level public policies. However, this national-level exercise is introvert. The role of national-level policy advice of think tanks is inward-focused or has a national perspective to it. This is a limitation. Knowledge should not be gathered and framed only in national contexts.

Policy opportunities and problems are not confined by national boundaries. They have a transnational character. Economies are connected, regional trade drives economic growth, climate change is global, and food security and issues of water scarcity defies narrow national focus. The need for a regional approach to these emerging regional opportunities and challenges is coming to be appreciated by governments. The CAREC Program is one example of governments adopting a regional approach. However, this regionalism is not reflected in the sphere of knowledge generation, research, and data sharing.

There are about 500 think tanks in the CAREC region, but they are not talking to each other. There may be much bilateral collaboration between individual think tanks but there is an absence of region-wide collaboration between them. There is an acute need for establishing a regional platform on which all these think tanks can collaborate, and share research findings and data. The regional cooperation needs a regional knowledge power house. A network of CAREC think tanks could be such a knowledge powerhouse. It could be a mechanism to amplify knowledge-driven regional cooperation, a source to which regional governments can turn to for research and data needs to inform regional cooperation policies. The CTTN is, for this reason, being created as a much-needed regional knowledge powerhouse.

The CTTN is the future of knowledge for the region. A knowledge collaboration of such magnitude is going to bring positive dividends for the countries and people who inhabit CAREC region.

As you know, one of the objectives of the Second CAREC Think Tanks Development Forum is the establishment of a network; in this session we will work together to establish a network of CAREC think tanks. In your folders is a proposed organizational structure of the CTTN. CTTN will have its secretariat at CI, Urumqi, Xinjiang Uygur Autonomous Region, PRC. The structure includes the following:

- (i) **Annual Development Forum**—the highest platform for deliberation.
- (ii) **Advisory Panel** (14 members)—one member from each country, plus the CI director, secretary of the Secretariat, and chair of the Advisory Panel as members.
- (iii) **Secretariat**—CI will serve as the secretariat and dedicated staff will manage day-to-day affairs of the network.
- (iv) **Chair of the Advisory Council**—an eminent person with rich experience in regional economic cooperation and integration.

Global Best Practices in Think Tanks: Institutional Management and Financial Sustainability

Moderator: Hui Weng Tat, Dean, Graduate School of Public Policy, Nazarbayev University, Kazakhstan

Speaker: J. Berkshire Miller, Founding Director, Council on International Policy, and Senior Visiting Fellow at the Japan Institute of International Affairs, Tokyo, Japan

Think tanks can be a critical driving force for development and change but face deep challenges.

Think tanks must be dynamic and part of a multitiered approach to diplomacy and policy making. Facilitating this, there must be an acceptance and embrace of think tank culture and interconnections with academia, journalism, and public sector organizations.

Key Findings

Comparative advantages of think tanks:

- (i) Reduced bureaucratic and political constraints.
- (ii) Often longstanding and deep connections with foreign intellectuals and government, corporate memory (unlike changing political winds).
- (iii) Nimbler and with the ability to dive into narrow and specific fields (e.g., counter-narcotics, agriculture, border security, etc.).
- (iv) Think tanks serve as windows to other relevant fields (media, academia, etc.).



Jonathan Berkshire Miller, Founding Director, Council on International Policy and Senior Visiting Fellow at the Japan Institute of International Affairs, Tokyo, speaking in the session on Global Best Practices in Think Tanks: Institutional Management and Financial Sustainability.

Challenges to think tanks:

- (i) Funding constraints compared to state-run programs.
- (ii) Budgetary and resource limitations.
- (iii) Limited presence and nascent intellectual capacity on emerging issues.
- (iv) Policy influence—depends on the issue and connection to government. Are reports being read?

The Way Forward—Financial Sustainability and Institution “Nurturing” Beyond Institution Building

- (ii) The most critical thing is approach and recognition of the importance of think tanks—“think tank culture.”
- (iii) Public awareness—what is a think tank?
- (iv) Buy-in and long-term strategic visions for think tank development in the region. CAREC should play a critical role in mobilizing think tanks in Central Asia.
- (v) Knowing that each think tank model and culture is different (not all will follow a Western approach); funding and tax rules may be different, and there are also differing views on government involvement.
- (vi) Encourage cross-pollination with government but understand unique differences and advantages.

Discussant I: Haiping Ren, Deputy Head of Strategic Research, China Center for International Economic Exchanges

Overview

Founded in 2009, the China Center for International Economic Exchanges (CCIEE) is a comprehensive association with the mission of promoting international economic research and exchanges and providing consulting services. CCIEE attracts experienced economic researchers and has close connections with economic research resources in various fields. It operates under the guidance and supervision of the National Development and Reform Commission in terms of its business scope and is registered with the Ministry of Civil Affairs.



Ren Haiping, Deputy Head of Strategic Research, China Center for International Economic Exchanges, speaking in the session on Global Best Practices in Think Tanks: Institutional Management and Financial Sustainability.

CCIEE regularly schedules the Global Think Tank Summit, the PRC-US “two-track dialogue,” the Summit for Cross-Strait Entrepreneurs, and other exchanges and activities. It establishes cooperation mechanisms with the United Nations Development Programme, the Paulson Family Foundation, the Kissinger Institute on China and the United States, and many other institutions. CCIEE holds an “Economic Monthly Talk,” inviting relevant department leaders, experts, scholars, and center researchers to discuss the latest issues in development, reform, and opening up. The center has also founded *Globalization* magazine, which has been included in the PRC Core Periodicals database.

Conclusions

Think tanks are an integral part of the modern national governance system. Establishing new types of think tanks with Chinese characteristics requires a series of institutional innovations. CCIEE will adapt itself to the development characteristics and practical needs of high-end think tanks and strive to explore an approach which focuses on the PRC’s development; adheres to the PRC’s road map; and adopts PRC perspectives with new positions, new mechanisms, and new models.

- (i) **Internal governance structure.** We will explore the development mode of “small organization+big platform” and “small core + big network,” and advance in-depth cooperation with think tanks at home and abroad, exploring the formation of a diversified and flexible think tank research alliance.
- (ii) **Personnel management and capacity building.** The first aim is to draw up an overall talent management plan to ensure that talents work with a goal and a direction while taking appropriate measures. The second is to establish mechanisms for two-way flows between research institutions and government, and to explore the transfer mechanisms between government officials and researchers. The third aim is to speed up growth of talented personnel through various channels—for example, sending research personnel to study abroad, to undertake research and academic exchanges, while also assigning personnel to carry out grassroots fieldwork.
- (iii) **Income distribution and remuneration system.** We will actively promote reform of the salary system for research personnel.
- (iv) **Evaluation system for research achievements.** We plan to establish an evaluation system based on the quality and results of research, with integration of the decision making influence, academic influence, and social influence, while promoting diversification of participatory approaches in decision making, government service, and influencing public opinion.
- (v) **Financial management system.** We will build up diversified fund-raising mechanisms and explore the establishment of pay-for-sale system for working papers, annual reports, and other research products.
- (vi) **Assessment and appraisal.** We are planning to set up appropriate assessment methods for research personnel and to also encourage researchers to develop multiskill knowledge bases. We also plan to establish a performance appraisal system combining both quantitative and qualitative evaluation.
- (vii) **Incentive mechanism.** We need to establish a scientific management system based on research results and work performance, enhancing researchers’ sense of honor and responsibility.

Discussant II: Kashif Noon, Head of Knowledge Management Unit, CI

One of the purposes of the forum was to establish a network of think tanks in Central Asia, creating a knowledge infrastructure across the region. Two sessions were devoted to the core issues of how to make such a nebulous organization sustainable. The discussions dwelled on the key question of how a think tank can retain independent thinking while also looking for donor funding to sustain itself. A wide spectrum of suggestions emerged during the discussions from complete independence, to being driven by the agenda of a host government, and to only researching what was asked by government and donors.

The discussions, though, were inconclusive but some interesting suggestions emerged. A think tank needs to arrive at a balance between retaining its independence and being able to undertake evidence-based criticism of national and regional public policies, and also keeping afloat financially by developing business plans and providing cutting-edge research solutions. Relevance and credibility were the key factors in the need for achieving this balance between reliance and independence.

The following are key recommendations of the sessions:

- (i) Think tanks need to be specialized and provide cutting-edge, evidence-based policy research for regional governments.
- (ii) Think tanks need to align their work with the development agenda and priorities of governments as well as inform and drive policy agendas through evidence.
- (iii) Think tanks need to develop business plans with full-time business development departments or use the alternative approach of a project-based, lean, one-room organization.
- (iv) Think tanks need to connect with universities or bigger research institutions for optimal use of resources.



Kashif Noon, Head of Knowledge Management, CAREC Institute, speaking in the session on Global Best Practices in Think Tanks: Institutional Management and Financial Sustainability.

Think Tank Development: Key Challenges and Opportunities

Moderator: Shamil Alaskarov, Former Secretary General, Economic Cooperation Organization

Speaker: Eric Livny, President, ISET Policy Institute, Tbilisi, Georgia

To begin with, I will try to find a proper definition of think tanks by looking at various views of their role and their independence. Funding is key in defining the nature and role of think tanks. Many people are not concerned with funding for consulting firms because the market itself plays the role of arbiter of quality. However, in projects for the public good, by nature, they are under-financed. Funding sources determine the independence and quality of the output of think tanks. One can find varying patterns when it comes to funding think tanks. Think tanks in East Asia are mostly funded by governments, and in Western Europe and the US mostly by endowments.

In the CAREC region, think tanks lack sustainable funding sources, which adversely affects the continuity and quality of their policy interventions as well as the retention of skilled human resources. Conversely, sustained funding has its downside too. Guaranteed funding from the government can make think tanks complacent about exploring more avenues of funding and may also lead them to toe the lines advanced by the government. Amid donor fatigue, think tanks in the CAREC region grapple with issues of diversifying funding sources by adopting a project-based approach, which in turn undermines their niche value. Some think tanks slash fixed costs by retrenching qualified staff or by merging with established academic institutions. Others adapt to a more Westernized approach of affiliating with corporations and political parties, compromising their independence. Going forward, one avenue of secure funding could be to tap crowdsourcing on social media. Though, such an approach carries the danger of the think tank becoming a consulting company rather than being focused on public good.



Participants discuss about the CAREC Think Tanks Network.

Discussant I: Abid Qaiyum Sulehrie, Executive Director, Sustainable Development Policy Institute, Pakistan

The opportunities and challenges facing a network of think tanks in the CAREC region have been discussed in a changing regional and global context. Discussion touched on the fact that, besides financial challenges, there are other nonfinancial issues as well that adversely affect the functioning of think tanks. Strategies to turn those challenges into opportunities were also presented in the session. One of the strategies for seizing opportunities that was discussed was to work in alliances and networks.

The purpose of this session was to consult the leaders of the thinking community and representatives of leading think tanks in the CAREC region on modalities and practical aspects of creating a network of think tanks in CAREC countries.

Key Findings

Key challenges facing think tank networks include the following:

- (i) Financial constraints. Major sources of funding for independent research are drying up due to global recession and domestic policies.
- (ii) Human resources constraints. Due to financial constraints, think tanks are finding it difficult to attract, groom, and retain quality human resources (trained professionals with policy research and analysis acumen).
- (iii) A shrinking space for independent policy research, both due to domestic policies, rules, and regulations, as well as international circumstances.
- (iv) Restrictions and inhibitions imposed by government and society on carrying out research on certain themes or topics.
- (v) Think tanks find it difficult to maintain a balance between objective research and donor-driven agenda.
- (vi) Language barriers and communication problems are a challenge for academic exchange and collaboration within the CAREC region.
- (vii) Too high expectations of stakeholders for research-based solutions by think tanks is a success indicator as well as a challenge.
- (viii) Networks of think tanks function smoothly until funding is involved.
- (ix) Networks formed under projects lack sustainability.

Key Opportunities for Think Tank Networks in the CAREC Region

Networks should meet the need for collective wisdom to resolve regional problems.

- (i) Networks should meet the need for research-based policies to counter populist measures and populism in different countries.
- (ii) Networks should rise to the need for joint action to achieve Sustainable Development Goals and to fulfill climate-related change commitments.
- (iii) Think tanks should explore nonprofit foundations as a possible source of funding.
- (iv) Networks gain credibility by sharing ownership of research findings.
- (v) With the potential of BRI to provide economic growth in the CAREC region, a network of think tanks would provide policy input for BRI projects.

Conclusions

- (i) A network of CAREC think tanks should be established.
- (ii) The CAREC Think Tanks Network should collaborate in joint research, policy outreach, and publications.
- (iii) The network should facilitate exchanges of faculty members to learn from each other's best practices.
- (iv) Think tanks should establish a knowledge repository where they share their research outputs. It would help avoid duplication of efforts and initiatives.
- (v) For coordinated policy outreach, CAREC think tanks should share their calendar of events among each other.

Discussant II: Kashif Noon, Head of Knowledge Management Unit, CI

I would like to emphasize the significance and centrality of CTTN in expanding outreach and finding regional solutions rather than limiting efforts only to national issues. In this context, the member think tanks have been provided with a greater opportunity to coordinate and collaborate on regional policy issues by sharing knowledge and expertise. Aid effectiveness is a major issue in many regions of the world, both among the recipients and the donors. Although language barriers are real, they are too little discussed in the development narrative. Think tanks can carry out original work in their native language. Brain drain is a major issue regional think tanks confront. Interrupted funding leaves think tanks with no choice but to let go of quality, trained human resources, which in turn adversely affects the quality of outputs.



Participants at the forum.

Urumqi Declaration for Establishing CTTN

Moderator: Syed Shakeel Shah, Joint Secretary, Prime Minister's Office, Pakistan

Under the auspices of CI, participants of the Second CAREC Think Tanks Development Forum 2017, have gathered here in Urumqi, Xinjiang Uygur Autonomous Region, the PRC, to declare the establishment of CTTN, to analyze and effectively provide innovative solutions for promoting economic cooperation by recognizing the importance of developing regional perspectives on emerging issues and challenges facing member countries.

We are convinced that the member countries have a great deal to learn from each other on economic cooperation, development practices, and policy lessons; and in the process, think tanks play a critical role in knowledge sharing. We understand the need for sustained efforts to promote greater interdependence and economic integration among member countries.

While acknowledging the diversity and centrality of CI member countries, we will strive to forge alliances with similar networks around the world for cooperation and learning. By establishing CTTN, we expect to create a smooth and effective knowledge-sharing platform, mechanism, and channel among CI member countries to promote regional economic cooperation for an integrated region. By so doing, this will contribute to and specifically address issues that improve efficacy of CAREC goals, but will not be limited to it.

We solemnly commit ourselves to make all efforts for sustaining the network activities, including conducting the Annual Think Tank Development Forum, the maintenance of the CTTN secretariat and its website, and the institutional strengthening of member think tanks. We are fully convinced that the CTTN will play an active role in building a more prosperous and stable region living in harmony with itself and with the rest of the world.

All rights on the final explanation of this declaration exclusively belong to CI.



Participants discuss about the establishment of CTTN.

CLOSING REMARKS FOR THE SECOND CAREC THINK TANKS DEVELOPMENT FORUM

Bayaraa, Sanjaasuren, Director, CI

I would like to conclude this august forum—the Second Think Tanks Development Forum.

The 2-day forum focusing on the theme of “Exploring Knowledge Solutions for Regional Cooperation and Integration” generated many innovative ideas, thoughts, and policy perspectives.

The four sessions have been reflective of the pressing challenges and emerging opportunities for CAREC.

I really appreciate the efforts of the resource persons, discussants, and the moderators in each of the four sessions in terms of generating thought-provoking dialogue and highlighting some of the possible innovative policy mixes for the consideration of CAREC member countries and civil society.

It's a proud moment for CI and the CAREC Program that this forum has agreed to establish the CAREC Think Tanks Network (CTTN) to continue this tradition of providing constructive dialogue and suggesting innovative solutions.

We are convinced that the member countries have a great deal to learn from each other on economic cooperation, development practices, and policy lessons; and in the process, think tanks play a critical role in knowledge sharing. We understand the need for sustained efforts to promote greater interdependence and economic integration among member countries.

The forum appreciates the diversity, the peculiar development challenges, and the centrality of CI member countries. By establishing CTTN, we expect to create a smooth and effective knowledge-sharing platform, mechanism, and channel among CI member countries to promote regional economic cooperation for an integrated region. Let us join hands to develop a better region through regional economic cooperation.

Let me take this opportunity to extend my sincere thanks and show my appreciation to the distinguished guests, resource persons, discussants, think tank representatives, experts, academics, and ADB and CI staff for their active participation, making this forum a success.

I must congratulate the staff of the CAREC Secretariat, the ADB Regional Knowledge-Sharing Initiative of the PRC Resident Mission, and the ADB media team for their excellent support and guidance to the CI team throughout the event.



CI also greatly values and appreciates the cooperation and support extended by the PRC Ministry of Finance, the Xinjiang Department of Finance, the City Administration of Urumqi, and local think tanks for facilitating the successful organization of this event.

Last but not least, let me acknowledge the hard work put in by the CI team, especially Khalid Umar, Diliraba Adil, and the scores of volunteers from Xinjiang government departments and academic institutions.



BIOGRAPHIES OF RESOURCE PERSONS



Shamil Alaskarov

Shamil Alaskarov is a former career diplomat of the foreign service of Azerbaijan. His diplomatic career spans over 35 years, during which he has held very senior diplomatic positions within the country and abroad. He represented his country in Austria, Slovakia, and Slovenia, and with the Republic of Azerbaijan to the international organizations in Vienna (the UN, the United Nations Industrial Development Organization, the International Atomic Energy Agency, the Comprehensive Nuclear-Test-Ban Treaty Organization, and the Organization for Security and Co-operation in Europe). For about 4 years he served his country as ambassador-at-large of the Ministry of Foreign Affairs of the Republic of Azerbaijan for energy cooperation and regional economic organizations. For 6 years he served in the Economic Cooperation Organization (ECO) Secretariat in Tehran, Iran as deputy secretary general, director of the Department of Energy, Minerals and Environment. In 2012 he was appointed as secretary general of the ECO and served there until his retirement in 2015.

Alaskarov received his PhD in Energy Economics from the Azerbaijan Oil and Chemistry Institute in 1976.



Kaush Arha

Kaush Arha has served as a senior executive in state and federal governments of the United States and in its Senior Foreign Service. Arha served as senior advisor for transition and senior coordinator for agriculture at the US Embassy, Kabul, Afghanistan. He advised the embassy on the transition to Afghan-led government, provided advice on the US strategy for economic development assistance to Afghanistan, and anticorruption and governance efforts in Afghan institutions. He directed US agricultural assistance to Afghanistan across civilian and military agencies to meet the goals of agricultural development, counterinsurgency, and anti-narcotics.

Arha also serves as a strategic advisor to developing nations in trade, development, and conservation governance and institutions. He received his Joint Degree from Stanford University; PhD and MSc from the University of California, Berkeley, his MA from Boston University and a BA Honors from St. Stephen's College.



Sanjaasuren Bayaraa

Sanjaasuren Bayaraa is the director of CAREC Institute. He assumed his position on 1 August 2017. Bayaraa is an international specialist in political institutions development, including political parties and election campaigns, Parliament, and the executive branch. He has experience in managing international and local nongovernment organizations. He has an education in the areas of foreign direct investment and WTO. Bayaraa is also a public relations and media specialist. Most recently, he gained valuable experience in the diplomatic service working at the Embassy of Mongolia in India as the counselor (deputy head of the mission) and as an Mongolia's ambassador to India.



Quanrun Chen

Quanrun Chen is an assistant professor at the University of International Business and Economics (the PRC), and has a PhD from the University of Groningen. Research interests include input-output analysis, national accounts, and global value chains.



Nobuya Haraguchi

Nobuya Haraguchi is industrial research officer at the Department of Policy, Research and Statistics of the United Nations Industrial Development Organization (UNIDO) in Vienna, Austria. He has published widely on structural change, patterns of manufacturing, and industrial policy and practice. Recent publications include articles in leading journals and chapter contributions to key reference books, such as *Efficiency, Finance and Varieties of Industrial Policy*, edited by Noman and Stiglitz (2016), and *Handbook of Industry and Development*, edited by Weiss and Tribe (2016). Jointly with Wim Naudé and Adam Szirmai, he was editor of the book *Structural Change and Industrial Development in the BRICS*, published by Oxford University Press in 2015. He is scientific advisor to the World Bank project, “Mobilizing Local Knowledge to Improve Competitiveness Strategies.” Before joining UNIDO, he taught macroeconomics at St. John’s University in the United States. He holds a PhD from the University of London.



Hyeon-Seung Huh

Hyeon-Seung Huh is a professor of economics at Yonsei University, Seoul, the Republic of Korea. He is also associate dean of the Graduate School of Economics. Prior to his tenure at Yonsei, he held positions at Hallym University and the University of Melbourne. He was also a Fulbright Scholar at the University of Washington. Hyeon-seung obtained a PhD in Economics from the University of New South Wales. His main research interest includes macroeconomics, applied econometrics, and time-series analysis. He has published over 40 papers in international refereed journals. Currently, he is a member of the board of directors for the Korean Economic Association. He also serves as an editorial member on several journals.



Fahad Khan

Fahad Khan is an economist in the Economic Research and Regional Cooperation Department (ERCD) of ADB. He joined ADB after completing his doctoral degree at Australian National University in 2015, and also holds a BA in Economics from Yale University, the United States. In addition, he is an honorary visiting research fellow at the Australian National University. His primary research fields are international and development economics, and empirical political economy.

At ERCD, Khan has been involved in research on foreign direct investment, aid for trade, people's mobility, trade facilitation, and trade finance. He has also published in international peer-reviewed journals, including *Economic Letters* and *PLOS Medicine*.



Niny Khor

Niny Khor is a senior economist at ADB PRC Resident Mission in Beijing, the PRC. She is the coordinator of the ADB–PRC Regional Knowledge Sharing Initiative (RKSI), a joint initiative of the PRC Ministry of Finance and ADB. She was previously based in the Economics and Research Department of ADB in Manila, where she provided strategic analysis and policy recommendations for various Asia and Pacific governments. Prior to joining ADB, she was an economist at the UBS headquarters in Switzerland, and a postdoctoral fellow at the Stanford Center for International Development.

Khor has published papers on the PRC economy, SME financing, and labor market issues. She received the Outstanding Author Contribution Award from *Research in Labor Economics*, Emerald Literati Network in 2011. Ms. Khor's current research focuses on PRC economic growth and the structural transformation of Chinese factory markets. Her findings have been part of ADB's inputs to the Thirteenth Five-Year Plan of the PRC. Her book, *Trade and Employment in Asia* was published by Routledge in 2013. She holds a BA from Mount Holyoke College and obtained her MA and PhD in Economics from Stanford University. She was selected to be an adjunct research fellow of ADBI in 2017.



Eric Livny

A graduate of the Hebrew University in Jerusalem, Eric Livny possesses more than 20 years of experience of working at the interface of economics education, research, and policy consulting in the Russian Federation, Ukraine, Central Asia, and the South Caucasus. He currently serves as president of the International School of Economics at Tbilisi State University and the affiliated ISET Policy Institute—the first university-based economic policy think tank in the South Caucasus. Livny frequently speaks on education and economic policy issues, moderates public policy debates, and shares his views on policy through the ISET Economist Blog, in regular columns with *The Financial*, *Georgia Today*, and *Investor.ge*.

In addition to his work at ISET, Eric chairs the Economic Commission of the International Chamber of Commerce and serves as advisor to Georgia's Minister of Economic and Sustainable Development, Giorgi Gakharia.



Mahinthan Joseph Mariasingham

Mahinthan Joseph Mariasingham is a statistician at ADB, where he leads statistical capacity-building initiatives in the System of National Accounts (SNA) and Statistical Infrastructure domains. The projects currently under his purview span 19 countries in the Asia and the Pacific region. He was responsible for the development of an Asia-focused, multiregion, input-output database and an SBR system suite adaptable to developing country statistical requirements. Joseph started his career at Statistics Canada in 1999, and specialized in SNA and input-output economics. He earned a BA and an MA in economics from Queen's University, Canada.



Jonathan Berkshire Miller

Jonathan Berkshire Miller is a senior visiting fellow at the Japan Institute of International Affairs in Tokyo. Previously he was an international affairs fellow with the Council on Foreign Relations, based in Tokyo. In his role, he focuses on the US–Japan alliance, the Korean Peninsula, and other regional geopolitical and security issues. Miller is also concurrently a senior fellow with the New York-based East–West Institute, focusing on US–PRC security relations. Additionally, he also holds a senior visiting fellowship with the Tokyo-based Asian Forum Japan and is the director and co-founder of the Ottawa-based Council on International Policy.

Previously, he held a variety of positions in the private and public sector, including a fellowship on Japan with the Center for Strategic and International Studies (Pacific Forum) from 2013 to 2016. He is a regular contributor to several academic journals, magazines, and newspapers on Asia and Pacific defense and security issues including *The Economist*, *Foreign Affairs*, *Forbes*, and *Newsweek*.



Shinichi Nakabayashi

Shinichi Nakabayashi is the director of ADBI. From 2011 to 2015, he was an international consultant economist at the International Monetary Fund Singapore Regional Training Institute, where he taught macroeconomic policy to government officials. He was a professor of international finance and public economics at the Graduate School of Public Policy, University of Tokyo, from 2008 to 2011. He worked as a senior official at the Japanese Ministry of Finance, the Organization for Economic Co-operation and Development in Paris, and the International Monetary Fund (advisor, Office for Asia and Pacific). In July 2010, he co-authored the book, *The Analysis of the World Economy from the Perspective of Currencies: Dollar, Euro, RMB, and Yen*.

He published another book, titled *The Economics of G20: International Policy Coordination and the Growth Strategy for Japan*, in January 2012. He has an MA in economics from the University of Oxford and a BA from the University of Tokyo.

He was conferred honorary doctorates by the University of Gothenburg (Sweden) in 2004 and by Martin Luther University of Halle-Wittenberg (Germany) in 2013; he also received the Fukuzawa Award from Keio University for his contributions to academic research in 2013. He teaches “Financial System of Japan” at the University on Air through nationwide television network in Japan every week. He is the president of the Financial Education Council organized by the Central Bank of Japan, Financial Services Agency, Ministry of Education, Cabinet Ministry, and private financial institutions.



Kashif Noon

Kashif Noon is currently working as unit head of the Knowledge Management Unit at CI. He is also managing the capacity-building portfolio of CI. He has more than 20 years’ experience of working with Government of Pakistan in various positions, UNDP, the United Nations Office for Project Services, United Nations Office on Drugs and Crime, and other international organizations. He received his first MA from Quaid-e-Azam University, Islamabad, Pakistan, in international relations, and a second MA in Public Policy from Queen Mary and Westfield College, University of London, United Kingdom. He has a diverse profile on working on various areas of governance and public policy.



Sean O'Sullivan

Sean O'Sullivan is the director general of ADB's CWRD. He assumed office in June 2015.

O'Sullivan is responsible for ADB operations in Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The operations include transport, energy, urban services, irrigation, social services, and financial sectors.

Prior to this, from 2012 to 2015, he held the position of director general for ADB's Operations Services and Financial Management Department, which covered ADB portfolio reporting and analytics, procurement services (including consulting services) and financial management due-diligence support.

He was the deputy director general of CWRD from 2007 to 2009 and again from 2011 to 2012. From 2009 to 2011, he was the deputy director general of the Strategy and Policy Department.

He was the director of the Infrastructure Division in CWRD responsible for energy and transport operations in 2006–2007. He was country director of ADB's resident mission in Uzbekistan during 2003–2006. He joined ADB in 1987 as a young professional and worked for many years as a project team leader/project economist on projects in infrastructure and other sectors.

He is from Australia and has an honors degree in agricultural economics from the University of New England, Australia.



Safdar Parvez

Safdar Parvez is currently the director of Regional Cooperation and Operations Coordination Division of ADB's CWRD.

Prior to CWRD, Parvez worked on corporate-level policy and strategy papers together with business processes related to ADB's country partnership strategies in developing member countries as a principal economist in the Strategy, Policy, and Interagency Relations Division of the Strategy and Policy Department.

Before joining the department, he was responsible for leading preparation of country partnership strategies in Pakistan, Kazakhstan, and Uzbekistan as a CWRD economist. He has substantial field experience and was based in ADB's Pakistan Resident Mission for 8 years.

He has worked at prominent nonprofit organizations prior to joining ADB, including the Aga Khan Foundation and the Asia Foundation. He has also taught economics at a university level.



Saeed Qadir

Saeed Qadir is a senior research officer at CI. He manages the CI research portfolio and is spearheading CI's flagship research on CAREC Regional Integration Index. Saeed is a Fulbright Scholar. He holds a doctorate in Economics and Public Policy from Claremont Graduate University, Los Angeles, United States. His research interests include international trade and sustainable development, globalization and economic policy analysis. He also taught as an adjunct faculty at leading universities in Pakistan and Dubai, United Arab Emirates from 2011 to 2016.

He has been a career civil servant working for the Ministry of Commerce, Government of Pakistan, since 1999. Prior to this, he worked as commercial counsellor, Consulate General of Pakistan, United Arab Emirates from 2013 to 2016.



Haiping Ren

Ren Haiping is the deputy head of the Department of Strategic Research of CCIEE. He received his MSc in Engineering at the PLA Military Institute of Engineering, and his PhD in Management at Peking University. He formerly worked in the PRC, at the PLA General Political Department and General Armaments Department as division director, and then the division director of the State Commission of Science and Technology for the National Defense Industry. He also assumed the position of the division director at the State Environmental Protection Administration. He was former head of the International Strategy Research Institute of World Economics and Politics of the Chinese Academy of Social Sciences, the general manager's assistant and director of the Strategic Development Department and director of the Legal Affairs Department of the Zhuhai Zhenrong Company, and was also the head of the board of China SinoSteel Group.



Syed Shakeel Shah

Syed Shakeel Shah is a career civil servant at the Pakistan Customs Service. He is currently working at the Prime Minister's Office as Joint Secretary (Economic Affairs), dealing with matters of finance and communication, including the China-Pakistan Economic Corridor (CPEC), trade, preferential trade agreements, the WTO and regional integration. He also leads the Prime Minister's Delivery Unit, monitoring progress on all projects in key areas of the CPEC for timely completion through coordination with various ministries and/or regulatory bodies. He has served in Pakistan's embassy in Spain as Community Welfare Attaché.

Shah holds two MAs. He received his first MA in International Relations from Quaid-i-Azam University, Pakistan, and second master's in International Trade Law and Economics from the World Trade Institute, Bern, Switzerland.



Safdar Sohail

Safdar Sohail is a career civil servant from the 1984 batch of Commerce and Trade Group. He received his PhD from the University of Paris, France. His recent postings have included director general, Pakistan Institute of Trade and Development, director of General Trade Policy, Ministry of Commerce, economic minister to the EU, Brussels, founding executive director, CPEC Centre of Excellence of Planning Commission, executive director general, Ministry of Commerce and Member of the Governance and Planning Commission.

He has addressed more than 50 international conferences and workshops during the last 10 years. He has been very active in the trade policy community of South Asia. Lately he has been advising the federal government on the PRC's BRI and CPEC. He has worked with international organizations, including the World Bank, UNCTAD, UNESCAP, Commonwealth Secretariat, and ADB. He has taught at universities in Pakistan and France. He has many international publications on trade and development. His publications include a chapter of the ADB book, *Regional Integration and Economic Development in South Asia*, *Quantification of Barriers to Services Trade*, and a case study on child labor published by the Cambridge University Press. He has extensively published on regional trade integration in South Asia and has contributed to many international reports.



Abid Qaiyum Suleri

Abid Qaiyum Suleri heads the Sustainable Development Policy Institute, Pakistan. He is a member of different policy-making forums, such as National Economic Advisory Council, the Advisory Committee of Planning Commission and Climate Change. He is an adjunct professor at the University of Agriculture, Faisalabad, and has served as a board member of Pakistan State Oil. He has represented Pakistan on various official delegations, including COP22; COP20; Rio+20 conference; and the WTO ministerial conference in Hong Kong, China.

He earned his PhD in food security from University of Greenwich, United Kingdom. He has conducted intensive research on issues such as resilient livelihoods, food security, regional trade, climate change, and the political economy of development.



Hui Weng Tat

Weng Tat Hui's research interests are the impact of globalization on labor markets, economic issues of migration, education, ageing and retirement, and labor-market policies.

He has taught at the National University of Singapore (NUS) and the Lee Kuan Yew School of Public Policy (LKYSPP). He held administrative appointments at NUS which include vice dean of the Faculty of Arts and Social Sciences (2000–2003) and founding vice dean (Academic Affairs) of LKYSPP (2004–2008). In late 2015, he was seconded from NUS to the position of dean of the Graduate School of Public Policy at Nazarbayev University in Astana, Kazakhstan.



Naoyuki Yoshino

Naoyuki Yoshino is dean of the ADBI, professor emeritus of Keio University, Tokyo, Japan, and senior adviser at the Japan Financial Services Agency's Financial Research Center. He obtained his PhD from Johns Hopkins University, United States, where his thesis supervisor was Alan Walters (Margaret Thatcher's economic adviser). He was a visiting scholar at the Massachusetts Institute of Technology and has been a visiting professor at various universities.

He was appointed to the board of the Financial Planning Standards Board in 2007, and served as chairperson of the Japanese Ministry of Finance's council on Foreign Exchange and its Fiscal System Council (Fiscal Investment and Loan Program Section), besides holding several top positions in the government. He was also a board member of the Deposit Insurance Corporation of Japan, chairperson of the Meeting of Japanese Government Bond Investors (Ministry of Finance), and was president of the Financial System Council of the Government of Japan.



Qiangwu Zhou

Qiangwu Zhou is director general of the International Economics and Finance Institute, Ministry of Finance, PRC. Under his leadership, the institute carries out economic research on a wide range of issues and topics both domestic and international, and provides strategic and overarching policy recommendations to the top decision makers of the Ministry of Finance and other governmental bodies in the PRC. Before working in the institute, he spent 15 years' working in the budgetary departments and the International Department of the PRC Ministry of Finance, during which he was assigned to work in the United Nations and the World Bank Chinese Executive Director's Office.

GROUP PHOTOS



QUOTES FROM VIDEOS

To maintain its competitive position, it needs to look beyond the traditional sectors, like textiles and traditional manufacturing sectors, and try to move to more technology-intensive, as well higher value-adding sectors.

—**Mahinthan Mariasingham**, Statistician, ADB

CRII will let you know what is your ranking in one of six economic dimensions, and how you can integrate more. It tells you about your competitiveness.

—**Saeed Qadir**, Senior Research Officer, CI

I think South–South knowledge-sharing can be more beneficial than sharing of knowledge from some of the more developed countries to the less developed countries. With some of the common areas we encounter—given the similar environment, similar stage of development, and sometimes similar political structure, we may be better off in learning from one another.

—**Weng Tat Hui**, Dean, Graduate School of Public Policy, Nazarbayev University, Kazakhstan

From 2013 to 2015, we set up four ports towards three countries: Kazakhstan, the Kyrgyz Republic, and Tajikistan, which offer green channels for agricultural products. The mechanism of the channel is that the two customs design a sign which clearly marks perishable agricultural commodities. It is stuck in a visible position on the transport vehicles. According to the agreement, once such transport vehicles are sighted at the port both customs will provide them with customs clearance. It also decreases the risk of commodities being delayed at the port and thus it increases enterprises' benefits.

—**Rong Jin**, Director, Foreign Relations Unit, Urumqi Customs, PRC

CAREC CTTN ADVISORY PANEL

Chair: Shamil Alaskarov, former Secretary General, ECO

Members

1. **Odonchimeg Ikhbayar**, Deputy Director, Economic Policy and Competitiveness Research Center, Mongolia
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4. **Miryakub Khaydarov**, Head of the Training Center of the Ministry of Finance, Uzbekistan
5. **Matthew Lawrence Longmore**, Communications Officer, Afghanistan Research and Evaluation Unit (AREU), Afghanistan
6. **Abid Qaiyum Sulehrie**, Executive Director, Sustainable Development Policy Institute (SDPI), Pakistan
7. **Haiping Ren**, Deputy Head, PRC Center for International Economic Exchanges (CCIEE) Department of Strategic Research, PRC
8. **Shakharbanu Zhakupova**, Vice President, Economic Research Institute (ERI), Ministry of National Economy, Kazakhstan
9. **Rustam Babajanov**, Analytical Center NAVO, Tajikistan
10. **Sanjaasuren Bayaraa**, Director, CI (ex-officio member)
11. **Ziqian Liang**, Deputy Director I, CI, secretary of CTTN Secretariat (ex-officio member)



LIST OF PARTICIPATING THINK TANKS

1. Afghanistan Research and Evaluation Unit
2. Economic Reforms Scientific-Research Institute, Ministry of Economy, Republic of Azerbaijan
3. Institute of Economics of Academy of Sciences, Republic of Azerbaijan
4. Georgian Foundation for Strategic and International Studies
5. ISET Policy Institute, Georgia
6. Economic Policy Research Center, Georgia
7. Economic Research Institute, Ministry of National Economy, Kazakhstan
8. Center for Trade Policy Development, Kazakhstan
9. Economic Research Institute, Kazakhstan
10. Center for Trade Policy Development, Kazakhstan
11. Aga Khan Development Network, Kyrgyz Republic
12. Institute of Public Policy and Administration, Kyrgyz Republic
13. National Institute for Strategic Studies, Kyrgyz Republic
14. Economic Policy and Competitiveness Research Center, Mongolia
15. Sustainable Development Institute for Western Region of Mongolia, Khovd University, Mongolia
16. Regional Economic Integration Research Institute, Mongolia
17. Asia Foundation, Pakistan
18. Applied Economic Research Center, University of Karachi, Pakistan
19. PRC International Economics Exchange Center
20. International Economics and Finance Institute, Ministry of Finance, PRC
21. International Economic and Trade College, Xinjiang University of Finance and Economics, the PRC
22. School of Economics, Xinjiang University of Finance and Economics, the PRC
23. Central Asian Economic and Trade Research Institute, Xinjiang University of Finance and Economics, the PRC
24. Analytical Center “NAVO,” Tajikistan
25. Department of Training Center of Ministry of Finance, Uzbekistan
26. Institute of Forecasting and Macroeconomic Research, Uzbekistan
27. Center for Economic Research, Uzbekistan

FORUM ORGANIZERS AND CONTACT DETAILS

Ziqian Liang

Deputy Director One
Secretary, CTTN Secretariat
Email: ziqian_l@163.com
Telephone: +86 991 8891008
Fax: +86 991 8891391
Cellphone: +86 139 1026 0126

Samad Bashirli

Head of Strategic Planning Unit
Email: samedazer@163.com
Telephone: +86 991 889 1262
Fax: +86 991 8891391
Cellphone: + 86 138 9998 9371

Khalid Umar

Senior Strategic Planning Officer
Coordinator, Annual Think Tanks Development Forum and CTTN
Email: khalidumar@126.com
Telephone: +86 991 889 1018
Fax: +86 991 8891391
Cellphone: +86 183 9966 7017

Proceedings of the Second CAREC Think Tanks Development Forum

Exploring Knowledge Solutions for Regional Cooperation and Integration

The Second CAREC Think Tanks Development Forum was held in Urumqi on 7–8 September 2017. Under the theme “Exploring knowledge solutions for regional cooperation and integration”, participants discussed the state of economic cooperation and integration in the CAREC region; avenues for cooperation in infrastructure and trade; and institutional development and the way forward for think tanks, in particular the establishment of the CAREC Think Tanks Network.

About the CAREC Institute

The Central Asia Regional Economic Cooperation (CAREC) Program comprises 11 countries: Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. As an intergovernmental organization contributing to the CAREC Program through knowledge generation and capacity building, the CAREC Institute was established in 2006 and became operational in 2009. Since 2015, it has been based in Urumqi, Xinjiang Uyghur Autonomous Region, People’s Republic of China.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to a large share of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



ASIAN DEVELOPMENT BANK
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org