



# CAREC Institute Newsletter

[km@carecinstitute.org](mailto:km@carecinstitute.org)

[LinkedIn](#)

[www.carecinstitute.org](http://www.carecinstitute.org)

In this issue:

The 4 <sup>th</sup> CAREC Think Tanks Forum in Xi'an .....	1
The US-PRC Trade War – Implications and Asia's Regional Cooperation .....	2
How Global Trade Frictions Challenge the Asian Economy .....	4
CAREC Integrated Trade Agenda – Cross-Border Economic Corridors .....	5
Exploring Trade Opportunities under the Belt and Road Initiative .....	6
Standardizing Transport and Logistics along the Silk Road .....	7
Evaluating Impact of New Technologies on Transforming Trade .....	8
Readiness of CAREC Region to Embrace E-commerce.....	9
Policy Implications for CAREC Region: Taxation, Licensing, Regulations.....	9
E-commerce: Key Takeaways from the PRC Experience.....	10
CAREC Institute at the Caspian Economic Forum in Turkmenistan .....	12
ADB and CAREC Institute Announce the Visiting Fellowship Program .....	13

## The 4<sup>th</sup> CAREC Think Tanks Forum in Xi'an

27-28 August 2019

Xi'an, Shaanxi, the PRC

The CAREC Institute has organized the 4<sup>th</sup> CAREC Think Tanks Development Forum (CTTDF) in Xi'an, the PRC, in cooperation with the Asian Development Bank (ADB) - PRC's Regional Knowledge Sharing Initiative (RKSII) and International Economics and Finance Institute (IEFE) at the Ministry of Finance of the PRC. ADB's Vice President Mr. Shixin Chen, Deputy Director General of the Ministry of Finance of the PRC Mr. Liu Weihua, Shaanxi Province Deputy Governor Mr. Xu Datong, Deputy Ministers of CAREC counties, other government officials, Directors of international organizations, and renowned scholars of research institutions attended the forum.

The forum brought over 130 participants from over 20 countries to discuss regional integration, trade, unresolved trade disputes, technological interventions, e-commerce, and their impact on the regional economy.

"The CTTDF provides a powerful platform to think tanks to augment the policy making for improving lives of millions through evidence-based research for planning and implementation of CAREC projects and initiatives. The CAREC Institute brings these perspectives to high-level platforms, such as the CAREC Ministerial Conference and Senior Official Meetings to facilitate related decision making," said the new CAREC Institute Director Mr. Syed Shakeel Shah in his welcome remarks.

Mr. Shixin Chen of ADB remarked that the global trading environment remained volatile with concerns of growing protectionism, and expressed his assurance that it was possible for trading countries to grow together and benefit as they abide by internationally-agreed rules and principles.

Some of the key discussions which took place at the forum are presented in this newsletter and will be covered extensively in the upcoming forum report. The [second](#) and [third](#) forum reports can be accessed on the internet.

Mr. Davaadorj Ganbold of Mongolia, Shaanxi Deputy Governor Mr. Xu Datong, Mr. Syed Shakeel Shah of CAREC Institute



## The US-PRC Trade War – Implications and Asia’s Regional Cooperation

Dr. Masahiro Kawai of the University of Tokyo provided the outlook on the US-PRC trade war and reasoned that the crisis which the rules-based global trading system faces today due to departure from multilateralism and unilateral use of higher tariffs by the US is predicted to affect the global economy, namely:

- 1) It has been disrupting global and regional supply chains by forcing a shift of final-stage production processes away from the PRC to its neighboring emerging economies in Asia, such as Vietnam. This will likely end the PRC’s role as the “global factory” and accelerate the country’s transformation into a high-value-added industrial and services-oriented economy.
- 2) It will help expand the PRC’s trade and investment with Belt and Road Initiative (BRI) participants, and further strengthen its economic relations with these countries in various ways.
- 3) It will encourage Asian economies to increase regional trade and investment and re-establish new supply chains for this purpose. This will require Asian economies to work together to increase demand and create an Asia-wide free trade zone.

The speaker suggested the following measures to restore the rules-based international trading order:

- 1) The US will need to return to multilateral and global cooperation while addressing its own domestic issues, such as rising inequality, hollowing out of the middle class and savings-investment deficit. The PRC will need to transform its economic model (characterized as “state capitalism” by the US, the EU, Japan, etc.) into a true “market economy” by redefining the role of the state, further opening its economy, ending major state subsidies, and substantially privatizing its SOE sector. The two countries must manage their bilateral conflict, with the aim to avoid economic decoupling while establishing a consultation process to address domestic structural issues on both sides.
- 2) The US, the EU, Japan, PRC, and others must substantially overhaul the WTO to enable it to regain its central role as the primary promoter and arbiter of the 21<sup>st</sup> century international trade. This should include the recovery of a fully operational appellate body for dispute settlement; stricter compliance with notification obligations for transparency; greater protection of intellectual property rights; substantial reduction of industrial subsidies; and objectively defining “developing country” status for using “special and differentiated treatment.”
- 3) Asian economies are encouraged to intensify their regional cooperation to expand intra-regional trade and investment through completing their Regional Comprehensive Economic Partnership (RCEP) negotiations, expanding TPP-11 membership, and supporting much-needed infrastructure investment (including the CAREC). At the same time, they can strengthen economic ties with countries outside Asia, such as those in Europe, Latin America, and Africa.

Dr. Masahiro Kawai of the University of Tokyo and Ms. Ye Jiandi of IEFI leading the panel discussion





## How Global Trade Frictions Challenge the Asian Economy

Ms. Ye Jiandi of the International Economics and Finance Institute (IEFI) at the Ministry of Finance of the PRC spoke about five ongoing global trade conflicts which have an impact on the Asian economy: US-PRC, US-Japan, US-EU, US-Mexico, and Japan-South Korea. The US' departure from multilateralism, exercise of protectionism, stringent controls on imports through quotas, tariffs, and bans reduces significantly attractiveness of the US market for exports. Finding new markets, on the other hand, proves challenging and requires time as trade relations take long to mature, considering how long it took to build a rules-based system of the international trade after the WW2.

The climate of uncertainty, which the US-PRC trade dispute creates, makes investors question the efficacy of investing in Asia. At the same time, global supply chains are more interdependent than ever before with the Asian supply chains being disrupted and growth prospects being undermined by trade frictions. Forecasts for GDP growth in Central Asia, East Asia, South Asia, and Southeast Asia are all projected either to decline in percentage growth or stagnate at the percentage growth rate.

Current trade wars put at risk the entire global trade framework that has been established over several decades. Such conflicts can quickly turn into self-reinforcing cycles of disputes and retaliatory actions. They cause high levels of mistrust among international actors that can take several years to repair. It is important to uphold multilateralism and promote free trade as core values which the current trading system was built on.

Ms. Ye Jiandi delivering a presentation at the forum



## CAREC Integrated Trade Agenda – Cross-Border Economic Corridors

Mr. Bahodir Ganiev of Uzbekistan Center for Economic Development and Ms. Dorothea Lazaro of ADB at the forum



Ms. Dorothea Lazaro of ADB made a presentation about the CAREC Integrated Trade Agenda (CITA) 2030 which aims to assist CAREC members to integrate further into the global economy. It seeks to enhance the growth potential of CAREC members and improve the living standards of its people through reforms across the following three pillars: 1) trade expansion from increased market access, 2) greater diversification, and 3) stronger institutions for trade.

In conjunction with the CITA, Mr. Bahodir Ganiev, Senior Adviser at the Uzbekistan Center for Economic Development, elaborated on the cross-border economic corridors which represent integrated economic regions that span two or more countries. Typically, they include several big cities and territories around and between these cities. They are characterized by superior connectivity (including transport and digital connectivity), seamless movement of goods and people across borders, and extensive cross-border trade and investment flows. They involve cross-border value-chains and clusters of economic activity.

He argued that development of such corridors can be useful for the concerned countries in many ways. In particular, it can help deepen economic integration with one another and with the rest of the world, attract more FDI and international tourists, develop urban agglomerations, manufacturing and the services sector, diversify the composition of exports beyond primary commodities, make greater variety of higher quality goods and services available to consumers at lower prices.

The forum discussed the Almaty-Bishkek and Shymkent-Tashkent-Khujand cross-border economic corridors; the rationale, major challenges, favorable factors for development of such corridors in Central Asia, and priority activities planned and ongoing under each of the corridors.



Ms. Tamar Sulukhia and researchers of the ISET Policy Institute reading the Shaanxi investment brochure at the forum



## Exploring Trade Opportunities under the Belt and Road Initiative

Dr. Zongxian Feng of the Xi'an Jiaotong University narrated about Xi'an's advantageous position and the role it can play as a logistics and transportation hub for inland transportation and the positive spillover effects it can bring to the region. Xi'an is studying trade patterns in the region and exploring convergence options. The integration agenda is led by the China Railway Express which is advancing work in rail transportation.

Dr. Dong Qianli, Executive Director of China Logistics Association, delivering a presentation at the forum



## Standardizing Transport and Logistics along the Silk Road

Dr. Dong Qianli of the Institute of Logistics and Supply Chain and Executive Director of China Logistics Association provided an overview of the rail and road transport along the Silk Road Economic Belt and elaborated on the Xi'an Land Port as the starting point for cross-border cargo transportation along the Belt. He remarked that Xi'an is focused on innovations and achieving high standards in international and domestic freight forwarding through improving channel accessibility, centrality of the hub, expansion of proportions of cargo boxes, relay integration, establishment of e-commerce linkages, transformation of traditional commerce into a platform and network of industrial clusters, etc. with the aim to advance the Xi'an Land Port to a modern international logistics channel between Central Europe and Central Asia.

He elaborated on the principle of the three-party which refers to realizing human interests with responsibility, and with consideration of destiny. "Logistics is a service industry that connects the three," he added.

As shared during the presentation, the PRC has signed 171 cooperation documents with countries and international organizations to develop jointly three-party markets. He then updated the audience as to which routes are advancing under these agreements, including 2019 numbers of trains and cargo. As for PRC's trade in goods with the Belt and Road countries, the volume has exceeded \$6 trillion in the past five years. As of December 2018, the balance of loans of the China Development Bank and Export-Import Bank in the countries along the Belt and Road stood at around \$250 billion.

As the cooperation advanced along the route, Dr. Dong Qianli noted, employment opportunities increased together with the tax revenue, people's livelihood got improved, high-quality assets were provided, and contribution was made to the recovery and development of the relevant regions.

Dr. Dong Qianli, Executive Director of China Logistics Association, at the forum



## Evaluating Impact of New Technologies on Transforming Trade

Mr. Ian Watt, Vice Chair of UNECE, delivering a presentation at the forum



Mr. Ian Watt, the Vice Chair of the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) at the United Nations Economic Commission for Europe (UNECE), elaborated on around 30 different parties from the commercial, logistics, financial, and regulatory sectors involved in an average international trade transaction where international trade participants operate in silo business processes and rely on conflicting standards developed by sector-centric bodies.

Further, no standard has effectively addressed all four sectors of international trade, with particular disconnect existing between finance and the other three sectors: commercial, logistics, and regulatory. This obstructs end-to-end supply chain transparency and visibility, trade finance, insurance, asset efficiency, and regulatory compliance. The current approach is also unsuited to end-to-end track and trace of the movement of the physical product and achieving product authentication and protection of product quality. This is a significant trade barrier for Small and Medium Sized Enterprises (SME) with negative impact on importers, exporters, and their required service providers.

A transformed, semantic data-centric, process driven value chain is required to share, verify, and contextualize the vast quantities of data being delivered by new technologies such as Internet of Things (IoT), collaboration platforms, Blockchain, etc. These modern technologies are being implemented as part of restrictive, locked-in, monolithic architectures based on bespoke syntax.

The enhanced security offered by the latest technologies cannot promote trustworthiness while the sources of data remain limited to untrustworthy traders and logistics providers. Instead, an open micro-services architecture that implements international standards-based semantics is required to derive actionable insights from disparate data. The latter requires understanding its context within



the agreed trading pattern (e.g. Free on Board). This is only possible by linking collaboration processes and semantically understanding data across the four sectors of international trade.

The semantic translations will be linking the conflicting data sources, technologies, standards and platforms in use throughout the supply chain. In doing so, semantic micro-services on top of an object-oriented database via Application Programming Interfaces will correlate trade data against that of trustworthy parties, initially customs and other government regulators but increasingly drawn from IoT devices. The massive scale required to link data and participants from all sectors of the supply chain necessitates multi-sided aggregation that is best delivered by an open micro-services architecture.

## Readiness of CAREC Region to Embrace E-commerce

Mr. Tengfei Wang of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) reviewed three dimensions which affect development of e-marketplace: 1) economic factors and conditions which affect accessibility and viability of e-commerce activities, 2) legal and institutional environment which legitimize e-commerce-related activities, 3) social acceptance and awareness which affect behavior of individuals and organizational decision-makers.

According to Euromonitor International, the global internet retailing market share of Asia and the Pacific will reach 48.5% of the global total in 2021 compared with 47.2% in 2017. However, the ICT infrastructure is not well developed in the least developed countries (LDCs) of Asia and developing countries in Central and West Asia, South Asia, and Southeast Asia which means that e-commerce cannot have a relative advantage in these countries at this stage.

In terms of e-commerce legislation, the PRC is at an advanced stage, Kazakhstan has promulgated a few laws and regulations on e-commerce. Other CAREC members are at an early stage of development of legislation. The same applies to the cross-border e-commerce where the PRC is most advanced. The cross-border legislation involves at least three aspects: 1) market access including customs duties, valuation issues, movement of natural persons and access to data, 2) rules and regulations including intellectual property rights, protection of personal information, consumer protection and competition, 3) facilitation including paperless trade, e-signatures, and digital authentication.

To unlock the potential of digital trade and e-commerce, it is imperative to: 1) enhance affordability of and access to ICT, 2) introduce legal, regulatory and institutional reforms, 3) improve logistics and delivery infrastructure, 4) intensify regional efforts to modernize and harmonize regulations, and 5) broaden the e-payment availability and options.

Check out the June 2018 publication on [Embracing E-commerce Revolution in Asia and the Pacific](#)

## Policy Implications for CAREC Region: Taxation, Licensing, Regulations

Dr. Hong Xue, the Director of Beijing Normal University Institute for Internet Policy and Law remarked that new technologies like IoT, big data, artificial intelligence, and block chain can enable CAREC countries leapfrog in development of e-commerce and digital economy. However, an appropriate legal and regulatory system is essential for application of new technologies and releasing their great potential for economy and trade. The new laws that enable trade environment, facilitate paperless trade, and, most importantly, remove legal barriers shall provide the essential legal recognition, support, and endorsement for the success of digital economy.

Mr. Hamidullah Farooqi, Kabul University Chancellor, asking a question at the forum



## E-commerce: Key Takeaways from the PRC Experience

Mr. Victor Tseng of PinDuoDuo informed the forum about fast e-commerce penetration in the PRC at an annual rate of 20-25%, and introduced the Pinduoduo e-commerce platform which became the second largest e-commerce company in the PRC by number of users within four years. It boasts 3.6 million active vendors, and a spot on NASDAQ. Pinduoduo has managed to revamp the current product supply chain distribution layers in agriculture in the PRC, reduced social resource waste, and created more value for users.

Pinduoduo started with the sale of agricultural products through an innovative module “team purchase” where a consumer can buy a product at a discount if they invite another user to buy it together. This aggregated massive demand and enabled accumulation of good information for analysis of supply and demand for each product.

Learning that agricultural products had to go through 6-8 distribution layers from the farm field to consumers, Pinduoduo went deep into PRC’s major agricultural production regions and rebuilt how agricultural products get online through their “ground network” and “skynet” systems which connect farmers and local resources and provide all types of information regarding production cycle, logistical resources, etc. Another innovation was the “direct connect” module where farmers directly upload their products online and access millions of Pinduoduo’s buyers online. This way the traditional multi-step agricultural distribution chain got simplified to 1-2 layers of distribution.

Understanding that localizing talent is an important element in creating sustainability, Pinduoduo began to promote the “return home” and “entrepreneurship opportunities” to young educated talent located in big cities through the “Duo Duo University” and “New Generation Farmer Return Home System” in cooperation with the China Agricultural University. As of now, 62,000 “new

generation farmers” joined the platform to become rural area businessmen and help modernize their enterprises.

For example, through Pinduoduo, Turpan’s melon can be directly delivered at a cheaper price to the consumer from the farm within 48 hours. Henan’s Zhongli garlic can now be packaged and sold to Beijing consumers at a price that is only a quarter of the Beijing supermarket price. Pinduoduo connected relatively poor county farmers across the country directly with consumers in office buildings and communities across the country.

In April 2019, in cooperation with the relevant PRC governmental departments, Pinduoduo launched the “Duo Duo Farm” project to further explore how to better promote and sustain “precision poverty alleviation” and “rural area revitalization,” and launched a pilot in Yunnan’s Nujiang and Xinjiang’s Nanjiang areas. The plan is to cover 1000 such areas and all major agricultural product lines in PRC within next five years.

To accrue more social value, Pinduoduo launched a game application “DuoDuo Orchard” which now has 11 million active daily users. They plant and grow virtual fruit trees and earn water droplets through completing social and interactive tasks. Once the virtual fruit tree matures and bear fruits, DuoDuo Orchard provides users with real fruits pro bono. Most of these fruits come from relatively poor areas in the PRC, like Sichuan Da Liang Shan and Xinjiang Nan Jiang. Today, DuoDuo Orchards delivers more than 1.2 million kilograms of fruits per day.

In 2018, Pinduoduo handled about 65.3 billion Yuan worth of agricultural products. This represents a 233% annual growth. Among them, Pinduoduo helped over 140,000 vendors register in relatively poor areas of the PRC and handle more than 16.2 billion Yuan worth of agricultural products in 2018.

Mr. Victor Tseng of PinDuoDuo delivering a presentation at the forum





At the forum, the CAREC Institute presented country-level proposals designed based on the rankings under the CAREC Regional Integration Index (CRII), also preliminary findings of the CAREC Think Tanks Network (CTTN) Research Grants Program which will be covered in detail in subsequent e-newsletters.

Panelists of research findings answering the forum questions



## CAREC Institute at the Caspian Economic Forum in Turkmenistan

10-12 August 2019

Avaza and Turkmenbashi, Turkmenistan

CAREC Institute participated in the first Caspian Economic Forum in Turkmenistan during 10-12 August 2019. The forum brought together Heads of State and Prime Ministers from Turkmenistan, Iran, Azerbaijan, Kazakhstan, Russia, Uzbekistan and Bulgaria, over 30 Ministers and Deputy Ministers of finance, economy, trade, transport, energy and industry, representatives of international organizations, business delegations, and media.

CAREC Institute delegation attended a solemn session by Heads of States, plenary sessions presented by UNECE Secretary-General, Shanghai Cooperation Organization Secretary-General, Commonwealth of Independent States Secretary General, and the President of Association of International Freight Forwarders.

During the forum, the Institute representatives held meetings with the Deputy Minister of Finance and Economy of Turkmenistan Mr. Ezezgeldi Annamammedov to discuss governmental staff secondment to the CAREC Institute, ratification of inter-government agreement, support for the UN Observer status and proposal for cooperation on organization of a high level forum. The Institute delegation met the President of the Academy of Sciences of Turkmenistan Dr. Sapardurdy Toylyev to discuss joint research and capacity building activities with the focus on macro-economic topics, road safety, and national accounts.

The CAREC Institute Deputy Director Dr. Iskandar Abdullaev made a speech on the potential of the regional Caspian transport corridors, need for economic diversification and regional cooperation for industrial development.

The Institute representatives visited the Turkmenbashi International Seaport and the Caspian International Exhibition on Innovative Technology. They attended the side event organized by the UN Turkmenistan on Financing Implementation of sustainable development goals, and gave media interviews to the national broadcaster of Turkmenistan and Altyn Asyr.

Two Deputy Directors of CAREC Institute, Mr. Liang and Mr. Abdullaev, at the exhibition in Turkmenbashi



## ADB and CAREC Institute Announce the Visiting Fellowship Program

The Asian Development Bank (ADB) and the CAREC Institute are pleased to announce a new Visiting Fellows Program and invite applications for fellowships from researchers who are citizens of ADB members. The fellowships are intended for scholars at all levels to pursue research on a topic that is relevant to the CAREC 2030 operational priorities, namely: economic and financial stability; trade, tourism and economic corridors; infrastructure and economic connectivity; agriculture and water; and human development.

The strong preference will be given to proposals that address cross-border issues in the CAREC countries (where at least two, preferably three or more, countries are taken as a unit of analysis) that are considered of strategic importance to the region and propose options for important policy challenges.

The fellowship is of three months duration, extendable in exceptional cases. More about the application process [here](#).