



# **CAREC Institute**

## **Quarterly Economic Monitor**

**Hans Holzhacker  
Kamalbek Karymshakov  
Shiliang Lu**

**April 2021**



**CAREC Institute**

**Quarterly Economic Monitor**

**Hans Holzhacker  
Kamalbek Karymshakov  
Shiliang Lu**

**April 2021**

## Disclaimer

This issue of the CAREC Institute Quarterly Economic Monitor looks at economic developments in the CAREC region based on full-year 2020 GDP, fiscal and external economy data, along with some high-frequency data. It also gives an overview over the global production and dissemination of COVID-19 vaccines to draw some picture of potential procurement opportunities for the CAREC countries.

The Monitor is co-authored by Hans Holzhacker, Chief Economist at the CAREC Institute, Kamalbek Karymshakov, Economist at the CAREC Institute, and Shiliang Lu, Research Specialist at the CAREC Institute.

The views expressed in this Economic Monitor are the views of the authors and do not necessarily reflect the views or policies of the CAREC Institute, its funding entities, or its Governing Council. The CAREC Institute does not guarantee accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. The terminology used may not necessarily be consistent with the CAREC Institute's official terms. By making any designation of or reference to a particular territory or geographical area, or by using country names in the report, the author(s) did not intend to make any judgment as to the legal or other status of any territory or area. Boundaries, colors, denominations, or any other information shown on maps do not imply any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this paper, you agree to be bound by the terms of this license. This CC license does not apply to other copyright materials in this paper. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. The CAREC Institute cannot be held liable for any claims that arise as a result of your use of the material.

Central Asia Regional Economic Cooperation (CAREC) Institute

No. 376 Nanchang Road, Urumqi, Xinjiang, the PRC

f: +86-991-8891151

LinkedIn

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

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

## CONTENTS

THE YEAR 2020 WAS THE WORST SINCE A QUARTER OF A CENTURY FOR CAREC.....	6
<b>Despite some recovery in H2, CAREC saw the deepest slump in GDP in 2020 since the early 90's.</b>	7
<b>The economic cost of COVID-19 is huge: an average 7% of GDP in CAREC in 2020 alone .....</b>	8
<b>Services and mining hit most .....</b>	10
<b>Increased government expenditure, wider budget deficits, higher public debt.....</b>	10
<b>Imports contracted even more than exports in 2020, trade balances slightly improved.....</b>	13
<b>Exchange rate depreciation combined with low inflation to strengthen competitiveness.....</b>	16
<b>Improved current accounts, higher external debt, higher foreign exchange reserves .....</b>	17
<b>High-frequency data: Some recovery in industrial output, but retail sales have weakened again</b>	20
<b>Prospects depend on the global economy, but overcoming COVID-19 at home remains key .....</b>	21
PREPARING THE ROLLOUT OF COVID-19 VACCINES .....	22
ANNEX: CAREC COOPERATION INITIATIVES IN THE MEDIA .....	26
<b>CAREC governments' cooperation initiatives .....</b>	26
<b>CAREC cross-border business activities.....</b>	28
<b>CAREC intra-regional economic highlights.....</b>	31

## Figures

Figure 1. Real GDP growth (yoy, %)	7
Figure 2. Annual GDP growth (yoy, %)	8
Figure 3. GDP Loss in 2020 (as % of 2019 GDP)	9
Figure 4. Real GDP growth by sector (% yoy)	10
Figure 5. State budget revenue (% of GDP)**	11
Figure 6. State budget expenditure (% of GDP)	11
Figure 7. State budget balance (as % of GDP)	12
Figure 8. General government debt (as % of GDP)	12
Figure 9. Export (USD based, FOB, % yoy)	13
Figure 10. Export (USD based, FOB, annual data, % yoy)	14
Figure 11. Import (USD based, CIF, % yoy)	14
Figure 12. Import (USD based, FOB, annual data, % yoy)	15
Figure 13. Trade balance (USD based, monthly data in % of full-year GDP)	15
Figure 14. Trade balance (USD based, annual data, % of GDP)	15
Figure 15. Exchange rates (USD/national currency, 3-2018=1.00)	16
Figure 16. Consumer prices (% yoy)	16
Figure 17. Real effective foreign exchange rate index (% yoy) (3-2018=100)	17
Figure 18. Gross External Debt (in % of GDP)	19
Figure 19. Industrial output (yoy, %)	20
Figure 20. Retail sales (yoy, %)	21
Figure 21. Google COVID-19 community mobility: Retail & Recreation reports	21
Figure 22. Google COVID-19 community mobility: Workplaces	21
Figure 23. Google mobility reports, retail sales and industrial output in CAREC	22
Figure 24. Summary of COVID-19 vaccine development (as of 30 March 2021)	22
Figure 25. COVID-19 vaccine doses administered per 100 people (as of 1 April 2021)	23
Figure 26. Manufacturing projection (2021) and total purchases of main vaccine makers, million doses (as of 2 April 2021)	23
Figure 27. CAREC-country dose purchase status, million (as of 2 April 2021)	25

## Tables

Table 1. Real GDP growth (yoy, %)	8
Table 2: Forgone GDP in 2020, USD billion	9
Table 3. Current account balances (USD million)*	18
Table 4. External debt (USD billion)*	18
Table 5. Foreign exchange reserves (USD billion)*	19
Table 6. COVAX Interim Distribution Forecast (as of 3 February 2021)	24

## Abbreviations

ADB	Asian Development Bank
CAREC	Central Asia Regional Economic Cooperation
CI	CAREC Institute
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
MOU	Memorandum of Understanding
PRC	People's Republic of China
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
Q4	Fourth quarter
qoq	quarter-on-quarter
sa	Seasonally adjusted
WEO	World Economic Outlook
WHO	World Health Organization
yoy	year-on-year

## THE YEAR 2020 WAS THE WORST SINCE A QUARTER OF A CENTURY FOR CAREC

This CAREC Quarterly Economic Monitor looks at economic developments in the CAREC region based on full-year 2020 GDP, fiscal and external economy data, which have become available recently, along with some high-frequency data. Main conclusions are:

- The economic loss in 2020 the CAREC region was of a magnitude not seen since the early 1990s.
- Foregone GDP amounted to about USD 37 billion for the CAREC region excluding the PRC, and almost USD 950 billion for the PRC.
- Government debt further increased and is in four CAREC countries higher than 60% of GDP now. Government debt should remain sustainable even in highly indebted countries, in part with international help. However fiscal policies will have to return to consolidation in the medium term.
- Imports contracted even more sharply than exports in 2020 due to the contraction of domestic consumption and production. This led to some improvement in trade and current account balances. However, this may be temporary in case consumption recovers faster than new export opportunities are found.
- External debt also increased which is mixed news. On one hand, it shows lenders' appetite and CAREC countries' ability to borrow while the crisis lingered. However, the resulting increase in future debt service poses downside risks for some countries with high external debt such as Mongolia and Pakistan.
- The PRC's current account surplus more than tripled in the fourth quarter of 2020 from a year ago, showing that de-globalization or supply-chain diversification is not underway, at least not yet or not on the scale some analysts projected.
- CAREC competitiveness slightly improved since nominal exchange rates have depreciated more than prices have increased. This was an additional reason why less goods were imported. They became too expensive. However, to consolidate the competitiveness gains in the medium term, production and distribution will have to become more efficient.
- Mobility data, reflecting containment behavior, show lower activity again since the fourth quarter of 2020. This comes after a recovery in the third from the deep slump in the second. Industrial output has decoupled to some extent from mobility thanks to higher production of metals, machinery, textiles, and food, in part for export. However, retail sales remain strongly related to mobility, especially sales of non-food products.

The findings confirm that pandemics are extraordinarily costly not only from the point of view of lost lives, health, and social interaction, but also purely economically. Substantial public and private investment in pandemic prevention certainly pays off. Continued correlation between retail sales and mobility shows that overcoming the pandemic will be crucial for revitalizing the domestic economy, even if the global economy recovers and external demand for CAREC products rises.

There is the looming danger of a K-shaped recovery. The better-offs are likely to recover relatively quickly while the less well-offs will suffer for a long time, both globally and within countries. The International Monetary Fund writes in its April 2021 World Economic Outlook: "Unlike during the global financial crisis, when advanced economies were much more affected, emerging market and developing economies are expected to have deeper scars than advanced economies."<sup>1</sup> Within developing economies, differences are also substantial, of course, depending on their economic structure, financial means, but also policies, including policies to fight the COVID-19 pandemic. The IMF predicts advanced economies to grow by 5.1% yoy in 2021 and 4.4% in 2022, the PRC by 8.4% and 5.6%, but Pakistan only by 1.5% and 4.0% in 2021 and 2022, respectively. GDP growth for the Caucasus and Central Asia region is foreseen to be at 3.7% in 2021 and 4.1% in 2022 somewhere in the middle, with variations between countries ranging from

---

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

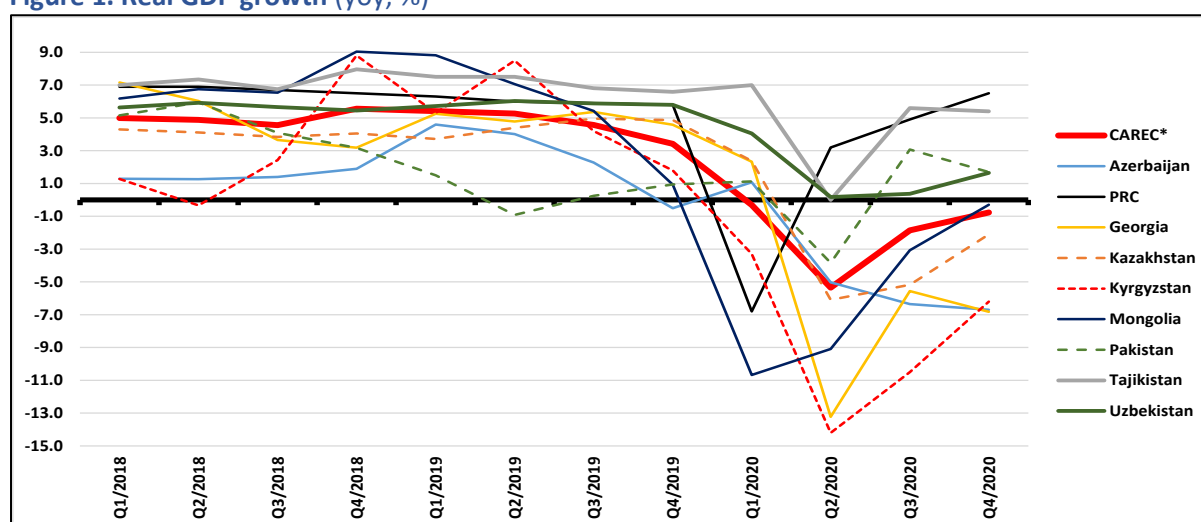
6.0% and 4.6% for the Kyrgyz Republic to 2.3% and 1.7% for Azerbaijan. However, this plays out, there will be also stark differences between sectors and social groups within countries. Services such as travel, tourism and catering have been especially heavily affected. Higher unemployment levels will likely persist for longer durations, with more severe impact on vulnerable groups like migrant workers, daily wagers and others. “Building back better” not only for a few, but for a majority of countries and the majority of population within countries will depend on proper strategies and on financing opportunities for them.

The CAREC countries need to work out plans - and have begun to do so – to avoid K-shaped recoveries, both in the sense of falling behind globally and in the sense of permitting large divides within countries. In the short-term it is crucial to run successful vaccination campaigns large enough to achieve herd immunity soon. This would not only allow returning to more normal lives, but also contribute to helping humankind to prevail in the race against the SARS-CoV-2 virus’ ability to mutate. This Quarterly Economic Monitor therefore gives also an overview over the global production and dissemination of COVID-19 vaccines to draw some picture of potential procurement opportunities for the CAREC countries.

**Despite some recovery in H2, CAREC saw the deepest slump in GDP in 2020 since the early 90’s.**

**Data for the second half of 2020 indicate a moderate recovery in the CAREC region from the sharp downturn in Q2.** Real GDP growth averaged minus 1.9% year-on-year in Q3 and minus 0.7% year-on-year in Q4 in the CAREC region (Figure 1, Table 1). This is substantially less than the minus 5.3% yoy in the second quarter and was brought about by positive growth quarter-on-quarter in Q3, though less so in Q4. The recovery was made possible by the successful controlling of the COVID-19 pandemic in the PRC, some better adjustment to the pandemic in other CAREC countries, and by higher oil and other commodity prices that have helped commodity exporters. The PRC’s economy grew by 6.5% yoy in Q4 after 4.9% yoy in Q3. Tajikistan, Pakistan, and Uzbekistan also recorded positive yoy growth in Q3 and Q4, whereas the economies of the other CAREC countries still contracted. In all CAREC countries - except for Azerbaijan - yoy real GDP decreased less in the second half of 2020 than in Q2.

**Figure 1. Real GDP growth (yoy, %)**



\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors’ calculations.



**Table 1. Real GDP growth (yoy, %)**

	2019	2020	2019				2020			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Afghanistan	1.2	3.9	-	-	-	-	-	-	-	-
Azerbaijan	2.5	-4.3	4.6	4.0	2.3	-0.5	1.1	-5.0	-6.4	-6.7
PRC	6.0	2.3	6.3	6.0	5.9	5.8	-6.8	3.2	4.9	6.5
Georgia	5.0	-6.1	5.2	4.8	5.4	4.6	2.3	-13.2	-5.6	-6.5
Kazakhstan	4.5	-2.6	3.7	4.4	5.0	4.9	2.4	-6.1	-5.2	-2.1
Kyrgyz Rep.	4.6	-8.6	8.5	4.2	1.8	-8.6	-3.3	-14.2	-10.5	-6.2
Mongolia	5.2	-5.3	8.8	7.1	5.4	0.9	-10.7	-9.1	-3.1	-0.3
Pakistan	1.0	0.5	1.5	-0.9	0.2	0.9	1.1	-3.8	3.1	1.7
Tajikistan	7.5	4.5	7.5	7.5	6.8	6.6	7.0	0.0	5.6	5.4
Turkmenistan	-	-	-	-	-	-	-	-	-	-
Uzbekistan	5.6	1.6	5.7	6.0	5.9	5.8	4.1	0.2	0.4	1.6
Average CAREC**	4.3	-1.4	5.8	4.8	4.3	2.3	-0.3	-5.3	-1.9	-0.7

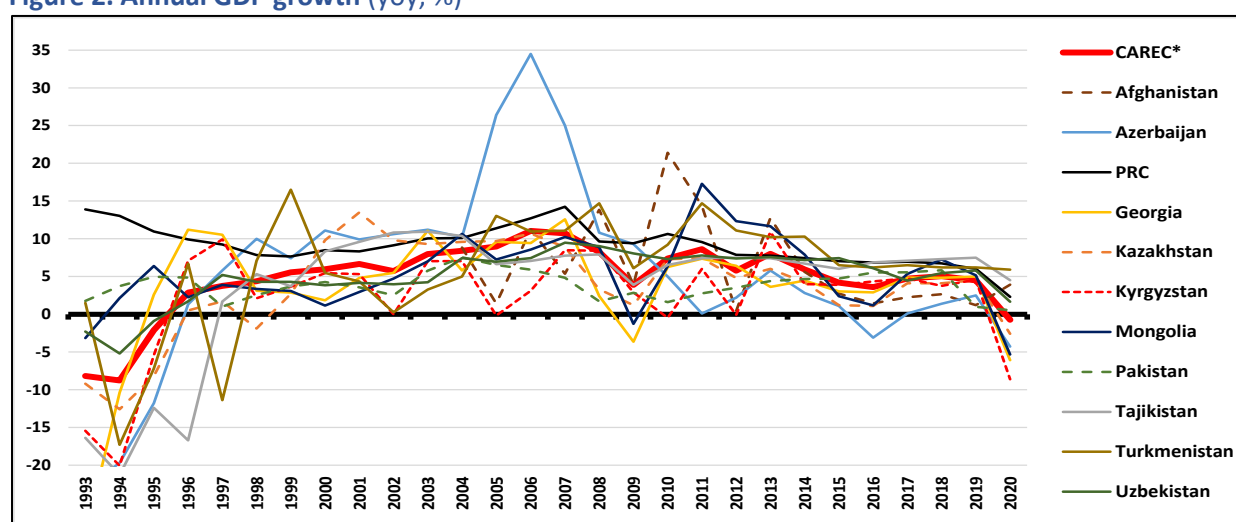
\* Some countries don't provide quarterly data, but publish only on longer periods, e.g. Jan-Sep; the figures in this table are rough estimates by the authors how these data translate into quarterly numbers.

\*\* Simple average of CAREC countries where data are available

Source: CEIC, authors' calculations based on national statistical office data.

**Despite the partial recovery in the second half of the year, the CAREC region experienced the deepest slump in economic output in 2020 since the early 1990ies.** Six out of eleven CAREC countries still managed to report positive GDP growth, but in the five others full-year real GDP contracted, in part severely (Table 1). Real GDP fell by an estimated 1.4% yoy on average in the CAREC region in 2020, the first negative reading since 1995 (Figure 2).

**Figure 2. Annual GDP growth (yoy, %)**



\*Refers to the simple average of CAREC countries where data are available.

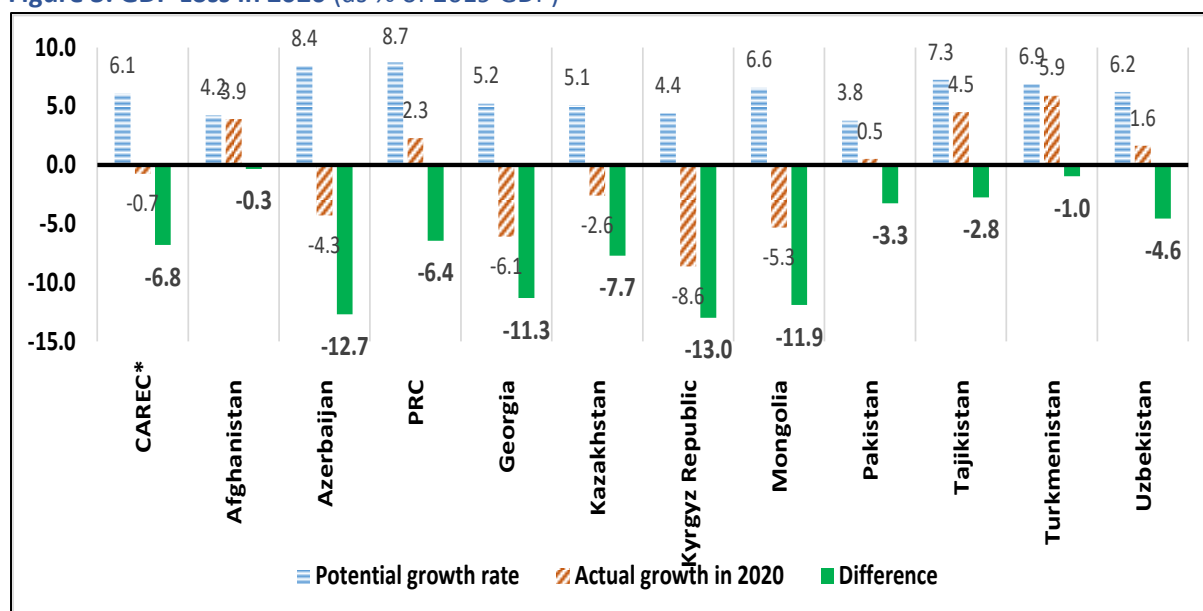
Source: CEIC. Authors' calculations.

## The economic cost of COVID-19 is huge: an average 7% of GDP in CAREC in 2020 alone

**In all CAREC countries real GDP growth remained significantly below potential output in 2020, and the resulting loss was huge.** Back-of-the-envelope calculation indicates an average loss of roughly 7% of GDP in the CAREC region compared to potential output (Figure 3). This amounts to about USD 37 billion for CAREC excluding the PRC, and almost USD 950 billion for the PRC (Table 2). The calculation is only a rough

estimate, but it provides some idea about the benefit relative to costs of getting pandemics such as COVID-19 under control. The calculation refers to 2020 alone, not taking into account lasting effects because of lower investment, lost education opportunities, etc. Humankind is about to learn how to better design lockdowns and other containment measures, but the cost of such pandemics will certainly remain extraordinarily high. The international community, and among them the CAREC countries, need to make sure through vaccination and other precautionary measures that the year 2020 will not repeat itself<sup>2</sup>. Means invested in the development and production of vaccines and in vaccination campaigns, as large as they might need to be for securing lasting success, look tiny compared to the economic loss caused by the pandemic, not to speak about lost lives and other social costs.

**Figure 3. GDP Loss in 2020 (as % of 2019 GDP)**



\*Refers to the simple average of CAREC countries.

\*\*The potential growth rate is approximated by the geometric mean of 1999-2019 growth rates.

Source: CEIC. Authors' calculations.

**Table 2: Forgone GDP in 2020, USD billion**

Afghanistan	Azerbaijan	PRC	Georgia	Kazakhstan	Kyrgyz Republic	Mongolia	Pakistan	Tajikistan	Uzbekistan
0.1	6.1	947.1	2.0	14.1	1.1	1.7	9.0	0.2	0.4

Source: CEIC, authors' calculations based on national statistical office data.

<sup>2</sup> In a recent blog Olivier Blanchard and Jean Pisani-Ferry warned: "When the COVID-19 crisis spread in early 2020, many economists who stepped forward with projections of its impact assumed that a one-time shock would be followed eventually by a return close to the status quo. ... The emergence of new variants of SARS-CoV-2, the virus that causes COVID-19, has made this assumption questionable. While not the most likely outcome, worse scenarios can no longer be excluded." <https://www.piie.com/blogs/realtime-economic-issues-watch/persistent-covid-19-exploring-potential-economic-implications>.

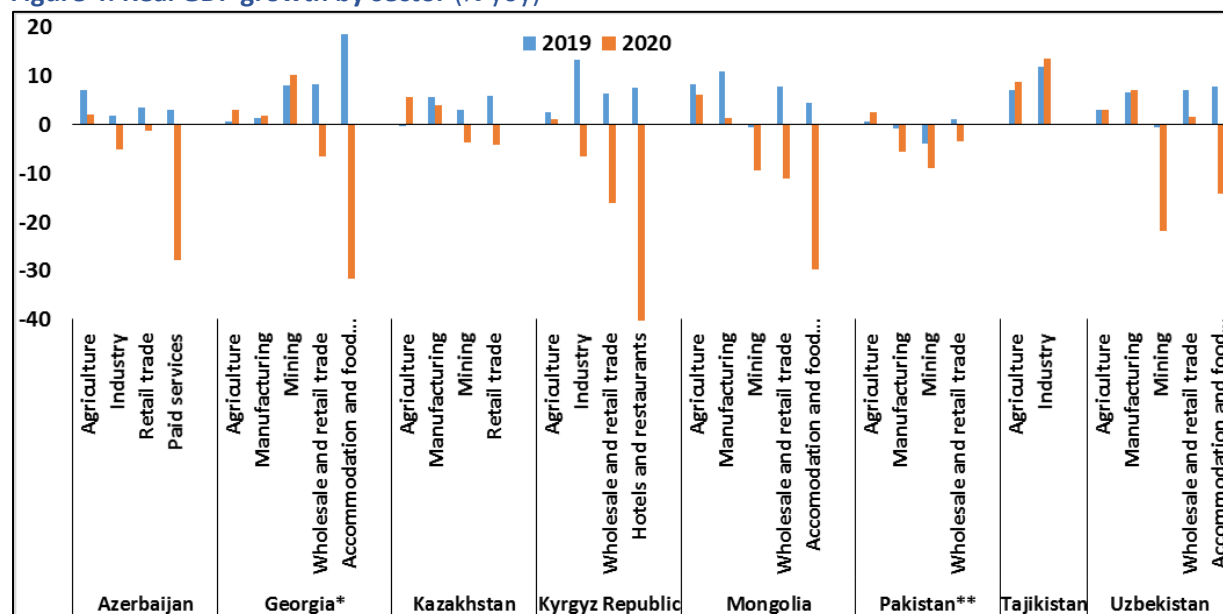
However, we still assume that vaccination can help. OECD's March 2021 Economic Outlook says: "Global economic prospects have improved markedly in recent months, helped by the gradual deployment of effective vaccines ... The top policy priority is to ensure that all resources necessary are used to produce and fully deploy vaccinations as quickly as possible throughout the world, to save lives, preserve incomes and limit the adverse impact of containment measures on well-being. The resources required to provide vaccines to lower-income countries are small compared with the gains from a stronger and faster global economic recovery"

<https://www.oecd.org/economic-outlook/march-2021/> We agree.

## Services and mining hit most

As in most countries globally, in the CAREC region, services such as travel, accommodation and hospitality were especially hit hard by the pandemic (Figure 4). However, mining also suffered severely in many countries of the CAREC region due to disruptions and lower external demand.

Figure 4. Real GDP growth by sector (% yoy)



\*2020 data for Georgia refer to the 3<sup>rd</sup> quarter of 2020.

\*\*Pakistan data is based on fiscal year reporting (2019 is 2018/2019 fiscal year; 2020 is 2019/2020 fiscal year and preliminary)

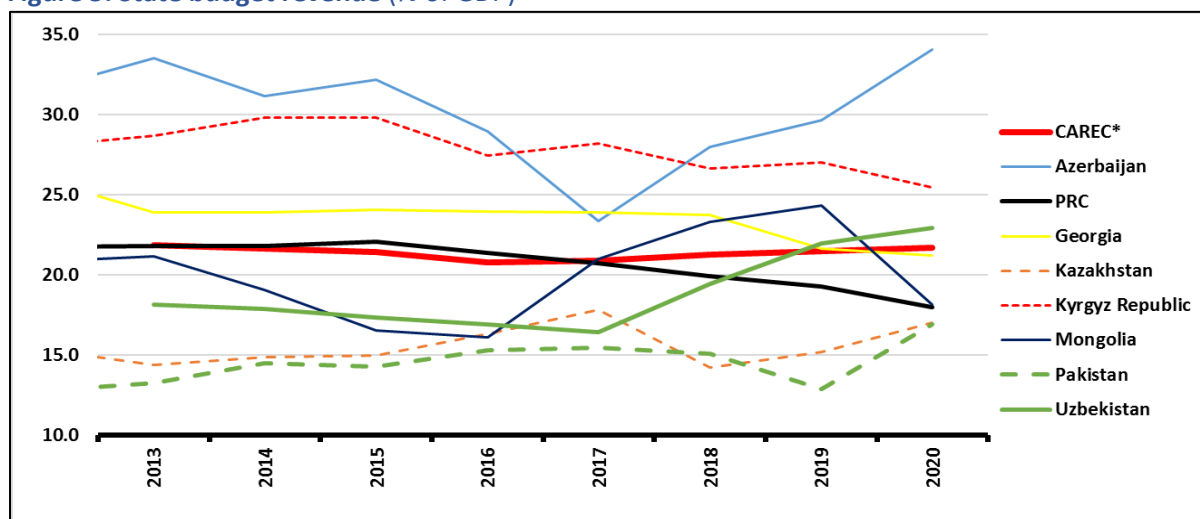
Source: National statistical office, authors' calculations.

## Increased government expenditure, wider budget deficits, higher public debt

**Weak economic activity caused budget revenues to decrease in 2020.** Budget data are yet available only for so called "state budgets" for 2020 for most countries, that is government budgets as set out by national law. These do usually not reflect fully government finances. Special funds are often not included. Budget data are therefore sometimes highly volatile, depending on transfers from special funds, payment schedules and more. This is also the reason why trends differ quite a lot among countries. Azerbaijan and Kazakhstan, which possess national oil funds, reported an increase in budget revenues over GDP in 2020 compared with 2019, most other CAREC countries a decline (Figure 5). However, Pakistan saw strong growth of government revenue in the 2020 fiscal year due to increased rates of several taxes and higher non-tax revenues. The latter was mainly associated with growth of the profit of the State Bank of Pakistan.

**Government measures to relieve the impact of the COVID 19 pandemic increased government spending at the same time.** Expenditures over GDP were by 2.8 percentage points higher in 2020 than in 2019 on average in the CAREC region (Figure 6). The strongest increase was in Azerbaijan and Georgia, at 6.6. and 5.1 percentage points, respectively, the least one in Uzbekistan and the Kyrgyz Republic at 1.7 and 1.6 percentage points. In the PRC, government expenditures as percent of GDP remained unchanged.

**Figure 5. State budget revenue (% of GDP)\*\***

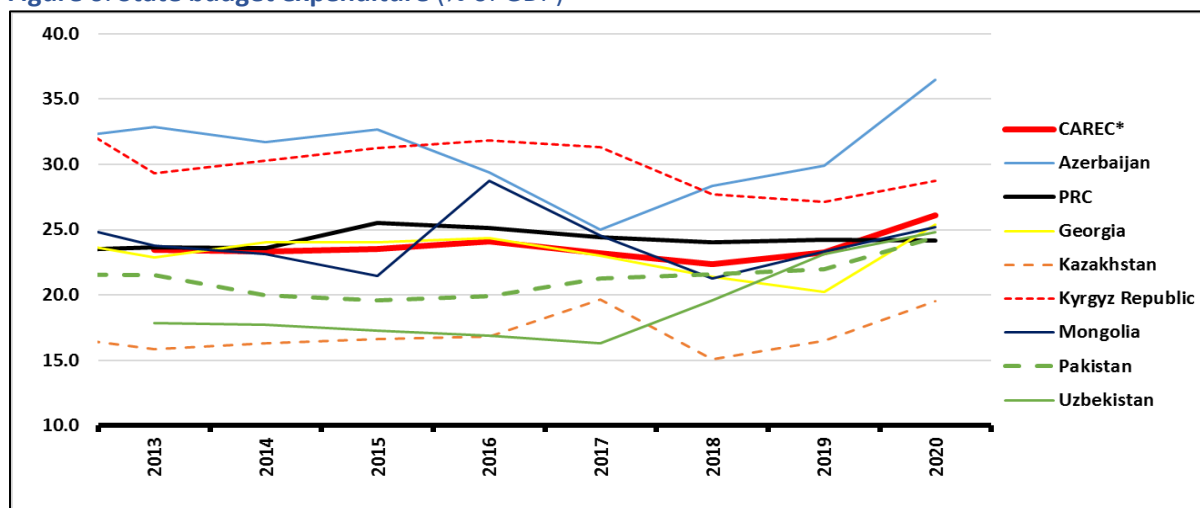


\*Refers to the simple average of CAREC countries where data are available.

\*\* The definition of state budget revenues substantially varies among countries. Figure 5 depicts some trends but does not reflect the share of general government revenues in GDP, the assessment of which is complicated and not yet available for 2020. Pakistan data are based on fiscal year 2020 (July 2020 to June 2021) estimates.

Source: CEIC, authors' calculations.

**Figure 6. State budget expenditure (% of GDP)**



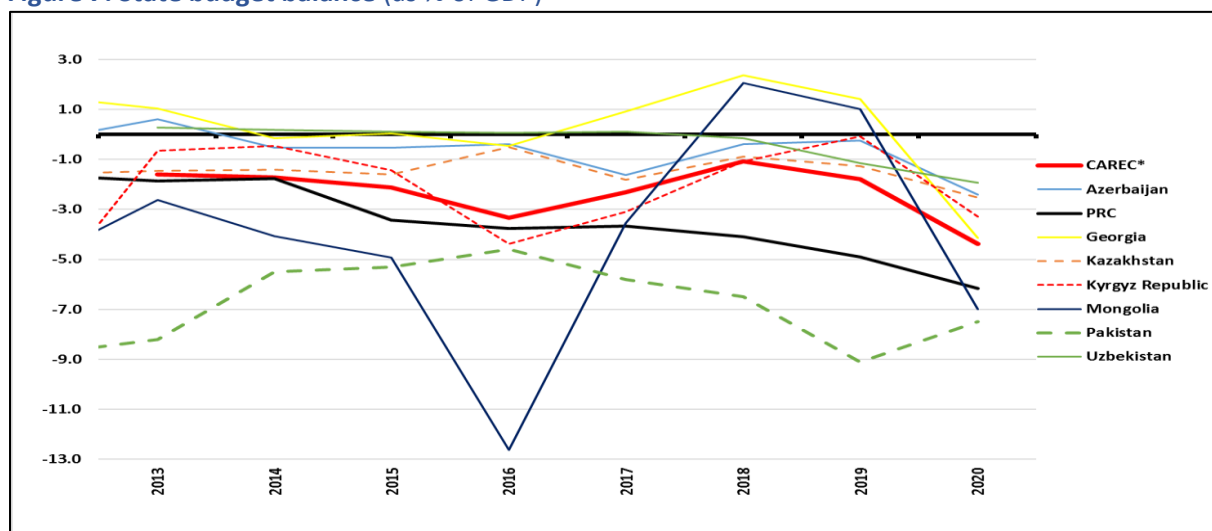
\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

**The decrease of government revenues as government spending increased widened budget deficits.**

State budget deficits averaged 4.4% of GDP in CAREC in 2020 compared with 1.8% in 2019. Countries with the highest deficit widening were Mongolia (from a surplus of 1% to a deficit of 7%), Georgia (from a surplus of 1.4% to a deficit of 4.1%), and the Kyrgyz Republic (from a 0.1% deficit to a 3.3% deficit). All other CAREC countries also saw a worsening of their fiscal balances to varying degrees (Figure 7).

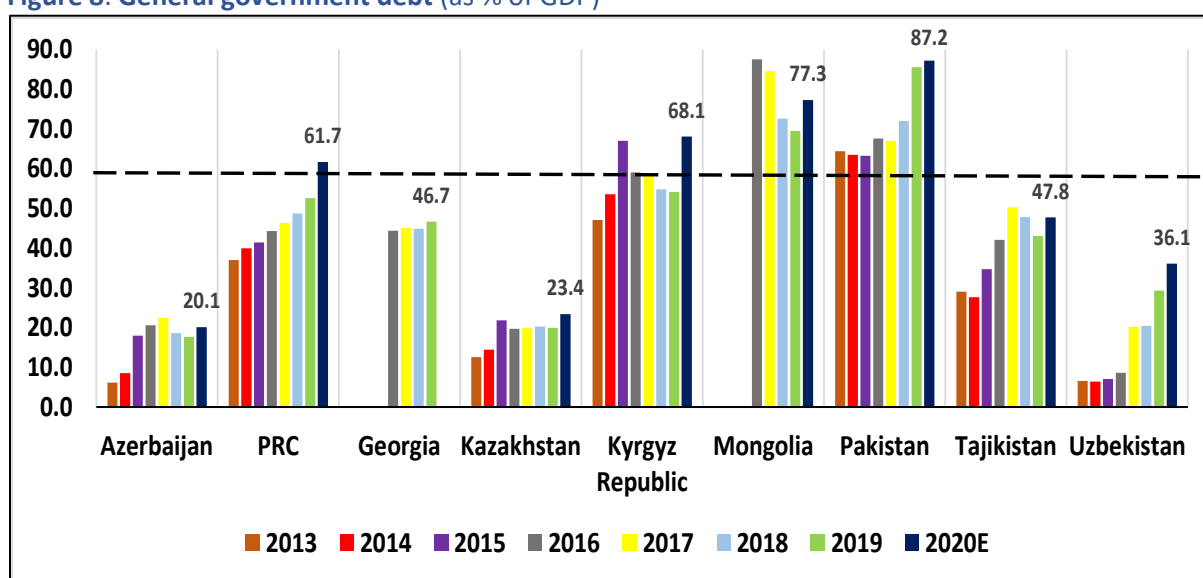
**Figure 7. State budget balance (as % of GDP)**



\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

**Figure 8. General government debt (as % of GDP)**



\*Refers to the simple average of CAREC countries where data are available.

Source: IMF, authors' calculations.

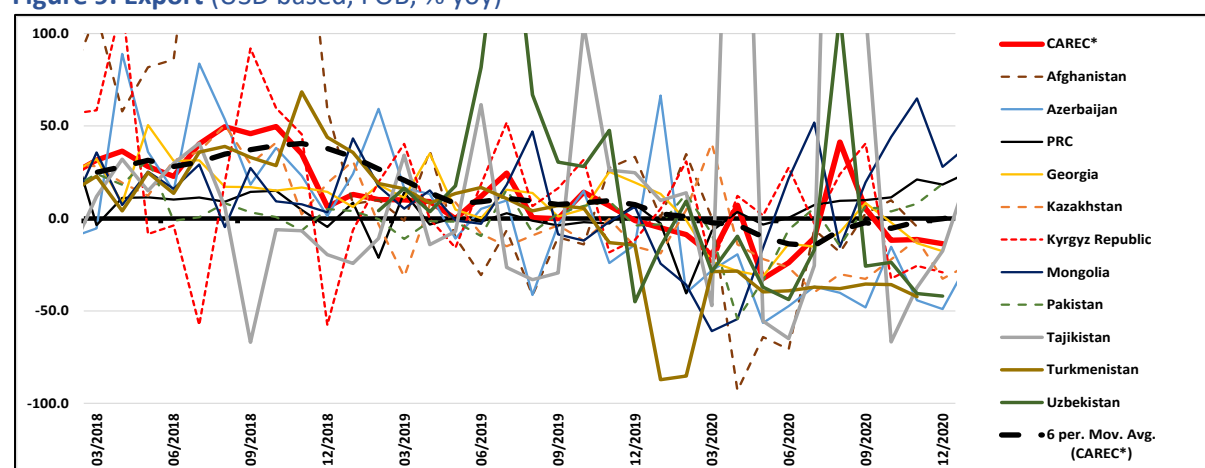
**Widened budget deficits elevated the government debt in all CAREC countries.** Four countries, Pakistan, Mongolia, the Kyrgyz Republic, and the PRC, have an outstanding public debt of over 60% of GDP now, according to IMF estimates (Figure 8). The 60% of GDP is a rule of the thumb threshold for long-term public debt sustainability, enshrined in the Maastricht Criteria for fiscal performance in the European Union, for example. However, actual debt sustainability depends on a lot of factors such as the share of domestic versus foreign-owned debt, denomination currency, maturity schedule, risk profile and capital markets access, interest rate levels, foreign exchange reserves, and other. Debt sustainability is not a serious issue in the PRC, although desirable debt levels can be discussed with regard to optimizing economic policy. For Pakistan, Mongolia, and the Kyrgyz Republic the debt issue is more pressing. In the

short run, they have some room for maneuver, as acknowledged by the IMF, but in the medium term, re-consolidation will be needed.<sup>3 4 5</sup>

### Imports contracted even more than exports in 2020, trade balances slightly improved

**Exports are highly volatile in the CAREC region, but after an export growth trough of minus 32.5% yoy in May, the export performance seems to have improved.** The export volatility is caused by occasional large shipments from some countries, gold from Uzbekistan in August for example. Figure 9 tries to look somewhat behind volatility via applying a 6-months moving average for average CAREC export growth. For the PRC, Mongolia, and Pakistan there was a solid export recovery, in the other CAREC countries export growth has remained more subdued. As a result of the weak export performance especially in the first half of 2020, export growth turned negative in CAREC in 2020 as a whole. Exports did not contract as much as in the great financial crisis of 2009 or in 2015, the year of oil price wars and general commodity price weakness (Figure 10), but negative export growth is not a frequent event in the CAREC region, and the contraction was severe.

**Figure 9. Export (USD based, FOB, % yoy)**



\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

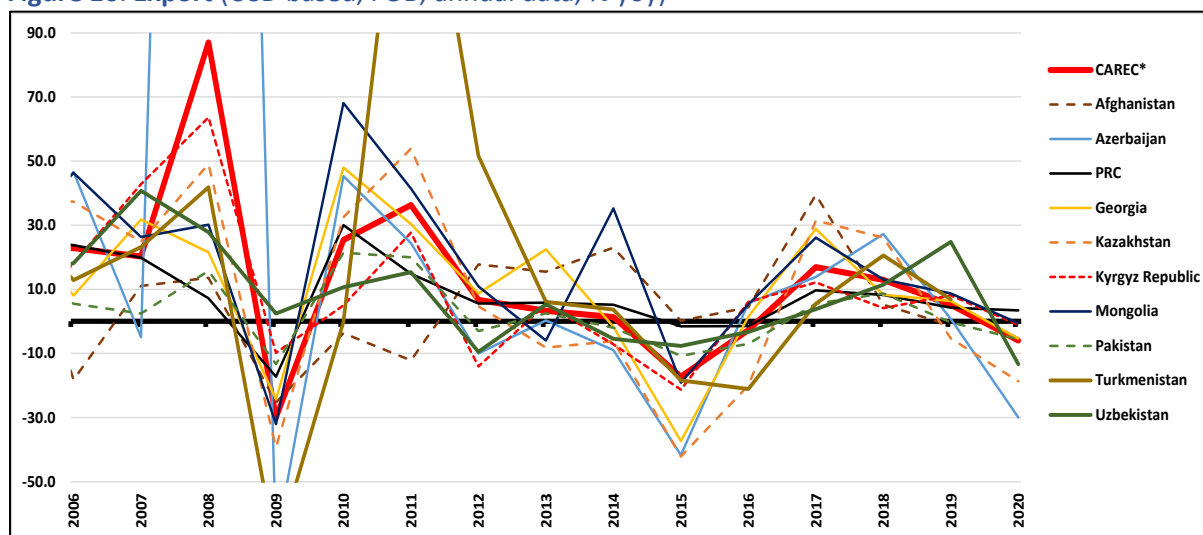
<sup>3</sup> The IMF wrote in April 2020 on Pakistan: "Pakistan's public debt is assessed to be sustainable, but risks have increased. The Covid-19 shock will unfortunately reverse the decline in public debt in recent months on the back of the authorities' fiscal consolidation efforts. Instead, debt is projected to increase to around 90 percent of GDP in FY 2020, against 85 percent prior to the shock, both due to the sharp decline in growth and the increase in the budget deficit. ... Debt sustainability is supported by the agreed rollover of maturing obligations by key bilateral creditors (China, Saudi Arabia, and UAE)..."

<https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Pakistan-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-49342>

<sup>4</sup> The IMF wrote in March 2021 on Mongolia: "Mongolia displayed strong fiscal discipline under the EFF-supported program, with primary surpluses averaging 3 percent of GDP over the past three years ... As a result, Mongolia's public debt fell by almost 20 percentage point to 69 percent of GDP at end-2019. The Covid-19 crisis is set to partially and temporarily reverse this progress. Under the baseline scenario, public debt is projected to rise 8 percentage points to 77 percent of GDP this year before resuming its decline." <https://www.imf.org/en/Publications/CR/Issues/2020/06/16/Mongolia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-49520>

<sup>5</sup> The IMF wrote in March 2021 on the Kyrgyz Republic: "In the medium term, the main challenge is to steadily reduce public debt while creating fiscal space for development needs. At 68 percent of GDP, public debt leaves little room for fiscal policy to respond to future downturns. The mission recommends anchoring fiscal policy to the goal of reducing public debt to below 60 percent of GDP by 2025. This is still considerably higher than the pre-crisis 51.6 percent of GDP but would provide additional fiscal buffers. To achieve this target, consolidation measures of about 1 percent of GDP would be needed if taken in 2022 to reduce the overall fiscal deficit to about 3 percent." <https://www.imf.org/en/News/Articles/2021/03/29/mcs033021-kyrgyz-republic-staff-concluding-statement-of-the-2021-article-iv-mission>

**Figure 10. Export (USD based, FOB, annual data, % yoy)**

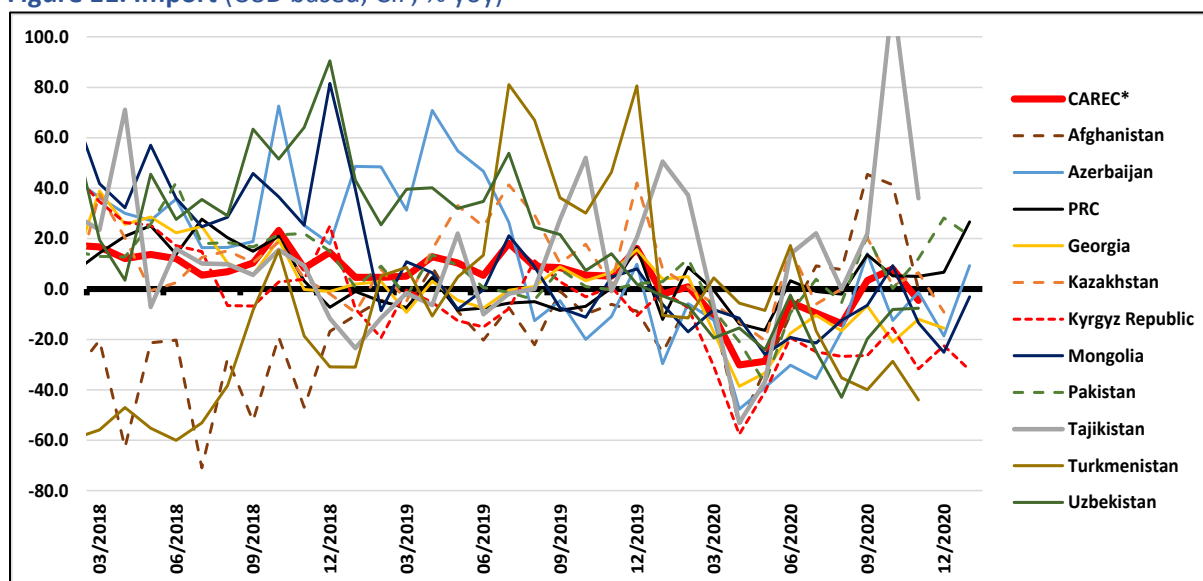


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

**Import contraction was especially strong in the second quarter of 2020, eased gradually then, but import growth turned negative again at year-end 2020.** Higher readings in September and October were largely due to one-off events in Tajikistan and Afghanistan (Figure 11). The only clear uptick in imports can be seen in Pakistan and in the PRC since September 2020. In January 2021, imports increased also in Azerbaijan, but it remains to be seen whether this is sustainable given the difficult economic situation in the country. A weakening of real effective exchange rates at least in some of the CAREC countries also contributed to keep import growth low. Despite the gradual easing in import contraction late in the year, the full-year-2020 slump in imports was almost as substantial as in the year 2015, when weak commodity prices were also reflected on the import side, and even more so than during the great recession of 2009 (Figure 12).

**Figure 11. Import (USD based, CIF, % yoy)**

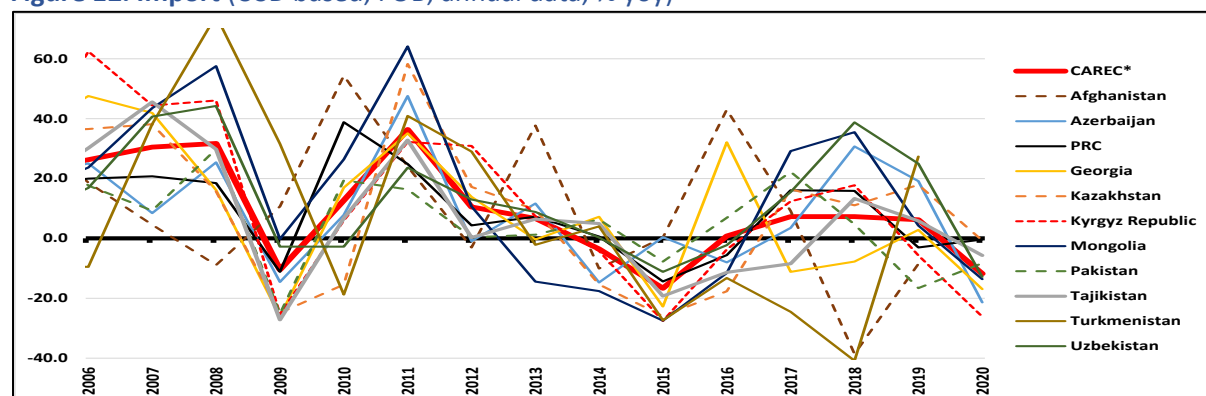


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.



**Figure 12. Import** (USD based, FOB, annual data, % yoy)

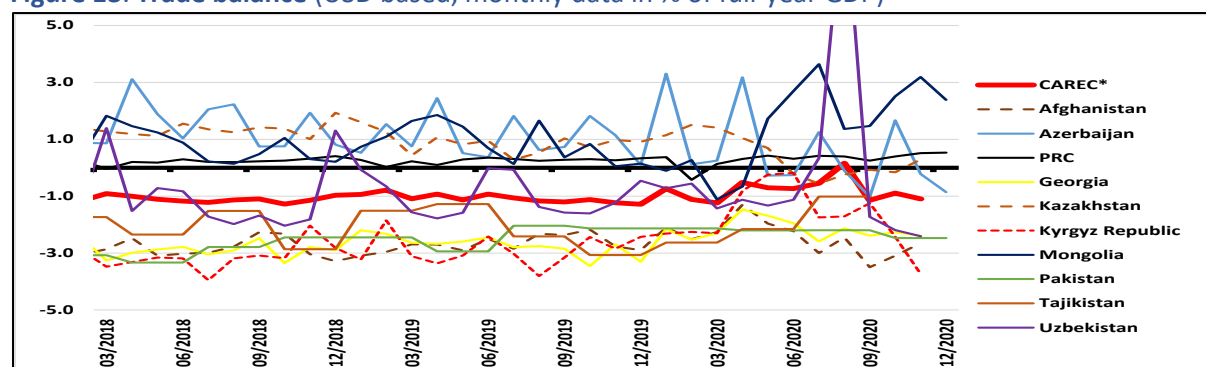


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

**Weak imports resulted in some improvement in trade balances during 2020.** Trade balances were on average less in deficit in 2020 than during 2019 in the CAREC region (Figure 13). However, there were some periods in 2020 when Azerbaijan, the PRC, Kazakhstan, and Mongolia - usually in surplus - experienced trade deficits due to low external demand for mining products. Production cuts by OPEC+ also played a part for net fuel exporters, while PRC was affected due to export / supply chain disruption. For 2020 as a whole trade balances did nevertheless not worsen on average in CAREC but turned out better than during all the years since 2009 (Figure 14). However, the surplus of hydrocarbon exporters such as Azerbaijan and Kazakhstan was substantially lower in 2020 than in the years before.

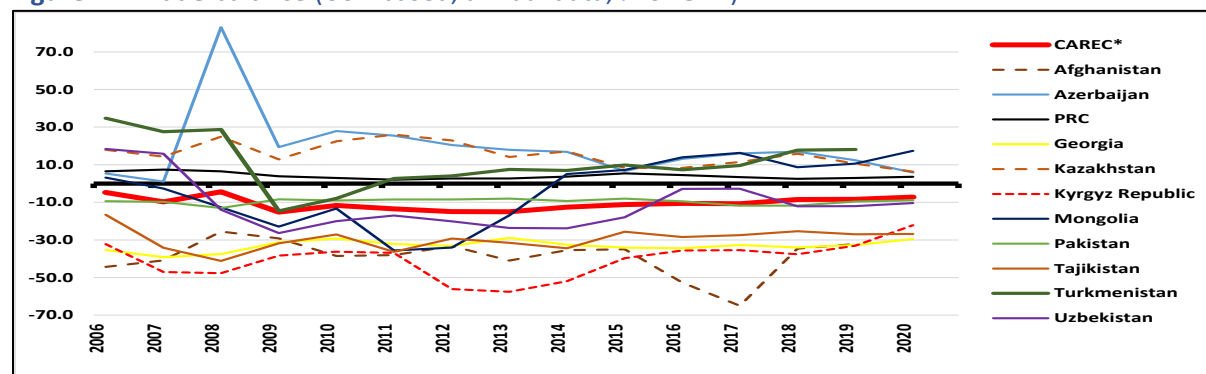
**Figure 13. Trade balance** (USD based, monthly data in % of full-year GDP)



\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC, authors' calculations.

**Figure 14. Trade balance** (USD based, annual data, % of GDP)



\*Refers to the simple average of CAREC countries where data are available.

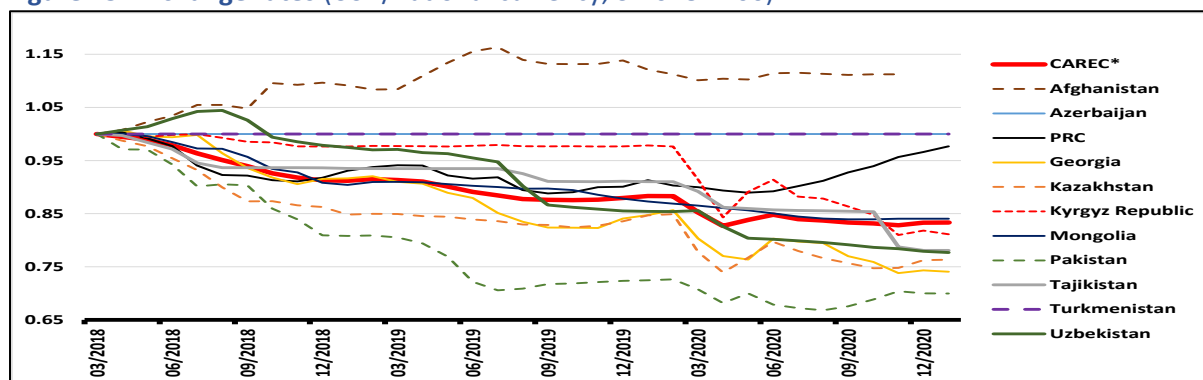
Source: CEIC, authors' calculations.



## Exchange rate depreciation combined with low inflation to strengthen competitiveness

Exchange rates largely mirrored CAREC countries' economic strength during the crisis, at least the ones floating more or less freely. CAREC currencies substantially depreciated in early 2020 followed by some appreciation starting in May, and renewed weakening from July on (Figure 15). However, the PRC's currency substantially re-appreciated in the second half of 2020. Pakistan saw also slight appreciation from September on due to some increase in remittances and higher export growth. Azerbaijan and Turkmenistan preserved their fixed exchange rate regimes.

**Figure 15. Exchange rates (USD/national currency, 3-2018=1.00)**

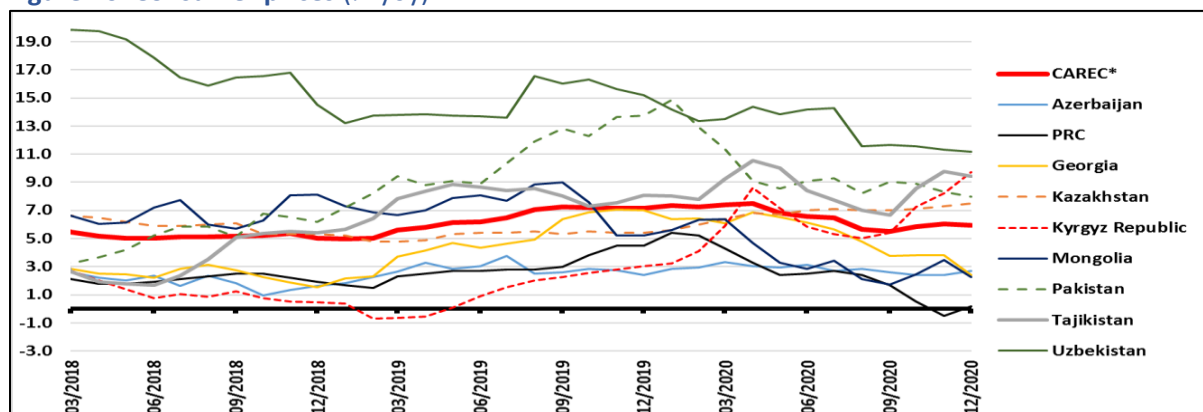


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors' calculations.

Inflation developed in different CAREC countries differently, but on average inflation accelerated until about April, and levelled off then. The average increase in the inflation rate until April came from Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Tajikistan. Kazakhstan and the Kyrgyz Republic experienced a further acceleration of inflation until year-end. However, the easing of inflation in the other CAREC countries resulted in lower average CAREC inflation in December than a year earlier. In the CAREC region food prices play a big role for inflation, and disruptions of food supply in the early stages of the pandemic might have played a role for inflation in some countries. The pass-through from exchange rate depreciation is important too. For the decline in inflation, weak consumer demand was responsible. The lowest December inflation rates were recorded in the PRC and Mongolia at 0.2% and 2.3%, respectively, the highest in Tajikistan, the Kyrgyz Republic, and Uzbekistan at 9.4, 9.7, and 11.4 %, respectively (Figure 16).

**Figure 16. Consumer prices (% yoy)**

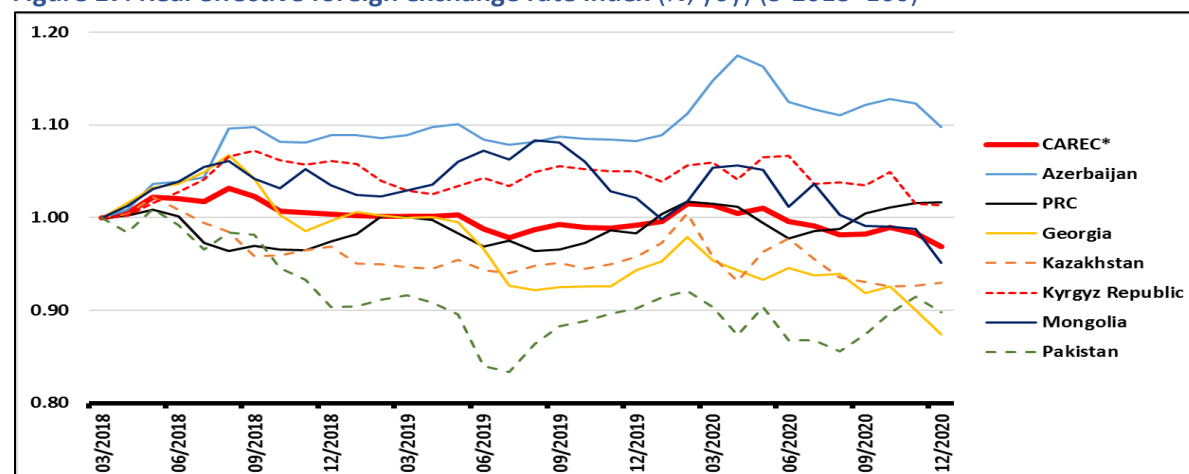


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors' calculations.

**Real effective exchange rates (REERs) slightly weakened on average in the second half of 2020, helping the CAREC region become more competitive.** This resulted from somewhat stronger nominal exchange rate depreciation than inflation. However, developments varied among countries (Figure 17). Pakistan's REER<sup>6</sup> weakened until August 2020 but saw some re-strengthening since. Azerbaijan's REER substantially appreciated until April but returned almost to previous levels after wards. Georgia experienced a renewed sharp weakening from September on. The PRC's REER has appreciated since mid-2020 despite low inflation as the result of RMB strengthening.

**Figure 17. Real effective foreign exchange rate index (% , yoy) (3-2018=100)**



\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors' calculations.

### Improved current accounts, higher external debt, higher foreign exchange reserves

**In several CAREC countries, current account balances came in with higher surpluses or lower deficits in the second half of 2020 than a year earlier due to improved trade balances.** Lower profits of foreign investors, especially in the mining sector, which are usually recorded as current account outflows even if reinvested, also contributed to better balances. Remittance inflows were higher than expected earlier in a number of countries. Thanks to strong export growth, the PRC's current account surplus more than tripled from a year earlier in Q4 (Table 3). This reflects that the World also during the pandemic relies very much on the PRC and that de-globalization, and perhaps also PRC's envisaged "dual circulation" that more strongly emphasizes the domestic market, is rather a matter of the future. Deficits widened for oil exporters Azerbaijan and, in Q3, Kazakhstan. Georgia's income from travel and tourism is strongly affected.

<sup>6</sup> REERs are inflation-adjusted, trade-weighted exchange rates. They impact the competitiveness of a country's products.

**Table 3. Current account balances (USD million)\***

		2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Afghanistan	mIn USD	-1,277	-778	-1,028	-708	-946	-414	-892	
Azerbaijan	mIn USD	1,603	1,459	942	362	646	-48	-807	-19.3
PRC	mIn USD	30,074	30,517	40,214	40,531	-33,696	110,168	92,234	130,200
Georgia	mIn USD	-246	-170	16	-560	-424	-414	-560	
Kazakhstan	mIn USD	-267	-1,663	-3,172	-2,104	2,163	-1,064	-5,236	-1,728.7
Kyrgyz Republic	mIn USD	-294	-274	-202	-303	3	196	174	
Mongolia	mIn USD	-117	-252	-208	-418	-304	66	-46	-47
Pakistan	mIn USD	-1,961	-3,150	-1,492	-540	-652	-286	865	276
Tajikistan	mIn USD	-138	-114	83	-16	-266	208		
Uzbekistan	mIn USD	-1,049	-708	-20	-1,582	-918	-1,058	1,541	

\*Numbers in green indicate an improvement compared to a year earlier, red numbers a worsening.

Source: CEIC, authors' calculations.

**Table 4. External debt (USD billion)\***

		2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Afghanistan	bIn USD	2.5	2.5	2.5	2.3	2.3	2.5	2.5	-
Azerbaijan**	bIn USD	-	8.9	-	9.1	-	9.0	-	8.8
PRC	bIn USD	1,989.5	2,015.5	2,049.5	2,057.3	2,094.6	2,132.4	2,294.4	-
Georgia	bIn USD	17.8	18.2	17.9	18.6	18.3	18.9	19.7	-
Kazakhstan	bIn USD	157.5	157.7	159.6	158.6	154.8	160.0	160.9	-
Kyrgyz Republic	bIn USD	8.3	8.4	8.3	8.4	8.3	8.6	8.7	-
Mongolia	bIn USD	29.5	29.7	29.8	30.7	30.5	30.8	31.2	-
Pakistan	bIn USD	106.0	106.3	107.1	110.7	109.9	112.8	113.8	115.8
Tajikistan	bIn USD	6.5	6.5	6.4	6.5	6.2	6.5	6.5	-
Uzbekistan	bIn USD	2.5	2.5	2.5	2.3	2.3	2.5	2.5	-

\*Numbers in green indicate higher external debt compared to a year earlier, that is inflows from borrowing.

\*\*Government external debt

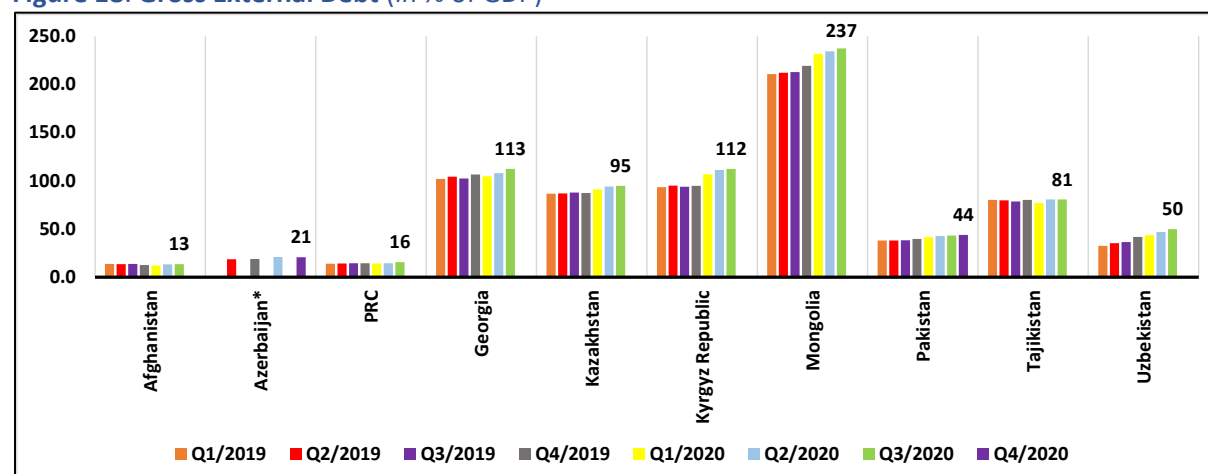
Source: CEIC, authors' calculations.

**Despite the crisis, governments and businesses were able to cover financing needs amplified by COVID-19 through external borrowing.** External debt rose in all CAREC countries in 2020 as a consequence (Table 4). External debt over GDP increased from an CAREC average of 80% in Q1 to 84% in Q3. Georgia saw the highest increase by 8 percentage points. In Kyrgyzstan, Mongolia and Uzbekistan external debt over GDP increased by 6 percentage points, in Tajikistan by 5 percentage points. For some CAREC countries the external debt to GDP ratio is still relatively moderate, whereas for others external debt is rather high (Figure 18). An outstanding case is Mongolia, which has a very high amount of debt repayments becoming due until 2024<sup>7</sup>. Mongolia requested support under the IMF's Rapid Financing

<sup>7</sup> The IMF in May 2020: "With access to international debt market deteriorating, Mongolia faces significant external repayments in 2020–24 which are subject to refinancing risks." And "On balance, we see an ex ante BOP gap on the order of \$4 billion. However, the net impact will be mitigated in part due to automatic reductions in imports (e.g. lower oil prices, less FDI-related imports) as well as weakening domestic demand. Nonetheless, a large gap is projected to remain which will be met by a mixture of new official sector support, exchange rate adjustment, and a drawdown of about \$1 billion in gross reserves." <https://www.imf.org/en/Publications/CR/Issues/2020/06/16/Mongolia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-49520>

Instrument in May 2020, and the IMF approved the disbursement of USD 99 million in June. Before, the People's Bank of China committed to rollover the USD 1.7 billion swap with the Bank of Mongolia maturing in Q3-2020. Some other CAREC countries also rely on external help to deal with balance of payment needs during the COVID-19 pandemic <sup>8</sup>.

**Figure 18. Gross External Debt (in % of GDP)**



\*Azerbaijan: government external debt

Source: CEIC, authors' calculations

**Table 5. Foreign exchange reserves (USD billion)\***

		2019				2020				Import months**
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Afghanistan	bln USD	7.2	7.3	7.5	7.4	7.2	7.8	8.0	8.3	15.5
Azerbaijan	bln USD	6.5	6.5	6.8	6.8	7.3	7.3	6.9	7.4	4.3
PRC	bln USD	3,098.8	3,119.2	3,092.4	3,107.9	3,060.6	3,112.3	3,142.6	3,216.5	14.6
Georgia	bln USD	3.3	3.5	3.4	3.3	3.2	3.4	3.6	3.7	3.6
Kazakhstan	bln USD	11.3	10.4	10.0	9.3	9.4	10.6	9.8	11.3	5.5
Kyrgyz Republic	bln USD	1.6	1.5	1.4	1.6	1.6	1.8	1.8	1.7	4.7
Mongolia	bln USD	2.9	3.2	3.0	3.2	2.8	2.5	2.7	4.0	5.9
Pakistan	bln USD	12.0	8.9	9.5	13.2	13.0	12.6	13.6	14.5	3.5
Tajikistan	bln USD	0.3	0.3	0.4	0.5	0.6	0.7	-	-	4.7
Uzbekistan	bln USD	7.2	7.3	7.5	7.4	7.2	7.8	8.0	8.3	14.0

\* Green numbers indicate an increase in foreign exchange reserves from a year earlier, red ones a decrease.

\*\* Imports of goods and services

Source: CEIC, WB, authors' calculations.

**Foreign exchange reserves increased.** Thanks to more favorable current account balances and continued external borrowing, all CAREC countries were in a position to increase their foreign exchange reserves from a year earlier (Table 5). All CAREC countries have reserves now exceeding 3 months of imports of goods and services, the threshold regarded as safe, according to the rule of the thumb. However, levels diverge, with Pakistan and Georgia only marginally above this threshold whereas the PRC, Uzbekistan,

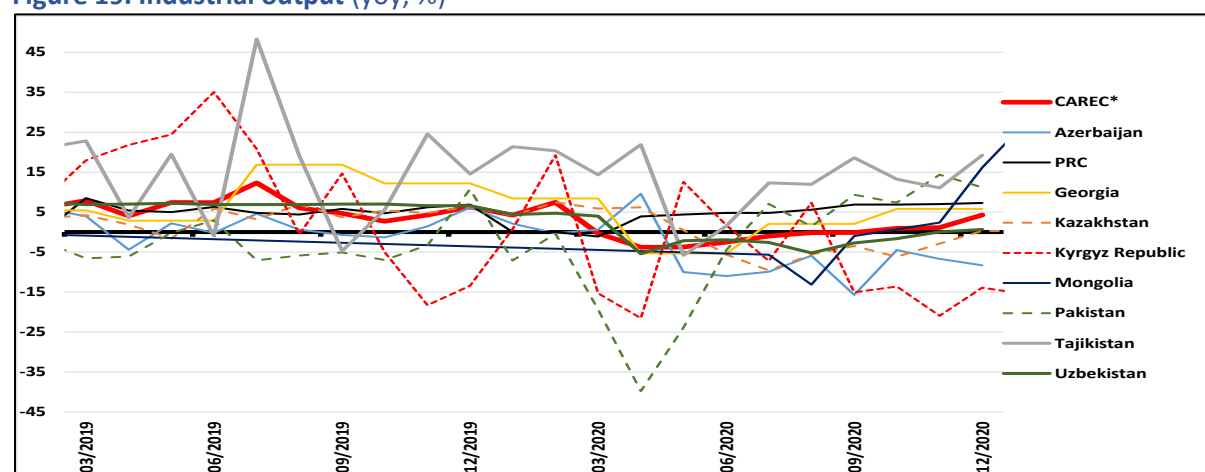
<sup>8</sup> CAREC countries to receive financing under the IMF COVID-19 financial assistance beside Mongolia: Afghanistan USD 590 million, Georgia 376, Kyrgyz Republic 242, Pakistan 1,386, Tajikistan 190, Uzbekistan 375. <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#MCD>. The World Bank, ADB, and other International Financial Institutions also contribute to ease CAREC countries' external financing issues.

and interestingly also Afghanistan have a cover of more than a full year of imports currently. How solid the foreign exchange reserves actually are depends on upcoming balance of payments financing requirements, including the amount of external debt service becoming due, of course.

### High-frequency data: Some recovery in industrial output, but retail sales have weakened again

**Growth in industrial output became positive at end-2020, mostly thanks to manufacturing as mining remained weak.** After negative yoy growth rates since March 2020, industrial output growth reached plus 4.3% yoy by December on average in CAREC (Figure 19). The PRC saw strong growth in industrial production already since September 2020, and it reached 7.3% yoy by December. Growth in Mongolia and Tajikistan rebounded to 16.1% and 19.2% yoy, respectively. Mongolia, opposite to what happened in several other countries, saw a strong recovery also in mining in the fourth quarter thanks to surging demand for coking coal and copper from the PRC. However, in the Kyrgyz Republic and in Azerbaijan industrial output still declined by minus 8.3% and 13.9% yoy in December, and the decline continued also in early 2021. Kazakhstan achieved a meager plus of 0.3% yoy in overall industrial output in December while mining still contracted by 6.5% yoy. Kazakhstan's industrial output growth turned back to negative readings in early 2021. Uzbekistan's industrial output growth recovered to a moderate 0.7% yoy by December.

**Figure 19. Industrial output (yoy, %)**

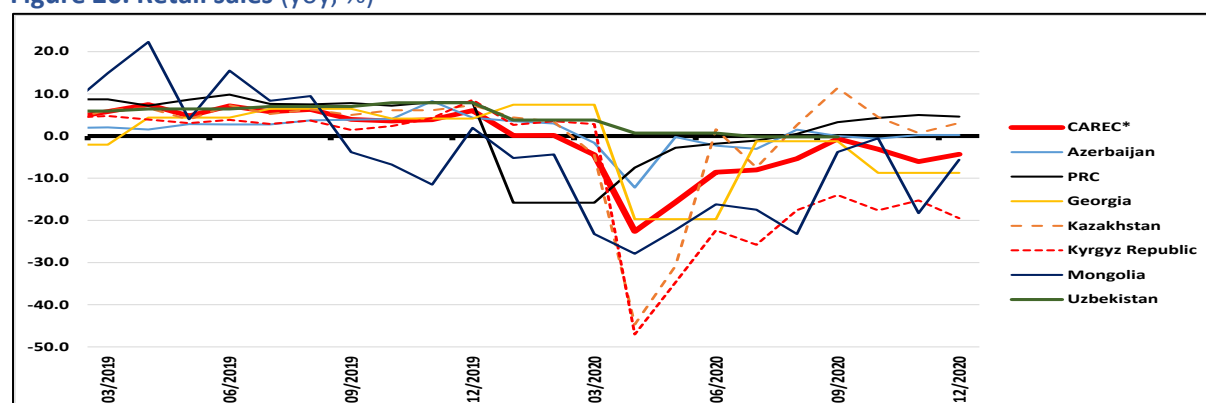


\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors' calculations.

**Consumption contraction as captured by retail sales eased until September 2020 from the severe slump in Q2, but yoy growth remained negative even in that month and has re-weakened since.** The PRC and Kazakhstan were the only countries with significant retail sales growth in late 2020 (Figure 20). However, January and February readings became negative again for Kazakhstan. For the PRC, consumption acceleration continued also in the Jan-Feb 2021 period.

Figure 20. Retail sales (yoy, %)



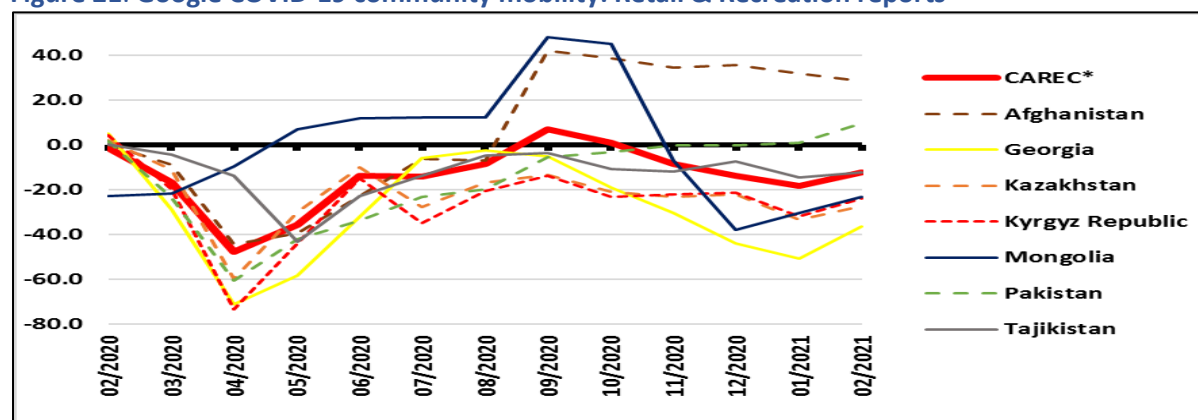
\*Refers to the simple average of CAREC countries where data are available.

Source: CEIC. Authors' calculations.

### Prospects depend on the global economy, but overcoming COVID-19 at home remains key

**Metrics reflecting the impact of COVID-19 on social mobility still resemble a rollercoaster.** After the slump in Google's "Retail and recreational mobility" (Figure 21) and "Workplaces mobility" (Figure 22) indicators till April 2020, and the consequent rebound until September, a renewed decline until year-end took place. There was some upward trend in early 2021, but this might be undone again by the new wave of infections and the containment measures they require.

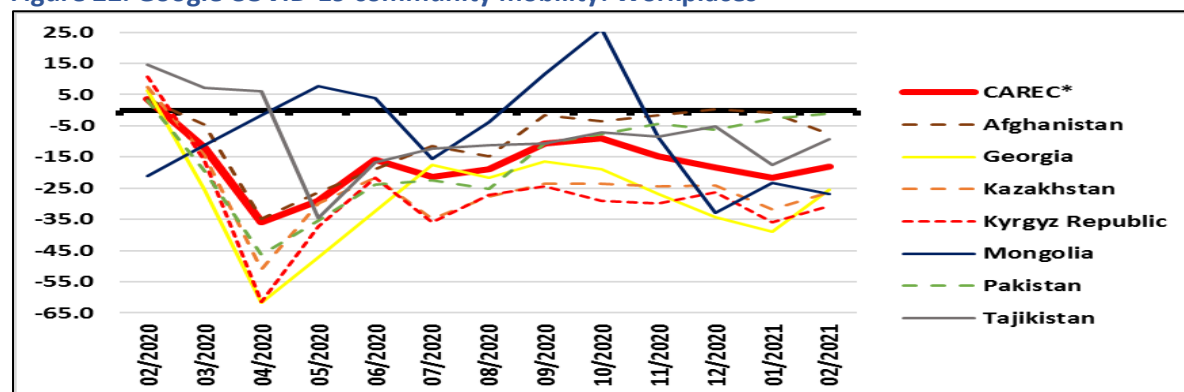
Figure 21. Google COVID-19 community mobility: Retail & Recreation reports



\*Refers to the simple average of CAREC countries where data are available.

Source: "Google COVID-19 Mobility Reports" (accessed on 2 April 2021); authors' calculations.

Figure 22. Google COVID-19 community mobility: Workplaces

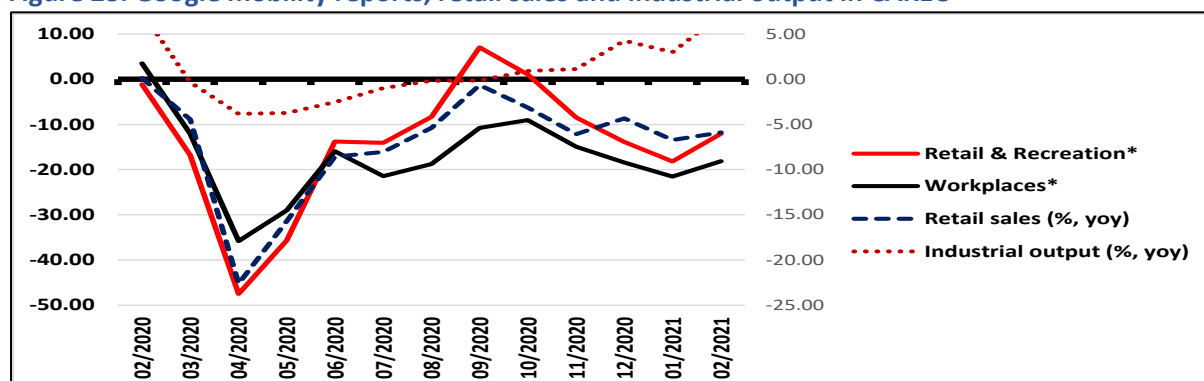


\*Refers to the simple average of CAREC countries where data are available.

Source: "Google COVID-19 Mobility Reports" (accessed on 2 April 2021); authors' calculations.

**To revive the domestic economy, the pandemic must be overcome.** The correlation between the mobility indicators and industrial production has weakened since Q4 2020, mostly thanks to higher production of metals, machinery, and textiles, in part for export, and due to some resilience of food production. However, the correlation between the mobility indicators with retail sales and services continues (Figure 23). Even if the global economy recovers, only successful mass vaccinations that bring about herd immunity in the CAREC region and end the rollercoaster will allow a sustainable recovery in domestic consumption.

**Figure 23. Google mobility reports, retail sales and industrial output in CAREC**



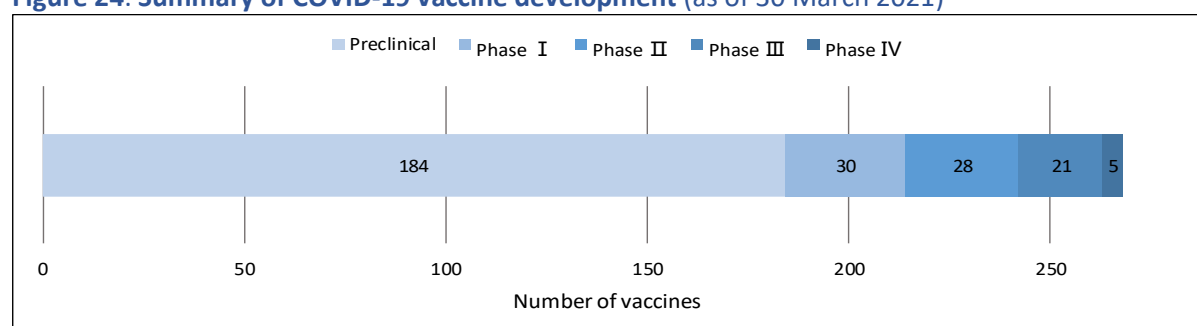
\*Refers to the simple average of CAREC countries where data are available.

Source: "Google COVID-19 Mobility Reports" (accessed on 2 April 2021); CEIC, authors' calculations.

## PREPARING THE ROLLOUT OF COVID-19 VACCINES

**Currently, there are 184 COVID-19 vaccine candidates in pre-clinical trials and 84 undergoing clinical trials.** Among them, vaccines from AstraZeneca/Oxford, Moderna, Pfizer/BioNTech, Sinovac and Sinopharm have moved to phase IV trials (Figure 24). Vaccine development has been in the spotlight for months since the emergence of the new coronavirus disease (COVID-19) in late December 2019, which has infected over 128 million people worldwide and brought the death toll to more than 2.8 million as of 31 March 2021, according to the World Health Organization (WHO). The vaccines proving to be safe and effective will not only help to overcome the pandemic and slow down the possible resurgence of the pandemic due to new variants of the SARS-CoV-2 virus but will also serve as a catalyst to accelerate economic and social recovery globally.

**Figure 24. Summary of COVID-19 vaccine development (as of 30 March 2021)<sup>9</sup>**



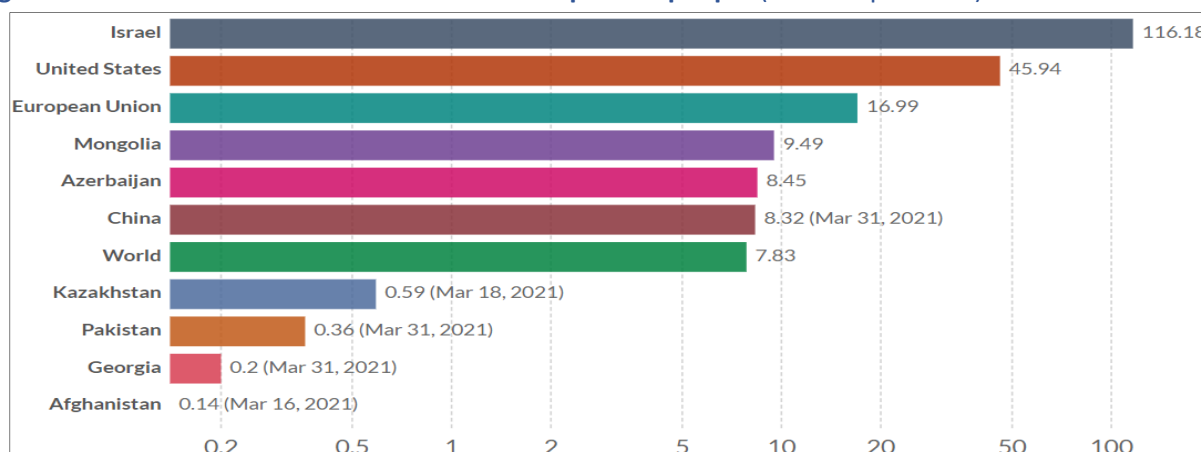
Source: World Health Organization: Draft landscape and tracker of COVID-19 candidate vaccines (accessed on 2 April 2021)

<sup>9</sup> Clinical trials on the COVID-19 vaccine take place across four phases. Phase I trials assess the vaccine's safety, appropriate dosages, and side effects within small groups of people (approx. 20-50 people). Phase II trials further explore safety and start to investigate efficacy on several hundred people. Phase III trials involve thousands of people to confirm that the vaccine is



While many countries, mostly advanced economies, have started rolling out vaccines since the beginning of 2021, the current pace of vaccination is slower than anticipated. There are less than 8 doses administered per 100 people around the world and the status in different countries varies significantly. Israel performs impressively better than many other developed countries or region, with over 115 doses administered per 100 people. In contrast, available data suggest that several CAREC countries are severely lagging behind in this regard. While the figures of Mongolia, Azerbaijan and the PRC are slightly above the world average with 9.49, 8.45 and 8.32 doses administered per 100 people respectively, other member countries such as Kazakhstan, Pakistan, Georgia, and Afghanistan administered even less than 1 dose per 100 people (Figure 25).

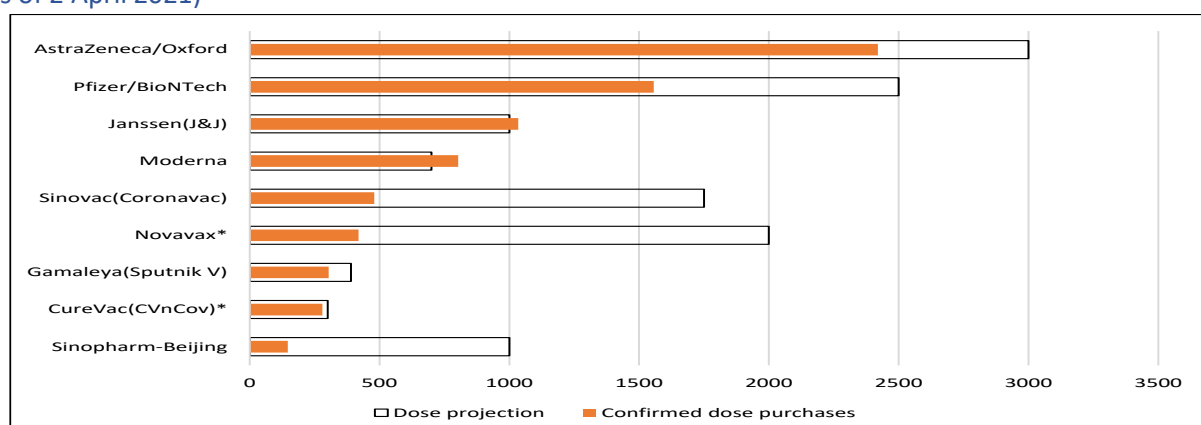
**Figure 25. COVID-19 vaccine doses administered per 100 people (as of 1 April 2021)**



Note: Total number of vaccination doses administered per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. vaccines consisting multiple jabs) ).

Source: Our World in Data: Coronavirus (COVID-19) Vaccinations (accessed on 2 April 2021)

**Figure 26. Manufacturing projection (2021) and total purchases of main vaccine makers, million doses (as of 2 April 2021)**



Note: Manufacturing projections are for 2021, while purchases may include 2022 deliveries. Vaccines with an asterisk are not yet on the market. Note also Duke's remark "that it is important to recognize that this data is not comprehensive, as there are still many unknowns".

Source: Duke Global Health Innovation Center (adapted and accessed on 4 April 2021)

safe and effective for broader use. Phase IV trials, conducted after national regulatory approval, involve further monitoring on the vaccine's efficacy and safety in an even wider population over a longer timeframe (see who.int and gavi.org for more information).



**Lack of provision of vaccines is one of the main reasons holding back the vaccination rollout currently.** However, the speed of the development and approval of vaccines is unprecedented in human history. New partnerships can exponentially increase manufacturing capacity and have done so already. An example is AstraZeneca's production cooperation with the Serum Institute of India (SII). If manufacturers were able to reach their goal of 12 billion doses in 2021 (Figure 26) and if those doses can be purchased and distributed equitably, 70% of the World's population could be vaccinated, sufficiently to reach herd immunity, according to estimates by the Duke Global Health Innovation Center<sup>10</sup>. However, to reach this target, more transparency and cooperation is needed along with settling issues of intellectual property rights, securing supply of critical substances for the manufacturing of the vaccines, technology transfer and others. The CAREC countries should actively contribute to international negotiations about these issues at the WTO, WHO, and at other organizations.

**Since the initial stage of COVID-19 vaccine development in 2020, a number of economies, particularly developed economies, have been scrambling for promising vaccine candidates from pharmaceutical companies.** Pre-orders of COVID-19 vaccines topped five billion through August 2020<sup>11</sup>. In order to ensure equitable access to COVID-19 vaccines regardless of income level, COVAX AMC, the financing instrument that is supporting the participation of 92 lower-middle and low-income economies in the COVAX Facility<sup>12</sup> was established. Table 6 shows the forecast by COVAX<sup>13</sup> of the number of doses the CAREC participants in COVAX will receive within the first half of 2021.

**Table 6. COVAX Interim Distribution Forecast (as of 3 February 2021)**

Country	Financing mode	Doses (AZ/SII)	Doses (AZ/SKBio)	Doses (Pfizer/BioNTech)
Afghanistan	AMC	3,024,000	-	-
Azerbaijan	SFP	-	506,400	-
Georgia	SFP	-	184,800	29,250
Kyrgyz Republic	AMC	504,000	-	-
Mongolia	AMC	-	163,200	25,740
Pakistan	AMC	17,160,000	-	-
Tajikistan	AMC	732,000	-	-
Uzbekistan	AMC	2,640,000	-	-

Source: World Health Organization (accessed on 25 February 2021)

Note: AMC=Advanced Market Commitment participants SFP= Self-financing participants

Participants that do not appear in the list above have either exercised their rights to opt-out, have not submitted vaccine requests, or have not yet been allocated doses. AstraZeneca/Oxford doses are for indicative distribution (non-binding and perhaps subject to change) while Pfizer-BioNTech doses refer to exceptional allocation. The two versions of the AstraZeneca/Oxford vaccine are produced by the Serum Institute of India (AZ/SII) and AstraZeneca-SK Bioscience (AZ/SKBio).

**While relying on COVAX to receive vaccines for the CAREC region, member countries should also proactively seek other sources, from the PRC or Russia for example, to meet their demands.** The available data suggest that some CAREC countries have been purchasing COVID-19 vaccine doses from a number of candidates (Figure 27). The PRC, regardless of its remarkable achievement in vaccine development, is still purchasing 100 million doses from Pfizer/BioNTech<sup>14</sup>. Meanwhile, to honor its

<sup>10</sup> <https://launchandscalefaster.org/covid-19/vaccinemanufacturing>

<sup>11</sup> <https://news.yahoo.com/pre-orders-covid-19-vaccine-171636222.html>

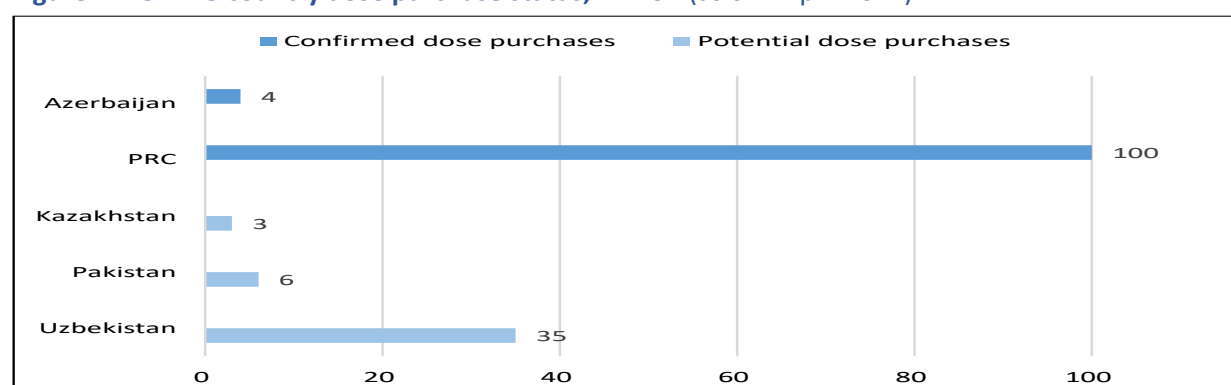
<sup>12</sup> COVAX Facility is the global procurement mechanism of COVAX.

<sup>13</sup> COVAX is co-led by the Coalition for Epidemic Preparedness Innovations (CEPI), Gavi and the World Health Organization (WHO), alongside key delivery partner UNICEF. Its aim is to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world.

<sup>14</sup> <https://www.msn.com/en-us/money/news/china-secures-100m-doses-of-pfizer-biontech-covid-19-vaccine-for-2021/ar-BB1bY6ra>

pledge to make vaccines a global public good, the PRC is providing vaccine aid to 80 countries (including Georgia, Kyrgyz Republic, Mongolia, and Pakistan) and 3 international organizations<sup>15</sup>.

**Figure 27. CAREC-country dose purchase status, million (as of 2 April 2021)**



Source: Duke Global Health Innovation Center (accessed on 3 April 2021)

**Regional cooperation is urgently needed to learn from each other and to support each other, particularly in order to establish a seamless logistical system given that vaccines, unlike other products, are fragile and require specific storage and transportation conditions.** Successful acquisition of COVID-19 vaccines does not necessarily mean a final victory in vaccination. Relevant personnel including medical staff and technicians responsible for cold chain maintenance should be trained to tackle possible vaccination issues.

**The CAREC Institute together with the Public Opinion Research Institute (Kazakhstan) conducted a poll about public attitudes towards COVID-19 vaccination in seven CAREC countries** (Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, and Uzbekistan) to help successfully design COVID-19 vaccination campaigns. The poll suggests that while the majority of respondents in those countries is willing to get vaccinated, there is still a sizeable part of the population that remains skeptical. The report based on the poll discusses factors behind the diverse attitudes<sup>16</sup>. It concludes with recommendations for making vaccination campaigns more effective by considering pro and contra arguments popular among the public. One important finding, among other interesting outcomes, was that in all polled countries the pro-vaccination argument “I want to protect my family” counts much higher than the argument “I want to protect myself”. Among the recommendations of the report is that vaccination campaigns should give doctors and nurses a prominent role in convincing the public to participate, involve patients that experienced severe forms of the disease to share their experiences to counteract the relatively widespread underestimation of the disease, and to focus on addressing concerns that vaccines are not safe enough in order to reduce the fear from side effects.

<sup>15</sup> <https://www.msn.com/en-xl/news/other/china-providing-vaccine-aid-to-80-countries-3-intl-organizations-fm-spokesperson/ar-BB1f7DtS>

<sup>16</sup> <https://www.carecinstitute.org/wp-content/uploads/2021/04/CI-vaccination-attitudes-in-CAREC-survey-report-7-April-2021.pdf>

## CAREC governments' cooperation initiatives

## Afghanistan-Pakistan Transit Trade Agreement Extended for Three Months

**Date: 2021-4-2**

Afghanistan and Pakistan on Thursday signed a protocol for three-month extension of Afghanistan–Pakistan Transit Trade Agreement 2010 (APTTA) to facilitate movement of goods between the two countries. The protocol was signed virtually, simultaneously at Kabul and Islamabad, between Pakistan's Commerce and Investment Advisor Abdul Razaq Dawood and Afghanistan's Industry and Commerce Minister Nisar Ahmad Ghoriyani.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-pakistan-transit-trade-agreement-extended-for-three-months/>

**Source: Wadsam**

## Turkmen Parliament ratifies MoU on “Dostlug” field

**Date: 2021-3-16**

The Turkmen parliament has ratified a Memorandum of Understanding between the Government of the Republic of Azerbaijan and the Government of Turkmenistan on joint exploration and development of hydrocarbon resources of the “Dostlug” field in the Caspian Sea”.

MORE: [https://azertag.az/en/xeber/Turkmen\\_Parliament\\_ratifies\\_MoU\\_on\\_Dostlug\\_field-1734603](https://azertag.az/en/xeber/Turkmen_Parliament_ratifies_MoU_on_Dostlug_field-1734603)

**Source: Azertag**

## Kyrgyzstan and Uzbekistan sign roadmap for expansion of cooperation

**Date: 2021-3-16**

Plan of practical measures (roadmap) to expand and deepen cooperation between Uzbekistan and Kyrgyzstan in the industrial field was signed during a state visit of Sadyr Japarov to Uzbekistan. Press service of the Cabinet of Ministers reports. It is planned to implement 60 projects for \$ 550.4 million.

MORE: [https://24.kg/english/186685\\_Kyrgyzstan\\_and\\_Uzbekistan\\_sign\\_roadmap\\_for\\_expansion\\_of\\_cooperation/](https://24.kg/english/186685_Kyrgyzstan_and_Uzbekistan_sign_roadmap_for_expansion_of_cooperation/)

**Source: 24.kg**

## Central Asian Trade Intelligence Portal for exporters launched in Kyrgyzstan

**Date: 2021-2-27**

United Nations Development Programme (UNDP) and International Trade Centre have launched the Central Asian Trade Intelligence Portal (CATI) in Kyrgyzstan to help exporters enhance their export potential and expand trade opportunities in the region and beyond. UNDP reports. ...The CATI portal is the online intelligence tool aimed to enhance export potential and regional integration of Central Asian countries by providing users with essential trade-related information.

MORE: [https://24.kg/english/184843\\_Central\\_Asian\\_Trade\\_Intelligence\\_Portal\\_for\\_exporters\\_launched\\_in\\_Kyrgyzstan/](https://24.kg/english/184843_Central_Asian_Trade_Intelligence_Portal_for_exporters_launched_in_Kyrgyzstan/)

**Source: 24.kg**

## FBR signs Customs cooperation agreement with Tajikistan

**Date: 2021-2-20**

Federal Board of Revenue (FBR) has signed Customs cooperation agreement with Tajikistan. An agreement on cooperation and mutual assistance in customs matters has been signed in Dushanbe, Tajikistan, ...This agreement will ensure requisite international cooperation for achievement of stated/strategic objectives for greater economic integration with the regional/international countries and diversification of Pakistan's international trade.

MORE: <https://nation.com.pk/20-Feb-2021/fbr-signs-customs-cooperation-agreement-with-tajikistan>

**Source: The Nation**

## Uzbekistan – Azerbaijan trade, economic and investment exchanges discussed in Baku

**Date: 2021-2-14**

Ambassador of Uzbekistan Bakhrom Ashrafkhanov has met with the First Deputy Chairman and Chief Executive Officer of Caspian Energy Club Telman Aliyev. Caspian Energy Club was established in June 2002. It is the largest regional organization, uniting more than 5000 companies and organizations from 50 countries, carrying out their activities in the states of the Caspian-Black Sea and Baltic regions. ...An agreement was reached on the joint organization and conduction of events.

MORE: [https://uza.uz/en/posts/uzbekistan-azerbaijan-trade-economic-and-investment-exchanges-discussed-in-baku\\_241625](https://uza.uz/en/posts/uzbekistan-azerbaijan-trade-economic-and-investment-exchanges-discussed-in-baku_241625)

**Source: Uza**

## Uzbekistan, Georgia enhance investment, trade and economic collaboration

**Date: 2021-2-10**

... At the meeting, the parties discussed priority areas of cooperation in industry, agriculture, transport, energy, healthcare, education and the banking and financial sector. The presence of all the necessary resources for a significant increase in the indicators of the economic partnership was emphasized.

MORE: [https://uza.uz/en/posts/uzbekistan-georgia-enhance-investment-trade-and-economic-collaboration\\_240506](https://uza.uz/en/posts/uzbekistan-georgia-enhance-investment-trade-and-economic-collaboration_240506)

**Source: Uza**

## Pakistan, Uzbekistan agree to further negotiate on PTA

**Date: 2021-2-5**

Adviser to the Prime Minister on Commerce and Investment, Abdul Razak Dawood has said that Pakistan and Republic of Uzbekistan have agreed to further negotiate on proposed Preferential Trade Agreement (PTA) to enhance the trade volume between the two countries.

MORE: <https://nation.com.pk/05-Feb-2021/pakistan-uzbekistan-agree-to-further-negotiate-on-pta>

**Source: The Nation**

## Afghanistan-Uzbekistan-Pakistan railway line mapped out in new deal

**Date: 2021-2-3**

Afghanistan, Uzbekistan, and Pakistan on Tuesday signed an agreement for a landmark railway link aimed at bolstering trade ties between Central and South Asia. ...The proposed 573 km railway track is set to connect Uzbekistan's capital Tashkent via Afghan capital Kabul with Pakistan's northern city of Peshawar.

MORE: <https://avapress.com/en/219276/Afghanistan-Uzbekistan-Pakistan-railway-line-mapped-out-in-new-deal>

**Source: Afghan Voice Agency**

## Afghanistan, Pakistan Agree to Set Up Border Markets

**Date: 2021-1-26**

Afghanistan and Pakistan have agreed to establish "border sustenance markets" in the two countries to boost local trade and economic activity in the border regions. ... Highlighting Pakistan's policy to strengthen trade between the two countries, Foreign Minister Qureshi drew Afghan Foreign Minister Atmar's attention towards proposed establishment of Border Sustenance Markets.

MORE: <https://avapress.com/en/218724/Afghanistan-Pakistan-Agree-to-Set-Up-Border-Markets>

**Source: Afghan Voice Agency**

## Turkmenistan and Azerbaijan sign Memorandum on joint development of oil and gas field in the Caspian Sea

**Date: 2021-1-22**

Turkmenistan and Azerbaijan signed the Memorandum of Understanding on the joint development of hydrocarbon resources of Dostluk (Friendship) field in the Caspian Sea. President Gurbanguly Berdimuhamedov and President Ilham Aliyev attended the ceremony online.

MORE: <http://www.turkmenistan.ru/en/articles/18808.html>

**Source: Turkmenistan.ru**

## China-Pakistan Center inaugurated in Qingdao

**Date: 2021-1-19**

Pakistan's ambassador to China, Moin ul Haque, and Liu Jianjun, Party Secretary of Qingdao's Jiaozhou district and director-general of Shanghai Cooperation Organization Demonstration Area, jointly inaugurated the Pakistan-China Center in Jiaozhou district of Qingdao today. ...Haque underscored that establishment of the China-Pakistan Center in the demonstration area marked a major step towards Pakistan's closer integration with member countries in multifaceted areas of cooperation, including bilateral trade, investment, sports, people-to-people exchanges and two-way tourism.

MORE: <http://www.chinadaily.com.cn/a/202101/19/WS60069d9da31024ad0baa3a3a.html>

**Source: China Daily**

## Turkmenistan and Afghanistan presidents open new partnership streams

**Date: 2021-1-15**

President of Turkmenistan Gurbanguly Berdimuhamedov and President of the Islamic Republic of Afghanistan Mohammad Ashraf Ghani launched new infrastructure facilities, namely, Akina-Andkhoy railway, built in Afghanistan at the expense of the Turkmen side, a power line and two fiber-optic communication lines. The commissioning of these facilities will expand the opportunities for effective utilization of the transit and transport potential of the two states, their interaction in the energy and communication sectors, and integration into the system of modern international economic relations.

MORE: <http://www.chinadaily.com.cn/a/202101/15/WS600104eba31024ad0baa2dca.html>

**Source: China Daily**

## CAREC cross-border business activities

### China increases the supply of goods to Europe through Central Asia and Russia

**Date: 2021-3-29**

According to TASS with reference to Financial Times, pressure on transit times at sea and container shortages have made land exports over Russia and Central Asia an attractive alternative for Chinese business. ...Chinese manufacturers choose land transportation over Russia and Central Asia to bypass shipping delays. In recent years, Central Asian states have significantly invested in the development of their transport systems.

MORE: <https://turkmenistan.gov.tm/en/post/53147/china-increases-supply-goods-europe-through-central-asia-and-russia>

**Source: Turkmenistan: Golden Age**

### Kyrgyzstan and Uzbekistan to open joint venture for gas production in Batken

**Date: 2021-3-26**

Kyrgyzstan and Uzbekistan will open a joint venture for gas production in Batken. Chairman of the State Committee for National Security of Kyrgyzstan Kamchybek Tashiev told at a press conference.

According to him, the parties intend to jointly use the gas storage in Burgundu village, Batken region.

MORE: [https://24.kg/english/187811\\_Kyrgyzstan\\_and\\_Uzbekistan\\_to\\_open\\_joint\\_venture\\_for\\_gas\\_production\\_in\\_Batken/](https://24.kg/english/187811_Kyrgyzstan_and_Uzbekistan_to_open_joint_venture_for_gas_production_in_Batken/)

**Source: 24.kg**

### Chinese agrichemical giant to establish plant in Faisalabad's SEZ

**Date: 2021-3-23**

General Manager of Zhengbang Agriculture Pakistan Private Limited (ZHENGBOAG), Zhang Shilu has planned to invest Rs700 million to establish an agrichemical plant at Allama Iqbal Special Economic Zone (SEZ), Faisalabad. ...Once established, the plant will manufacture 100 agrichemical solutions to major crops. ...The plant is also expected to create more than 500 job opportunities for local people and contribute an annual tax of Rs50 million to the local government.

MORE: <https://nation.com.pk/23-Mar-2021/chinese-agrichemical-giant-to-establish-plant-in-faisalabad-s-sez>

**Source: The Nation**

## Pakistan Allows Cotton Import from Afghanistan

**Date: 2021-3-12**

Pakistan has allowed import of cotton from Afghanistan through Torkham border as the country is facing a lower domestic cotton production. According to sources from Pakistani, the country's cotton harvest has declined considerably as farmers are switching over to other lucrative crops. Pakistan's textile sector consumes around 12 million bales (170,000 kg) of cotton per annum but production has fallen short of the requirement over the past one and a half decade. (Source: Tribune) ... The government pressured the ECC to permit imports from Afghanistan and Central Asian States.

MORE: <https://wadsam.com/afghan-business-news/pakistan-allows-cotton-import-from-afghanistan/>

**Source: Wadsam**

## Top managers of Pakistani companies visited Karakalpakstan

**Date: 2021-2-15**

Top managers of large Pakistani companies AKD Group, Tahir Asad Industries and Farm Dynamics Pakistan visited the Republic of Karakalpakstan to get acquainted with the investment climate of the region and discuss the possibilities of implementing specific projects, reports "Dunyo" IA correspondent.

MORE: [https://dunyo.info/en/site/inner/top\\_managers\\_of\\_pakistani\\_companies\\_visited\\_karakalpakstan-Uu7](https://dunyo.info/en/site/inner/top_managers_of_pakistani_companies_visited_karakalpakstan-Uu7)

**Source: Dunyo Information Agency**

## KEGOC Digitises National Energy System, Expands Energy Cooperation with Kyrgyzstan, Uzbekistan

**Date: 2021-2-10**

KEGOC, Kazakhstan's electric grid operator, is negotiating the expansion of its automatic frequency and power control system to Kyrgyzstan and Uzbekistan, said KEGOC Chair Bakytzhan Kazhiyev at a Feb. 9 government meeting. ... Taking into account that the energy systems of Uzbekistan and Kyrgyzstan have greater maneuverability, such integration will have systemic and economic effects for all our countries and strengthen energy independence and energy security in the region," said Kazhiyev.

MORE: <https://astanatimes.com/2021/02/kegoc-digitises-national-energy-system-expands-energy-cooperation-with-kyrgyzstan-uzbekistan/>

**Source: The Astana Times**

## At least 47 railway wagons with goods arrive in Kyrgyzstan from Urumqi

**Date: 2021-2-8**

A large train has arrived in Kyrgyzstan from Urumqi (China) with a cargo of entrepreneurs for the first time since introduction of quarantine. The First Deputy Prime Minister of Kyrgyzstan Artem Novikov told about it on his Facebook page. ... "The Chinese side will build modern warehouses and disinfection points by the end of February at Irkeshtam checkpoint, which will increase the volume of transport traffic from 5-10 vehicles to 30 per day. We have not yet returned to the previous volumes, but we have already made a big step. ..."

MORE: [https://24.kg/english/182740\\_At\\_least\\_47\\_railway\\_wagons\\_with\\_goods\\_arrive\\_in\\_Kyrgyzstan\\_from\\_Urumqi/](https://24.kg/english/182740_At_least_47_railway_wagons_with_goods_arrive_in_Kyrgyzstan_from_Urumqi/)

**Source: 24.kg**

## First 50-container block train departed from China's Qingdao to Baku

**Date: 2021-2-1**

First China-Azerbaijan container block train of 2021 has departed from China, ADY Container LLC, a subsidiary of Azerbaijan Railways says. ... By the end of 2021, ADY Container LLC plans to transport about 50 block container trains in the direction of China-Azerbaijan.

MORE: [https://azertag.az/en/xeber/First\\_50\\_container\\_block\\_train\\_departed\\_from\\_Chinas\\_Qingdao\\_to\\_Baku-1701577](https://azertag.az/en/xeber/First_50_container_block_train_departed_from_Chinas_Qingdao_to_Baku-1701577)

**Source: Azertag**



## Turkey to Invest \$1B to Launch Major Science & Technology Center in Kazakhstan

**Date: 2021-1-25**

Central Asia's largest and wealthiest country is planning to join the global tech revolution with the launch of a major science and technology center similar to Silicon Valley in the US, and Turkey will help Kazakhstan make it happen. ...the two countries will launch the construction of a science and technology center in Kazakhstan's largest city, Almaty. ...The information technology cluster within the center is supposed to bring together about 150 leading universities once it is ready. It will be centered around a technology park and a supercomputer provided by the Chinese government under an agreement signed during President Tokayev's trip to Beijing.

MORE: <https://caspiannews.com/news-detail/turkey-to-invest-1b-to-launch-major-science-technology-center-in-kazakhstan-2021-1-25-0/>

**Source: Caspian News**

## China-Pakistan industrial cooperation progresses steadily despite COVID-19

**Date: 2021-1-16**

Despite the COVID-19 pandemic, the smooth implementation of projects from the Rashakai special economic zone (SEZ) to MG automobile plant has deepened the industrial cooperation between the two countries. ... Located in Pakistan's northwest Khyber Pakhtunkhwa (KP) province, the Rashakai SEZ is one of the nine SEZs that the Pakistani government is going to develop under the China-Pakistan Economic Corridor (CPEC), which has entered a new stage of high-quality development focusing on industrial, agricultural and socio-economic cooperation.

MORE: [http://www.xinhuanet.com/english/asiapacific/2021-01/16/c\\_139672999.htm](http://www.xinhuanet.com/english/asiapacific/2021-01/16/c_139672999.htm)

**Source: Xinhua**

## Around 1,800 enterprises in Uzbekistan backed by Chinese investment

**Date: 2021-1-8**

The number of companies back by Chinese investment in Uzbekistan neared 1,800 by the end of 2020, second only to Russia in the Central Asian country, the Uzbek State Statistic Committee said Friday.

The 1,799 China-backed companies in Uzbekistan are involved in industry and trade, construction, oil and gas exploration, transport, infrastructure building, telecommunications, textiles, chemicals, and logistics and agriculture, ... The statistics committee said earlier that China topped the list of Uzbekistan's largest foreign trade partners, followed by Russia, Kazakhstan and South Korea in 2020.

MORE: [http://www.xinhuanet.com/english/asiapacific/2021-01/08/c\\_139652397.htm](http://www.xinhuanet.com/english/asiapacific/2021-01/08/c_139652397.htm)

**Source: Xinhua**

## Pakistan, China ink \$100m loan agreement for rehabilitation of National Highway N-5

**Date: 2021-1-1**

Pakistan and China on Thursday signed loan agreement worth \$100 million for the rehabilitation of National Highway N-5 Project that would help to improve road infrastructure and augment the north-south connectivity. ...Under this agreement, government of China will provide grant assistance of RMB 659.8 million (\$100 million) for rehabilitation of four sections (66km in total) of National Highway (N-5) between Hala (District Matiari) and Moro (District Naushahro Feroze) in Sindh province. The project will help to improve road infrastructure and augment the north-south connectivity.

MORE: <https://nation.com.pk/01-Jan-2021/pakistan-china-ink-dollar-100m-loan-agreement-for-rehabilitation-of-national-highway-n-5>

**Source: The Nation**

### Pakistan's exports to Afghanistan decrease 13.59pc in 8 months

**Date: 2021-3-27**

Pakistan's exports of goods and services to Afghanistan witnessed a decrease of 13.59 percent during the eight months of financial year (2020-21) as compared to the corresponding period of last year, State Bank of Pakistan (SBP) reported. The overall exports to Afghanistan were recorded at \$629.324 million during July-February (2020-21) against exports of \$728.315 million during July-February (2019-20), showing a decline of 13.59 percent, SBP data revealed.

MORE: <https://nation.com.pk/27-Mar-2021/pakistan-s-exports-to-afghanistan-decrease-13-59pc-in-8-months>

**Source: The Nation**

### China-Mongolia land port sees robust growth in freight transport

**Date: 2021-3-17**

The land port of Erenhot in North China's Inner Mongolia autonomous region saw the import and export volumes of freight transport increase by 2.2 percent year-on-year in the first two months this year, according to local customs. The total volumes of freight transport through the port reached about 2.58 million tons during the period, with export volume registering a year-on-year growth of 78.5 percent to 333,000 tons.

MORE: <http://global.chinadaily.com.cn/a/202103/17/WS6051755da31024ad0baafbd1.html>

**Source: China Daily**

### China remains top importer among other countries

**Date: 2021-2-4**

China topped the list of countries from where Pakistan imported different products during the first half of the current financial year (2020-21), followed by United Arab Emirates (UAE) and Singapore. The total imports from China during July-December (2020-21) were recorded at \$5730.084 million against the \$4878.751 million during July-December (2019-20), showing an increase of 17.44 percent during the period, State Bank of Pakistan (SBP) said.

MORE: <https://nation.com.pk/04-Feb-2021/china-remains-top-importer-among-other-countries>

**Source: The Nation**

### Uzbekistan's Top Trading Partners 2020

**Date: 2021-1-28**

In 2020, Uzbekistan's foreign trade turnover amounted to \$36,299.3 million and, compared to 2019, decreased by \$5,451.7 million (13.1 percent). According to the State Statistics Committee, the five countries with which Uzbekistan had the most intensive economic relations included China (\$6.4 billion), Russia (\$5.6 billion), Kazakhstan (\$3 billion), the Republic of Korea (\$2.1 billion) and Turkey (\$2.1 billion). Uzbekistan's significant foreign trade turnover was also recorded with Kyrgyzstan (\$903.2 million), Germany (\$829 million), Afghanistan (\$776.9 million), the Czech Republic (\$532.6 million) and Turkmenistan (\$527.1 million).

MORE: [https://uza.uz/en/posts/uzbekistans-top-trading-partners-2020\\_237400](https://uza.uz/en/posts/uzbekistans-top-trading-partners-2020_237400)

**Source: UzA**

*Note: Text as in the original, shortened by the authors.*





**No. 376 Nanchang Road, Urumqi  
Xinjiang Uygur Autonomous Region  
People's Republic of China  
f: +86.991.8891151  
km@carecinstitute.org  
www.carecinstitute.org**