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- High economic growth
- "Made in China 2025"-upgrade of the manufacturing industry from low-end products to high-end value-added products.
- Growth of the service industry

Skilled Labor Shortage in PRC

Labor by Skills in PRC



Highly skilled 50 million, 6%

Skilled(including highly skilled) 200 million, 25%

75% Middle and low skilled

Demand ratio for highly skilled is over 2

Number of Labor Demand, divided by Skills



140 million for highly skilled in 2020. Skills gap could lead to a loss of \$250 billion

Source: Ministry of Human Resource and Social Security (MHRSS) | Source: Fudan University, Tsinghua University, J.P.Morgan, 2016, Skills Shortages in the Chinese Labor Market

Previously, [the 3rd CAREC Think Tanks Development Forum](#) has addressed the issue of TVET in CAREC in July 2018. The forum deliberated that all CAREC member countries have experienced significant demographic transformation over the past decades, some countries reaching the aged population profile, some others experiencing the youth bulge. The first group of countries will potentially face labor shortages and will need to boost labor productivity by constantly improving the skill levels of their domestic labor force. Under the second group of countries, the youth will move through the working age pipeline and will need to contribute to the country's economic growth if adequate human development policies are cultivated.

In 2020, the CAREC Institute Visiting Fellow Program has contributed a research on [labor migration and the role of local authorities in Central Asia](#) (Uzbekistan, Tajikistan, Kyrgyzstan) to leverage migration's developmental potential. The paper analyzed the large-scale migration flows in Central Asia. Unemployment, low wages, and limited opportunities for improving livelihoods at home were identified as the most prominent push factors driving emigration. [The paper](#) also discussed the notion of forsaken schooling as one of the effects of labor migration.

The demographic trends and labor force projections carry significant implications for the CAREC countries. Regional level solutions might entail greater mobility of workers across the skills spectrum, joint certification programs, regional qualification frameworks, mutual recognition arrangements, TVET policy reforms and accreditation systems, update or revision of legislative and institutional frameworks, upgrade of TVET infrastructure, etc.

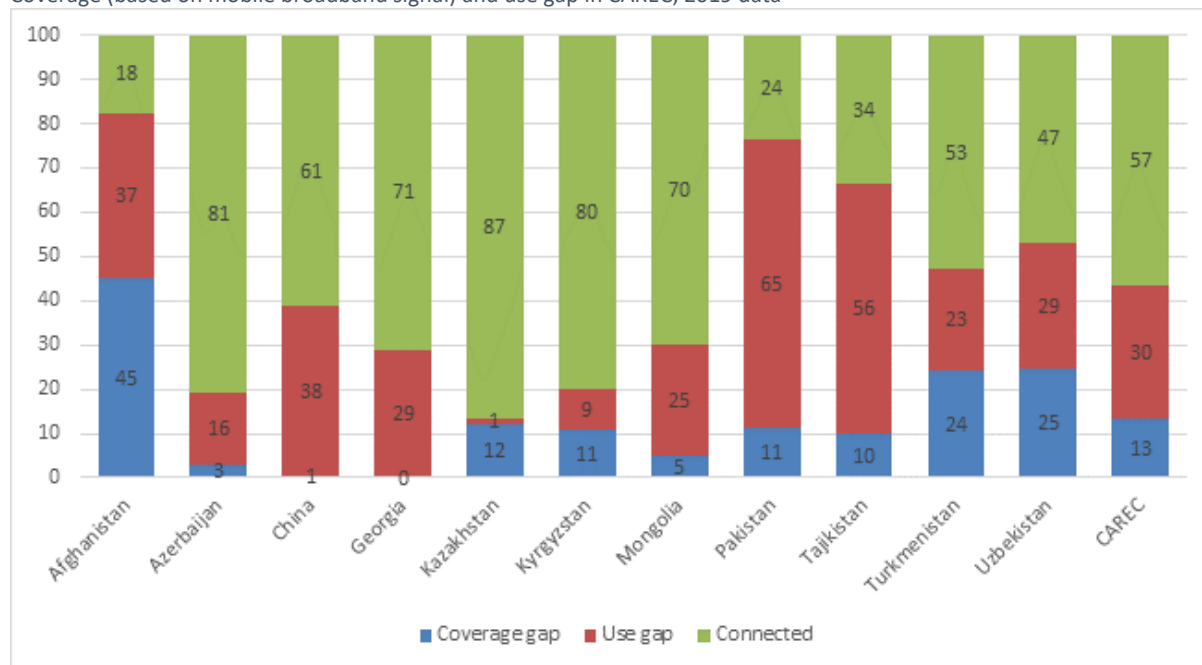
The results of the CAREC Institute and ADB joint research on TVET, also ensuing policy recommendations aim at improving sector reforms in TVET and strengthening institutional capacities of key ministries of CAREC member countries.

The publication is scheduled for release by the end of 2021.

Policy Brief: E-Commerce Infrastructure Readiness in CAREC

Our new [policy brief on the state of the e-commerce infrastructure in CAREC](#) compliments the phase one research of the Institute where the [state of legislation and regulation of e-commerce](#) was analyzed and recommendations were issued to modernize and harmonize them to harness the opportunities of e-commerce.

Coverage (based on mobile broadband signal) and use gap in CAREC, 2019 data



This new brief finds that technical ability to access the internet is generally high in most CAREC countries. However, there is a gap between people with theoretical access and those actually using the internet, owing to barriers such as digital literacy and affordability. The study finds that the number of enterprises engaging in e-commerce is low in the CAREC region, particularly among small and medium-sized enterprises. The core data infrastructure including internet exchange points, data centers, and cloud computing—which are also important for payments and logistics—is underdeveloped in most CAREC countries.

With e-commerce, payment systems need to adapt to near real-time clearance with the capacity to handle a growing number of transactions. While bank account penetration has grown rapidly in the CAREC region over the last decade, there remains a gap in financial inclusion. Most CAREC countries are promoting digital payment since it facilitates government disbursements. Further, COVID-19 has demonstrated how the use of digital payments can reduce physical interaction. Digital payments are increasingly migrating to digital wallets on smartphones. Hence, countries need to ensure that smartphones are made affordable. Some CAREC countries also need to liberalize regulations to allow payment system providers to act as intermediaries for consumers and merchants.

One striking observation is the large gap in the CAREC region between the number of internet users that have the potential to buy something online and those that actually do. This is caused by factors such as trust and a lack of e-commerce shops. Another observation is the lack of official information on e-commerce markets in CAREC, hindering the ability for policy makers to design appropriate strategies. Further, very few CAREC countries have dedicated industry associations to promote e-commerce. Read more [here](#).

Roundtable Discussion on Digital CAREC

On 21 May 2021, the CAREC Institute conducted a roundtable discussion where our staff engaged with the PRC and ADB experts to present research findings and discuss various aspects of digitalization in the CAREC region. Participants took on topics such as digital CAREC, cross-border e-commerce, regulatory and infrastructure challenges for e-commerce development in CAREC, fintech and financial inclusion, and trade finance.

In 2021, in addition to workshops, policy dialogues and research conferences, the CAREC Institute has started holding high-level expert roundtables with an aspiration to shape national and regional discussions on pressing issues of regional economic cooperation in and around the CAREC Program priority areas. The results of this discussion will contribute to the upcoming Digital CAREC strategy.

Participation in International Finance Forum 2021 Spring Meetings

On 29-30 May 2021, the CAREC Institute Deputy Director One Dr. Liang participated in the International Finance Forum (IFF) Spring Meetings co-organized by the Beijing-headquartered China Council for the Promotion of International Trade and International Finance Forum.

Dr. Liang delivering a speech at the International Finance Forum Spring Meetings, 30 May 2021



About 500 politicians, business leaders, and scholars participated in the event. The forum attracted the heads of international institutions from the United Nations, Shanghai Cooperation Organization, International Monetary Fund, and European Central Bank to offer their ideas during the meetings.

The discussion topics covered global governance and development in the post-epidemic era, including global sustainable finance, anti-epidemic cooperation, green development cooperation, carbon neutrality, and investment opportunities across the world. The participants also discussed growth

trends and issues, such as infrastructure development, free trade, the world's economic structure and challenges, digital currency and its future transformation, and China's new growth pattern during its 14th Five-Year Plan (2021-25) period.

Dr. Liang stressed the special importance of green finance for the CAREC region and highlighted the potential for green energy generation. Most CAREC countries have already listed green finance on their agenda. The PRC has released two guidelines in 2017 to support the green Belt and Road Initiative (BRI) and has taken green finance as a national strategy. The country has become the world's second-largest green bond market since 2016. Further in CAREC, Kazakhstan put forward the "Green Bridge" initiative in 2012 and has implemented an action plan for the transition to a green economy since 2013. Kazakhstan is also developing a "Green Finance Regulatory Framework," covering green bonds, loans, technologies, and projects. Uzbekistan passed the "Environmental Protection Action Plan 2013-2017" in 2013 and formulated the "Economic Development Mechanism Based on Green Economy Principle." The State Bank of Pakistan introduced the "Green Banking Guidelines" in 2017 and the country is planning to issue a USD 500-million green bond in the next few months to help boost its development of hydroelectric power. Despite these developments in green finance in CAREC countries, there is still a long way to go compared with some advanced economies.

Dr. Liang offered the CAREC Institute as a platform for dialogue and capacity building. An MOU between the IFF, represented by Mr. Zhang Jizhong, CEO and Founding Secretary-General of IFF, and the CAREC Institute was signed.

Designing Free Trade Agreements in CAREC

On 19 May 2021, the CAREC Institute and ADB discussed a new technical assistance (TA) which will help generate knowledge and strengthen capacities for designing, negotiating, implementing, and monitoring Free Trade Agreements (FTAs) involving the CAREC countries. Research will be undertaken, and recommendations formulated to strengthen the evidence base for CAREC decision making regarding FTAs.

Experience suggests that trade diversification, new markets, and greater integration which FTAs can deliver depends greatly on the breadth and depth of the agreement and the extent to which the FTA commitments are implemented and enforced. Despite the rising number of CAREC country FTAs, free rate participation is uneven across the region. The FTA activity has grown in Georgia, Pakistan, Kazakhstan, Kyrgyzstan, and the PRC; but the remaining CAREC countries have not joined the trend. The FTAs of other CAREC countries are mostly with their neighbors. Less than a third can be considered new-generation FTAs aligned with the broader coverage of WTO-Plus and WTO-X, which includes trade in services, investments, trade facilitation, competition policy, digital trade, e-commerce, and labor and environmental protection.

The CAREC Institute will partner with ADB to help conduct research, share knowledge, and build capacity to assist CAREC countries decide on the FTA goals that best fit their needs and potential.

Check out our recent analytics regarding trade in CAREC: [economic brief on intra-CAREC trade](#) of June 2020, a research conducted under the CAREC Think Tanks Network (CTTN) in 2020 regarding [export driven growth – learning from Pakistan-China FTA](#), another research conducted under the CTTN in 2019 regarding the [impact of standards on trade: case of Georgia](#), one more CTTN research grants program product of 2019 on the [potential of agri-food trade between Kyrgyzstan and Pakistan](#), and a workshop report of 2020 regarding the [trans-Caspian infrastructure and trade](#).

Participation in the Special Economic Zone Forum

On 11 May 2021, the CAREC Institute Chief of Research Division Dr. Qaisar Abbas was invited to present at the Special Economic Zone (SEZ) Forum by Shenzhen University. Famous scholars and distinguished SEZ specialists attended the event.

The participants reviewed the history of the PRC's reforms, evolution of SEZ, lessons, innovation, and partnerships between the PRC and other countries. Dr. Abbas presented a SEZ case of Pakistan and discussed the following issues: regional connectivity, global value chains (GVC), need for export diversification, allocation of industrial sectors, and promotion of backward linkages. He argued that allowing every industry in a SEZ dilutes the focus and stretches limited resources affecting the ability to upgrade and integrate into GVCs effectively. He provided examples of Faisalabad and Mohamand SEZ in Pakistan and maintained that both shall have different set of policies and customized incentives.

Dr. Abbas highlighted the importance of regional connectivity in CAREC. He provided examples of high costs and lengthy times at border crossing points with Afghanistan, and underlined importance of mitigating these obstacles, increasing connectivity with other CAREC members, and utilizing CPEC effectively. His talking points also included digital connectivity, and investment in e-commerce.

Participation in UVA Event: Eurasia's Changing Economic Landscape

On 22 April 2021, our Chief Economist Hans Holzacker gave a lecture on "China Going Global and Eurasia's Changing Economic Landscape" at the University of Virginia (UVA) with a focus on the Belt and Road Initiative (BRI).

He argued that BRI is firmly rooted in the development of the PRC's economy and firms. In his view, trade on the Eurasian continent is strongly bipolar East-West (PRC and EU), although North-South direction also matters. Dr. Holzacker reasoned that regions in between have to cope with the difficulties of overland transportation and work to become more than just transit routes. He stressed the need for more Chinese FDI which goes beyond energy and infrastructure sectors and focuses more on technology and skills transfer.

He recommended that both the PRC and recipient countries improve risk mitigation mechanisms; BRI projects get well aligned with national and regional development plans; procurement and contracting become more transparent; and development aid under BRI gets well aligned with the international development cooperation. His presentation is available [here](#).

Participation in the SCO Environmental Seminar

On 21 April 2021, the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev participated in an online expert seminar in the framework of Shanghai Cooperation Organization (SCO) on the topic of biodiversity conservation and ecological rehabilitation. Representatives of member government sector ministries, private sector, World Resource Institute, and UN agencies attended the event.

Dr. Abdullaev commented that the CAREC region is growing fast economically, more in a resource intensive mode which will affect the environment significantly in the long run. He recommended institutional cooperation, data exchange, policy cooperation, and exchange of best practices of technology and research for sustainable development. It was mentioned that a working group will be formed by nomination of two persons each from the national protection agencies of SCO countries to enable the cooperation platform function.