



CAREC Institute Newsletter

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CAREC Quarterly Economic Monitor No. 3

Our third CAREC Quarterly Economic Monitor finds that an average CAREC region real GDP growth finally turned positive in the first quarter of 2021, after negative growth rates throughout 2020. The recovery was especially strong in the People's Republic of China (PRC). Countries with a high share of exports going to the PRC, such as Mongolia and Turkmenistan, also profited from this. Higher fuel and metal prices benefitted the CAREC net exporters of mineral fuels and metals.

Goods exports and manufacturing rose substantially, but service recovery and household consumption was less impressive. The negative social impact of the pandemic is still severe. The correlation between high-frequency output and demand indicators and mobility indicators reflecting containment measures has weakened in 2021, but a severe resurgence of the pandemic and resulting renewed quarantine requirements would certainly derail the nascent recovery.

Investment still needs to recover; growth rates were still negative in several CAREC economies in early 2021. Governments would need to encourage investment especially now by further improving the business climate and easing doing business by advancing e-government and simplifying regulations.

Given that loan growth is rather weak, exchange rates are reasonably stable, and inflation has accelerated only moderately in most of CAREC, monetary policy could remain supportive for some time where needed. Economic policies must be calibrated carefully to support the upswing while not jeopardizing future fiscal and monetary sustainability. At the same time, plans must be concretized how to build forward better, especially how to accelerate the green and digital transitions. To avoid a highly diverging speed of recovery for different sectors of the economy and for different parts of the population, policy measures in support of the economy and households must be reduced carefully and selectively.

The issue also provides a media digest of CAREC cooperation initiatives. Read more [here](#).

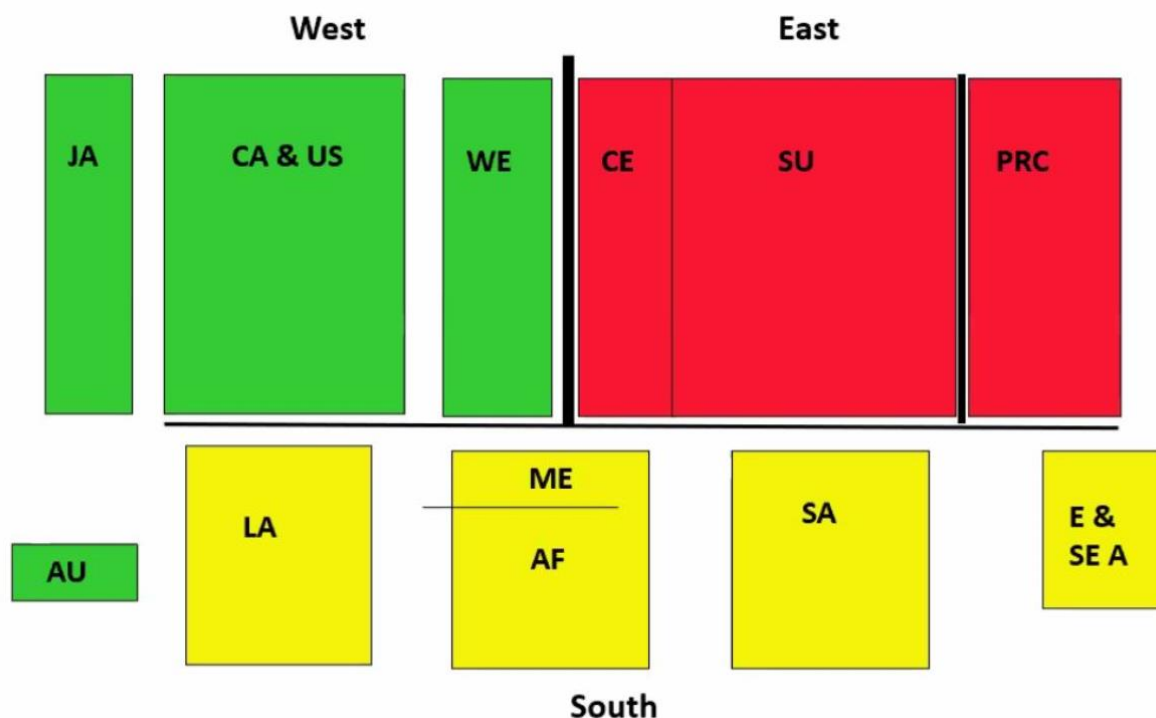
Webinar on Integration Prospects in Eurasia and CAREC Implications

On 22 June 2021, the CAREC Institute in partnership with the Asian Development Bank (ADB) held a webinar on the prospects of integration and cooperation processes on the Euro-Asian continent and the implications for CAREC.

Distinguished speakers and panelists (both from within the CAREC region, as well as from major neighbors, including the PRC, India, Russia) provided policymakers and the broader concerned public with a spectrum of views and ideas about opportunities, obstacles, and desirable policies and measures related to the topic.

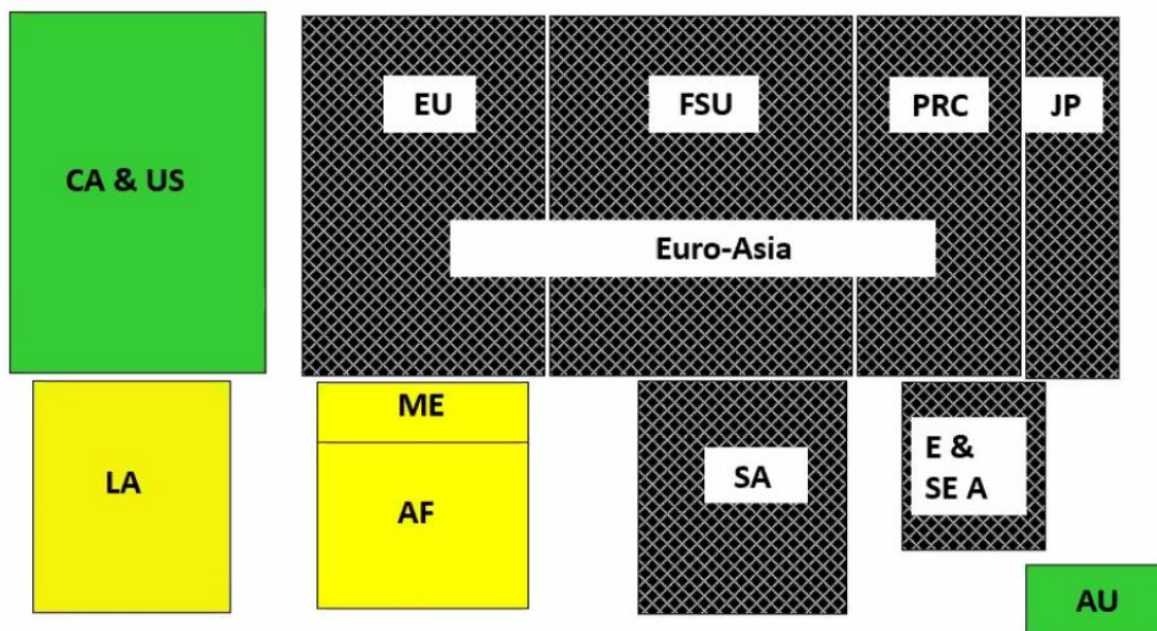
Johannes Linn (Brookings Institution, former World Bank Vice President) set the stage by providing an overview of the world order, economic and political clustering since 1955, major disruptive events that happened over time, and realignments that took us to today's world order. He noted lessons from the experience of the Ancient Silk Road that carry over to today and stressed that institutional and political factors will be crucial in determining whether and how Euro-Asian economic integration progresses.

The World of Yesterday (1955-1985). Excerpt from the presentation by Johannes Linn. 22 June 2021.



Webinar materials are available [here](#)

Evgeny Vinokurov (Chief Economist at the Eurasian Development Bank and the Eurasian Fund for Stabilization and Development) highlighted energy, water, digital connectivity, and labor migration as particularly important areas for cooperation. He mentioned that Eurasian integration can produce tangible results for the continent if the approach is pragmatic, and if it addresses the issue of significant trust deficit. "Trust can be called talking clubs," Vinokurov said. He described the Belt and Road Initiative (BRI) as very influential as it set in motion many other initiatives by other regional and world players. He further elaborated on premises set out in his book titled "One Eurasia or Many?"



Webinar materials available [here](#)

Richard Pomfret (Professor at the University of Adelaide, Australia) argued that regionalism in the 20th century sense of a preferential trading arrangement (customs union or classic free trade agreement with zero internal tariffs) is outdated. The lesson for CAREC is that a trade agreement under this framework should not be about gaining preferential access to export markets; it should be about helping producers gain access to best quality/price inputs.

He further highlighted the utility of ADB's Corridor Performance Measurement and Monitoring (CPMM) mechanism in tracking trade facilitation indicators. Details were provided on infrastructure connectivity, global value chains, volume of traffic, mega-regional agreements, and many more. Prof. Pomfret emphasized that land and rail connectivity proved particularly competitive during the pandemic when air and sea transport was affected negatively. Hence, he underlined the importance of diversification of routes and options. He called on CAREC countries to expand trade through adoption of more open trade policies and deepening customs cooperation, including trade facilitation and improved logistics, also avoid trade-distorting measures, like customs union and protectionist tendencies.

Ishrat Hussain (Adviser to the Prime Minister for Institutional Reforms and Austerity, Pakistan) briefed the audience about the regulations reform that the Pakistani government is undertaking, mentioned Pakistan's national single window project which will unite 26 governmental agencies for client convenience, also mentioned the China-Pakistan Economic Corridor (CPEC) and appreciated its customized approach. He highlighted that the debt trap is a myth and while external shocks typically trigger financial crisis, the impact on individual economies is heavily influenced by domestic policy frameworks and choices.

Both Fanil Kadirov (Head of the Department for Economic Research of the International Institute of Central Asia, Uzbekistan) and Biliang Hu (Professor and Executive Dean at the Belt and Road School, Beijing Normal University) echoed each other that over time interaction and cooperation is improving on the Euro-Asian continent. If 10 years ago, it was very difficult to find a linkage, now there are numerous mutually beneficial projects and complimentary activities taking place.

Aradhna Aggarwal (Professor at Indian Studies at the Copenhagen Business School) explained why India is currently in a situation where the country puts strong emphasis on developing its trade with foreign partners. India is looking in all geographical directions for cooperation, there are numerous agreements established, and the one is being negotiated with the EU since 2007. India's trade with CAREC economies other than the PRC and Pakistan is rather low. Nevertheless, the CAREC region is important for India, not least because of its central location on the Euro-Asian continent.

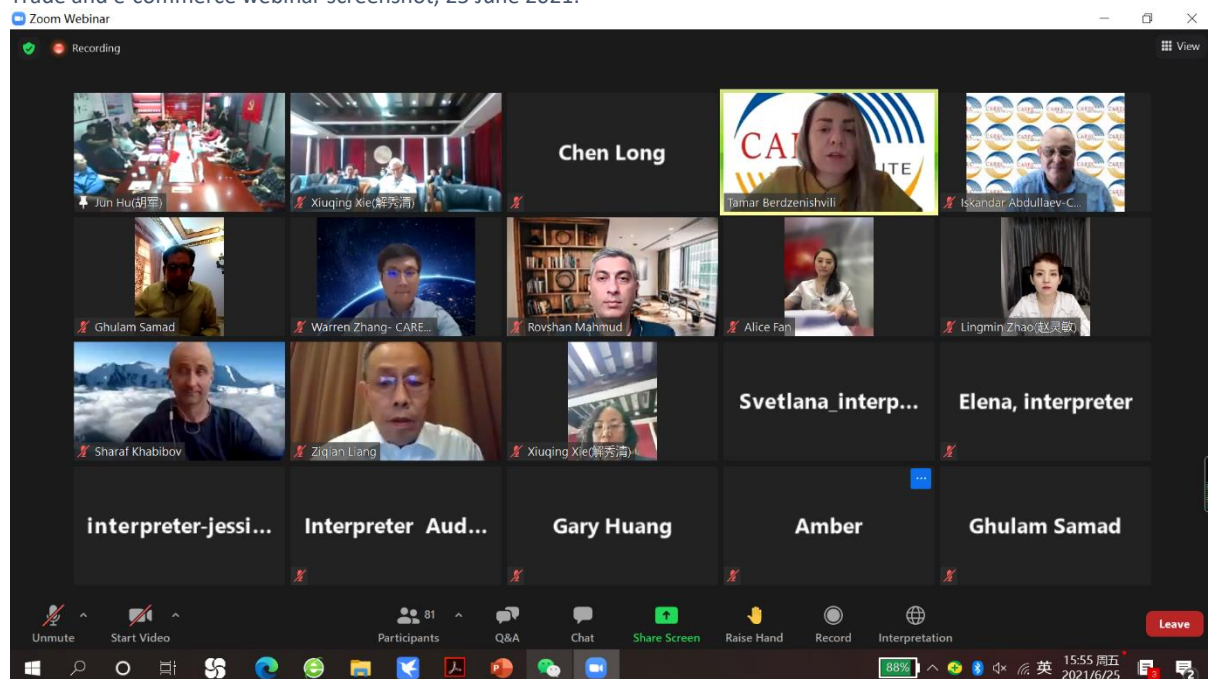
Safdar Parvez (Director, Regional Cooperation and Operations Coordination Division, Central and West Asia Department, ADB) concluded the event highlighting that ADB will continue to support the CAREC program by trying to maintain the momentum in implementing physical infrastructure projects together with the soft projects, also will look into areas where efforts need to be enhanced, such as the water-energy nexus, economic corridor development, and human capital development. He emphasized that ADB sees the CAREC program as an open and inclusive platform for multilateral and bilateral development partners. He also mentioned that there are contemplations on how to increase country ownership of the CAREC framework, whether formal structures and treaties can improve the ownership, or if it is beneficial to maintain the informal structure with its flexibility and openness. He further highlighted the need to improve coordination mechanisms in CAREC.

Webinar on Optimizing Trade and e-Commerce in CAREC

On 25 June 2021, the CAREC Institute and China City Development Alliance hosted a webinar titled "Optimizing Trade and e-Commerce to Bridge the Needs in the CAREC Region."

The webinar provided an opportunity for the analysts and enterprise practitioners to interact and exchange information for the mutual benefit. Panelists looked into trade numbers, export and industry structures, the level of technology adoption, various cooperation frameworks, trade diversification options in resource-endowed economies, and explored new opportunities for CAREC countries to embrace e-commerce and share collaboration ideas. Topics included tourism cooperation, use of live stream media, culture promotion, import and export options, industry investment and revitalization opportunities, vocational training in e-commerce, and many more.

Trade and e-commerce webinar screenshot, 25 June 2021.



Dr. Ghulam Samad of the CAREC Institute stressed importance of technology penetration in a country's industries, providing an example of Pakistan where low-technology exports in the total share of exports take up nearly 87% and high-technology exports occupy only 0.6% while these numbers stand at 17.4% and 28% respectively for the world average. He demonstrated that low-technology and resource-based exports show a steady decline since the 1990s worldwide. Dr. Samad further reviewed manufacturing value addition index based on the UNIDO data, bilateral trade complementarity index, export similarity index, etc. and provided concluding remarks. A regional Free Trade Agreement (FTA) with Central Asian economies may not bring perceived benefits (building a competitive environment, developing regional integration, increasing trade volume) to Pakistan's economy, he said. Opportunities exist in transit, energy cooperation, access to northern markets for Pakistan, and access to the Pakistan's deep-sea ports for landlocked economies.

Mr. Rovshan Mahmudov of the CAREC Institute provided an overview of export by product in five Central Asian countries and their top 10 importers. The charts demonstrated the dominance of mineral fuels and extractive industries in export product categories. Further, the analysis of comparative advantages in international trade country by country was offered. He recommended creation of Chinese and Central Asian holding companies in different industries to produce final goods (such as textile, consumer electronics, light industry); acceleration of regional integration in Central Asia through digital trade development, fintech, telemedicine, and investment in digital infrastructure; also, integration of the transport and energy systems of the PRC and Central Asia.

Mr. Li Xiang, Chairman of the Board of Directors, Pairs Holding Group Co., and Alibaba Business School graduate elaborated that the PRC's cross-border e-commerce accounts for 17% of the country's foreign trade imports and exports where B2B model occupies 90%. He further offered e-commerce market and customer analysis and recommended the CAREC members to launch the cross-border e-commerce talent training vocational program which is operating successfully in the PRC.

Ms. Zhao Lingmin, senior media professional, former Editor-in-Chief of South Reviews, founder of LMinsight highlighted the importance of tourism providing pre-pandemic numbers when the PRC's outbound tourism reached 155 million visitors annually, and their overseas spending amounted to \$134 billion. She proposed the Ancient Silk Road cultural re-acquaintance as a mutually beneficial arrangement if vaccination gains speed, visas are simplified, and active destination promotion takes place through live streaming and other popular media among the Chinese travelers. Ms. Zhao offered support of her populous online platforms. Mr. Wang Qin, President of Guangying Zhongjin Culture & Media Co., echoed Ms. Zhao and offered the webinar audience the documentary film production service and image promotion among the Chinese customers.

The webinar recording, and all other materials, including the contacts of the panelists could be accessed [here](#).

Participation in ADA Event for Greater Connectivity of Eurasia

On 16 June 2021, the CAREC Institute Director Syed Shakeel Shah participated in a signature conference titled "Connecting the 3Bs: Brussels, Baku, Beijing. The EU/UK & China Cooperation Initiatives for Greater Connectivity of Eurasia: The Role of Azerbaijan," organized by the Azerbaijan Diplomatic Academy (ADA) University and COMPASS project at the University of Kent.

The conference brought together international academics, practitioners, policymakers, and businesses to discuss major trends in cooperation and connectivity, and their implication for domestic, regional, and international development opportunities and challenges.

Director Shah talked about the need to synchronize various connectivity initiatives, enhancing belief in shared outcomes through improved connectivity, and infrastructure digitalization. He stressed that smart connectivity is to expand digital components across key infrastructure, which will in turn support new business models and technologies. Digitalization is about making investments in sectors like energy and transport future-proof, he said. He added that changeover to paperless trade will invariably be accompanied by the reengineering of existing complicated procedures resulting in simplification, greater transparency, and accountability, contributing to the cause of good governance.

Director Shah also mentioned that more CAREC countries are making progress in adopting e-TIR. Further, he talked about computerized transit systems which are piloted in several CAREC countries, and which are compatible with the EU systems.

He concluded that developments on the Eurasian continent provide CAREC members with an opportunity to emerge as a center for trade and commerce, to achieve higher levels of economic growth, and reduce poverty.

Participation in the 20-Year Anniversary of SCO

Dr. Liang at the SCO event in Shanghai, 24 June 2021.



On 24-25 June 2021, the CAREC Institute Deputy Director One Dr. Liang Ziqian was invited by the Shanghai Cooperation Organization (SCO) on the occasion of the 20th anniversary of the founding of the SCO to discuss post-pandemic reality and cooperation opportunities between SCO and CAREC.

Out of 11 CAREC members, six are also SCO members, two are observers, and one is a dialogue partner with Tajikistan as the current holder of the rotating presidency of the SCO.

Dr. Liang stressed that trade is an engine for economic development and an important means of achieving the UN SDGs. The global trade share of the CAREC members (excluding the PRC) remains below 1%. The main reasons include poor access to global markets, limited economic diversification, and insufficient instruments for trade facilitation in most of CAREC. He stressed the importance of trade facilitation mechanisms, such as FTAs, and economic corridor development to diversify options in all directions.

He also touched on the topic of rapid technological change and digitalization noting that the Fourth Industrial Revolution has already had a profound impact on the global trade, economic growth, and social progress. This impact became even more obvious when traditional trade mode failed to operate during the COVID-19 crisis. Digital trade has generated trillions of dollars in economic activity in recent years and continues to accelerate globally. However, the CAREC region has not fully benefited from the trend. Lagging regulations, insufficient digital infrastructure in some member countries, and fragmented governance are examples of roadblocks from realizing the potential.

Further, Dr. Liang provided an overview of the CAREC Institute research on climate change, e-commerce, fintech, and invited to conduct more joint research with other institutions on the topics of digitalization, economic corridors, etc. to provide policy makers and practitioners with evidence-based findings. He also offered the Institute as a capacity building and knowledge sharing platform to exchange insights.

Participation in IsDB Webinar on Promoting Regional Cooperation

On 24 June 2021, the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev was invited to present at a webinar titled “Multilateral Development Banks as Key Partners in Promoting Regional Cooperation and Integration” hosted by the Islamic Development Bank (IsDB).

Dr. Abdullaev argued that multilateral development partners (MDPs) are very well placed to support the SDGs on national, regional, and global scales by providing multi-level public goods.

“MDPs, in collaboration with other stakeholders, should operationalize regional cooperation and integration (RCI) process mainly through their subregional programs and projects which might be focused on digital trade and promoting intraregional agriculture supply chain; trade facilitation; infrastructure improvement and seeking investment opportunities in transport, green energy and water sectors; as well as regional human development,” Dr. Abdullaev said.

In his opinion, MDPs could leverage their unique position to incentivize countries to collaborate more. As challenges associated with SDGs are often of cross-border nature and beyond one country’s capability, MDPs’ role in addressing them through mobilizing finance, knowledge, and expertise, and, thereby, contributing to regional cooperation and integration can be increasingly high.

Dr. Abdullaev added that there is a need for MDP facilitated cross-sectoral and cross-organizational (with all MDP presence) expert groups on a multitude of issues, such as climate change, public health, migration, digitalization, food security, etc. Given the complexity of issues, heterogeneity of economies, and the scale of work, one MDP alone might not be sufficient to secure the required political commitment in regional capitals. So, MDP cooperation becomes paramount to capitalize on their influence in member countries to lead and facilitate consensus building.

Regional cooperation platforms (like CAREC) can help MDPs identify challenges of a regional scale, also avoid redundancy, allocate resources in a tailored manner, assist to identify and address competing development needs of countries/regions, and increase coordination.

Roundtable on International Cooperation for Ecology and Environment

On 3 June 2021, the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev was invited to participate in a roundtable on international cooperation for ecology and environment organized by China Council for International Cooperation on Environment and Development (CCICED). The roundtable discussed synergies between pollution control and carbon emission reduction.

It was argued that carbon neutrality will require broad and profound changes in economic and societal systems. The focus was on the Yangtze River Delta which is one of the most active, open, and innovative regions in the PRC, and which is set to play an important and demonstrative role on the new journey to achieving carbon dioxide emissions peak and carbon neutrality.

Participants shared research outcomes on climate governance, nature-based solutions, coordinated governance of pollution control, carbon emissions reduction, ecological improvement, possible pathways and challenges in early peaking, and good practices in the Yangtze River Delta region in promoting ecological and environmental protection together with the economic development.

CCICED's roundtable mechanism has been functioning since 2008. It is held annually to share the results of policy research with decision-makers in local governance bodies.

Upcoming Webinar: Trade Intelligence and Negotiation Advisor

**7-8
JULY
2021**

WEBINAR UNESCAP's Trade Intelligence & Negotiation Advisor (TINA)

Hosted by **CAREC Institute**
in partnership with **UNESCAP**

15:00-17:00 (Beijing time, UTC+8)
Register via [Zoom](#)
Contact: cbd@carecinstitute.org

On 7-8 July 2021, the CAREC Institute in partnership with UNESCAP will organize a webinar on Trade Intelligence and Negotiation Advisor (TINA) to share insights with the CAREC trade experts on the utility and applicability of this instrument. TINA was designed by UNESCAP to enhance trade in support of the 2030 Agenda for Sustainable Development. It is an online tool assisting trade policymakers (as

well as researchers and consultants supporting them) to carry out many of the analytical tasks commonly conducted in preparation for trade negotiations.

The webinar is expected to disseminate knowledge in the form of user guide and explanatory notes for TINA to help identify the main challenges and prospects to improve the efficiency of trade policy instruments in the CAREC region.

Register [here](#) to attend.

Partner Webinars: ADB Beijing Office on the Role of Local Governments in High-Quality Development and the PRC's 14th Five-Year Plan

The ADB and Regional Knowledge Sharing Initiative (RKSI) will hold two webinars in **July 2021** to discuss the role of local governments in promoting high quality growth and the PRC's 14th Five-Year Plan involving distinguished academics and key policy makers.

The first event will take place on **1 July 2021**. Under the high-quality growth agenda, the PRC seeks to rebalance its economy by addressing the negative side effects of a long period of unprecedented economic growth, and local governments will have a key role to play in the implementation of that agenda. At this webinar, Hans van Rijn, Principal Public Management Specialist, ADB, and Ehtisham Ahmad, Professor, London School of Economics, will analyze some critical aspects of the fiscal and institutional environment in which local governments operate and propose areas for strengthening local government finances. Special attention will be given to the policy implications of the 14th FYP and the post-COVID-19 recovery efforts. The agenda and registration link are available [here](#).

The second webinar will take place on **6 July 2021**. Yuchen Gu, Director, Department of Development Planning, National Development and Reform Commission (NDRC) of the PRC, will share key messages from the recently released 14th Five-Year Plan (FYP 2021-2025) for national economic and social development and the long-run objectives to 2035. Developed every five-year since 1953, the FYP is a major feature of the PRC's governance system. It is a grand blueprint for economic and social development, a program of common action for all ethnic groups in the PRC, and an important basis for the government to perform its functions in economic regulation, market supervision, social governance, public services, and ecological and environmental protection. The agenda and registration link are available [here](#).

Vacancy: Chief of Knowledge Management Division

The CAREC Institute is looking for a qualified candidate for the post of Chief of Knowledge Management Division. Apply [here](#) before 9 July 2021.