
Setting the Context for Economic Corridors

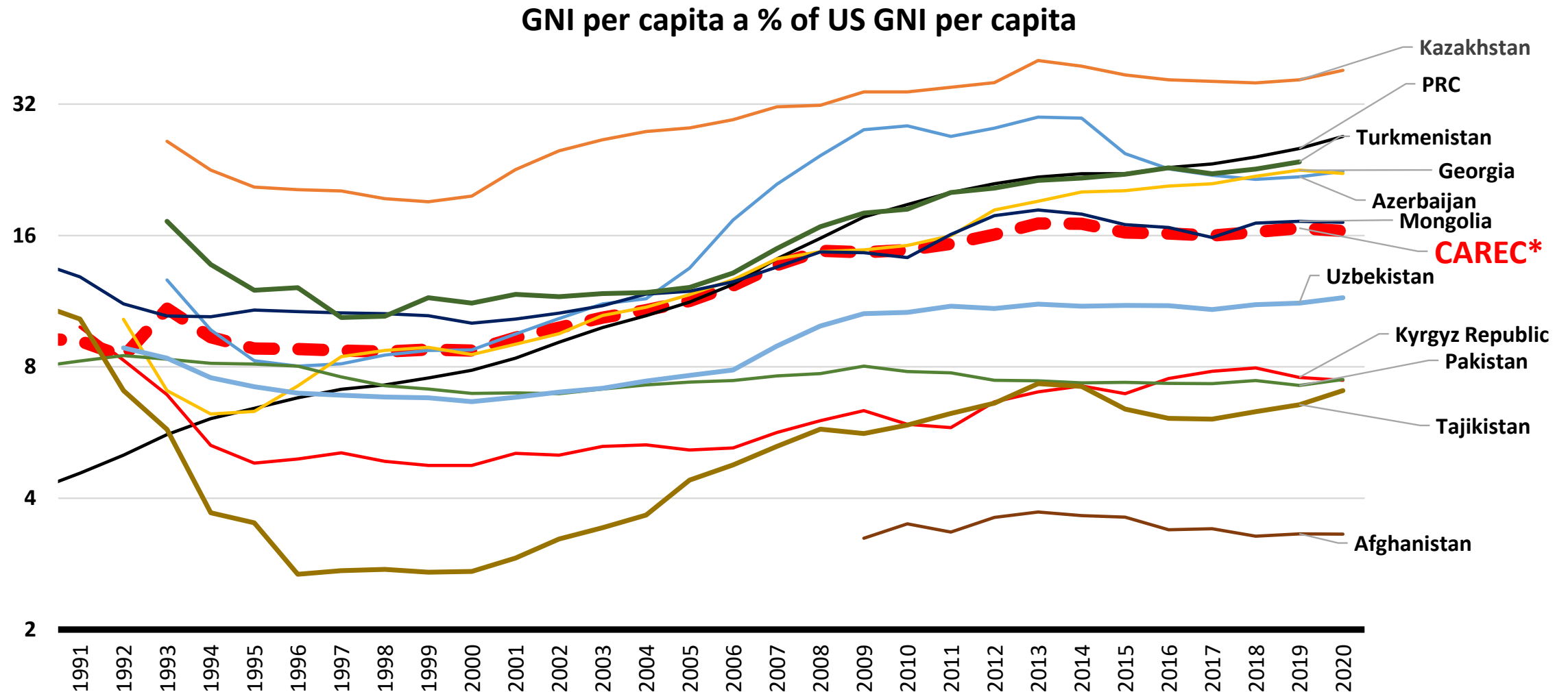
Hans Holzacker,
Chief economist CAREC Institute



Topics / challenges

- I. The CAREC region's **slow-down**
- II. The CAREC region's high **carbon intensity, substantial digital divide, need to diversify and innovate**
- III. The CAREC region's **moderate integration progress**
- IV. Concluding question:
Are economic corridors part of the solution?

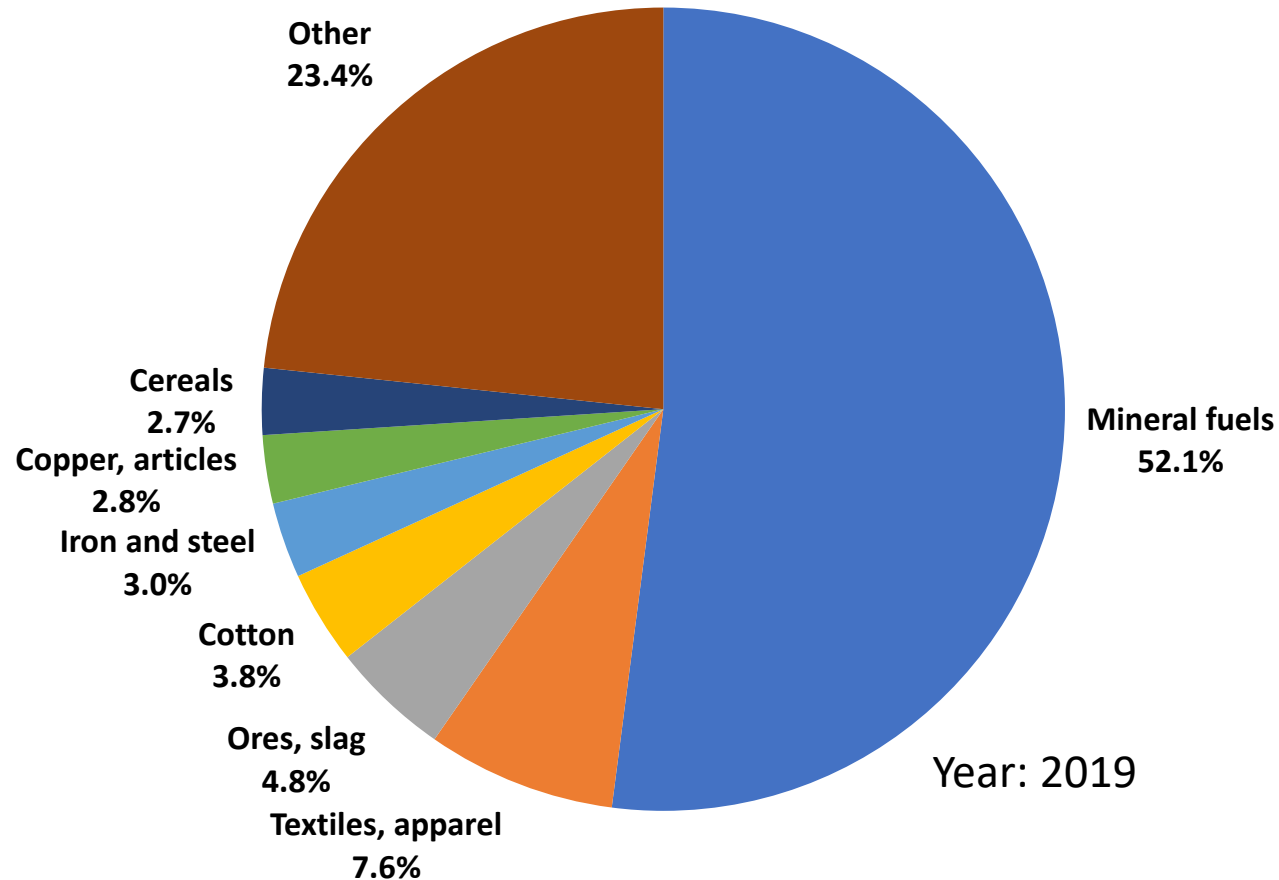
The **catching-up** of resource-based CAREC economies has been **stagnating since about a decade**.



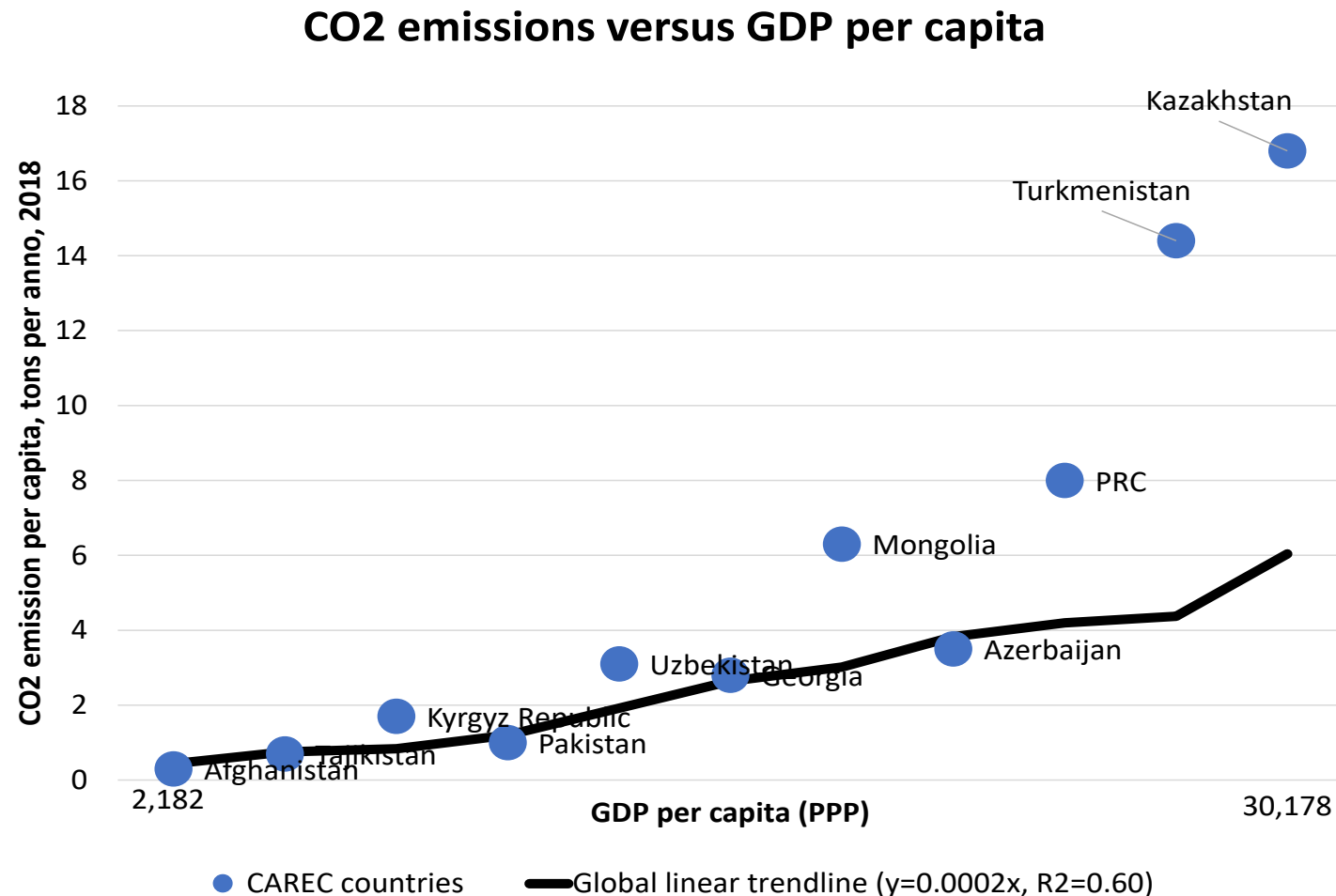
* Simple CAREC average

Source: World Bank, World Development Indicators. Authors' estimates for 2020

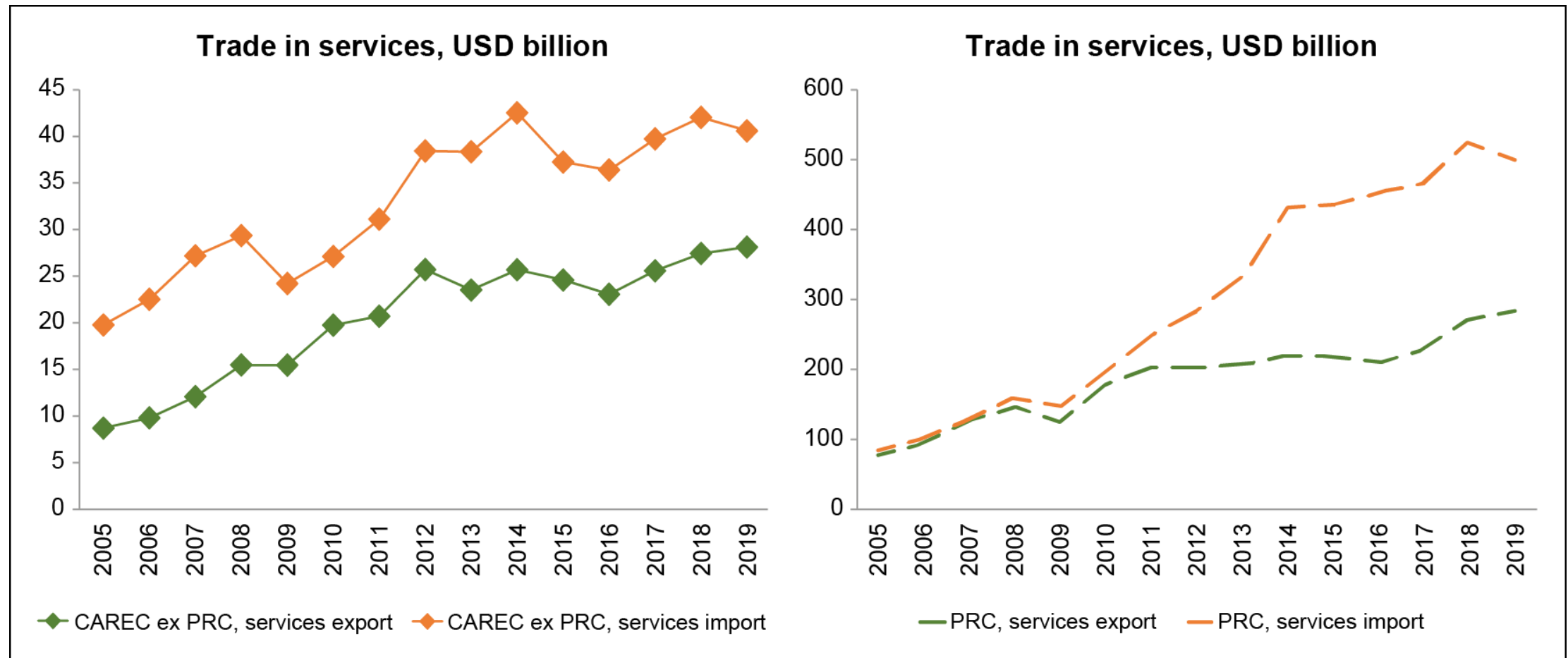
Urgent change needed given global decarbonization: **One-half of CAREC(ex PRC) exports are mineral fuels.** The rest is also highly energy- and water-intensive.



Urgent change needed: Mongolia, the PRC, Turkmenistan, and Kazakhstan emit **much more CO2 per unit GDP than the World on average.**

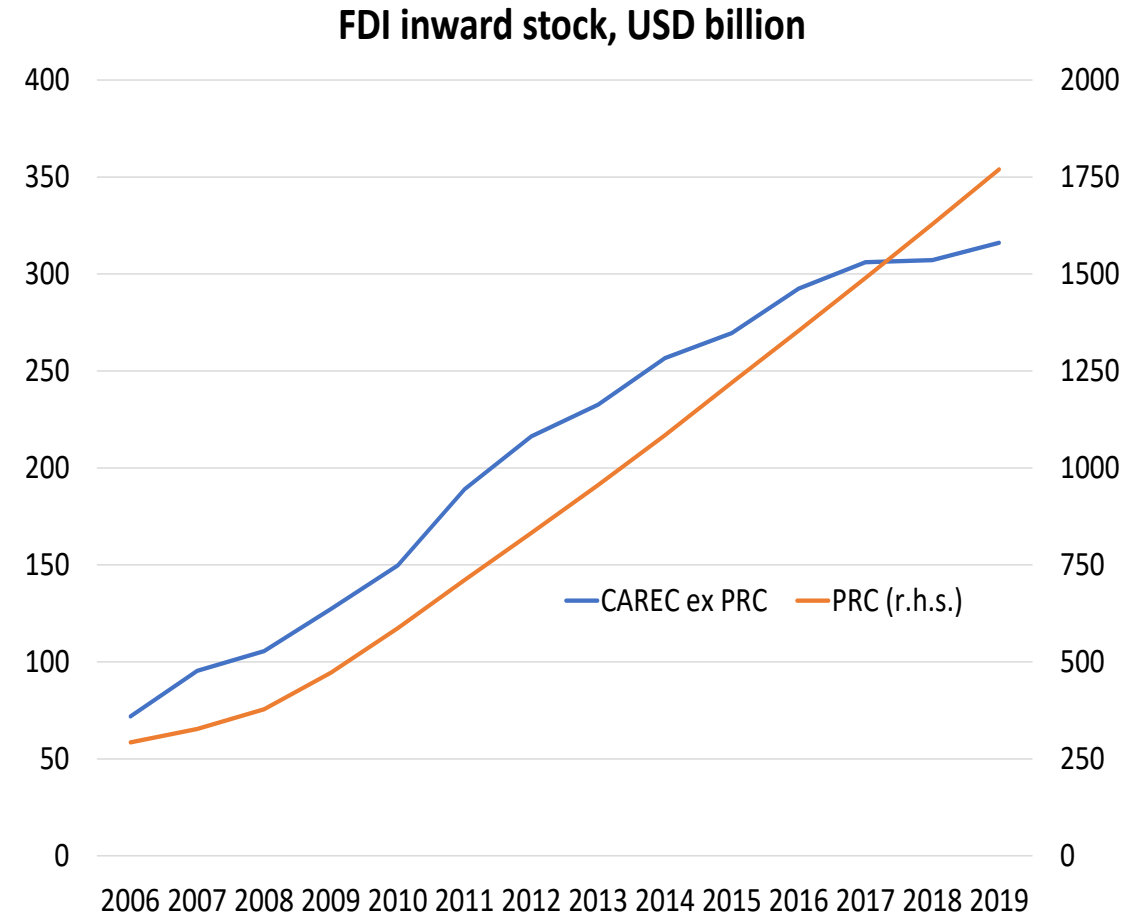
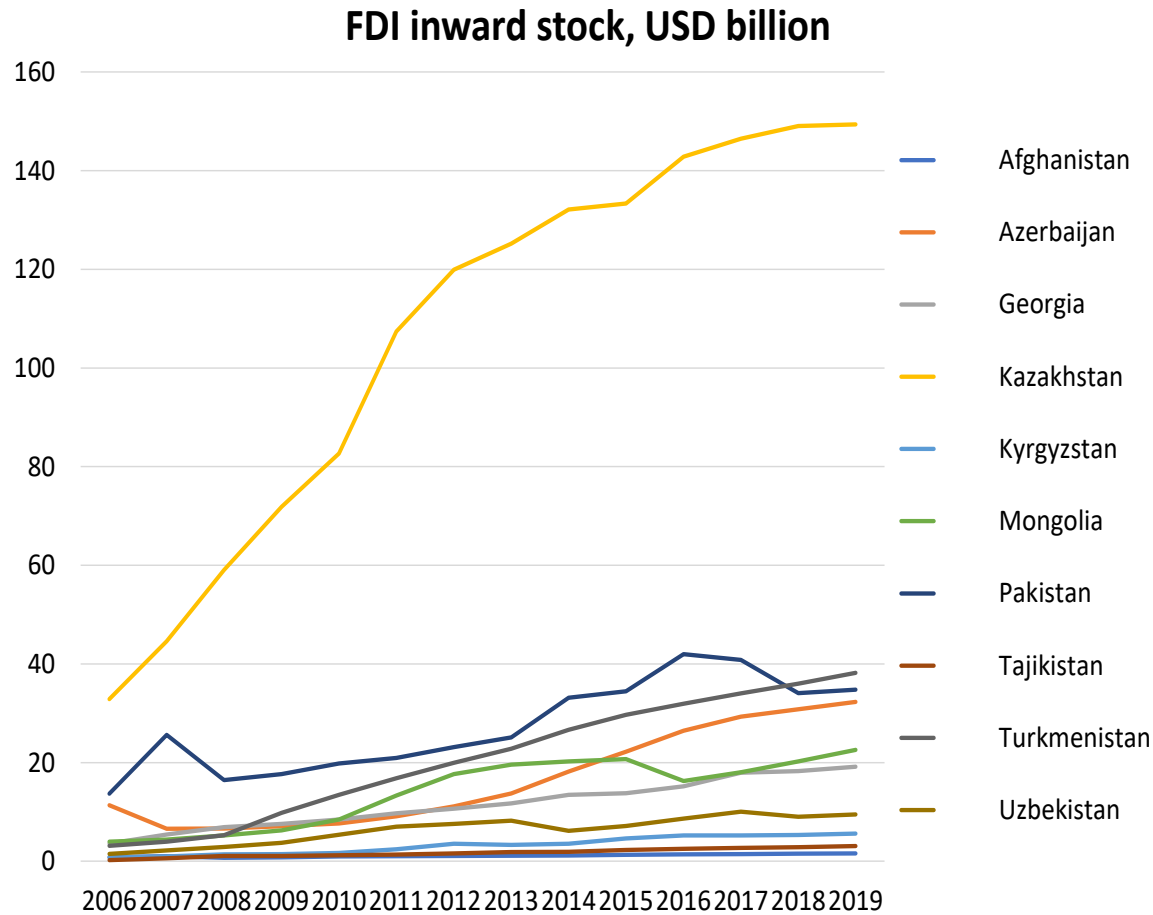


Against the global trend: **CAREC (ex PRC) trade in services has been stagnating** since 2014, both on the export and on the import side.



Source: TradeMap, author's calculations

Is **FDI** in CAREC flattening off as well? Are **Non-Equity-Modes of international governance** and other asset-light forms of international investment increasing?

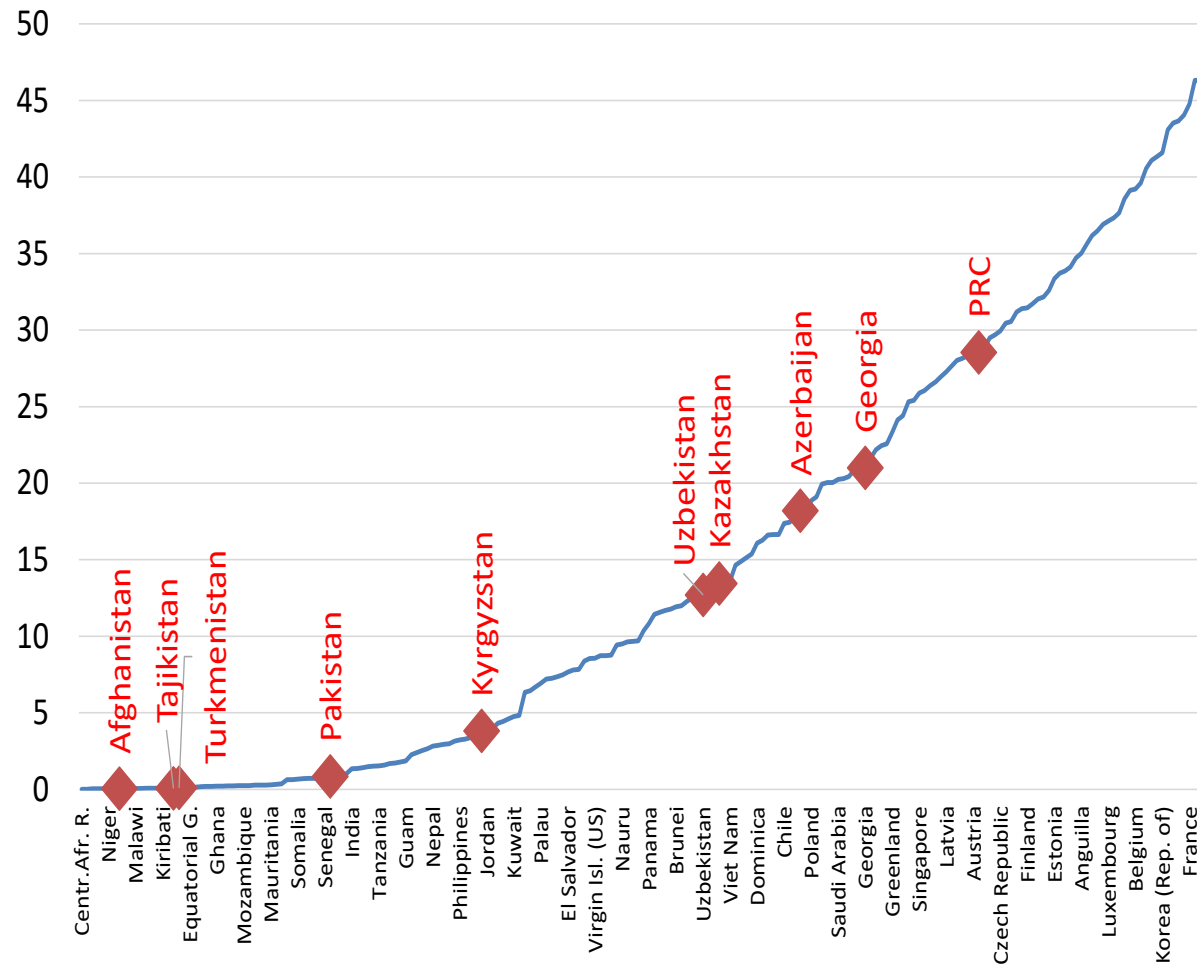


Source: UNCTAD, author's calculations

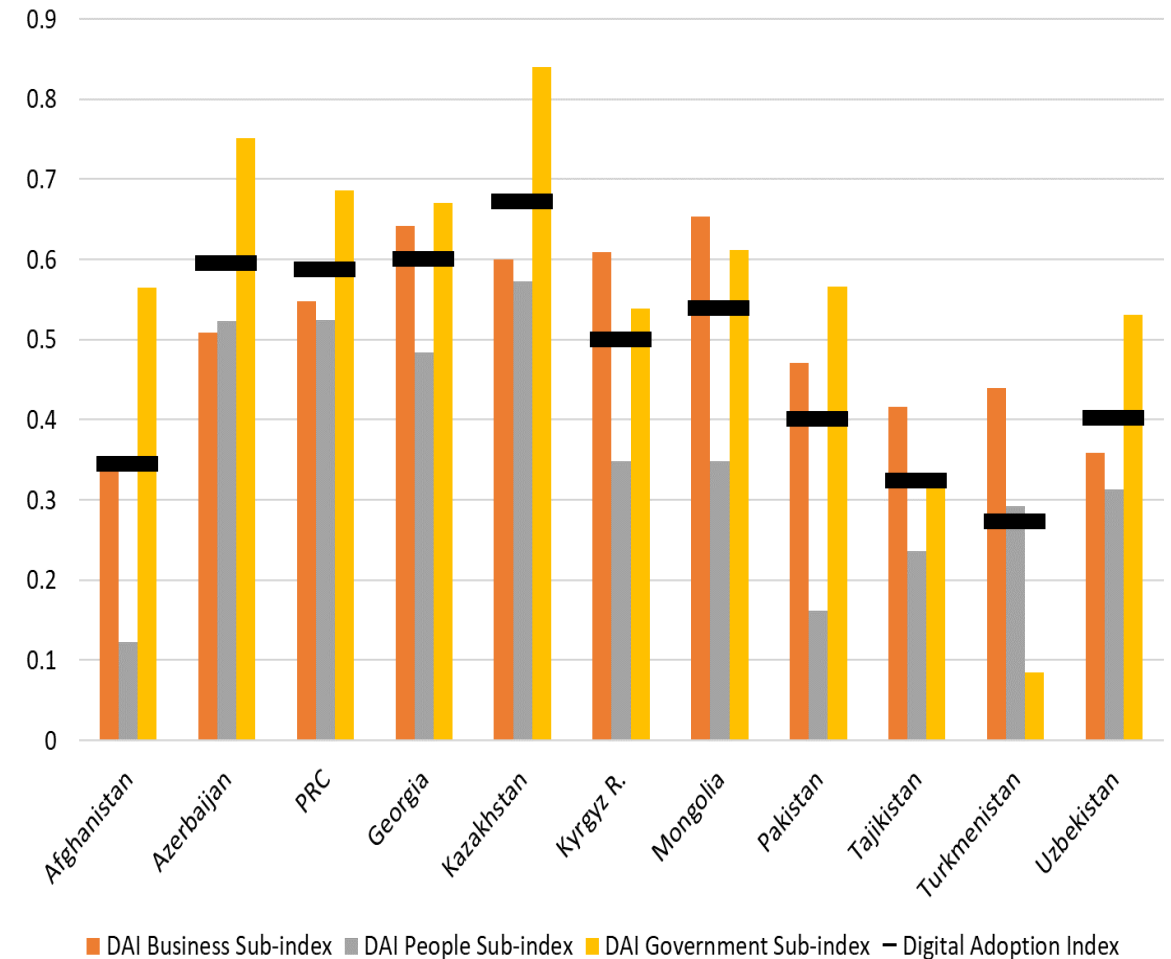
Digitalization in CAREC: some must catch up a lot.

Governments are better prepared than the private sector.

Fixed-broadband subscriptions per 100 inhabitants



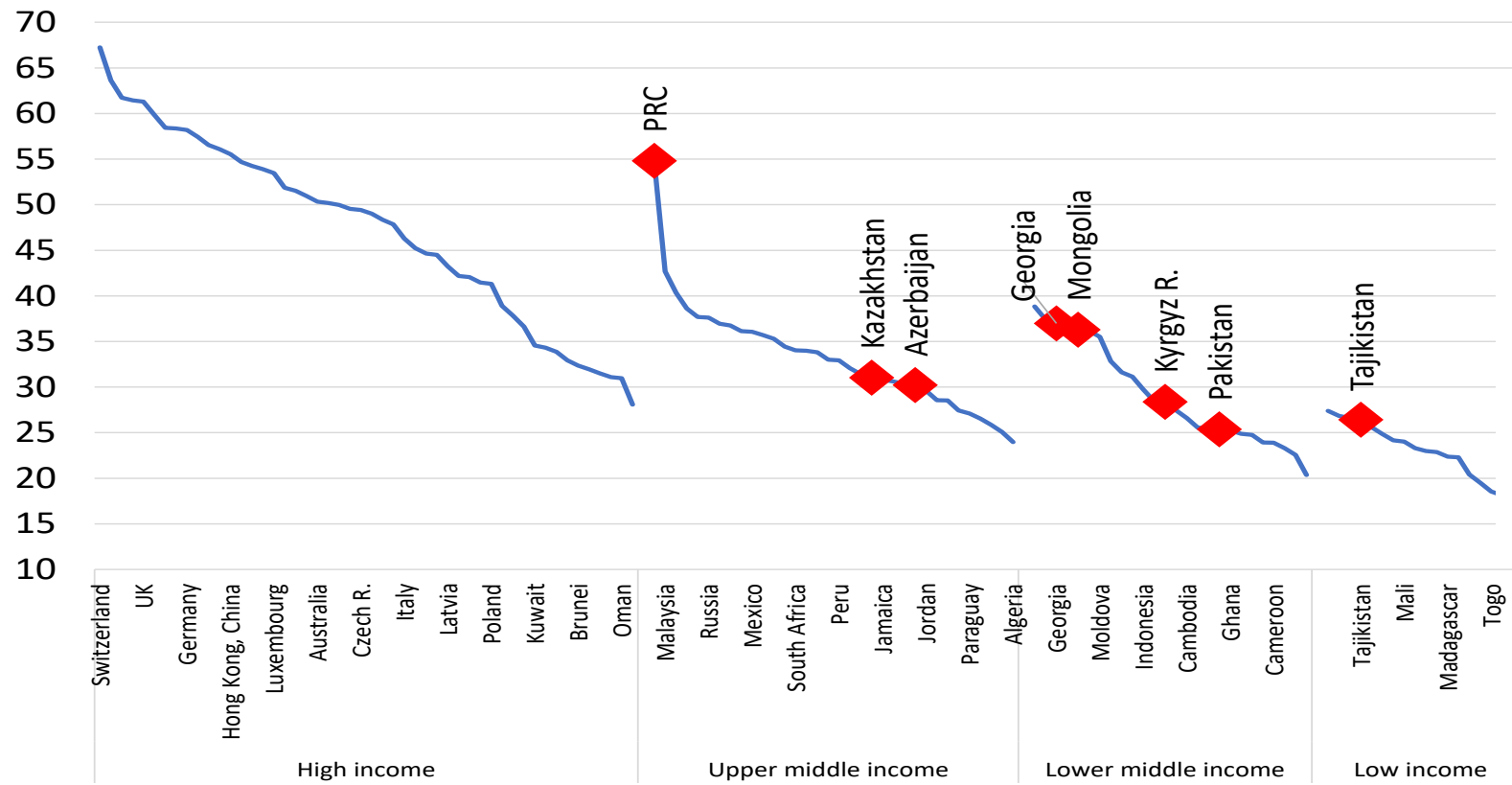
Digital Adoption Index



Source: <https://www.itu.int>, charts by the author

Innovation: need to catch up, find niches related to natural and historically accumulated comparative advantages

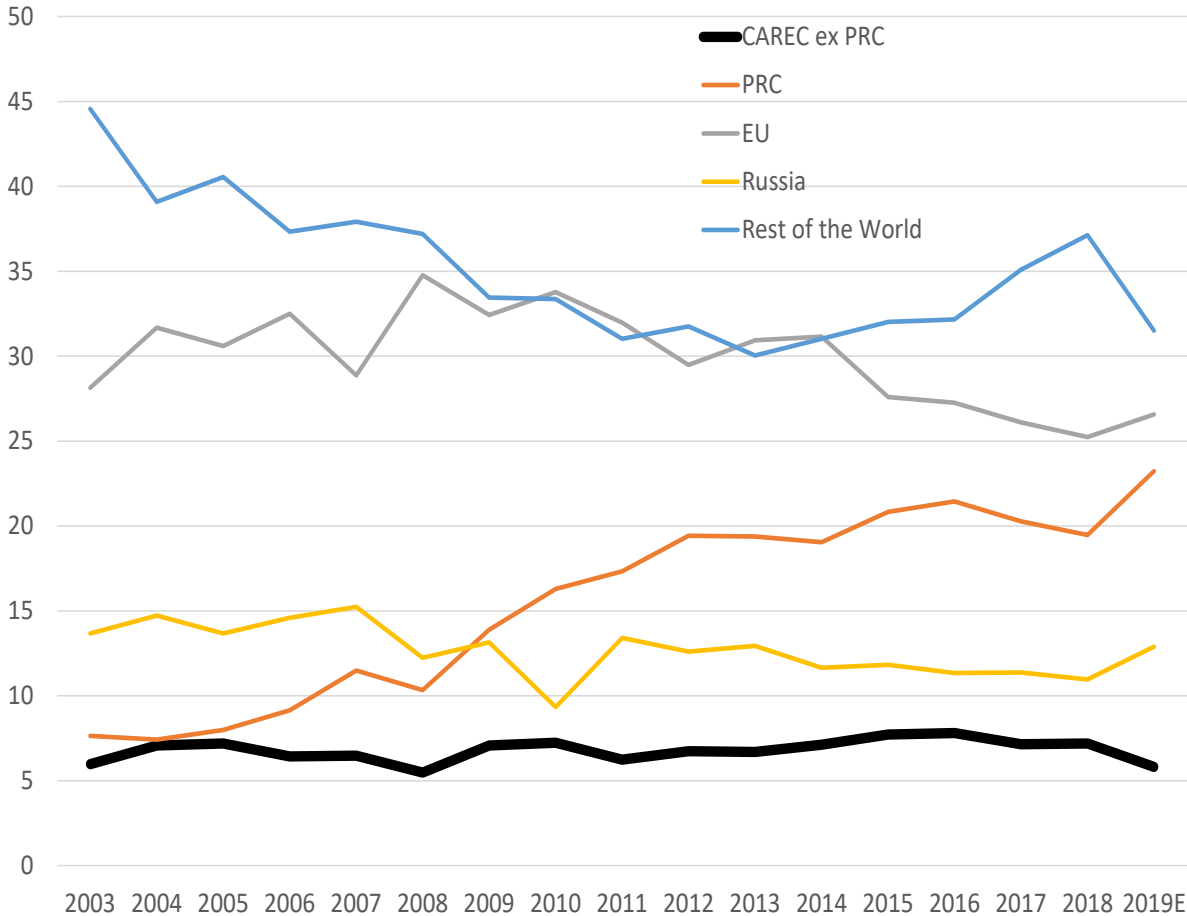
Global Innovation Index 2019



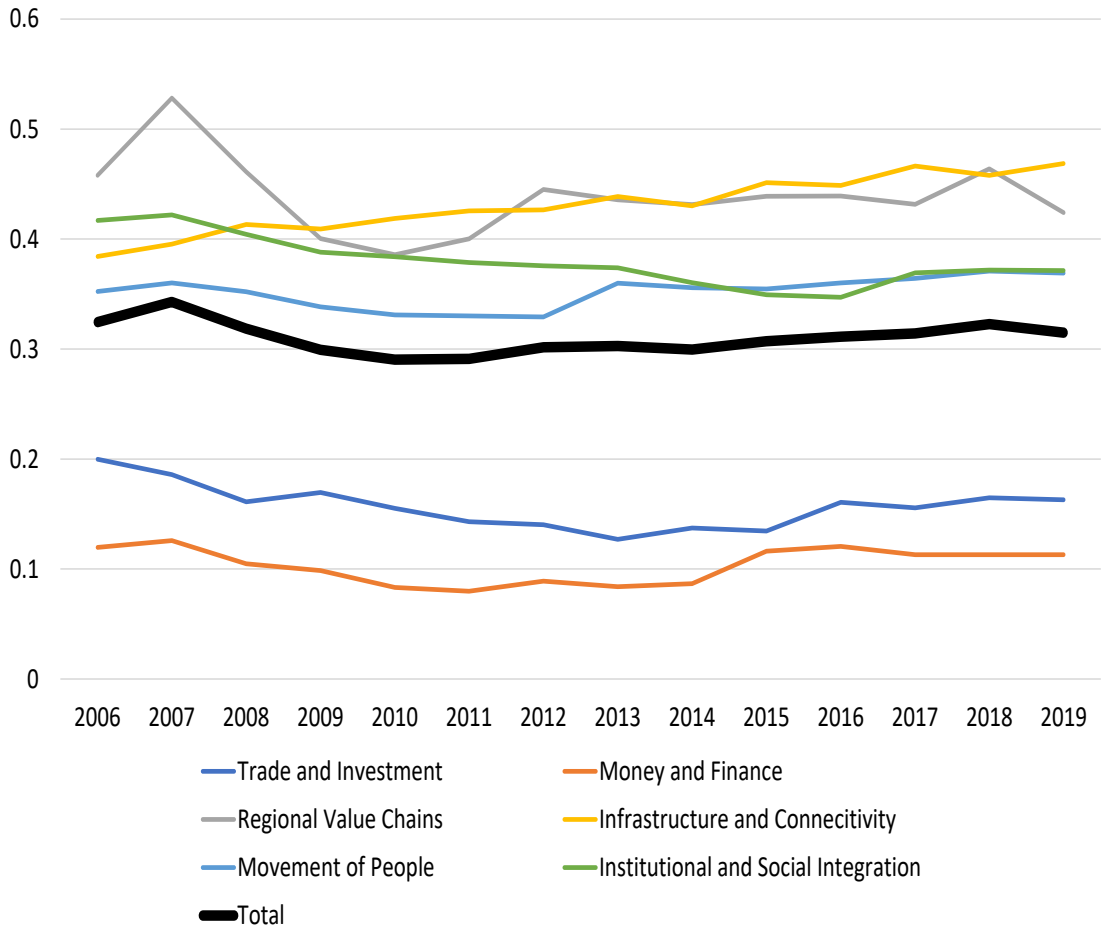
Source: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2019.pdf, chart by the author

Moderate progress in CAREC integration, both measured by trade and by the CAREC Regional Integration Index

Share in CAREC trade volume, %



CRII ex PRC by Dimension, country average

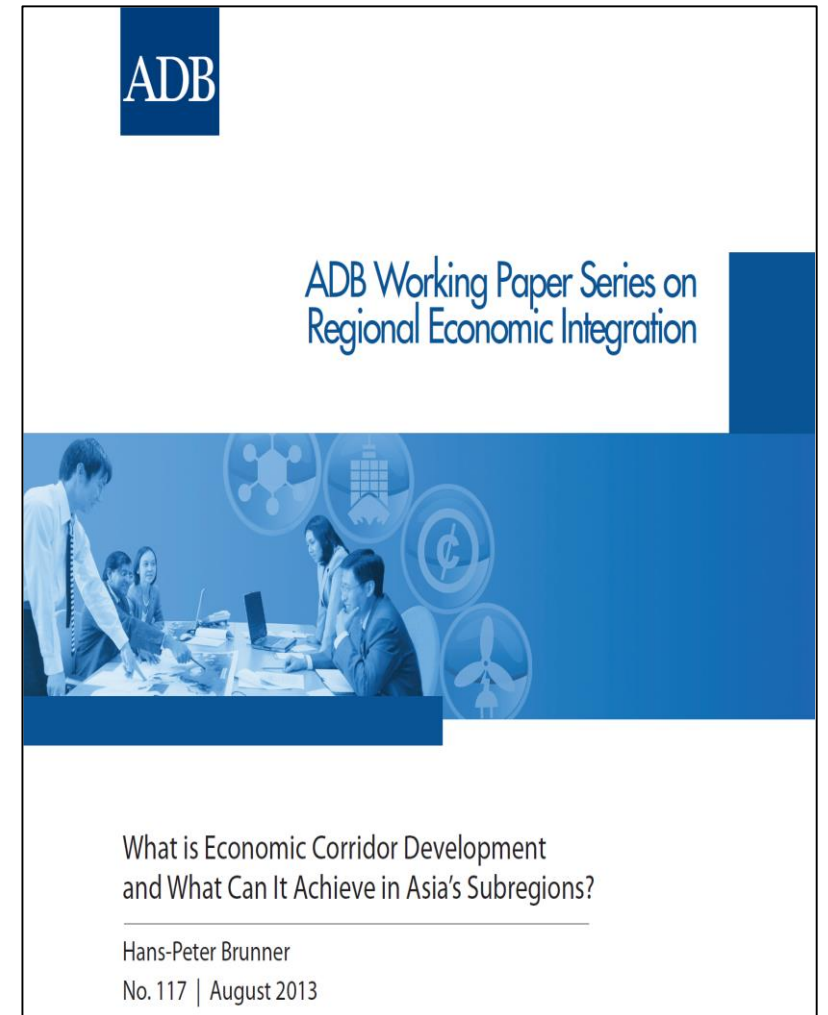


Source: Trademap, author's calculations, CAREC Institute

Economic corridors: Can they help?

“Economic corridors each face unique challenges and **each is built on the basis of different opportunities or comparative advantage.**”

For successful development, it is important to generate a **minimum scale so that spillover effects are of sufficient magnitude** to generate positive nonlinear impacts and positive feedback effects which then maintain the virtuous growth cycle.”



Some conclusions

- CAREC countries need **speeding up digitalization.**
- CAREC countries need **speeding up own greening and coping with international decarbonization.**
- CAREC countries need to **cooperate to increase market size, achieve economies of scale and increase the weight of the region,** attract regional FDI, and optimize revenues from transcontinental transit traffic.
- Developing transit through CAREC is good, ***developing economic corridors is better.***

Looking forward to a fruitful forum!



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