



CAREC Institute

Quarterly Economic Monitor

**Hans Holzhacker
Shiliang Lu
Lihong Chen**

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No. 6



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Disclaimer

This sixth issue of the CAREC Institute Quarterly Economic Monitor looks at economic developments in the CAREC region based on latest available GDP, fiscal, monetary, and external economy data, along with some high-frequency data and discusses several aspects of current and potential future developments.

The Monitor is co-authored by Hans Holzhaecker, Chief Economist at the CAREC Institute, Shiliang Lu, Research Specialist at the CAREC Institute, and Lihong Chen, secondee from the Ministry of Finance, People's Republic of China, to the CAREC Institute.

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Abbreviations

CAREC	Central Asia Regional Economic Cooperation
CIF	Cost Insurance and Freight
COVID-19	Coronavirus disease 2019
CPC	Caspian Pipeline Consortium
CPI	Consumer Price Index
EU	European Union
FOB	Free On Board
GDP	Gross Domestic Product
H1	First Half (financial or calendar year)
H2	Second Half (financial or calendar year)
IMF	International Monetary Fund
LNG	Liquefied natural gas
PRC	People's Republic of China
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
Q4	Fourth quarter
QEM	Quarterly Economic Monitor
sa	seasonally adjusted
WHO	World Health Organization
WTI	West Texas Intermediate
yoy	year-on-year

NEW SHADOWS OVER THE NASCENT RECOVERY, INEQUALITY TO RISE

Decent growth in the second half of 2021 allowed most CAREC economies exceed 2019 real GDP levels by late 2021. Especially growth in services and manufacturing was solid. Industrial output, retail sales, and foreign trade were all up in the second half of 2021, though with some volatility and differences among economies. External debt ratios, though high for some economies, have not increased dramatically during the pandemic despite elevated government spending and recovering consumption. Foreign exchange reserves have remained at acceptable levels. The CAREC region by and large outgrew the COVID-19 recession in H2 2021.

However, new variants of the SARS-Cov-2 virus pose new challenges. Containment measures are not always sufficiently consistent and well-coordinated. The stringency of containment measures often has had little correlation with infection rates, and vaccination rates are still below desirable levels in many CAREC economies. Vaccines need to be adapted to new variants. Although economic growth has become relatively less correlated with infection ratios, serious new outbreaks can still potentially cost more lives and cause prolonged health issues, with adverse impact on the economic outlook.

The war in Ukraine, besides being a human tragedy, casts new shadows over the nascent recovery globally and in the CAREC region. Elevated inflation rates brought about by exchange rate volatility, supply chain disruptions, high energy prices, and wheat shortages undermine real incomes and household consumption. Recession in the Russian Federation and devastation in Ukraine darken export prospects for the CAREC economies. Increased uncertainty negatively impacts the already hesitant investment. It also triggers capital outflows and amplifies potential balance of payments issues.

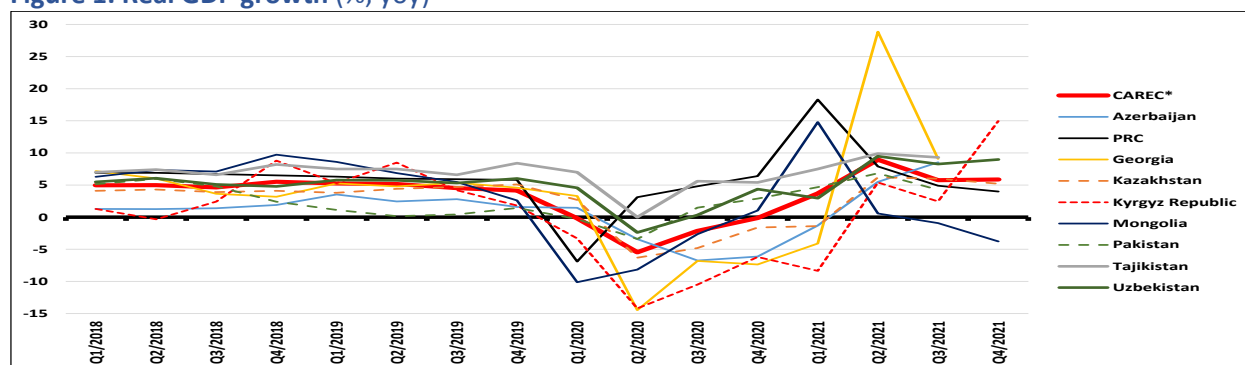
The impact of the war affects different strata of the society and different countries unevenly. While some commodity exporting companies might achieve extra-profits thanks to high commodity prices, most population is suffering from high inflation. Commodity importing countries are getting hurt by high import bills. Remittances are set to fall. Fiscal positions could further worsen due to the need for subsidizing food and energy prices. Higher nominal taxes revenues due to high inflation might partially offset the negative effect on government revenues because of weaker growth, but probably not fully.

GDP growth in the CAREC region will likely remain positive in 2022 despite the challenges, but growth will be significantly lower than was thought still a few months ago. The export shares of Russia and Ukraine in the CAREC region's - excluding the PRC – are about 7% and 1%, respectively. Hence, the impact from the contraction of these economies should be manageable. Central Asian countries could gain somewhat from the relocation of businesses from Russia and the influx of skilled labor. Substitution for some Ukrainian and Russian goods domestically and internationally might support CAREC's production to some extent. Earnings from higher transit via the "Middle transport corridor" could perhaps benefit some companies and countries specializing in this route. However, the negative impact from the war in Ukraine will clearly dominate. The CAREC region's real GDP is still likely to grow in 2022, but less so than what was on the cards before the war in Ukraine began.

Thanks to decent growth rates, CAREC economies exceeded 2019 GDP levels in 2021

Average growth of around 6% yoy on average in the CAREC region in the second half of 2021 allowed almost all CAREC economies exceed 2019 real GDP levels by late 2021. All CAREC economies with data availability except Mongolia have achieved positive yoy growth rates since Q2 2021 (Figure 1). All exceeded 2019 levels in H2 2021 except the Kyrgyz Republic and Mongolia (Table 1).

Figure 1. Real GDP growth (% , yoy)



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

Source: CEIC, national statistical agencies, authors' calculations.

Table 1. Real GDP growth (% , yoy and 2021/2019, %)*

	2020	2021	2020				2021				2021/19	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q3	Q4
Afghanistan	3.9	-2.4	-	-	-	-	-	-	-	-	-	-
Azerbaijan	-4.2	5.6	1.5	-3.4	-6.8	-6.1	-1.3	5.5	8.5	7.4	1.2	0.8
PRC	2.2	8.1	-6.9	3.1	4.8	6.4	18.3	7.9	4.9	4.0	9.9	10.7
Georgia	-6.8	10.4	3.3	-14.5	-6.8	-7.4	-4.1	28.9	9.1	9.6	1.6	1.5
Kazakhstan	-2.5	4.0	2.7	-5.6	-4.4	-2.1	-1.4	5.9	5.5	4.9	0.9	2.7
Kyrgyz Rep.	-8.4	3.6	2.0	-11.8	-7.1	-13.7	-9.4	5.6	2.2	12.1	-5.1	-3.3
Mongolia	-4.6	1.4	-10.1	-8.2	-2.6	1.0	14.8	0.6	-0.9	-3.8	-3.5	-2.8
Pakistan**	-1.0	5.6	-0.3	-3.4	1.5	2.9	4.7	6.8	4.2	5.8	5.8	8.8
Tajikistan	4.5	9.2	7.0	0.0	5.6	5.4	7.5	9.7	9.1	9.7	15.2	15.6
Turkmenistan	5.9	6.2	-	-	-	-	-	-	-	-	-	-
Uzbekistan	1.9	7.4	4.6	-2.0	0.5	4.0	3.0	8.3	7.6	8.3	8.1	12.6
Average CAREC***	-0.8	5.4	0.4	-5.1	-1.7	-1.1	3.6	8.8	5.6	6.4	3.8	5.2

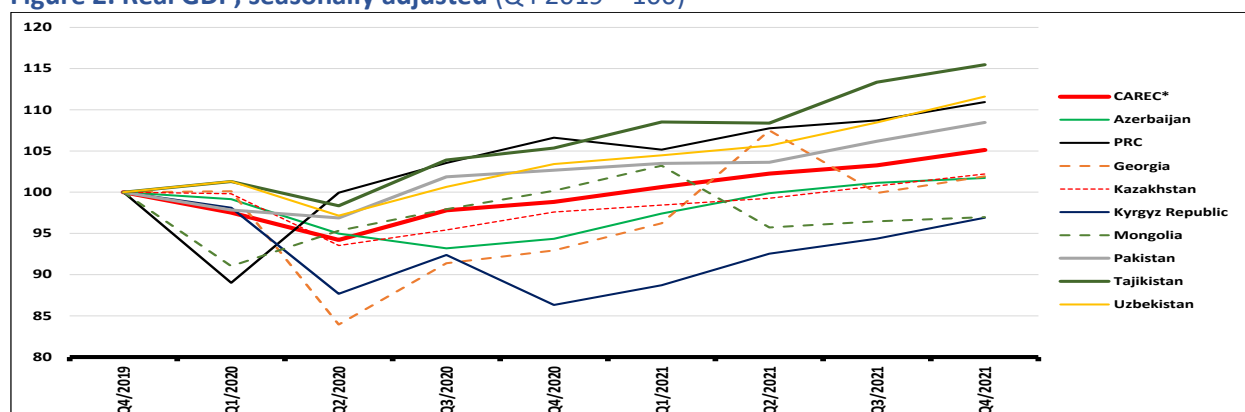
* Some economies don't provide quarterly data, but publish only on longer periods, e.g. Jan-Sep; the figures in this table are rough estimates by the authors how these data translate into growth rates of separate quarters.

**Fiscal years 2019/20 and 2020/21.

*** Simple average of CAREC economies where data are available.

Sources: CEIC, authors' calculations based on data from national statistical agencies and news.

Figure 2. Real GDP, seasonally adjusted (Q4 2019 = 100)



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

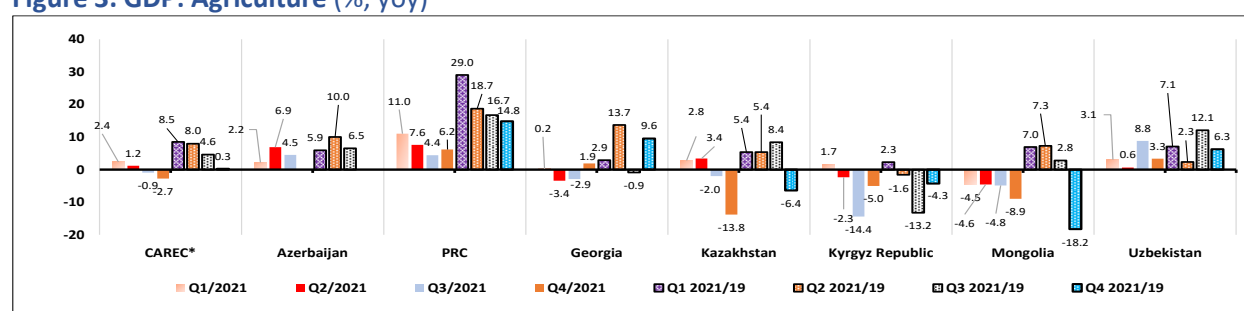
Source: CEIC, national statistical agencies, authors' calculations.

Seasonal adjustment shows an upward trend for real GDP in most CAREC economies in all of 2021. Mongolia and Georgia had some up and down in 2021, but growth in the other economies was consistently up. However, the Kyrgyz Republic was not fully able to compensate the strong losses of 2020, and Mongolia's growth weakened in the second half of 2021 after a strong recovery in the first half as value added generation in agriculture, manufacturing, and mining slowed (Figure 2).

GDP components: manufacturing and services solid, mining and agriculture rather volatile

Agricultural growth was somewhat mixed in a number of CAREC economies in 2021 and even negative in Q4 2021 in some. In most CAREC economies agricultural yoy growth was positive in H2 2021, but in Georgia, Kazakhstan, the Kyrgyz Republic, and Mongolia agriculture contracted because of droughts (Figure 3). Therefore, constant price value added turned out below 2019 levels in Kazakhstan, the Kyrgyz Republic, and Mongolia in Q4 2021. In the more important Q3 when the main harvest takes place, only the Kyrgyz Republic and less so Georgia remained lagging. In Uzbekistan and the PRC, 2019 levels were clearly exceeded both in Q3 and Q4.

Figure 3. GDP: Agriculture (% yoy)

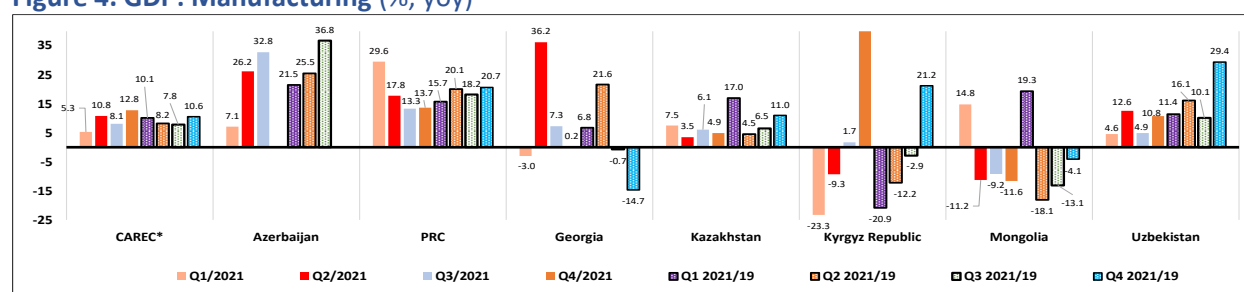


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Decent growth in manufacturing allowed all CAREC economies, except Mongolia, to surpass 2019 levels in H2 2021. Growth in the CAREC region averaged 8.1% yoy in Q3 and 12.8% yoy in Q4 2021 (Figure 4). For all CAREC economies with data availability except Mongolia and Georgia constant price value added in manufacturing turned out higher in Q4 2021 than in Q4 2019.

Figure 4. GDP: Manufacturing (% yoy)

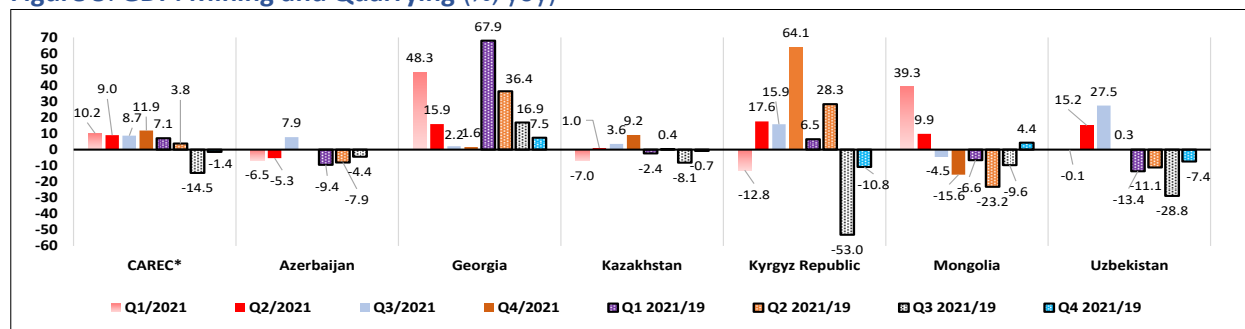


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

In mining volatile growth since the outbreak of the COVID-19 pandemic kept value added below 2019 levels though. Average CAREC growth in mining was 8.7% yoy in Q3 2021 and 11.9% yoy in Q4 2021 (Figure 5). But for most economies this was not sufficient to fully compensate the weak growth of H2 2020 and to elevate value added generation above 2019 in Q4 2021. Only Mongolia and Georgia achieved a slightly higher value added in Q4 2021 than two years earlier. Such important mining economies as Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Uzbekistan all remained below 2019 levels in H2 2021.

Figure 5. GDP: Mining and Quarrying (% yoy)

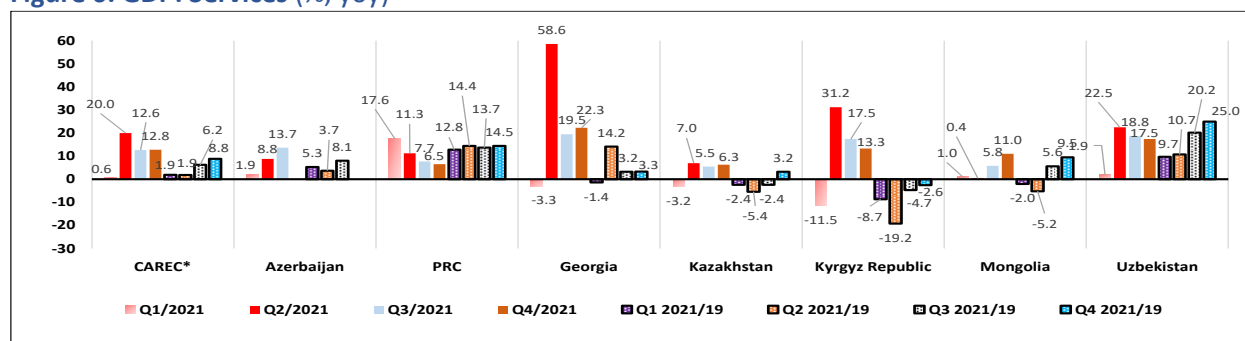


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Services continued the strong recovery that began in Q2 2021. Services' value added increased by 12.6% yoy in Q3 and by 12.8% yoy in Q4 2021 on average in the CAREC region (Figure 6). All CAREC economies with data availability recorded positive growth in Q3 and Q4 2021, and all except the Kyrgyz Republic exceeded 2019 levels in Q4 2021.

Figure 6. GDP: Services (% yoy)



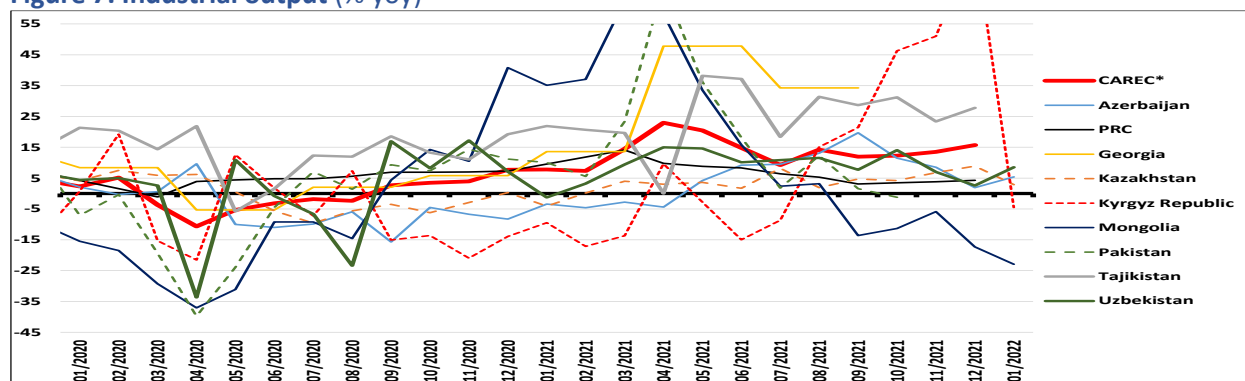
*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Industrial output and retail sales continued to recover in H2 2021

Industrial output continued to increase relatively decently also in the second half of 2021 after the strong recovery in the first half. However, metal and coal miners such as the Kyrgyz Republic and Mongolia experienced large swings (Figure 7).

Figure 7. Industrial output (% yoy)

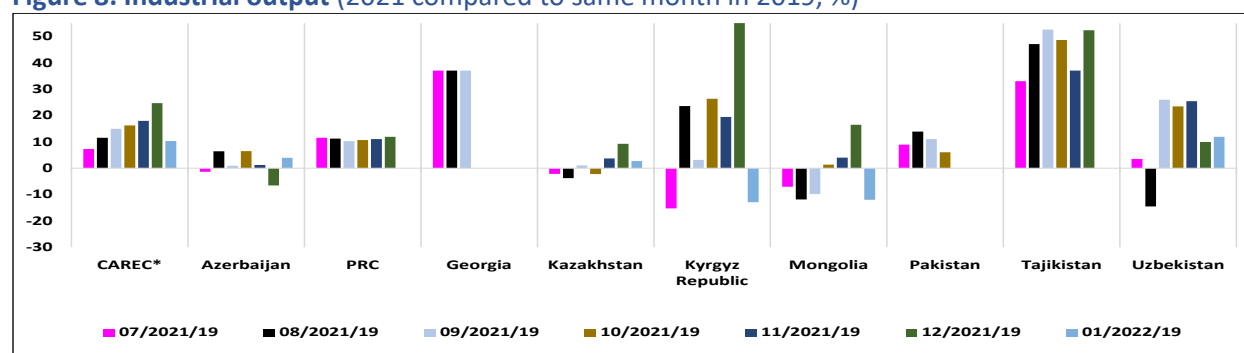


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, national statistical agencies, authors' calculations.

Industrial output exceeded 2019 levels in most CAREC economies in late 2021 and early 2022, less clear though for economies with a high mining component. The PRC, Georgia, Pakistan, and Tajikistan remained consistently above 2019 levels since July 2021, Uzbekistan also performed well (Figure 8). For Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Mongolia, which have a large mining component in industrial production, there was more volatility.

Figure 8. Industrial output (2021 compared to same month in 2019, %)

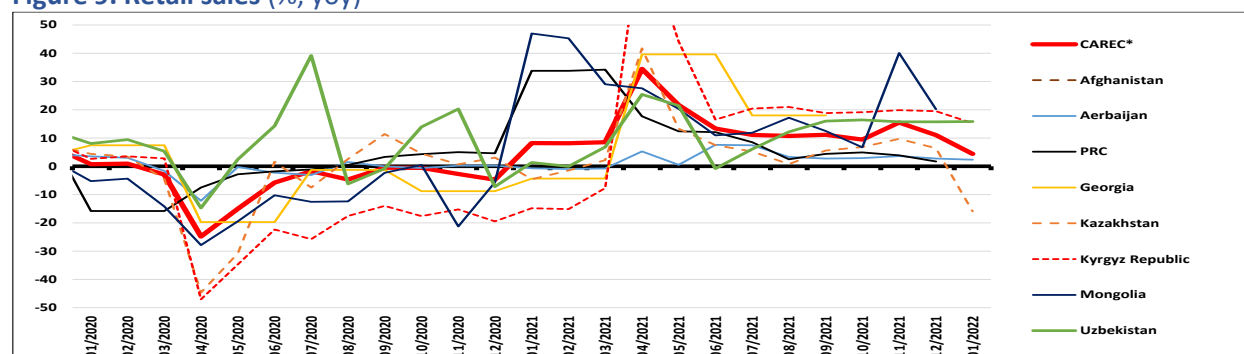


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Retail sales data confirm a relatively solid consumption growth since H2 2021. Growth continued also into January 2022 for most economies with the exception of Kazakhstan because of the political turbulences there (Figure 9). All CAREC economies with data availability achieved constant price retail sales above 2019 levels since H2 2021 except for the Kyrgyz Republic, where readings were volatile and for Kazakhstan in January 2022 (Figure 10).

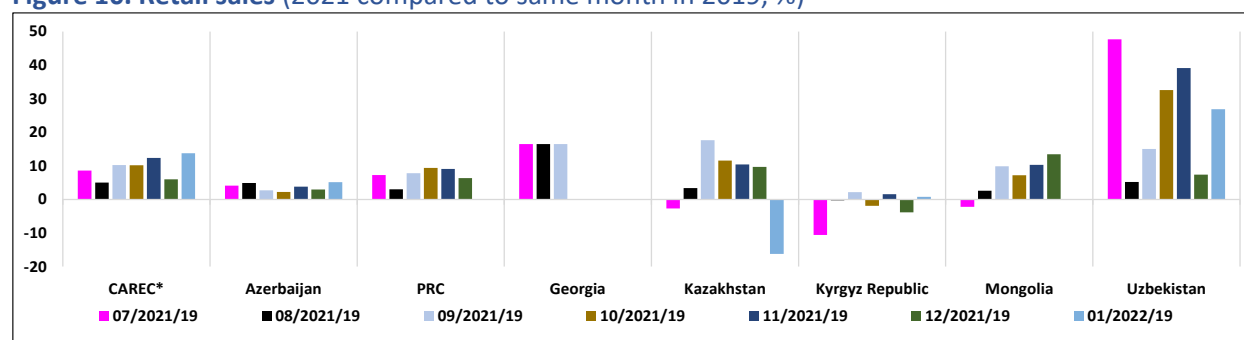
Figure 9. Retail sales (% yoy)



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

Source: CEIC, authors' calculations.

Figure 10. Retail sales (2021 compared to same month in 2019, %)



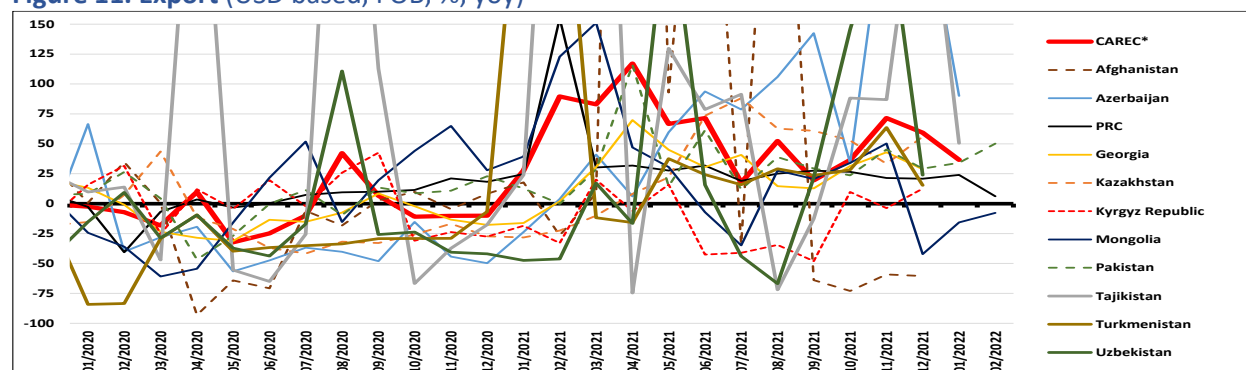
*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Foreign trade also continued its upward trend, although with some ups and downs

Export growth was generally high throughout 2021. All CAREC economies with exception of the Kyrgyz Republic saw high growth rates in 2021, although in-between with some months of more moderate growth in some cases (Figure 11). The exceptions are the Kyrgyz Republic with significant periods of export contraction and – in late 2021 – Mongolia, and most likely Afghanistan.

Figure 11. Export (USD based, FOB, %, yoy)

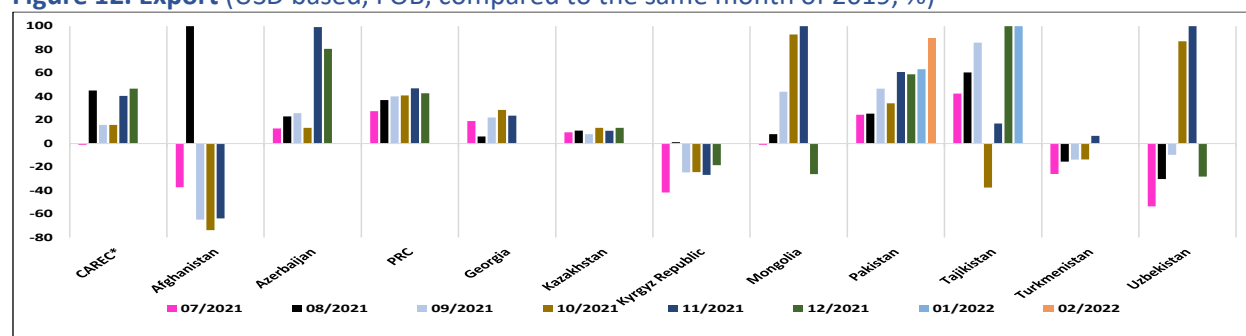


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Export growth was sufficiently high to elevate exports of most CAREC economies above 2019 levels in H2 2021 and early 2022. However, data for Afghanistan, the Kyrgyz Republic and Turkmenistan look less convincing, and the ones for Uzbekistan and Mongolia somewhat mixed (Figure 12).

Figure 12. Export (USD based, FOB, compared to the same month of 2019, %)

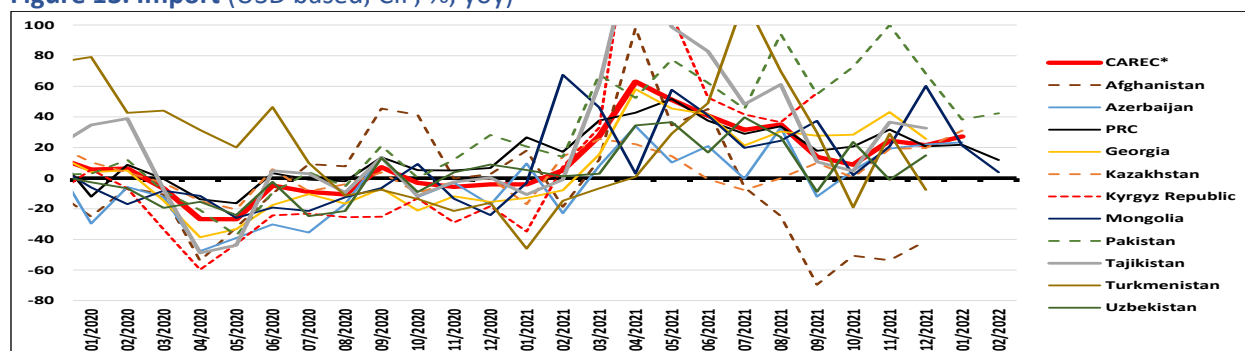


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Import growth was high as well in 2021, but more so early in the year thanks to the low base in 2020, and it levelled off in several CAREC economies later. Imports by Afghanistan drastically contracted since August 2021, and Turkmenistan saw also some negative growth in late 2021 (Figure 13). However, import growth for some other economies such as Pakistan and the Kyrgyz Republic remained high. Imports were clearly above 2019 levels in Pakistan and the PRC in H2 2021 but fell below again in Afghanistan and Turkmenistan and were more mixed in other economies (Figure 14).

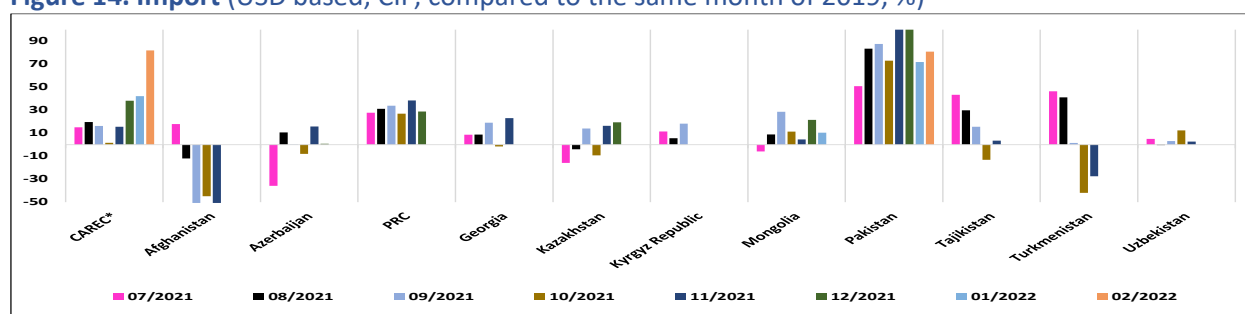
Figure 13. Import (USD based, CIF, %, yoy)



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

Source: CEIC, authors' calculations.

Figure 14. Import (USD based, CIF, compared to the same month of 2019, %)

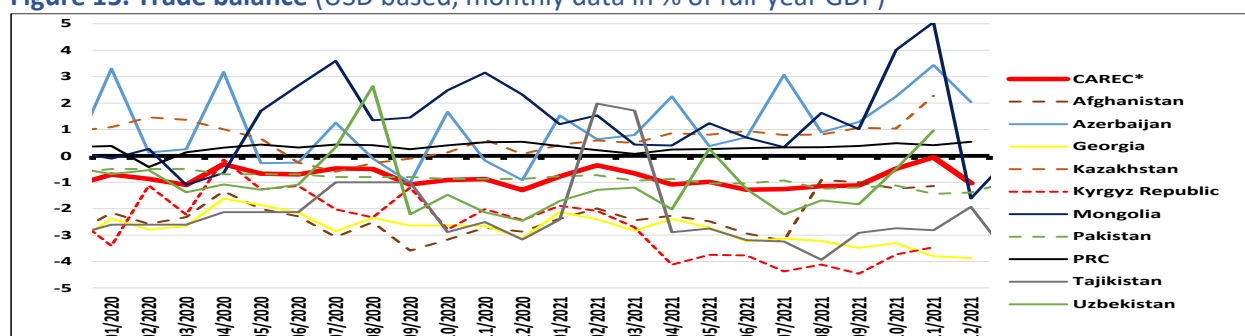


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

The polarization of trade balances continued in 2021. Traditional deficit countries such as the Kyrgyz Republic, Georgia, Tajikistan, and Pakistan remained in deficit or saw even some widening. The traditional surplus economies Azerbaijan, Kazakhstan, and the PRC remained in surplus (Figure 15). Mongolia, though mostly also a traditional surplus country, temporarily experienced a deficit in late 2021.

Figure 15. Trade balance (USD based, monthly data in % of full-year GDP)



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

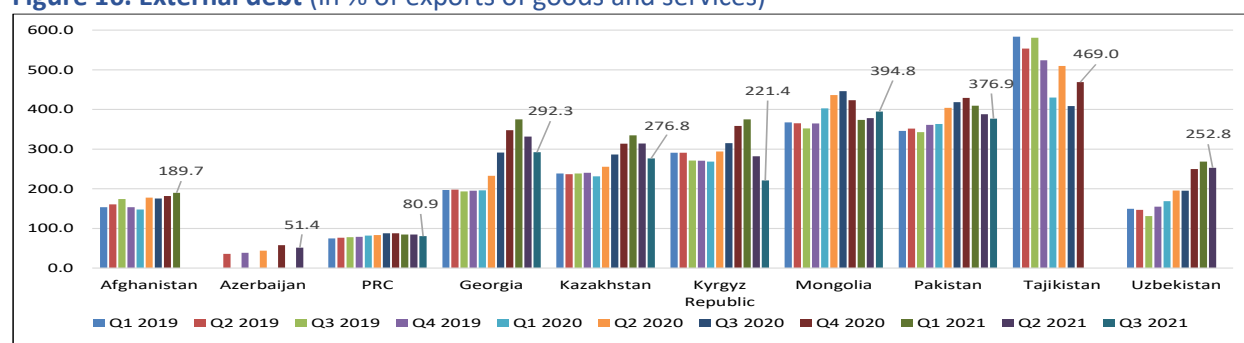
Source: CEIC, authors' calculations.

Despite the difficult economic situation brought about by the COVID-19 pandemic, external debt ratios have not dramatically increased during the pandemic. However, external debt was substantial in the CAREC region already before the pandemic. Most CAREC economies would need proceeds of exports of goods and services of more than two years to pay off their external debts (Figure 16)¹. A rather clear

¹ An assessment of how critical the debt burden actually is would need a more detailed analysis of the share of short-term debt, repayment schedules, other sources of balance of payment inflows such as primary income, diversification of debtors, etc.

upward trend in the external debt can be seen for Uzbekistan, but this is more related to the opening-up of the country than caused by the pandemic.

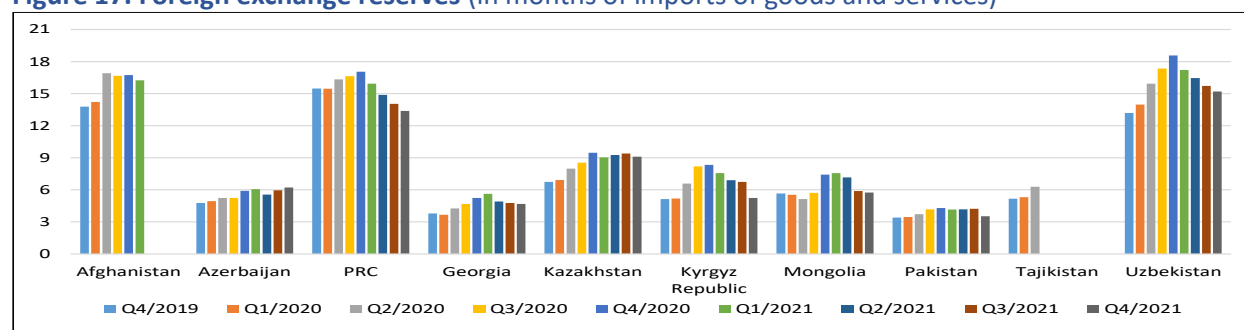
Figure 16. External debt (in % of exports of goods and services)



Source: CEIC, authors' calculations.

Foreign exchange reserves have remained at acceptable levels and were higher than three months of imports of goods and services in all CAREC economies throughout 2020 and 2021. Three months of imports of goods and services is the rule of the thumb threshold for minimally required reserves. Most CAREC economies managed to stay well above this threshold (Figure 17)².

Figure 17. Foreign exchange reserves (in months of imports of goods and services)



Source: CEIC, authors' calculations.

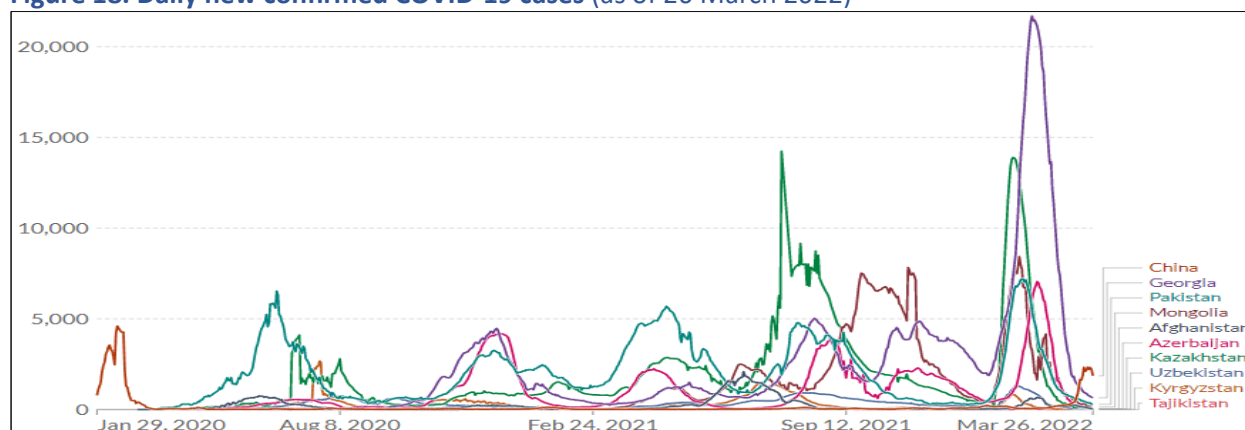
COVID-19 containment: more consistent and well-coordinated policies needed

The CAREC region, like many other regions in the world, suffered another spike in COVID-19 cases in early 2022. The number of daily confirmed cases in Azerbaijan, Georgia, Mongolia, Pakistan and Uzbekistan reached an all time high, in Kazakhstan the second highest peak between end-January and early February. All these economies subsequently saw a rapid decline in confirmed cases except for Mongolia where an epidemic rebound was observed before it dropped off. The PRC managed to keep daily new confirmed cases at a rather low level after its initial COVID wave thanks to tight containment measures. However, recently the PRC is grappling with another big surge in COVID cases (Figure 18). According to the National Health Commission of the PRC, more than 40,000 new local COVID infections were recorded on March 1-21³.

² Also here a more detailed analysis would be required to determine how liquid the reserves actually are and to what extent sufficient in view of potentially upcoming shocks or debt repayment requirements.

³ <http://www.nhc.gov.cn/xcs/yqfkd/202203/321bbcc05ff548a8bd73d3d31242dc10.shtml>

Figure 18. Daily new confirmed COVID-19 cases (as of 26 March 2022)

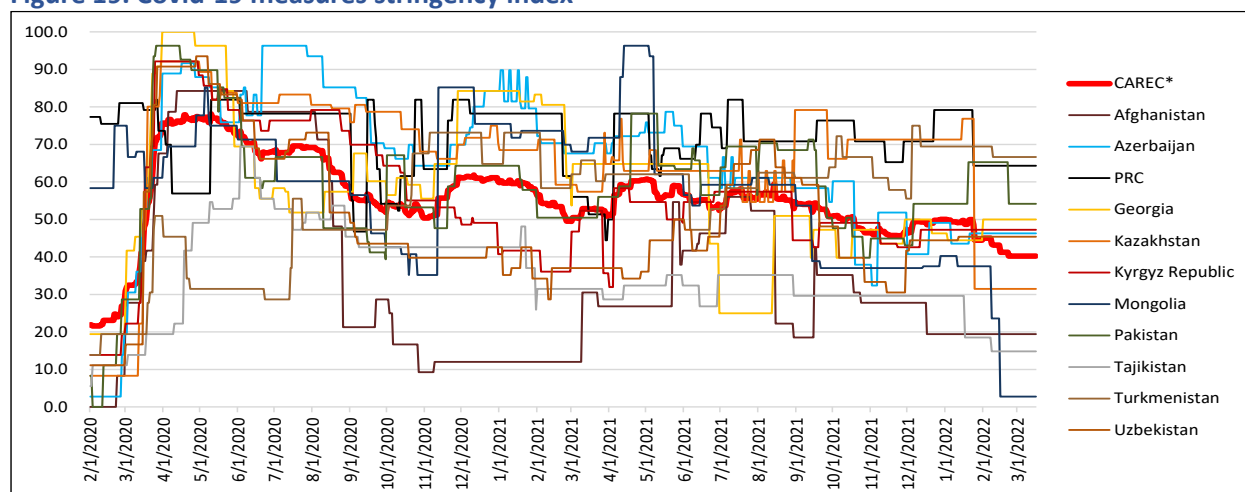


Note: The figure shows a 7-day rolling average. The number of confirmed cases is lower than the actual number of infections due to limited testing.

Source: Our World in Data: Coronavirus (COVID-19) Cases (accessed 28 March 2022)

As in the rest of the world, measures to protect populations against the SARS-CoV-2 have eased also in several CAREC economies. The stringency of measures to contain the pandemic (beside vaccination) has been downward trending since mid-2020 with a plateau in the first three quarters of 2021 (Figure 19). The stringency has been only moderately well aligned with infection rates and looks rather erratic (Figure 20). The question arises to what extent measures are actually science-based, and to what extent well-coordinated among countries.

Figure 19. Covid-19 measures stringency index⁴



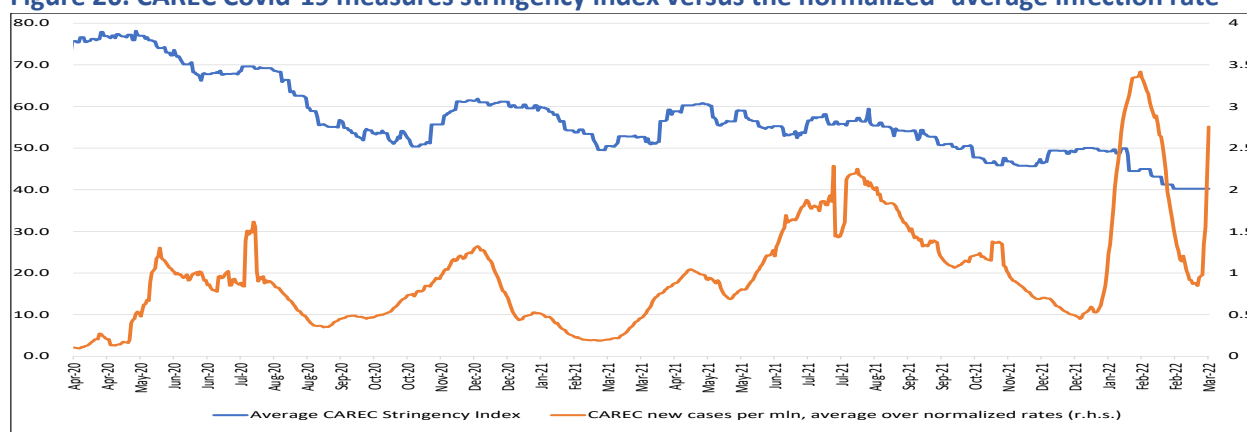
Note: The index simply records the strictness of government policies. It does not measure or imply the appropriateness or effectiveness of a country's response. A higher score does not necessarily mean that a country's response is 'better' than others lower on the index.

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

Source: CEIC, Oxford Coronavirus Government Response Tracker (OxCGRT), University of Oxford, authors' compilation (accessed 22 March 2022)

⁴ The stringency index by the Oxford Coronavirus Government Response Tracker (OxCGRT) project is a composite measure based on nine response indicators, namely, school closures, workplace closures, cancellation of public events, restrictions on public gatherings, closures of public transport, stay-at-home requirements, public information campaigns, restrictions on internal movements and international travel controls, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index shows the response level of the strictest subregion.

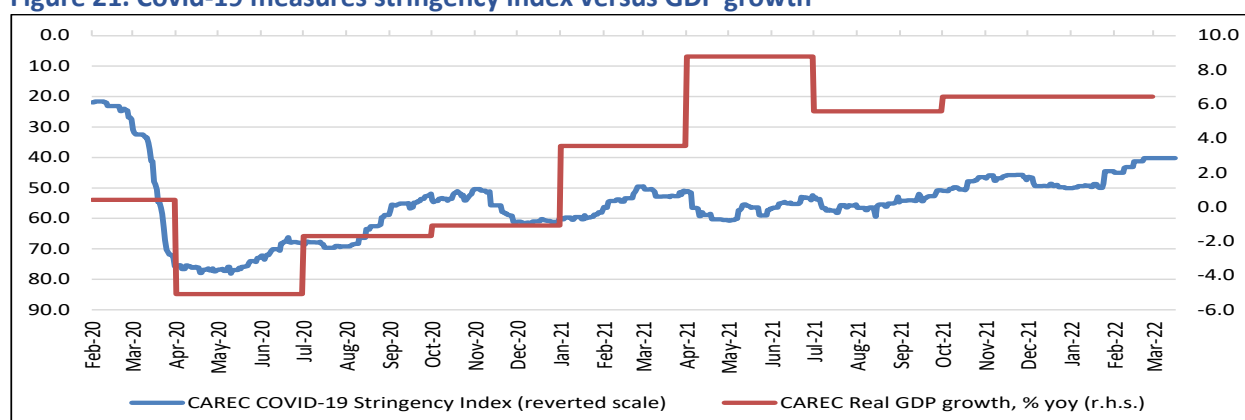
Figure 20. CAREC Covid-19 measures stringency index versus the normalized⁵ average infection rate



Source: CEIC, Our World in Data: Coronavirus (COVID-19) Cases, authors' calculations (accessed 25 March 2022)

Economies have to some extent adapted now to the pandemic and GDP has been growing despite its continuation. The correlation between the stringency of containment measures and GDP growth has also weakened since early 2021 (Figure 21). However, a drastic resurgence of the pandemic must be avoided not only to save lives and health, but also to avoid a renewed negative impact on the economy, not least due to wide-spread labor shortages as a significant part of the workforce falls sick. Containment measures still need to be applied and policies must become more consistent and well-coordinated.

Figure 21. Covid-19 measures stringency index versus GDP growth



Source: CEIC, authors' calculations (accessed 25 March 2022)

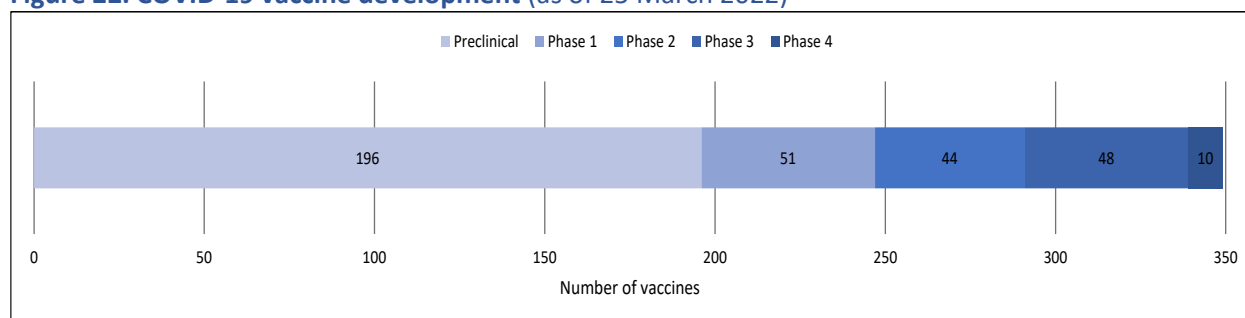
Vaccination remains the best defense against COVID. This remains true even though the efficacy of current vaccines over newer strains of the virus dropped and some fully vaccinated people are still catching COVID-19 (so-called “vaccine breakthrough infections”⁶). According to the WHO, currently there are 196 COVID-19 vaccine candidates in preclinical development and 153 undergoing clinical development. Among them, 58 have moved to or beyond the Phase 3 trials and 23 are being offered to the general population (Figure 22). To tackle the issues of lessened efficacy of current vaccines, pharmaceutical companies such as Pfizer/BioNTech, Moderna and AstraZeneca have started redesigning vaccines that specifically target the latest COVID-19 variant – the Omicron variant⁷. Meanwhile, the concept of heterologous booster vaccination was applied in some countries to improve the overall immune response and enhance protection against the new COVID variants.

⁵ Infection rates per mln divided by the mean of the time series for every CAREC economy and therefrom the simple average

⁶ <https://www.cdc.gov/coronavirus/2019-ncov/vaccines/effectiveness/why-measure-effectiveness/breakthrough-cases.html>

⁷ <https://www.ctvnews.ca/health/coronavirus/experts-advise-against-waiting-for-omicron-specific-vaccines-1.5804356>

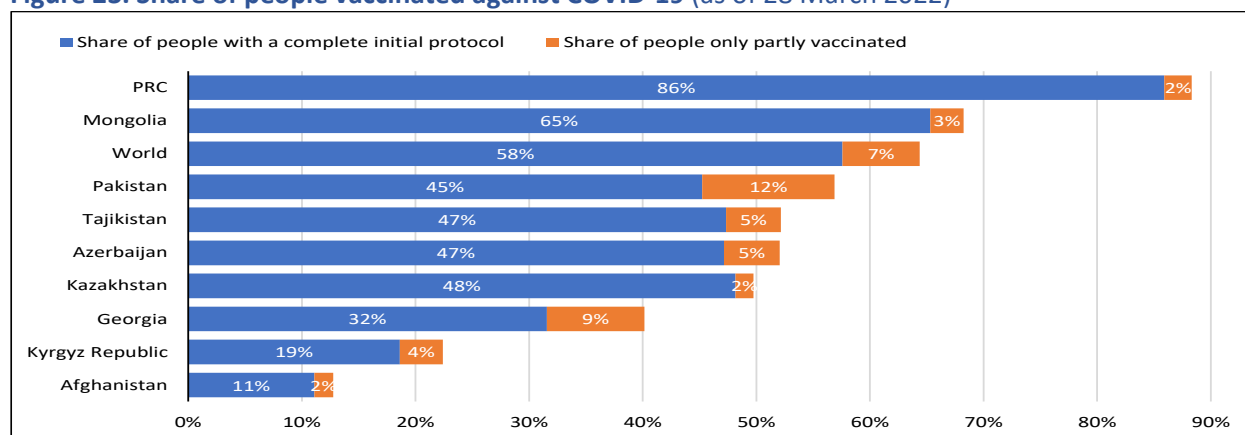
Figure 22. COVID-19 vaccine development (as of 25 March 2022)



Source: WHO, The COVID-19 vaccine tracker and landscape, authors' compilation (accessed 28 March 2022)

Most CAREC economies still need to substantially increase their vaccination rates, including booster shots. Available data suggest that at present the PRC and Mongolia are the only economies in the region to outstrip the world average level of 65% measured by the share of people vaccinated against COVID-19, at 88% and 68%, respectively (Figure 23). The rest is falling behind, particularly economies such as the Kyrgyz Republic and Afghanistan where the total vaccination rate is less than 25%. Pakistan and Tajikistan made the biggest progress in vaccination campaigns. The total vaccination rates of the two economies increased by 13 percentage points respectively from January to March 2022. The use of booster shots has been approved and carried out in at least seven CAREC economies. Among them, the PRC, Mongolia, and Azerbaijan are taking the lead with boosters administered per 100 people reaching 46.5, 31.0 and 29.7 doses to date⁸. Kazakhstan, Pakistan, Georgia, and Tajikistan also started administering booster shots for their residents, at relatively low levels though.

Figure 23. Share of people vaccinated against COVID-19 (as of 28 March 2022)



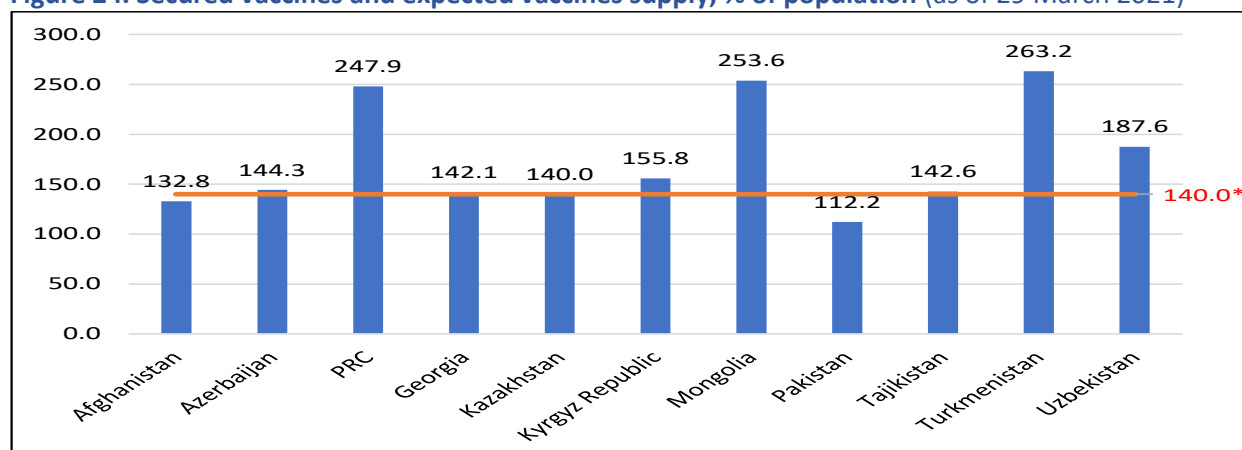
Note: Data of Afghanistan, the PRC, Georgia, Mongolia, Pakistan, and Tajikistan were last updated on 22 Mar., 24 Mar., 27 Mar., 26 Mar., 10 Mar. and 13 Mar. 2022, respectively.

Source: Our World in Data: Coronavirus (COVID-19) Vaccinations, authors' compilation (accessed 29 March 2022)

The CAREC region needs more vaccines to build an immunity barrier. Data from the IMF show that all CAREC economies except Afghanistan and Pakistan have so far secured at least two COVID vaccine doses for 70% of its population. The PRC, Mongolia, and Turkmenistan performed much better, the doses secured enable people to receive a third or a fourth dose (Figure 24). However, the threshold of 70% vaccinated population to achieve herd immunity was apparently an underestimation, particularly in face of newer COVID variants such as Omicron. Hence, more doses are needed to fully vaccinate an even higher share of population.

⁸ <https://ourworldindata.org/covid-vaccinations>

Figure 24. Secured vaccines and expected vaccines supply, % of population (as of 29 March 2021)



*140% of population means that an economy has secured and/or expected at least two COVID-19 vaccine doses for 70% of its population.

Source: IMF-WHO COVID-19 Vaccine Supply Tracker, authors' compilation (accessed 31 March 2022)

“If Winter comes, can Spring be far behind?”⁹, the answer is “No” but only with close coordination and collaboration among all sides. Besides regular assistance between economies, potential cooperation at this stage includes timely sharing information of the newly detected COVID variants, jointly developing best practices on vaccination by heterologous boosters and more.

The war in Ukraine: a tragedy, and an economic challenge for the CAREC region

The directors of five regional department of the IMF wrote a blog: “Beyond the suffering and humanitarian crisis from Russia’s invasion of Ukraine, the entire global economy will feel the effects of slower growth and faster inflation. Impacts will flow through three main channels. One, higher prices for commodities like food and energy will push up inflation further, in turn eroding the value of incomes and weighing on demand. Two, neighboring economies in particular will grapple with disrupted trade, supply chains, and remittances as well as an historic surge in refugee flows. And three, reduced business confidence and higher investor uncertainty will weigh on asset prices, tightening financial conditions and potentially spurring capital outflows from emerging markets.”¹⁰ The CAREC region is no exception.

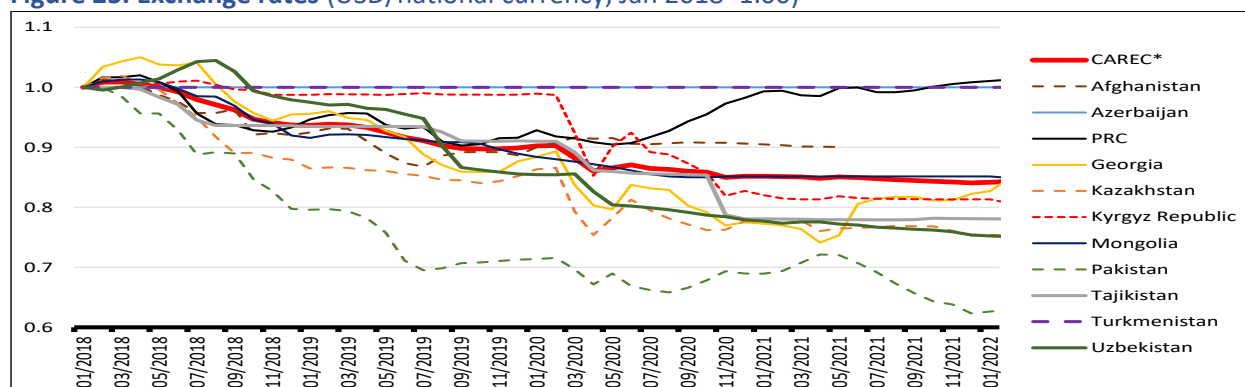
Huge swings in exchange rates

Currencies of most CAREC economies did not weaken substantially in 2021 after strongly losing value in the years before. Pakistan and Uzbekistan experienced some depreciation against the US\$ in 2021, Georgia some appreciation (Figure 25). The currencies of Kazakhstan, the Kyrgyz Republic, and Mongolia remained roughly stable, Azerbaijan and Turkmenistan kept their currencies fixed. The PRC’s currency was also little changed in 2021 after appreciating in the second half of 2020 and then slightly further in early 2022.

⁹ <https://resources.saylor.org/wwwresources/archived/site/wp-content/uploads/2014/05/ENGL404-Shelley-Ode-to-the-West-Wind.pdf>

¹⁰ <https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/>

Figure 25. Exchange rates (USD/national currency, Jan 2018=1.00)

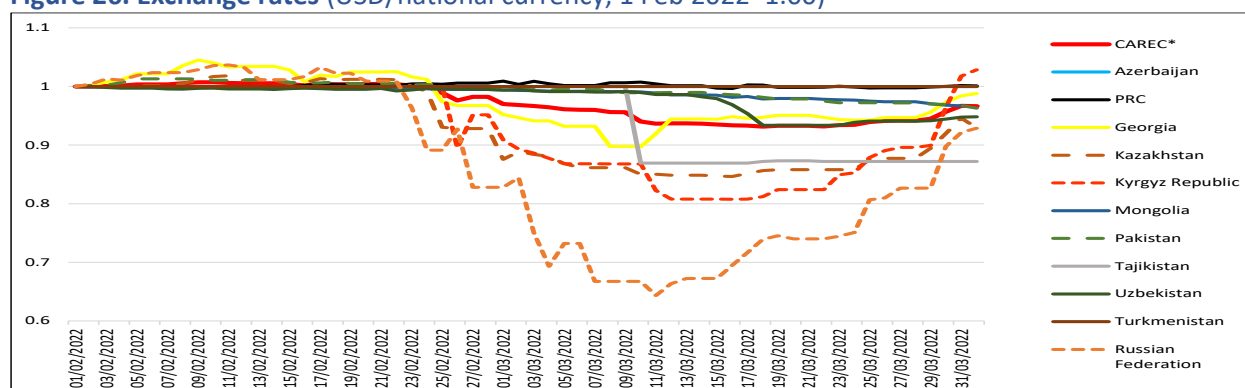


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, TradingEconomics, authors' calculations.

After the Russian invasion in Ukraine on 24 February 2022, the situation changed. The exchange rates of the Kyrgyz Republic, Kazakhstan, Tajikistan, and Georgia substantially weakened against the US\$ though not as sharply as the RUB (Figure 26). The currencies of the other CAREC economies were less affected. Since mid-March 2022, currencies re-appreciated again after Russia took measures to restrict foreign currency outflows and support inflows by de-facto increasing obligatory exchange of foreign currency to rubles from 80% to 100% by requesting gas payment in rubles, and as it became obvious that many gas importing countries would not join sanctions in this field.

Figure 26. Exchange rates (USD/national currency, 1 Feb 2022=1.00)

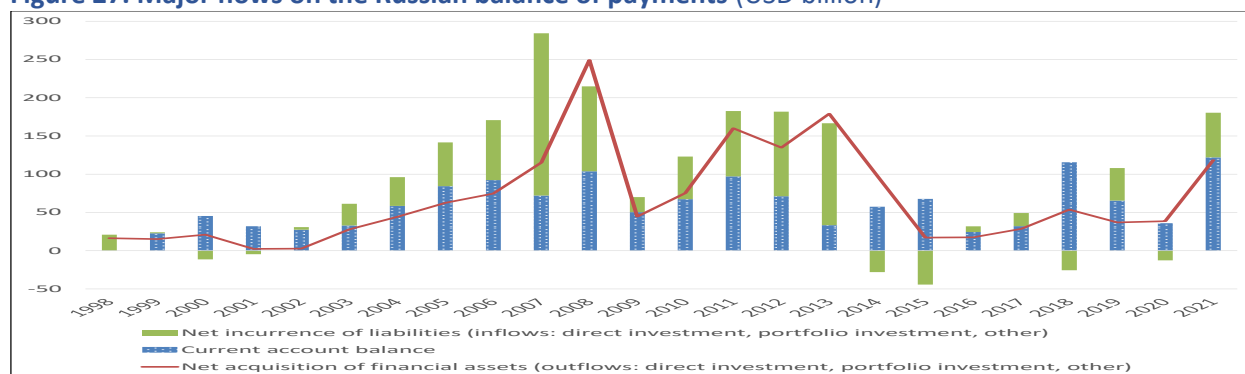


*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, national statistical agencies, authors' calculations.

Exchange rate volatility is set to remain high. The acquisition of foreign assets constitutes a large part of Russia's balance of payment outflows (Figure 27). They can be blocked to some extent by the Russian authorities. The current account is consistently in surplus. About one-half of Russian exports are mineral fuels, which countries find difficult to replace and to sanction. However, the net incurrence of financial liabilities (investment inflows) is also of high importance. Investment inflows might become significantly less because of the war. Hence the outlook for the RUB remains uncertain.

Figure 27. Major flows on the Russian balance of payments (USD billion)

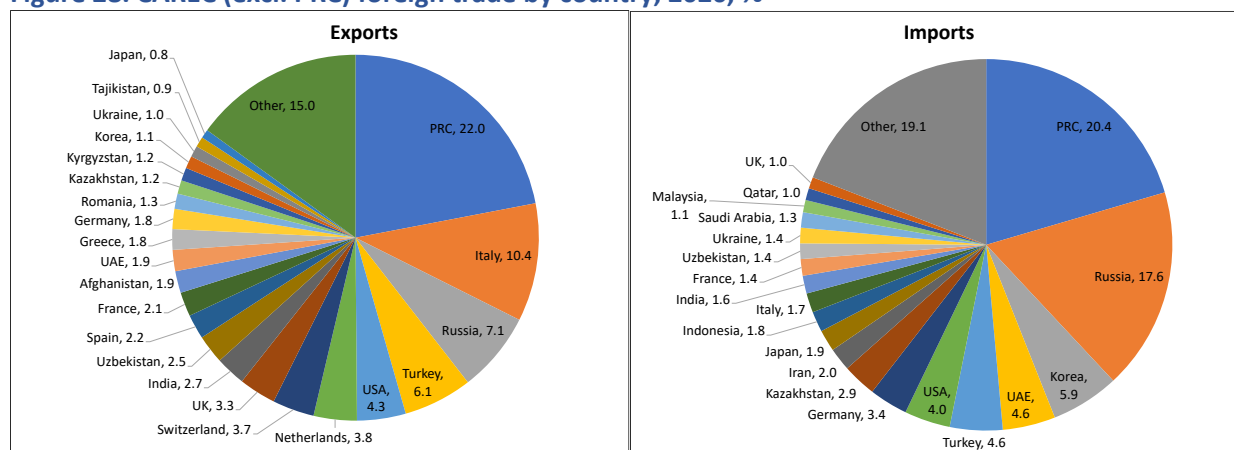


Source: Bank of Russia, authors' calculations

Potential re-orientation of foreign trade

There will be a negative effect on CAREC exports by the recession to be expected in the Russian Federation¹¹. The appreciation of CAREC currencies against the RUB would make CAREC goods more expensive for Russians. Russia accounted for about 7% of exports from CAREC excluding the PRC in 2020 (Figure 28). For some CAREC countries the share is somewhat higher, e.g. 13% for the Kyrgyz Republic. At the same time Russia might seek substitute imports from Western countries by imports from CAREC economies, directly or as channels for circumventing sanctions. This could open some new opportunities for the CAREC economies, but their magnitude is likely to be limited given the similarity of CAREC's product structure to that of Russia and given the threat of secondary sanctions. Exports to Ukraine, accounting for about 1% CAREC (excl. PRC) exports in 2020, will suffer in any case, at least in the short run. Russia's and Ukraine's shares in CAREC's export look sizeable and thus also the potential impact of the war. However, the combined share is below 10%, hence not dramatically high.

Figure 28. CAREC (excl. PRC) foreign trade by country, 2020, %



Source: TradeMap, authors' calculations.

The negative impact of the war on exports to Russia and Ukraine might be in part compensated by higher exports to other destinations. There will likely be some shift of exports to the PRC. The more moderate growth target compared to previous years of 5.5%¹² as stability has become a high priority might limit a highly substantial redirection to this destination but the PRC's market is adding a lot in

¹¹ The EBRD, for example, expects a 10% real GDP contraction in Russia and a 20% contraction in Ukraine in 2022.

<https://www.ebrd.com/news/2022/ebd-sees-war-on-ukraine-causing-major-growth-slowdown.html>

¹² <http://en.people.cn/n3/2022/0309/c90000-9968547.html>

absolute terms even as the growth rate is not as high as before, which leaves some room to increase exports.

Kazakhstan, CAREC's main oil exporter, could - in principle - increase oil exports to Europe as Europe seeks more energy independence from Russia. However, two of three tanker loading facilities of the Caspian Pipeline Consortium (CPC) were damaged at the Russian Black Sea port of Novorossiysk by a storm on 21 March 2022, and no oil can be shipped through these facilities¹³. Oil will be redirected through the port of Aktau and through Samara, and oil will also be transferred towards the PRC¹⁴. In 2021, about 80% of Kazakhstani oil exports were exported via the CPC with a capacity of 1.4 mln b/d or 2.5% of global seaborne oil trade, and 18% via the Atyrau-Samara pipeline. The country thus ships almost its entire oil export of via these pipelines passing through Russian territory. It remains to be seen how fast and to what extent Kazakhstan can renew oil shipments. A difficult problem is also to find insurance for shipments to Europe via Russia, insurers are reluctant to provide their services or charge very high rates.

In case of a weak RUB, CAREC economies might - in principle – shift import demand from the PRC and Europe to Russia as Russian goods would get cheaper for CAREC customers. CAREC, excluding the PRC, is receiving 18% of its imports from Russia - and slightly above 1% from Ukraine (Figure 28). The Kyrgyz Republic gets as much 36% of imports from Russia and 1.4% from Ukraine. However, given production difficulties in Russia because of the sanctions, and related export restriction Russia imposed, it is rather unlikely that Russia will be able and willing to extend its share in CAREC imports much further. The situation is different regarding the PRC though, which is likely to get more Russian oil and gas, in part shipped via Kazakhstan¹⁵.

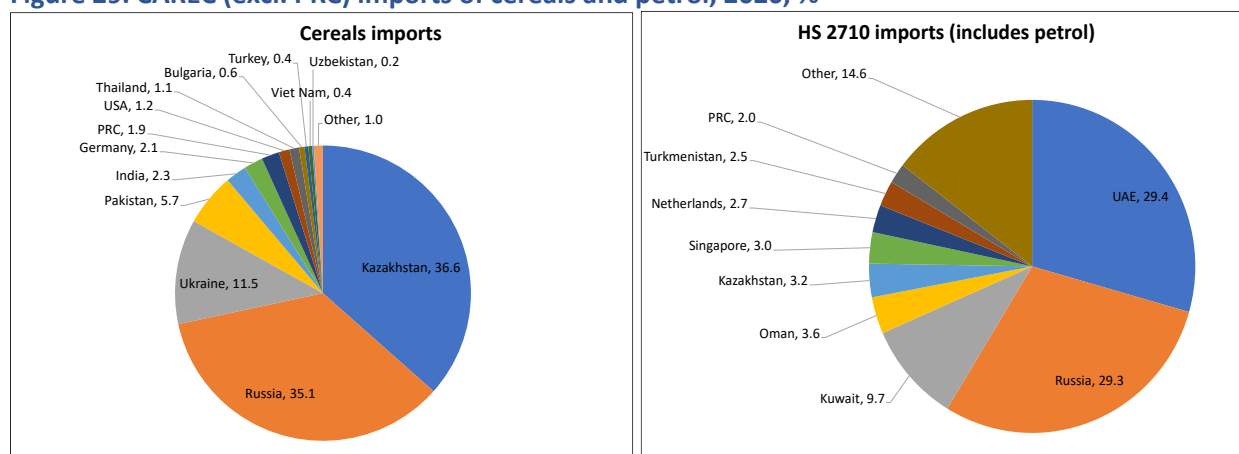
Russia and Ukraine are critical for CAREC's import of such important commodities as cereals and petrol. Russia and Ukraine together provided the CAREC region, excluding the PRC, with 47% of cereals imports in 2020 (Figure 29). Russia accounted for 29% of petrol imports of the region. For Central Asia this share was as high as 73%. Kazakhstan is also an important exporter of wheat and was able to provide 37% of CAREC's imports, and also 9% of Central Asia's petrol imports in 2020. Perhaps Kazakhstan will be able to provide some additional magnitudes. However, the global price surge for these commodities will continue to fuel inflation also in the CAREC region.

¹³ <https://eurasianet.org/kazakhstan-cpc-pipeline-shutdown-poses-serious-economic-threat>

¹⁴ https://astanatimes.com/2022/03/kazakhstan-considers-alternative-routes-for-oil-transportation/?utm_source=mailpoet&utm_medium=email&utm_campaign=the-astana-times-digest-everyday-1

¹⁵ https://uk.news.yahoo.com/russia-kazakhstan-agree-consider-boosting-114345550.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLnNvbS8&guce_referrer_sig=AQAAAJCQX1RrReq4ki7HJVeYxupzHsYwKA424VvHxK7C_jW9v_J0rEIA0nVpns-yeb9xGb-Eqe-lZyNYptJxdezYUQXtgG-xFPKXdNOLfwyXS5ZrWthLyihB6mCdCYseOpPWG6DGrTBKwch23ij5B3fivNiz240XONHl--dShKVSwh

Figure 29. CAREC (excl. PRC) imports of cereals and petrol, 2020, %

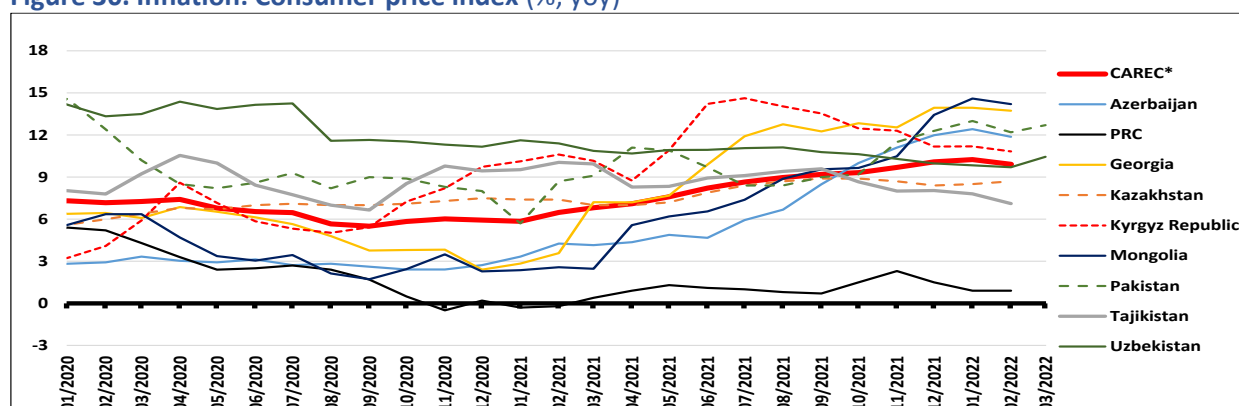


Source: TradeMap, authors' calculations.

The surge in inflation will increase inequality

Even before the war in Ukraine, inflation was high in several CAREC economies. Azerbaijan, Georgia, the Kyrgyz Republic, Mongolia, and Pakistan all saw double-digit inflation rates in February 2022 (Figure 30). Other CAREC economies trailed not much behind. Only the PRC's inflation rate remained at low 0.9% as pork prices continued to decline.

Figure 30. Inflation: Consumer price index (% yoy)



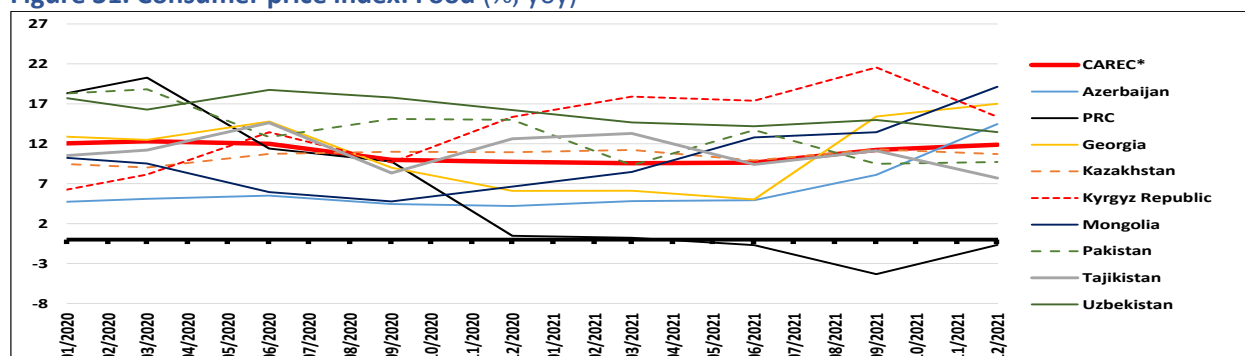
*Refers to the simple average of CAREC economies where data are available.

Source: CEIC. Authors' calculations.

Food price inflation in the CAREC region has been rather diverse. In Mongolia, Georgia, and Azerbaijan food price inflation significantly accelerated in 2021, in other CAREC economies not so much (Figure 31). However, food price inflation in Pakistan, Azerbaijan, Georgia, the Kyrgyz Republic, and Uzbekistan was double-digit in January 2022, at 12.8%, 17.0%, 16.2%, 12.5%, and 13.1%, respectively. In Mongolia, food price inflation reached as much as 20.4% in December 2021, driven by higher prices of meat, vegetables, and imported goods. Food prices dropped by 3.8% yoy in the PRC in January 2022 as pork prices fell by 41.6% yoy¹⁶.

¹⁶ http://finance.cnr.cn/ycbd/20220216/t20220216_525741969.shtml

Figure 31. Consumer price index: Food (% , yoy)



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

Source: CEIC. Authors' calculations.

The war in Ukraine additionally fuels global inflation. It adds to pressures from logistics constraints such as port congestion and supply chain issues while global demand has recovered from the COVID-19 pandemic. In February 2022, U.S. annual inflation reached 7.9%, the highest since the early 1980ies. Eurozone inflation hit 5.9%, more than ever since the existence of the Euro Area. In Russia, the inflation rate was 9.2% in February, well below 2015 levels, but substantially above rates of 2-3% in early 2020.

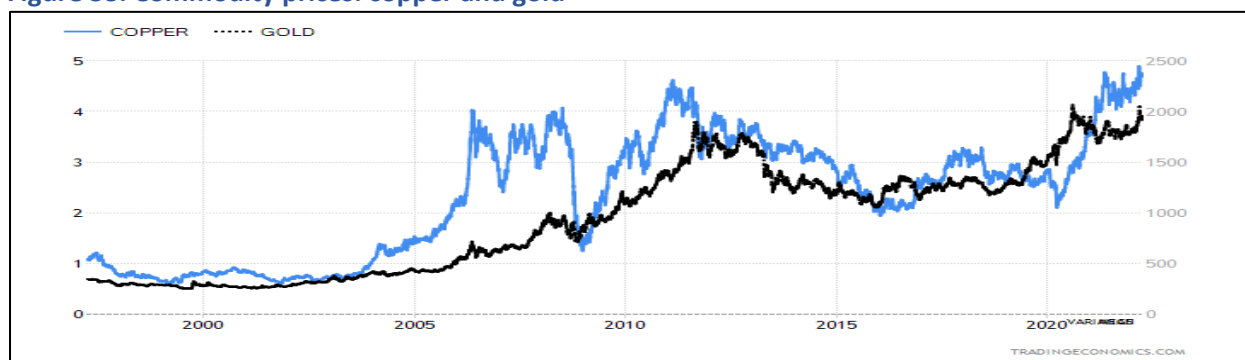
Especially commodity prices soared. Prices of several commodities reached levels not seen in the past 25 and more years (Figures 32 and 33). Russia is the world's largest grains and fertilizer exporter, third-largest coal and steel exporter, and largest palladium and nickel producer. It also produces 10% of global oil and provides 40% of Europe's natural gas consumption. At the end of the week of Feb 28, 2022, WTI was trading at as high as US\$ 115 per barrel and Brent Crude at US\$ 118 per barrel. European natural gas hit an all-time high and Wheat rose over US\$11 a bushel to the highest level in 14 years lately. The aluminum price rose to another record peak as US\$ 3,900 a ton on the London Metal Exchange. Some commodity prices have eased meanwhile a bit, but not much.

Figure 32. Commodity prices: oil and wheat



Source: TradingEconomics

Figure 33. Commodity prices: copper and gold



Source: TradingEconomics

Global inflation, and particularly commodity price inflation, hurts the CAREC region, but it hurts it in an uneven way. Whereas companies producing and exporting commodities such as metals, hydrocarbons and wheat might reap profits from high prices, importing companies suffer from them. Low-income households, for which food and fuel account for a high proportion of expenses, are hit disproportionately. The share of food in total expenditures even of an average-income household is as high as 42% in Pakistan, 39% in Azerbaijan, and still 22% in the PRC¹⁷. CAREC economies running foreign trade deficits are likely to face a further widening of the deficits because of high import prices and terms of trade losses. Economies relying heavily on oil and food imports, such as Pakistan, are especially negatively affected.

Remittances fall

Remittances are set to decrease both because the volatile foreign value of ruble earnings and because of less migrant employment in Russia. The two are interconnected. “If people came to earn money and send money home, it became unprofitable for them because of the ruble exchange rate. Previously, 1000 rubles gave 1400 soms. Now it’s 600 soms,” Maksatbek Abdunazar, founder of the Bilim adaptation project for labor migrants from Kyrgyzstan, said. ‘There are far fewer tools for sending money. If earlier they used Western Union and banks such as Sberbank, VTB, etc., now money transfers using Mastercard and Visa are impossible’ Bahrom Ismailov, a lawyer and representative of the Uzbek diaspora in Moscow, told Vedomosti.... In addition, the number of construction projects and orders for repairs is declining due to rising prices for building materials, and migrants are often employed in this area, says Abdunazar.”¹⁸

Table 2. Impact of the Russia-Ukraine conflict on remittances to some CAREC economies

	Remittance inflows, 2020 (US\$ mn)	% of GDP, 2020	% of exports and services, 2020	Share of remittances from Russia, 2021 Q1-Q3	Revised projection of growth rate for 2022*
Azerbaijan	1,403	3.3%	9.2%	62%	-23%
Georgia	2,110	13.3%	35.6%	18%	-5%
Kazakhstan	374	0.2%	0.7%	51%	-17%
Kyrgyz Republic	2,423	31.3%	99.5%	83%	-33%
Tajikistan	2,187	26.7%	155.2%	58%	-22%
Uzbekistan	6,980	11.6%	48.0%	55%	-21%

Sources: KNOMAD-World Bank¹⁹

¹⁷ <https://ourworldindata.org/grapher/share-of-consumer-expenditure-spent-on-food-vs-gdp-per-capita?tab=table>

¹⁸ <https://news.mail.ru/economics/50641725/?frommail=1> (Authors’ translation)

¹⁹ https://www.knomad.org/sites/default/files/2022-03/KNOMAD_Policy%20Brief%2017_Ukraine-Implications%20for%20Migration%20and%20Remittance%20flows_March%204_2022.pdf

KNOMAD/The World Bank forecast a decline in remittances of between 5% in Georgia and 33% in the Kyrgyz Republic as a result (Table 2).

Accelerating decarbonization, some shifting south of transport corridors

The war in Ukraine has short-term economic implications, but also long-term ones. Among the latter are accelerated decarbonization in Europe and an increased emphasis on the “middle” transcontinental transport corridor.

The European Union, importing about one-half of CAREC’s hydrocarbon exports, is accelerating green transition. In response to the war in Ukraine, the European Commission stated in a Communication on 8 March 2022: “Phasing out our dependence on fossil fuels from Russia can be done well before 2030. To do so, the Commission proposes a REPowerEU plan that will increase the resilience of the EU-wide energy system based on two pillars: 1) Diversifying gas supplies, via higher LNG imports and pipeline imports from non-Russian suppliers, and higher levels of biomethane and hydrogen. 2) Reducing faster our dependence on fossil fuels at the level of homes, buildings and the industry, and at the level of the power system by boosting energy efficiency gains, increasing the share of renewable and addressing infrastructure bottlenecks.”²⁰

Some concrete actions are proposed in the Communication. While it remains to be seen how much of green transition plans will be actually realized, there is little doubt that the political will to achieve these targets and the resolve to comply with COP26 targets have strengthened. For Central Asian hydrocarbon exporters, this means that own development plans must be adjusted as well. The transition will worsen prospects for plain hydrocarbon exports, while it might open new opportunities for the production hydrogen, for example, and for other products related to the green transition.

Kazakhstan, Azerbaijan, and Georgia are trying to boost the Middle Corridor. They established the “Eurasian Rail Alliance’ Joint Venture.” “It provides an alternative to Russia given the sanctions problems the country has and is a significant development to hasten completion of the about to be in huge demand, Southern BRI routes from China to Europe via Kazakhstan, the Caspian, on to Turkey and the Black Sea Ports to the southern EU members Bulgaria and Romania.”²¹

“The Middle Corridor is currently in the spotlight as it provides one of the few alternatives to transit traffic on the main route of the New Silk Road, the route transiting through Russia. As companies decide to avoid this route, based on moral grounds, payment difficulties or fear of security breaches, they find in the Middle Corridor another option to move cargo by rail. However, the corridor that has been there for many years is much less competitive compared to the main route. This is because there are seas in between and the rates are still relatively high. There seems to be little harmonization along the route. This all makes that the corridor is not quite ready yet for the rising figures.”²²

The likely net effect on the CAREC economies: the recovery will not be fully derailed, but social and economic inequality will be magnified

The CAREC region’s export performance will not be hit decisively by the war in Ukraine. The share of Russia and Ukraine in CAREC’s total exports is below 10% on average for the region, and also for more exposed economies such as the Kyrgyz Republic not extraordinarily high. To some extent the CAREC economies should be able to shift exports to Europe and the PRC. Some commodity exporting companies should gain from high prices. However, export shipments might be affected by insufficient infra-structure, by the damage at the Novorossiysk terminals and by mines in the Black Sea, and by insurance issues.

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A108%3AFIN> (p8)

²¹ <https://www.silkroadbriefing.com/news/2022/03/10/kazakhstan-azerbaijan-and-georgia-to-establish-eurasian-rail-alliance-joint-venture/>

²² <https://www.railfreight.com/beltandroad/2022/03/30/capacity-or-not-the-middle-corridor-is-on-the-rise/>

In the longer run, CAREC economies could gain to some extent from the relocation of capital previously invested in Russia and from migration out of Russia and Ukraine. Some businesses might seek new opportunities in Central Asia, especially if there are branches already. Central Asia has already become a destination for migration from Russia based on opposition to the war or the fear of negative economic consequences, mostly for higher qualified workforce. Qualified female labor force is leaving Ukraine. Central Asia could also gain by substituting some Russian and Ukrainian goods domestically and internationally, such as gasoline and cereals. In the short run, CAREC economies could – in principle – profit from schemes to circumvent sanctions against Russia. However, the danger of being affected by secondary sanctions and in part insufficient technical preparedness for such schemes will likely limit their magnitude and hence importance for CAREC’s economic growth.

The nascent economic recovery in the CAREC region will be threatened by a number of potentially adverse development. Falling real incomes due to elevated inflation might undercut consumption growth. Household consumptions accounts for as much as about 80% of GDP in Azerbaijan and Georgia for still about 50% in Kazakhstan. Disruption of traditional supply chains will also weigh on growth. Preliminary data for 2021 show that fixed capital formation has recovered less well than other components of GDP. The uncertainty caused by the war in Ukraine additionally weighs on optimism and thus investment.

The net effect of growth diminishing and growth increasing factors will most likely still allow positive GDP growth in the CAREC region in 2022, a significantly lower though than thought a few months ago. At the same time inequality will grow, with low-income households hit most, and economies that are net importers of energy and food suffering more than net exporters.

In any case, active economic policies to deal with the new challenges and further strengthening CAREC economic cooperation should help to mitigate negative developments and to better prepare for the future.

CAREC governments' cooperation initiatives

Akylbek Japarov and khokims of Uzbek regions reach number of agreements**Date: 2022-4-2**

A protocol was signed following the results of the 4th meeting of the Council of Plenipotentiary Representatives of the Government of Kyrgyzstan and khokims of the border regions of Uzbekistan. ...The parties agreed to continue work on increasing the volume of trade between the two countries to \$2 billion. The Kyrgyz side proposed to increase the volume of supplies of cement, coal, quartz sand, potatoes, milk and dairy products from the Kyrgyz Republic to the Republic of Uzbekistan.

MORE:https://24.kg/english/229491_Akylbek_Japarov_and_khokims_of_Uzbek_regions_reach_number_of_agreements/

Source: 24.kg**Kazakhstan to host summit for Pakistani companies in May this year****Date: 2022-3-19**

Kazakhstan will host a trade summit for Pakistan in Atakent Expo Centre, Almaty in May this year to provide opportunity to Pakistani companies to showcase their products to business community of Kazakhstan. ...The ambassador informed that over 60 Pakistani companies from various sectors such as agricultural machinery, agricultural products sports goods, surgical instruments, handicrafts, confectionary would attend the expo. ...Both sides also agreed to conduct an online meeting in April of this year between the officials of Ministry of Agriculture of the Republic of Kazakhstan and the Ministry of National Food Security and Research to further enhance cooperation.

MORE:<https://nation.com.pk/2022/03/19/kazakhstan-to-host-summit-for-pakistani-companies-in-may-this-year-ambassador/>

Source: The Nation**Kyrgyzstan to provide southern regions of Kazakhstan with water****Date: 2022-3-14**

The Prime Minister of Kazakhstan Alikhan Smailov held the first meeting of the Water Council, during which its participants considered the issues of electricity exchange with the Kyrgyz Republic and water supply to the southern regions of the Republic of Kazakhstan. ...The Kazakh and Kyrgyz sides signed agreements on mutually beneficial terms on the exchange of electricity and water supply.

MORE:https://24.kg/english/227305_Kyrgyzstan_to_provide_southern_regions_of_Kazakhstan_with_water/

Source: 24.kg**China to contribute to development of Pakistan's IT industry****Date: 2022-3-13**

...During his recent visit to China, Prime Minister Imran Khan, while meeting with senior executives of Chinese enterprises, said that the IT industry has great potential in attracting investment, creating taxes and driving economic growth. Encouraged by Prime Minister Imran Khan, more and more Chinese IT enterprises are now landing and investing in Pakistan, Prof Cheng, also former Defense Attache in South Asian countries, said in an article. ...Due to far-reaching nationwide transformation initiatives such as China-Pakistan Economic Corridor (CPEC) and Pakistan Vision 2025, the Pakistani government is now outlining digital economy transformation agendas.

MORE:<https://nation.com.pk/2022/03/13/china-to-contribute-to-development-of-pakistans-it-industry/>

Source: The Nation

Kazakhstan, Azerbaijan creating transport-logistics route

Date: 2022-3-12

Kazakhstan and Azerbaijan are creating a transport-logistics route, Trend reports via the Kazakh Samruk-Kazyna JSC. The issue was discussed during the meetings of the Kazakh delegation headed by the JSC's Board Chairman Almasadam Satkaliyev with a number of responsible officials of the government of Azerbaijan. ...Following the meeting, a protocol on the establishment of a joint venture and the implementation of transport and logistics activities was signed between Samruk-Kazyna JSC and the Ministry of Digital Development and Transport of Azerbaijan.

MORE: <https://www.azernews.az/business/190631.html>

Source: Azernews

Kazakhstan, Azerbaijan and Georgia to establish 'Eurasian Rail Alliance' Joint Venture

Date: 2022-3-10

Legal and diplomatic work is underway to establish a joint venture through the railway administrations of Azerbaijan, Georgia, and Kazakhstan, Batyr Kotyrev, the Chief engineer of the Kazakhstan Temir Zholy (Kazakhstan Railways) company and a Director of its technical policy department has stated. ...Kotyrev stated that this is in order to fully exploit the transit potential of the Trans-Caspian International Transport Route (TITR) for cargo flows from China/Central Asian countries to the EU countries and back.

MORE: <https://www.silkroadbriefing.com/news/2022/03/10/kazakhstan-azerbaijan-and-georgia-to-establish-eurasian-rail-alliance-joint-venture/>

Source: Silk Road Briefing

Afghanistan, Pakistan agree on free transit of trucks

Date: 2022-3-10

Pakistan and Afghanistan have agreed to allow free movement of trucks between the two countries effective March 21, 2022. "We have finally done it! Historical development on regional connectivity front! We wish to share that Pakistan and Afghanistan have allowed free movement of each other's trucks between the two countries and cross stuffing Temporary Admission Documents (TAD)," Pakistani sources quote advisor to the Prime Minister on Commerce and Investment Abdul Razaq Daud.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-pakistan-agree-on-free-transit-of-trucks/>

Source: Wadsam

Standardisation to further enhance Pak-China trade

Date: 2022-3-6

The Standardization Administration of China (SAC) signed a memorandum of understanding (MoU) on standardization cooperation with Pakistan Standard & Quality Control Authority (PSQCA) during Prime Minister Imran Khan's visit to China in February. ...In 2021, China-Pakistan trade volume reached \$28 billion. ...In the next step, experts from both sides will work together to develop international standards and support each other in international standardization organizations such as ISO and IEC. Mutual recognition and alignment of bilateral standards will pace up, and a standardization information platform involving countries along the Belt and Road Initiative (BRI) is also in the pipeline.

MORE: <https://nation.com.pk/2022/03/06/standardisation-to-further-enhance-pak-china-trade/>

Source: The Nation

Pak-Uzbek cooperation in diverse areas: Pacts, including PTA, MoUs signed

Date: 2022-3-4

ISLAMABAD: Pakistan and Uzbekistan on Thursday signed various agreements and Memorandums of Understanding (MoUs), including the bilateral Preferential Trade Agreement (PTA) for increased cooperation in the areas of trade, culture, tourism, connectivity, climate change and security. Prime Minister Imran Khan and Uzbek President Shavkat Mirziyoyev, who also signed the Pakistan-Uzbekistan

Joint Declaration: “Next Step in the Strategic Partnership”, witnessed the signing ceremony here at the PM House after the two leaders had a one-on-one meeting and wide-ranging delegation-level talks.

MORE: <https://www.brecorder.com/news/40158600/pak-uzbek-cooperation-in-diverse-areas-pacts-including-pta-mous-signed>

Source: Business Recorder

Baku, Dushanbe become twin cities

Date: 2022-3-4

Azerbaijan and Tajikistan have signed an agreement to establish twin-city relations between Baku and Dushanbe, Day.az reported on March 4. The agreement was signed during a visit to Baku by a Tajik delegation led by Speaker of the Majlisi Milli, Supreme Assembly of Tajikistan's National Parliament Rustam Emomali. ...On March 3, Rustam Emomali also met Azerbaijani President Ilham Aliyev. The head of state hailed the successful development of interparliamentary cooperation between the two countries, pointing out good prospects in the economic, transport and investment spheres.

MORE: <https://www.azernews.az/business/190157.html>

Source: Azernews

Protocol signed following meeting of delegations of Kyrgyzstan and Kazakhstan

Date: 2022-2-17

A protocol has been signed after the first meeting of the working group on trade and economic cooperation between Kyrgyzstan and Kazakhstan. ...At the same time, the State Revenue Committee of Kazakhstan from April 1, 2022, when exporting goods to Kyrgyzstan, will ensure the availability of electronic waybills for transported goods. ...As a result of the meeting, the final protocol and action plan on bilateral cooperation between the authorized bodies of Kyrgyzstan and Kazakhstan to prevent the issuance and distribution of documents on the assessment of conformity issued with violations were signed.

MORE: https://24.kg/english/224311_Protocol_signed_following_meeting_of_delegations_of_Kyrgyzstan_and_Kazakhstan/

Source: 24.kg

China, Central Asian nations to upgrade ties

Date: 2022-1-25

President Xi Jinping is set to chair a virtual summit on Tuesday to commemorate the 30th anniversary of the establishment of diplomatic ties between China and five Central Asian countries – a move that shows China's commitment to strengthening trade, investment and security cooperation for regional prosperity and stability, analysts said. ...Trade volume between China and the five Central Asian countries has increased by over a hundredfold to around \$50 billion over the past 30 years, ...

MORE: <http://global.chinadaily.com.cn/a/202201/25/WS61ef2fefa310cdd39bc82f21.html>

Source: China Daily

China-aided food supplies transported to Afghan provinces

Date: 2022-1-23

Afghanistan's caretaker government began to deliver the China-aided humanitarian food supplies on Saturday to at least 10 provinces of the country's 34 provinces, an official said Saturday. The supplies including 440 tons of rice will be shipped by 20 trucks to 10 most vulnerable provinces, Abdul Mutalib Haqqani, spokesman for the Ministry of Refugees and Repatriation, told Xinhua here. ...China has recently sent batches of humanitarian assistance including foodstuff, COVID-19 vaccines and winter clothes to the Central Asian country.

MORE: <https://english.news.cn/asiapacific/20220123/e3bb3d34a2d14b9b8ee3e38286d6b03c/c.html>

Source: Xinhua

Turkmenistan and Azerbaijan will continue in 2022 implementing a program of ports cooperation

Date: 2022-1-6

Within the framework of cooperation on PCS program (Port Community System) the Baku International Sea Trade Port and the Sea Ports of the Central Asia integrate their information systems in common platform. The head of the strategic planning and development department of Baku port, Hudayar Gasanli, called it in. ...The implementation of the project will allow to reduce vehicle downtime in the border post, get information beforehand concerning the arriving vehicle, cargo type, its further route and some other information.

MORE: <https://turkmenistan.gov.tm/en/post/59975/turkmenistan-and-azerbaijan-will-continue-2022-implementing-program-ports-cooperation>

Source: Turkmenistan: Golden age

CAREC cross-border business activities

First Turkmenistan – China Direct Container Train Arrives

Date: 2022-3-29

The first container train to arrive in China directly from Turkmenistan has reached its destination in China's Xinjiang Province. ...This project was implemented jointly by JSC Transport and Logistics Center Turkmenistan and JSC KTZ Express in coordination with Chinese colleagues. The launch of a container line from Turkmenistan to China became possible due to the operation of the Kazakhstan-Turkmenistan-Iran railway, which is one of the branches of the North-South International Transport Corridor (INSTC). The success of the Turkmen-China direct route means that Chinese goods will also be able to access the INSTC via Turkmenistan, ...China's rail access to Turkmenistan also gives it access to landlocked Uzbekistan, a rising star in Central Asian economies with important trade agreements with the European Union and UK.

MORE: <https://www.silkroadbriefing.com/news/2022/03/29/first-turkmenistan-china-direct-container-train-arrives/>

Source: Silk Road Briefing

Azerbaijani companies invested about \$310 million in Kazakhstan's economy

Date: 2022-3-14

Azerbaijani companies have invested about \$310 million in Kazakhstan's economy since 2005, Deputy Chairman of the Board of Kazakhstan's KAZAKH INVEST national company Zhandos Temirgali said in an interview with Trend. ...foreign investors are still showing great interest in Kazakhstan as the biggest economy in Central Asia. ..."The trade turnover is growing dynamically. It reached about a third of \$1 billion as of 2021, which is three times more than as of 2020. It is clear that there was a great decline in 2020, but nevertheless, this figure is much bigger than those in 2018 and 2019.

MORE: <https://www.azernews.az/business/190668.html>

Source: Azernews

Afghanistan signs power line deal with Turkmenistan

Date: 2022-2-1

Da Afghanistan Breshna Sherkat (DABS) has announced that it has signed a power line project deal with Turkmenistan following a four-day talks with representatives of Turkmenistan and Turkish Calik Energi company. Breshna Company today announced in a newsletter that Hafez Mohammad Amin, General Manager of the company, in the presence of Abdul Latif Mansour, minister of the Energy and Water, signed a contract for the development of Noor Al-Jihad substation with a capacity of 110 to 220 kV with Turkmen Energo company.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-signs-power-line-deal-with-turkmenistan/>

Source: Wadsam

Azerbaijan Trade Department opens in China

Date: 2022-1-2

The Azerbaijan Trade Department has been opened in G-Hub shopping center which has been recently established in Wuhan, Hubei province of China, Trend reports referring to the Azerbaijani Ministry of Economy. According to the message, the Trade Department will sell the food products which are produced in Azerbaijan under the "Made in Azerbaijan" brand. ...The trade department in Wuhan is the fourth one while the Azerbaijan Trade Department has been opened in Shanghai, Harbin and Jinan.

MORE: <https://www.azernews.az/business/187634.html>

Source: Azernews

CAREC intra-regional economic highlights

Georgia-Uzbekistan bilateral trade increases 88%

Date: 2022-3-23

The Georgian National Statistics Office (Geostat) has stated that the trade turnover between Georgia and Uzbekistan from January through February 2022 totaled US\$22.2 million – an increase of 88.1 percent, compared to US\$11.8 million over the same period of 2021. The trend is significant as it illustrates the growing use of the Southern Belt & Road route through Turkmenistan, and the Caspian Sea.

MORE: <https://www.silkroadbriefing.com/news/2022/03/23/georgia-uzbekistan-bilateral-trade-increases-88/>

Source: Silk Road Briefing

Uzbekistan imports about 162 thousand tons of food products from Pakistan

Date: 2022-3-6

In 2021, the volume of certain types of food products imported into Uzbekistan from Pakistan amounted to about 162,000 tons, including 161,000 tons of potatoes. According to the State Statistics Committee, 248.2 tons of rice, 392 tons of kiwi, 23 tons of tea were also imported into the country. In the first month of 2022, potatoes worth \$3.3 million, tangerines – \$2.7 million, vegetable oil – \$6.6 thousand were imported from Pakistan.

MORE: https://uza.uz/en/posts/uzbekistan-imports-about-162-thousand-tons-of-food-products-from-pakistan_352721

Source: UZA

Turkmenistan almost doubled supplies of oil and oil products to Georgia

Date: 2022-2-19

The value of exports of oil and oil products from Turkmenistan to Georgia in 2021 amounted to \$191.8 million, which is 186.2% more than in 2020, writes the website of the oil and gas complex of Turkmenistan. The volume of supplies in quantitative terms increased by 103.1% from 149 thousand 711 tons to 304 thousand 193 tons. Due to the increase in exports, Turkmenistan has become the leader in the supply of oil and oil products to Georgia, overtaking Russia (\$134.6 million) and Romania (\$133.7 million).

MORE: <https://orient.tm/en/post/36351/turkmenistan-almost-doubled-supplies-oil-and-oil-products-georgia>

Source: ORIENT Information Agency

Kazakhstan and Uzbekistan have both observed growth in bilateral trade, \$661 million in agreements already signed

Date: 2022-2-16

Bilateral trade between Kazakhstan and Uzbekistan increased by 33 percent and reached \$4.3 billion at the end of 2021. ...President Kassym-Jomart Tokayev and Uzbekistan President Mirziyoyev agreed to bring

the trade volume up to \$5 billion and then to \$10 billion in the near future during Mirziyoyev's visit to Kazakhstan on Dec. 6. ...Overall, agreements worth \$661 million in mechanical engineering, agri-industrial complex and logistics have been signed as part of the visit.

MORE: <https://astanatimes.com/2022/02/kazakhstan-and-uzbekistan-have-both-observed-growth-in-bilateral-trade-661-million-in-agreements-already-signed/>

Source: The Astana Times

Mongolia's exports to increase with extension and renewal works at China's Erlian border checkpoint

Date: 2022-2-1

On January 27, Head of 'Ulaanbaatar Railway' JSC Kh.Kherlen was informed by the side of China that works to extend and renew the Erlian border checkpoint and the Erlian-Jinin autoroad will be launched after the Lunar New Year. Currently, freight transported by 14 trains are being handed over to the side of China through the border checkpoint each day due to the decision to have goods and products only be transported in containers. However, with the increased capacity of the Erlian border checkpoint, it becomes possible to increase the amount of exports from Mongolia.

MORE: <https://montsame.mn/en/read/288630>

Source: MONTSAME News Agency

Afghanistan's trade with Central Asia increases

Date: 2022-1-18

Afghanistan's trade with three Central Asian countries (Tajikistan, Uzbekistan and Turkmenistan) has increased, the Chamber of Commerce and Investment said. According to the chamber, Afghanistan imported more than \$ 2 billion from Central Asian countries this year and exported more than \$ 33 million worth of goods to these nations. Meanwhile, officials at the Afghanistan-Pakistan Joint Chamber of Commerce say trade between the two countries has dropped by nearly 26 percent.

MORE: <https://wadsam.com/afghan-business-news/afghanistans-trade-with-central-asia-increases/>

Source: Wadsam

Azerbaijan, Georgia boost trade turnover by \$186.2m

Date: 2022-1-6

Azerbaijan and Georgia have increased the trade turnover by \$186.2 million in January-November 2021, the State Customs Committee has reported. During the first 11 months of 2021, the bilateral trade turnover amounted to \$684.8 million, with exports accounting for \$591.8 million and imports for \$92.9 million. ...the trade turnover between Azerbaijan and Georgia amounted to \$498.6 million during the corresponding period of 2020.

MORE: <https://www.azernews.az/business/187735.html>

Source: Azernews

Turkmenistan leads in terms of growth of trade with Tajikistan

Date: 2022-1-6

The Ministry of Economic Development and Trade of Tajikistan reports an increase in trade with the countries of the Commonwealth of Independent States in 2021, noting that out of 11 partner countries, growth is observed in eight. At the same time, trade with Turkmenistan increased 2.7 times, with Uzbekistan - by 32%, and with Kazakhstan - by 30.6%.

MORE: <https://turkmenistan.gov.tm/en/post/59977/turkmenistan-leads-terms-growth-trade-tajikistan>

Source: Turkmenistan: Golden age

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



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