



Newsletter

Meeting of the Advisory Council of the CAREC Institute

The CAREC Institute held its Fourth Advisory Council (AC) Meeting on July 29, 2022. The AC comprises renowned regional and global experts on Central Asia and the thematic priorities of the CAREC Program and the CAREC Institute. The meeting was aimed at soliciting feedback and input on CAREC Institute's strategic and operational priorities, post-pandemic regional recovery report, and the fifth CAREC cluster – human development.

In his welcoming speech, Mr. Syed Shakeel Shah, Director of the CAREC Institute, highlighted the AC's important role in acting as a sounding board and a source of new ideas and approaches to enhance the strategies and operations of the CAREC Institute. The AC guides the CAREC Institute's strategies and operations to help it emerge as independent and credible research and capacity building organization in support of the CAREC Program and proposes and deliberates on the emerging global and regional issues that are relevant to the CAREC Institute's work. Last year, the AC was re-structured and its role was re-defined at the request of CAREC Institute's Governing Council due to the growing needs and demand, and expanding activities of the institute.

Mr. Khalid Umar, Chief of the Strategy Planning Division of the CAREC Institute, presented strategic priorities outlined in the CAREC Institute's Strategy for 2021-2025, which provides a framework for supporting the CAREC member countries, and builds upon the foundation established by the institute in previous years and aligns objectives with CAREC 2030 priorities. The CAREC Institute's long-term vision of "Leading knowledge center promoting economic cooperation in the CAREC region for shared and sustainable development" is consistent with the CAREC 2030 mission—'A Regional Cooperation Platform to Connect People, Policies, and Projects for Shared and Sustainable Development'—and incorporates present opportunities and future ambitions. Under this vision, the CAREC Institute aims to enhance the quality and effectiveness of the CAREC Program by providing evidence-based research and capacity building services, disseminating knowledge products, and networking with research institutions.

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Members of the Advisory Board and management of the CAREC Institute.

Dr. Hans Holzacker, Chief Economist of the CAREC Institute, presented the CAREC Institute-led policy research paper "CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery." Although most CAREC economies outgrew the COVID-19 recession in 2021, new challenges have emerged, including new variants of COVID-19 and heightened geopolitical tensions. Currently, CAREC countries are facing a complex network of new challenges and opportunities and must react on multiple fronts. A full recovery from the COVID-19 pandemic, enhancing productivity, diversification and trade, greening and sustainability, inclusion and fostering human capital is at the center of the imminent economic, technological, and social changes and the directions of needed policy actions. AC members provided insightful feedback and recommendations to upgrade the focus, structure and content of the report in order to support busy policymakers for drafting result-oriented regional policies.

Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute, presented the current status and outlook for the CAREC Institute's research projects, capacity building activities, and knowledge management work. In closing remarks, Dr. Abdullaev asked questions and sought advice from AC members for research and capacity building activities in the fifth CAREC cluster - Human Development, especially in the health and education sectors. AC members suggested expanding the CAREC Institute's collaboration with governments, national think tanks, research institutes, and vocational schools, creating regional alliances for a collective response, and promoting regional dialogue on health and education issues.

Dr. Jingjing Huang, Deputy Director One of the CAREC Institute, concluded the AC meeting, appreciating the AC's suggestions regarding the research paper "CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery" and the activities of the CAREC Institute on promoting the human development in the CAREC region.



CAREC Institute office building in Urumqi, PRC.

CAREC Institute Holds the First Climate Change Dialogue

The CAREC Institute, in partnership with ADB, hosted its 1st Climate Change Dialogue on 19 July 2022. The dialogue was aimed at sharing knowledge with national experts from the CAREC region on the CAREC Climate Scoping Study, as well as obtaining feedback and recommendations on the scope of the study, its focus and approaches in line with CAREC national priorities.

During the first session of the dialogue, the ADB consultant team led by Dr. Johannes Linn, presented the scope of the study commissioned by ADB. The purpose of the Scoping Study is to develop a cross-cutting, systematic and strategic approach by the CAREC Program to the climate agenda in the region. The study will inform CAREC member countries, the Secretariat, and development partners about climate change issues, as well as national and regional policies and instruments related to climate change, explore the role and mechanisms of regional cooperation on climate issues in the region, and identify potential entry points for the CAREC Program and the CAREC Institute in addressing climate change challenges. The research approach and methodology will focus on reviewing documentary evidence, interviews with experts from development partner organizations and CAREC countries, and inputs from CAREC relevant officials. Analytical tools will be applied to help identify vulnerabilities, gaps and priorities for climate policy interventions.

In the second section, invited experts from all CAREC countries looked at the state of play and way forward in CAREC's climate change agenda. They discussed major climate issues and policy challenges in both mitigation and adaptation faced by the countries and highlighted pressing climate change issues to be addressed by the CAREC Program and the CAREC Institute.

In concluding the dialogue, Mr. Syed Shakeel Shah, Director of the CAREC Institute, emphasized the importance of the CAREC program's renewed focus on climate change and the possibility of developing a climate strategy that provides more room for action by national governments of the CAREC region. He stressed the critical role of regional cooperation, as most climate change issues transcend national borders, and there is a delicate

balance in prioritizing mitigation and adaptation actions.

The CAREC Institute, as part of its research portfolio, has been implementing a project on climate vulnerabilities since 2019. Phase 2 of the project has now been completed, highlighting the exposure of CAREC economies to climate impact, helping to understand climate adaptation and mitigation opportunities and potential for regional cooperation. The institute's research team is currently preparing for the next phase of the project, which will explore more about climate finance, climate technologies and climate policies. The CAREC Institute's capacity building and knowledge management divisions are successfully promoting knowledge sharing and climate-related policy dialogues.

The dialogue was an opportunity for the CAREC Program and CAREC Institute to sketch first outlines of potential efforts that can be undertaken to drive climate agenda in the region. The next CAREC Institute Climate Dialogue is scheduled for August 2, 2022 and focuses on the works of regional structures active in the CAREC region.

All materials of the First Climate Dialogue are available at CAREC Institute's [e-learning platform](#).



Speakers of the CAREC Institute's First Climate Change Dialogue.

CAREC Institute Participates in the Sixth New Silk Road Accounting Forum

On July 16, Dr. Huang Jingjing, the Deputy Director One of the CAREC Institute, attended the 6th New Silk Road Accounting Forum hosted by Shihezi University.

The forum, entitled "Accounting and High-Quality Economic Development in the Digital Intelligence Era," brought together renowned university scholars from Xiamen University, Renmin University, University of International Business and Economics, and business representatives to discuss issues of accounting and high-quality economic development in the digital economy era. In total, more than 380 teachers and students in the field of accounting from more than 20 colleges and universities of the PRC took part in the forum in offline and online format.

In her speech at this forum, Dr. Huang noted that the issues discussed in the New Silk Road Accounting Forum well reflect the development trends of the digital intelligence era, and she expects the forum to continue to play an important role in the digital development of CAREC member countries, helping professional accountants to better adapt to the new digital transformation.



Dr. Huang Jingjing with other speakers of the 6th New Silk Road Accounting Forum.

Research Digest: CAREC Intra-Bloc and Extra-Bloc Trade

The research project "[*The CAREC and Its Neighboring Regions: a Diagnostic of the Intra-Bloc and Extra-Bloc Trade*](#)" by Amjad Masood and Junaid Ahmed was conducted with the support of the CAREC Think Tanks Network Research Grants Program. The authors analyze the CAREC countries' comparative advantages to identify the export competitiveness of various product groups and apply structural gravity to assess the role of regional integration agreements in trade creation.

Research findings show that only China exhibits a comparative advantage in mechanical and electronics manufacturing, placing China in a strong position for high-tech manufacturing. Other countries reveal

advantages in labor- and resource-intensive manufacturing sectors that explain the overdependence of these countries on a few export industries. In addition, CAREC countries, with the exception of China, have low values of trade complementarity, indicating that the industrial structures of these CAREC countries are almost identical to each other.

The authors also examine the logistic performance and cost of exporting for CAREC members. The higher average waiting time and costs for the CAREC region reflect that most CAREC countries have inefficient border and documentary compliance.

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The results of the analysis of the structural gravity model at the aggregate level based on data from eight CAREC members— Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, and Uzbekistan, corroborate the intra-bloc trade facilitating role of the regional trade agreements (RTA), whereas RTA role is found to be trivial in the case of extra-bloc trade for Russia, Europe, the Mediterranean, the Middle East, and South Asia. The underlying reason is that there are only a few trade agreements involving non-CAREC countries. Regarding individual exporting countries of the CAREC region, the trade-facilitating role of RTAs is more evident for Kazakhstan, Pakistan, and Uzbekistan. Exports of Mongolia seem to divert more towards non-RTA member countries. The cumulative impact of the RTAs of Afghanistan, Azerbaijan, Georgia, and Kyrgyz Republic is insignificant.

The authors suggest for a major revamp of the exporting policies of the CAREC members. China, the leading exporter in the region, is unfolding a phenomenal campaign of regional integration in the form of the BRI. Therefore, the CAREC countries need to align their trade policies to capture the benefits of the changing landscape of the regional political economy.

The authors suggest a pan-CAREC trade agreement for enhancing intra-bloc integration instead of the spaghetti bowl of multiple bilateral and multilateral agreements currently in force between various CAREC members. Presently, there are RTAs signed among CAREC members as well as between CAREC members and non-CAREC countries. With the implementation of a pan-CAREC trade agreement, the existing intra-bloc agreements would be redundant; nevertheless, the extra-bloc RTAs may remain intact.

Negotiations for an effective regional trade agreement should also include non-tariff measures, which continue to distort trade and accrue additional costs of market entry.

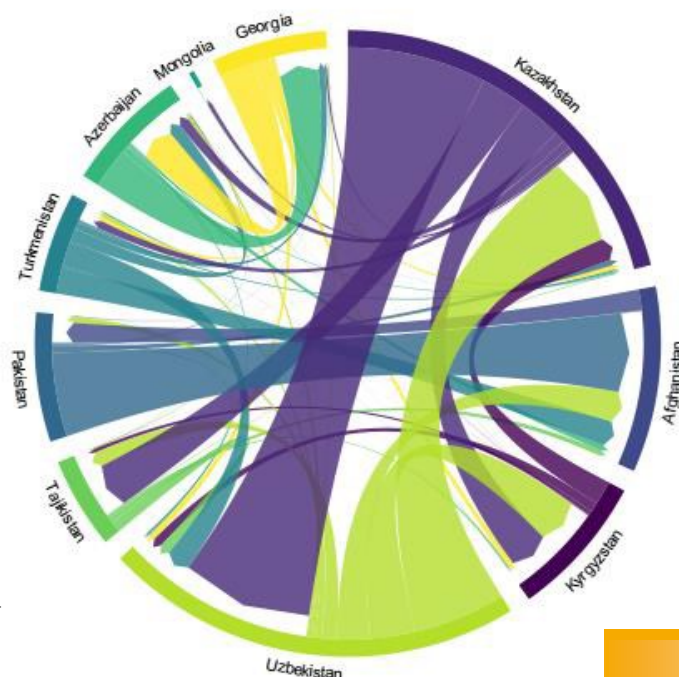
The CAREC countries can benefit from greater specialization and diversification to boost their own competitiveness and economic growth. A well-managed value chain network is required to save these countries from the low value-added export trap. In this regard, the freer movement of raw materials and intermediate goods across the region under a pan-CAREC trade agreement can play a pivotal role. Arrangements are required to lower external tariffs on the exports of high value-added goods and the imported inputs that go into

the production of high value-added products.

Building the efficient logistics under the CAREC regional integration will enable producers to take advantage of domestic and overseas markets. Trade facilitation reduces costs and increases the efficiency of trading across borders. Improving the soft infrastructure and institutional quality would also help to reduce the transaction costs associated with the exporting process. CAREC regional integration will help countries make better use of digitalization to minimize procedural inefficiencies and reduce export costs.

CAREC countries also benefit from knowledge sharing on best policy practices in the region. Countries can take advantage of China's experience in successfully implementing special economic zones (SEZs), which contributed to economic growth, employment, trade, and technology transfer for rapid industrialization. The inclusion of small firms into the framework of a SEZ was also essential to maximize gains in China. SEZs can be developed at strategic locations within the CAREC region as well as along the various corridors connecting it to the neighboring regions to promote regional integration. Such an approach can be instrumental in spurring economic activity in generating decent employment, promoting skills via vocational and technical training, and amalgamating domestic firms with international firms promoting trade-related domestic industries.

CAREC intra-bloc trade flows, excluding the PRC.



From "The CAREC and Its Neighboring Regions: a Diagnostic of the Intra-Bloc and Extra-Bloc Trade" by A. Masood and J. Ahmed, 2021, p.13.

Research Digest: Human Capital Development and Regional Integration

The research project *“Human Capital Development and Regional Cooperation and Integration in the CAREC Region: Policy Lessons from ASEAN”* was conducted by Teresita Cruz-del Rosario with the support of the CAREC Visiting Fellow Program. The author investigates the link between Human capital development (HCD) and regional cooperation and integration (RCI) in two regions – CAREC and ASEAN. The study highlights the high level of HCD in ASEAN and provides recommendations for CAREC countries.

The author points to a strong relation between HCD and RCI. Investments in HCD have a positive impact on economic development, which in turn contributes to RCI. Such investments generate positive returns to labor productivity, technological innovation, and sustainable growth, all of which contribute to poverty reduction and therefore play a crucial role in economic growth and poverty reduction. Investments in HCD that improve health and education outcomes have been strongly associated with regional integration. The RCI, in turn, contributes further to HCD as positive benefits of the economic integration to member countries result in better HCD outcomes. The free movement of labor under regional integration encourages human capital formation through the exchange of skills, experiences, and ideas. Therefore, the human capital-based strategy is vital for RCI because of the human ability to create knowledge.

Using four indices— the Human Development Index (HDI), Human Capital Index (HCI), the CAREC Regional Integration Index (CRII), and the Asia-Pacific Regional Cooperation and Integration Index (ARCI)— the author finds that ten countries that make up the ASEAN regional block in Southeast Asia portray a relatively high degree of integration and HCD compared to the CAREC region. The author brings Singapore which is the most integrated country and with the highest HDI score as a country case on human development and draws policy recommendations for CAREC countries.

The author recommends to increase public spending for HCD, particularly for health and education. Policy proposals should support targeted resources for the education of women and girls, especially in the poorer countries of the CAREC region, include the technical vocational education using Singapore experience, and facilitate educational exchanges among students and faculty especially in the area of TVET.

A regional education system should be established for CAREC that will harmonize education standards across all countries, following the example of the ASEAN Qualifications Reference Framework. Comparison across countries will allow for quality assurance. It will also promote the mobility of workers and learners, improve the quality of education and training, and create more equitable opportunities for gainful employment for CAREC citizens. Admittedly, harmonization is a very long process but should be undertaken anyway for reasons of standardization. Even while harmonization is taking place, education exchanges in the area of TVET can be initiated, premised on the assumption that certain marketplace skills are already following global standards of practice. This is particularly true for digital and IT skills.

The author also suggests to establish health surveillance and quick response systems also patterned after ASEAN, given the latter's long experience with managing outbreaks. The ASEAN region's accumulated expertise has been one of the cornerstones of cooperation since the advent of severe acute respiratory syndrome and avian and swine flus in the past decades. The author suggests that Kazakhstan and the PRC, given their advanced level of regional integration, become the institutional anchors for a central coordinating secretariat and a quick response emergency center.

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The CAREC countries need to develop an overall regional strategy for human resource development based on short term (three to five years) and long term (six to ten years) planning horizons. Conceived as a series of HRD plans, these should be continuously updated and adjusted to respond to changing signals in the regional labor market across CAREC. Specific inputs from sending and receiving countries on migrant labor should be a priority since mobility and free movement of people are very important components of RCI.

Finally, the role of international development organizations in HCD cannot be overlooked or

underestimated. Investments in physical capital far outpaced those in HCD. Against the backdrop of an ongoing pandemic, it would constitute a tremendous service for international financial institutions to extend an equal focus on human capital rather than just on physical capital. A good starting point would be to undertake more extensive policy research on actionable items to create and disseminate knowledge regarding HCD formation and accumulation. The author suggests that the Asian Development Bank undertake a Human Capital Project similar to the World Bank, but with a focus on the Asia-Pacific region.

Partnership Meeting with Shenzhen University

On July 19, Dr. Huang Jingjing, Deputy Director One of the CAREC Institute, held talks with a delegation from Shenzhen University representatives led by Professor Tao Yitao. On the basis of the Post-Doctoral Internship Agreement between the CAREC Institute and Shenzhen University, signed in 2020, the parties exchanged views on further cooperation within the framework of the joint postdoctoral training program, as well as academic exchanges in various fields such as trade, connectivity, regional economic cooperation and integration.

Details of the upcoming 23rd Special Economic Zone (Xinjiang) Development Forum to be hosted by Shenzhen University were discussed for additional full support from the CAREC Institute.



Partnership Meeting between the CAREC Institute and Shenzhen University.

Upcoming Events in August

CAREC Institute Second Climate Dialogue

Date: August 2, 2022.

Time: 12:00-14:30 Beijing Time.

The CAREC Institute will host the Second Climate Dialogue regarding the CAREC Climate Scoping Study in partnership with the Asian Development Bank on August 2, 2022. The purpose of the Scoping Study is to develop a cross-cutting, systematic and strategic approach by the CAREC Program to the climate agenda in the region.

The 2nd CAREC Institute Climate Dialogue is designed to share with the experts of regional organizations the outline of the Scoping Study and to seek their feedback and advice on study's purpose, focus and approach.

The main expected outcome of this dialogue is open interaction between the participants and collection of comprehensive feedback on the Scoping Study. In addition to experts from organizing bodies and development partners, the dialogue will bring together relevant experts and broader interested audience from across the CAREC region and beyond.

The First Climate Dialogue of the CAREC Institute was conducted on 19 July 2022. Materials of the First Climate Dialogue are available [HERE](#).

CAREC Institute Webinar “Debt and Financial Sustainability in the CAREC Region”

The CAREC Institute will hold a webinar on Debt and Financial Sustainability in the CAREC Region in August 2022, to discuss the comprehensive overview of the debt situation and fresh evidence on broad-based debt accumulation in the CAREC region by considering the individual countries' growth dynamics.

Experts from the World Bank, the ADB, the ADBI, the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center of the IMF, the CAREC Institute, and partner organizations will gather to discuss the key challenges related to debt management in the CAREC region and ways to resolve the debt crisis and achieving debt sustainability in the current post-COVID era.

Simultaneous English and Russian interpretations will be available.

Please follow the news of the webinar at www.carecinstitute.org.



CAREC Institute

The Central Asia Regional Economic Cooperation (CAREC) Institute is an intergovernmental organization dedicated to promoting the economic cooperation in the Central Asia and along the Silk Road through knowledge generation and sharing. The CAREC Institute is jointly shared, owned, and governed by eleven member countries.

The Institute acts as a knowledge connector among the five CAREC themes – economic and financial stability; trade, tourism, and economic corridors; infrastructure and economic connectivity; agriculture and water; human development – to ensure coherence in design and implementation of policies, programs, and projects to promote regional economic cooperation and integration.