

Event Highlights

The 4th CAREC Think Tanks Development Forum Xi'an, Shanxi 27—28 August 2019

On 27 and 28 August 2019, the 4th CAREC Think Tanks Development Forum (CTTDF) themed “Trading for Shared Prosperity” was organized by the CAREC Institute in cooperation with the Asian Development Bank (ADB)-the People’s Republic of China (PRC) Regional Knowledge Sharing Initiative (RKSI) and the International Economics and Finance Institute (IEFE), Ministry of Finance, PRC, in Xi’an. Around 130 participants attended the forum comprising ADB Vice President Mr. Shixin Chen; Deputy Director General Mr. Weihua Liu, Ministry of Finance, PRC; Shaanxi Province Deputy Governor Mr. Datong Xu; deputy ministers of CAREC counties; other government officials; directors of international organizations; researchers from CAREC countries; and other regional experts. The 4th CTTDF identifies and discusses main challenges to trade within the region, among which are economic implications of the burgeoning trade conflicts among major global trading partners.

The CTTDF is organized annually under the auspices of the CAREC Think Tanks Network (CTTN) to exchange views and knowledge on evolving regional and global policy challenges. The CTTN promotes the regional economic cooperation by enhancing systemic regional knowledge sharing and integration; fostering policy research and knowledge solutions to support governments; enabling better policy advice; reducing gaps between research and policy; and enhancing collective intelligence to consolidate development resources for effective cooperation, better services, and improved performance.

Highlights

Below are key highlights of the forum:

- RKSI’s support was acknowledged. In the prelude to his opening remarks, Shixin Chen acknowledged the support of RKSI and emphasized its importance as a key south-south knowledge sharing platform of ADB. He then encouraged participants to contribute to the research and intellectual discourse of the CTTN, and to strengthen their partnerships to promote regional cooperation and trade.
- CTTDF as a high-quality knowledge sharing platform that supports regional cooperation should be strengthened. Besides advocating free trade as a win-win strategy for sharing prosperity, Weihua Liu, hoped CTTDF could become a high-quality knowledge sharing platform that promotes regional cooperation, One Belt One Road initiatives, and even be expanded to become a Davos or Boao-like forum.
- The CAREC region is not well integrated. Saeed Qadir found that the CAREC Regional Integration Index (CRII) in 2016 was only 0.37 compared to East Asia’s 0.60 and Southeast Asia’s 0.59. (The index ranges from 0 meaning no integration to 1, complete integration). This reflected challenges the region faced, but also potentials for closer integration on various fronts. CRII is an index based on ADB’s Asia-Pacific Regional Integration Index. It uses 26 indicators to measure regional integration across six dimensions (i) trade and investment; (ii) money and finance; (iii) regional value chains; (iv) infrastructure and connectivity; (v) free movement of people; and (vi) institutional and social integration.

- Evidence from individual countries also found the same low level of integration, but the authors were optimistic that this represented untapped opportunities. Yaroslava Babych found CAREC countries were more integrated to the global value chain than the regional value chain reflecting their historical links with the Russia Federation, and for some, such as, Georgia, the tendency to focus more on Eastern Europe. Zehra Waheed found little agricultural trade between neighboring Kyrgyzstan and Pakistan due to factors such as lack of market information, interests in promoting regional trade, and high cost of doing business. Meanwhile, Rose Alieva found cross-border tourism between Uzbekistan and Kyrgyzstan to be limited, but could be expanded if border posts were upgraded, passport registration time for visitors to Kyrgyzstan could be shortened from the current average of two days, and better roads were built.
- A Growth Triangle concept could be adopted to enhance closer integration in the CAREC region. Tess Cruz del Rosario proposed a similar concept based ADB's Greater Mekong Subregion (GMS) and Brunei-Indonesia-Malaysia-Philippines (BIMP-EAGA) that has solved practical problems of regional integration among countries at different stages of economic development, even with different economic and social systems. These growth triangles could comprise different countries in the knowledge, transport and logistic, energy, financial, tourism, and regional value-chains in agricultural, livestock and garment sectors.
- The CAREC Integrated Trade Agenda (CITA) 2030 aims to assist CAREC members to integrate regionally and globally, and to enhance their growth potentials and improve their living standards. It is being implemented under a 3-year rolling program that covers increased market access through trade expansion; greater economic diversification through support for reforms and link to value chains; and stronger institutions for trade through better coordinated policies, evidence-based policy making, and enhanced capacity of governments.
- Cross-border economic corridors have emerged as an effective tool for deepening regional integration and promoting development and growth. Bahodir Ganiev presented the case for the region and provided an overview of ongoing efforts to develop Almaty-Bishkek economic corridor and Shymkent-Tashkent-Khujand economic corridor.
- E-commerce in the CAREC region remains in infancy but has a huge potential for growth. It remains highly heterogeneous due to different economic conditions, legal and institutional environment, and social acceptance. According to Tengfei Wang, to develop an e-commerce ecosystem, a holistic approach and concerted efforts by all stakeholders are necessary. And partnership with regional e-commerce platforms is key to make e-commerce inclusive.
- Pinduodu, one of the three largest e-commerce platform in the PRC, has reduced agricultural products' distribution layers from 6-8 to 1-2 levels, and in doing so, allows farmers to earn a larger share of economic benefits in the value chain, while consumers benefit from fresher and cheaper products. Victor Tseng shared the company's success in promoting agricultural products and alleviating poverty, that is underpinned by three key innovations: (i) team purchase, where by inviting other friends or consumers to buy the same product, a buyer can get a discount for everyone; (ii) ground network that helps farmers to easily upload their product information online; and (iii) Skynet, a central processing AI driven processing system that better match supply and demand.

- Impact of the US and the PRC trade conflicts has had a significant drag on the global economy. Both the US and the PRC economies have slowed, more so in the latter—the effects of which have reverberated across the globe. Global value chains have been disrupted hurting most countries but benefitting a few like Viet Nam and Malaysia. According to Masahiro Kawai, this disruption might mean the end to PRC’s dominance as the world factory. To end the trade conflict, he argued that the US must return to multilateralism and global cooperation, the PRC must transform itself to a true market economy, the US and the PRC must manage their bilateral conflict, the World Trade Organization must be reformed, and Asia should deepen regional cooperation.

Next Steps

- Forum findings will be discussed at the National Focal Point meeting in Tashkent in September 2019, and at the Ministerial Meeting in November 2019. A forum report will be published soon after.
- The location and theme for the 5th forum in 2020 is being deliberated. Think tanks from Uzbekistan, Mongolia, and Pakistan indicated their interests to co-host next year’s event.

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