

Identifying Complementarities and Synergies between CAREC and CPEC for Regional Integration

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OUTLINE

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Introduction

- Central Asia Regional Economic Cooperation (CAREC) consist of;
 - 11 member countries
 - 6 multilateral institutions
 - Transport, Trade Facilitation, Trade Policy & Energy
- China-Pakistan Economic Corridor (CPEC) consist of;
 - 2 member countries
 - Flagship project of China's Belt and Road initiative
 - Transport, Gwadar Port, Industrial Cooperation & Energy

Introduction

Research Questions??

- Why do we need regional integration in CAREC region?
- How does CPEC can compliment CAREC?
- What are the opportunities offered by aligning the CAREC and CPEC

Introduction

Objectives of the Study:

- To explore complementarities and synergies between CAREC and CPEC.
- To analyze Intra-Regional Trade and Trade Facilitation (a measure of regional integration) in CAREC region & their comparison with other regional cooperation framework e.g. ASEAN, EU, SAARC, & GCC etc.
- To analyze the importance of maritime connectivity for CAREC economies.

Literature Review

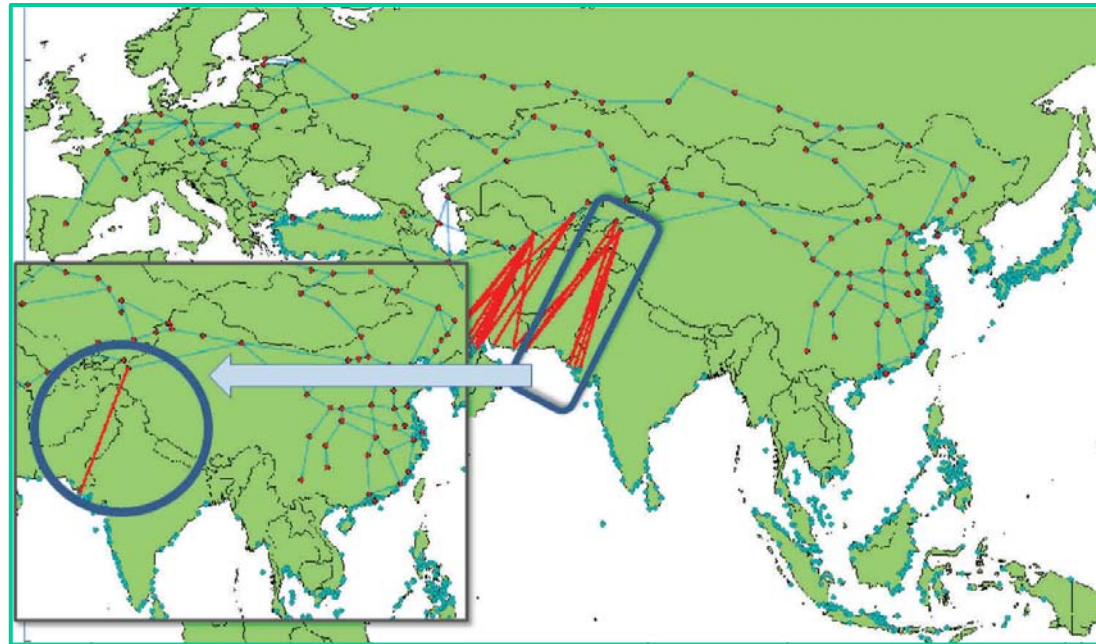
- Review of CAREC and CPEC operational strategies & Institutional Framework.
- In today's world more than 80% of international shipments are done through sea routes (UN, 2012: Ch. 2) but the mostly CAREC member countries lacks the facility of having direct access to seaport and needs to pay higher prices on imports and exports.
- The results of comparative analysis of trade transportation cost between overland and by sea route also predicted that the cost of transport per 1,000 km reached to \$1,380 through overland road but it is just \$190 through maritime transport route (N. Limao and A. J. Venables)

Literature Review

- The estimations of the gravity model shows that if all other things kept constant, a country which lacks direct access to sea reduces its imports and exports by 22% and 34% less as compare to coastal country (C. Grigoriou 2007)
- Regression results by using data of 63 major importers and exporters of the world which represents 93% of the world trade volume shows that if a country improves 1 point in its overall LPI score then this would increase its trade by 16 percent (Shepherd forthcoming 2018)

Literature Review

- For Testing Maritime Connectivity flow of about 600,000 vessels in different routes of 2,378 maritime ports of Maritime Silk Road have been simulated.
- For Testing Railway Connectivity 234 railway networks of first and second Eurasia land Bridges have been simulated.
- CPEC corridor has been found the most efficient route between all the tested railway and maritime networks connection.()



Source: Lee, Hu, and Lee (2016)

Methodology

Secondary Data:

- Content analysis of official reports, maps and review of journal papers
- Utilize national & international trade data of Pakistan Bureau of Statistics, ITC and COMTRADE etc.

Primary Data:

- Field observations, in-depth interviews with Governmental officials and local domain experts of CAREC

Results & Discussion

Synergies between CAREC & CPEC

CAREC Operational Clusters

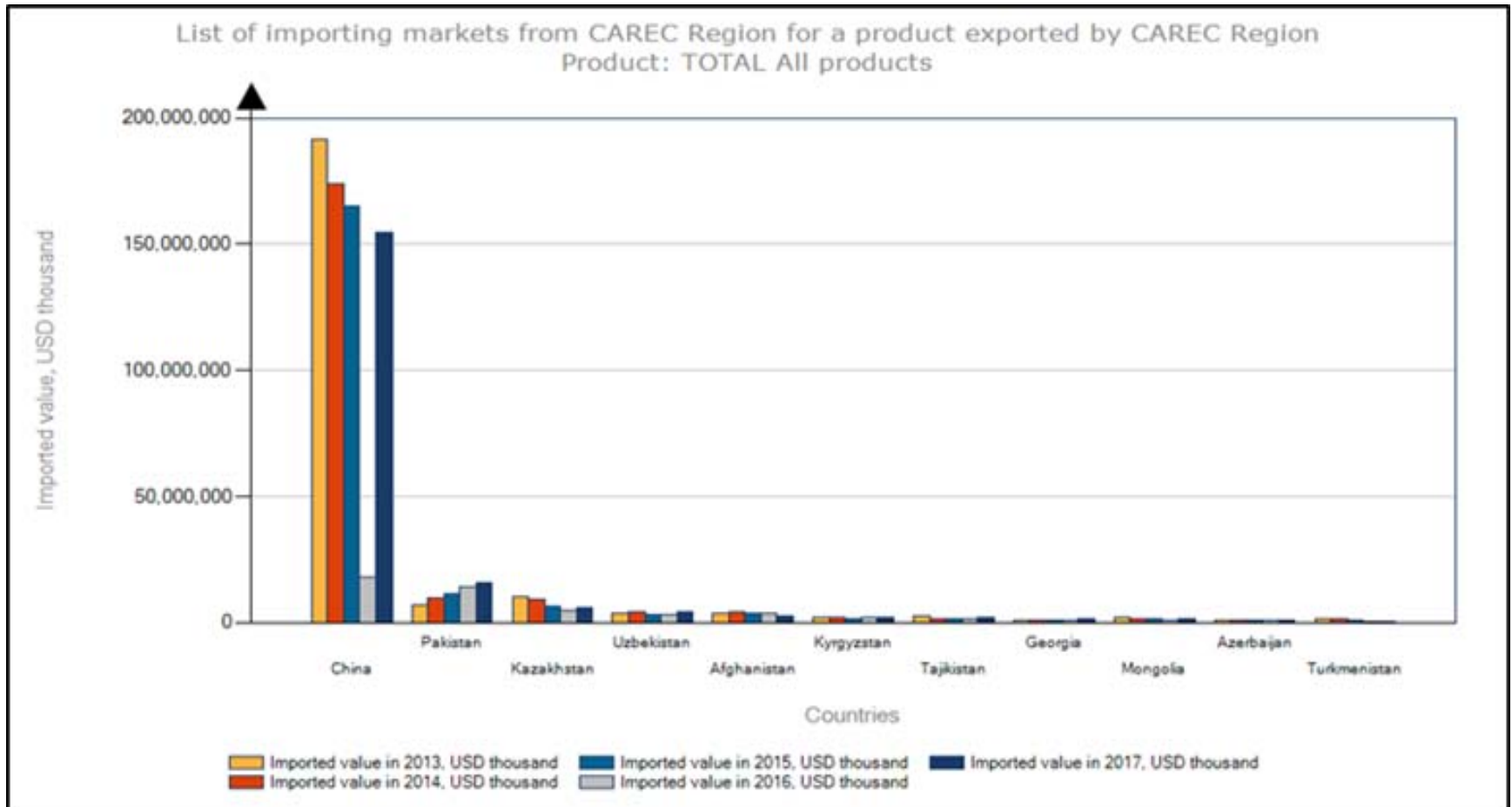
- ❖ Economic and Financial Stability
- ❖ Trade, Tourism, and Economic Corridors
- ❖ Infrastructure and Economic Connectivity
- ❖ Agriculture and Water
- ❖ Human Development

CPEC Operational Clusters

- ❖ Connectivity
- ❖ Energy
- ❖ Trade and Industries
- ❖ Agricultural Development and Poverty Alleviation
- ❖ Tourism
- ❖ People's Livelihood and Non-governmental Exchanges
- ❖ Financial Cooperation

Results & Discussion

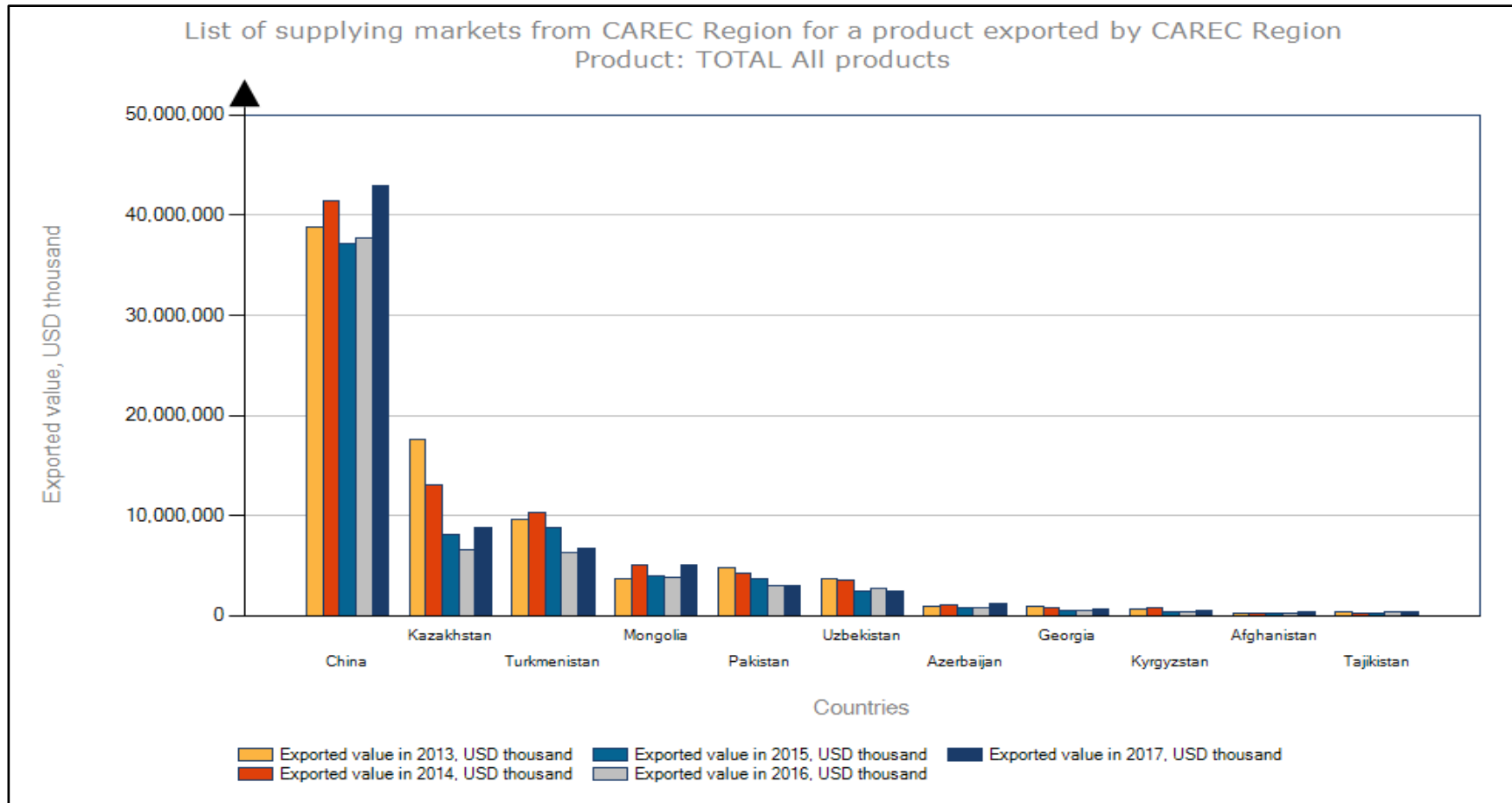
Intra-Regional Trade in CAREC region



Source: ITC. Author's calculations

Results & Discussion

Intra-Regional Trade in CAREC region



Source: ITC. Author's calculations

Results & Discussion

Comparative Analysis of Intra-Regional Trade in different Regional Cooperation

- The intra-regional trade in CAREC Region is very low as less than 2.86% which is \$114 billion out of their total \$3.9 trillion trade
- Mostly landlocked (8 out of 11 member countries) nature of CAREC countries.

Intra-Regional trade comparison between different regional cooperation's	
	Total Intra-Regional trade (%)
CAREC	2.93
SAARC	5.8
GCC	8
ASEAN	23
EU- 27	61

Source: UN COMTRADE, Author's calculations

Results & Discussion

Comparative Analysis of Trade Facilitation in different Regional Cooperation

- CAREC region has the lowest Logistics Performance Index score (measure of trade facilitation) of 2.54 as compare to other neighboring regions i.e. EU(3.52), ASEAN (3.02) and Middle East (2.93) etc.

Aggregated average of overall LPI scores in CAREC region vis-à-vis other regions	
CAREC	2.54
CAREC excluding China	2.43
SAARC	2.51
Middle East	2.93
ASEAN	3.02
EU- 27	3.52

Source: World Bank 2018, Author's calculations

Results & Discussion

Trading Across Border in CAREC region

Trading Across Border through CAREC and CPEC Regions

CAREC Countries	Trading Across Borders rank (2016)	Time to Export (days)	Cost to Export (USD)	Time to Import (days)	Cost to Import (USD)
Afghanistan	175	11.5	797	17.5	1650
Azerbaijan	83	2.58	514	2.83	500
China	97	1.96	568.7	6.58	915.9
Georgia	62	2.08	418	0.71	585
Kazakhstan	123	10.87	894	0.33	0
Kyrgyz Republic	84	1.71	590	4.5	712
Mongolia	110	9.58	255	6.79	293
Pakistan	171	5.42	663	11.34	1671.6
Tajikistan	149	5.87	1435	9.71	483
Uzbekistan	168	11.92	570	11.87	570
CAREC Region	122.2	6.35	670.47	7.22	738.05
CPEC Region	134	3.69	615.85	8.96	1293.75

No Ranking available for Turkmenistan, Lower Ranks signifies better trading across border

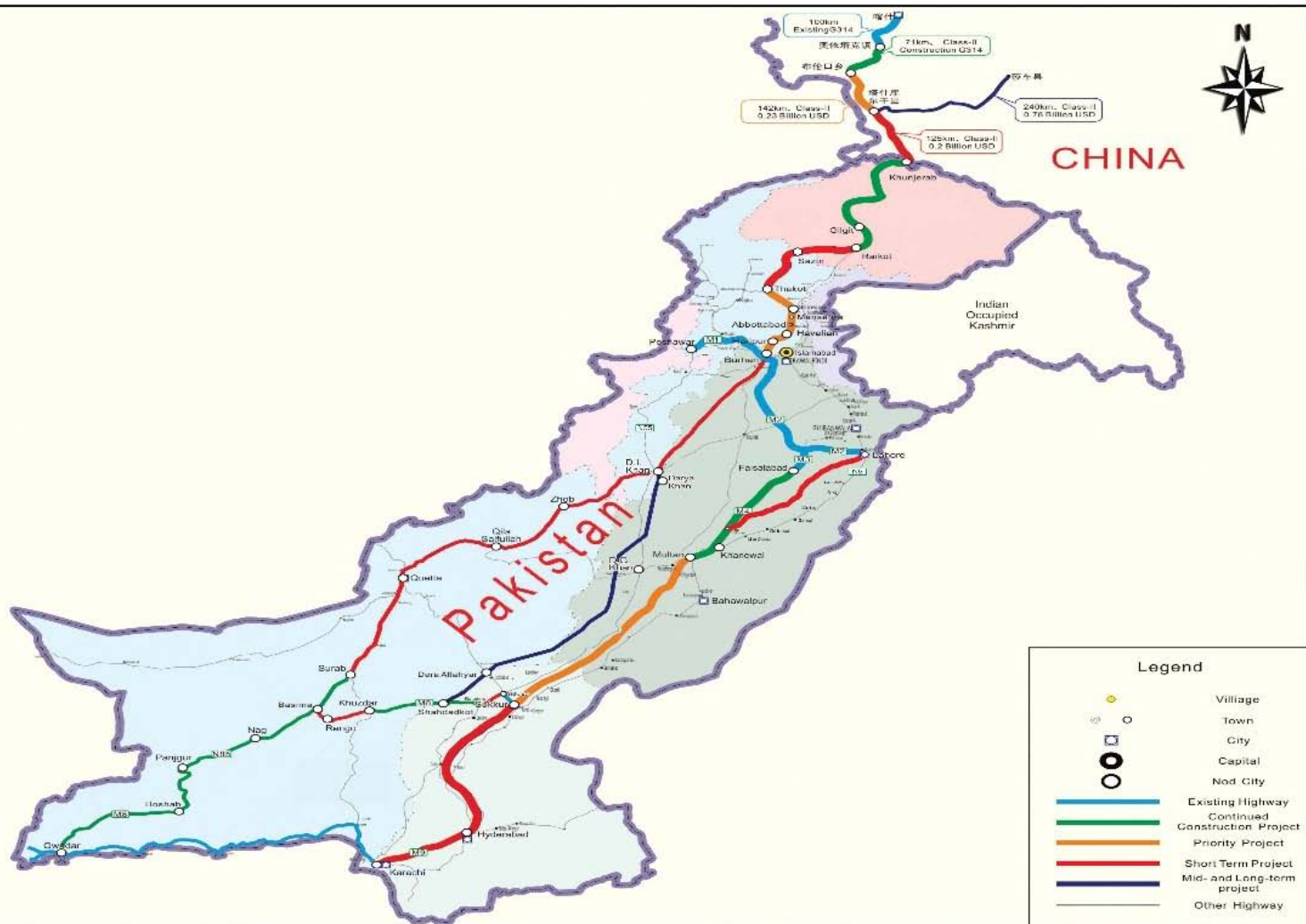
Source: World Bank. Author's calculations

Results & Discussion

Why do we need regional integration in CAREC region?

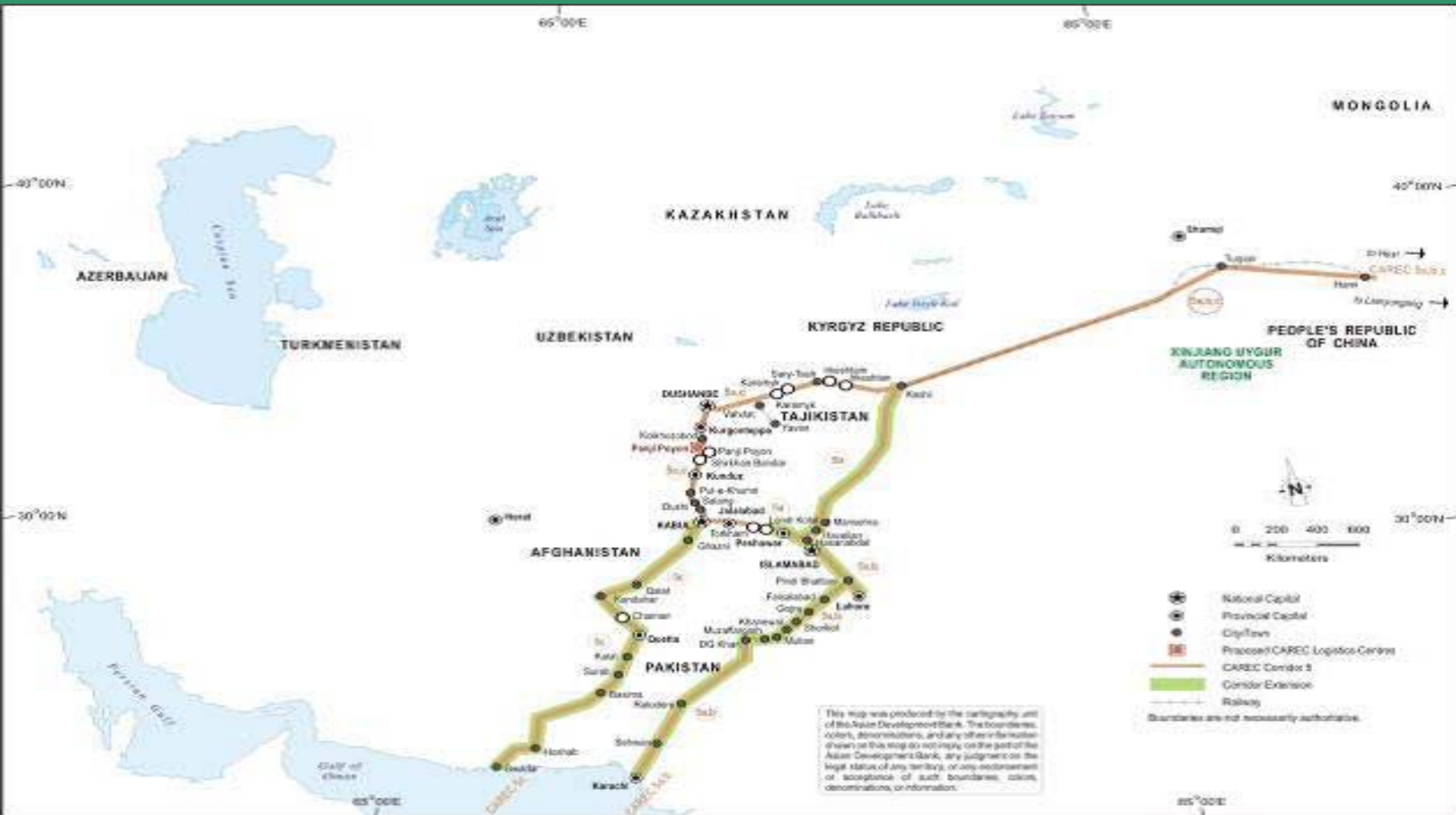
- Lack of Intra-Regional Trade and Trade Facilitation
- Mostly landlocked nature of CAREC member countries
- Inadequate connectivity infrastructure
- Lack of direct access to maritime trade
- Barriers to Trade in CAREC region
- Different sizes of the CAREC economies

Results & Discussion



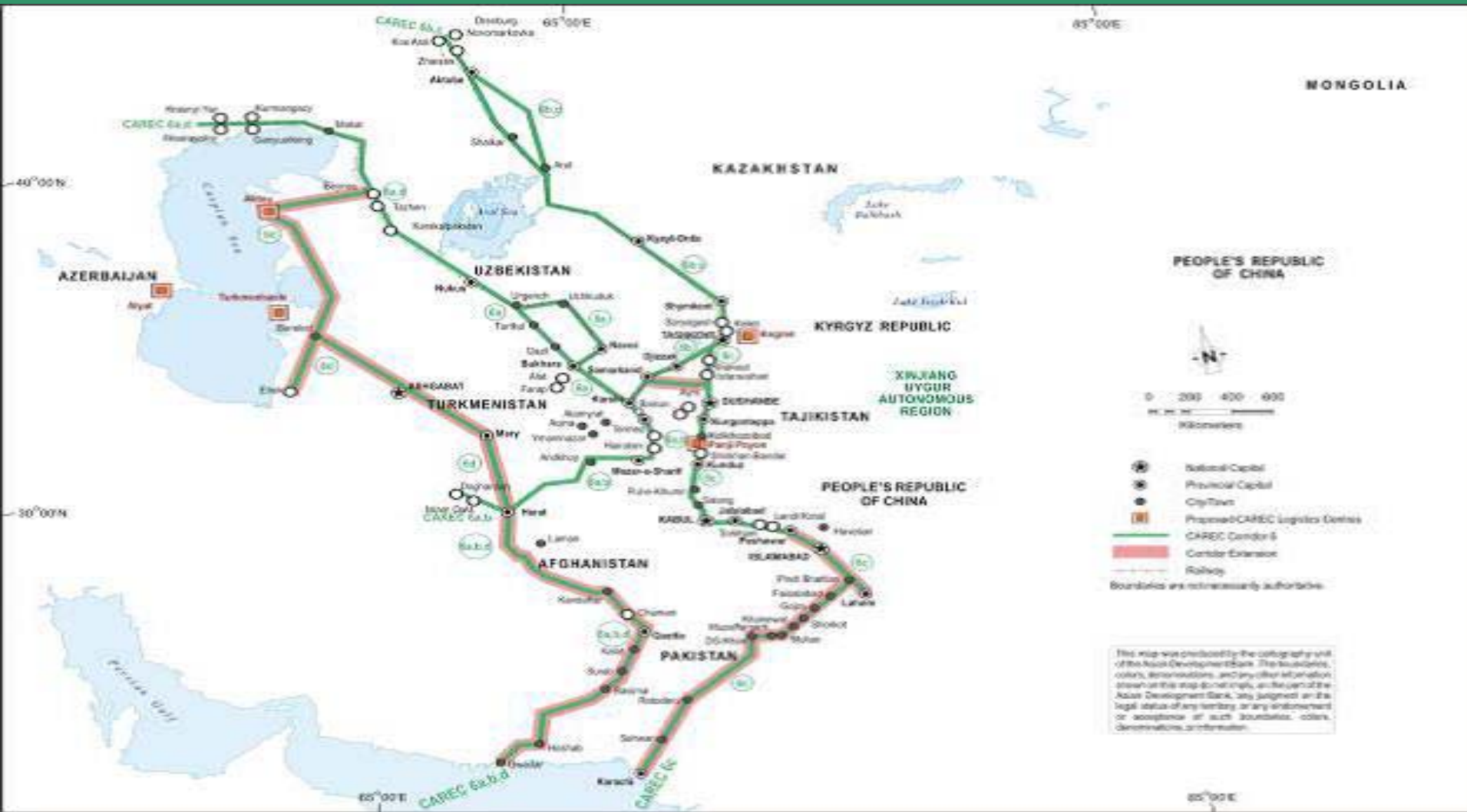
CPEC Corridor

Results & Discussion



CAREC Corridor 5

Results & Discussion



CAREC Corridor 6

Results & Discussion

Complementarities between CAREC & CPEC:

- CPEC can compliment CAREC by providing most efficient trade route to access Sea
- Improve carbon footprint of the region
- China is driving force for the both corridors
- Advantageous geographical location of Gwadar for international trade of energy
- Revenue generation through transshipment trade fee
- Around 800 km Gwadar coastline available for value-added export industries

Conclusion & Way Forward

- Lack of intra-regional trade and trade facilitation in CAREC region
- Development of corridors is an essential approach to enhance trade and regional cooperation
- Improve trade & social integration
- Integrated custom system for CAREC region
- Regional level Agreements for reducing tariff, non-tariff barriers & unofficial payment
- Collaboration b/w CAREC & CPEC will create win-win situation for both region

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Thank You!