

Presentation on CAREC Study: Diversifying Trade Flows and Transport and Transit Routes in CAREC Region

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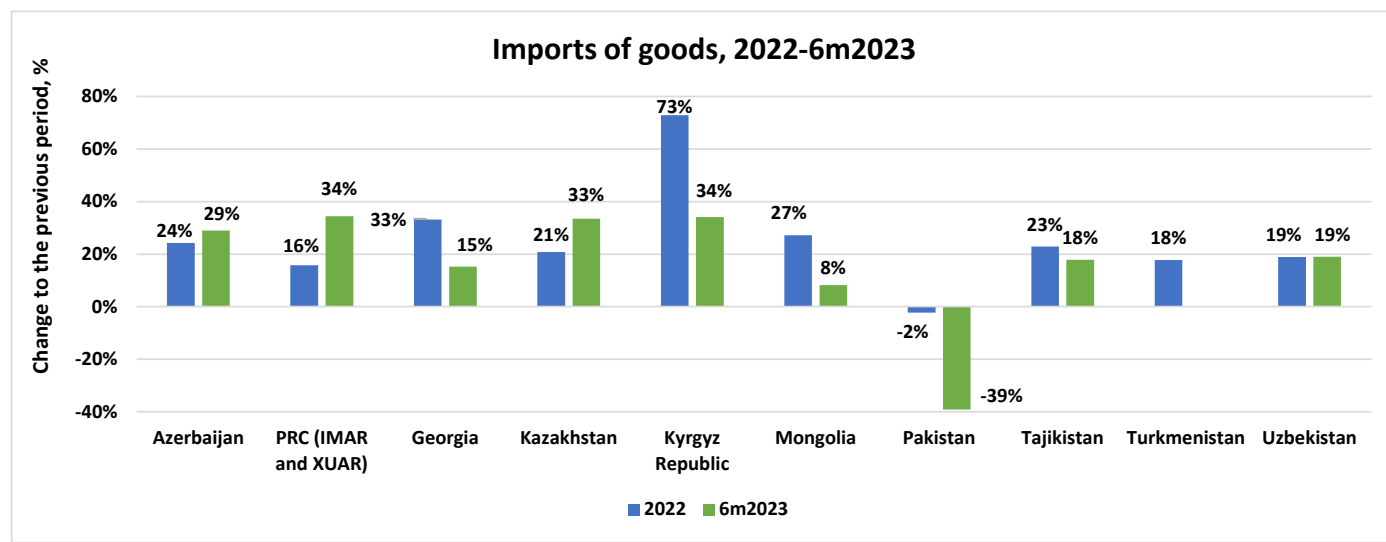
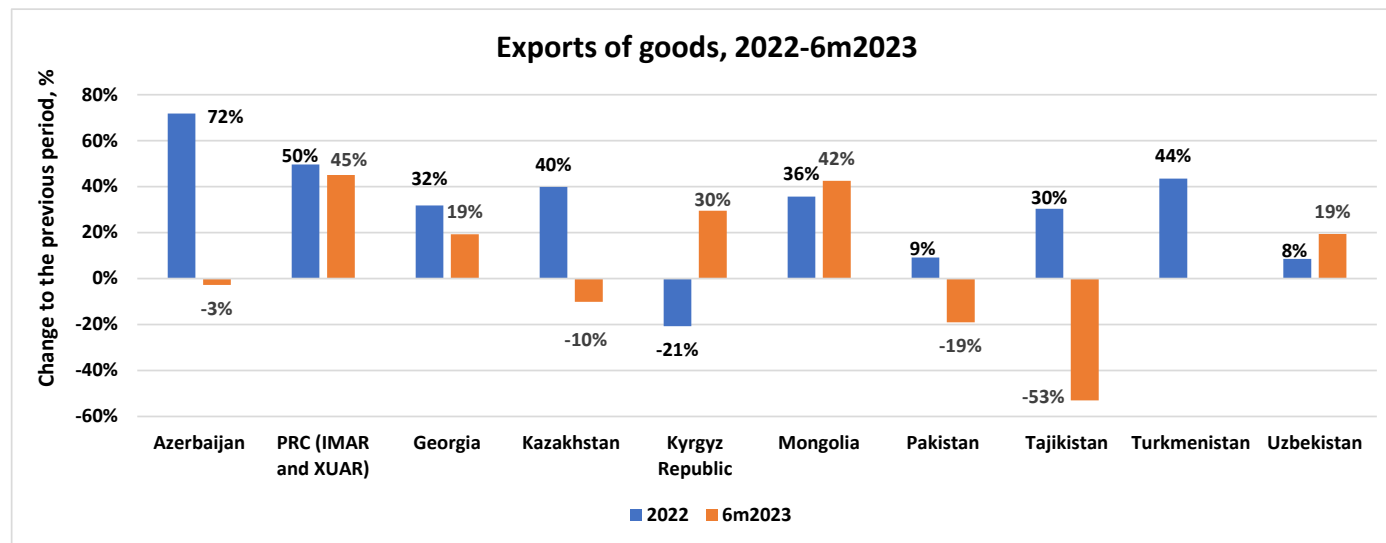
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Increase in Trade in Goods and Services due to Energy Prices...

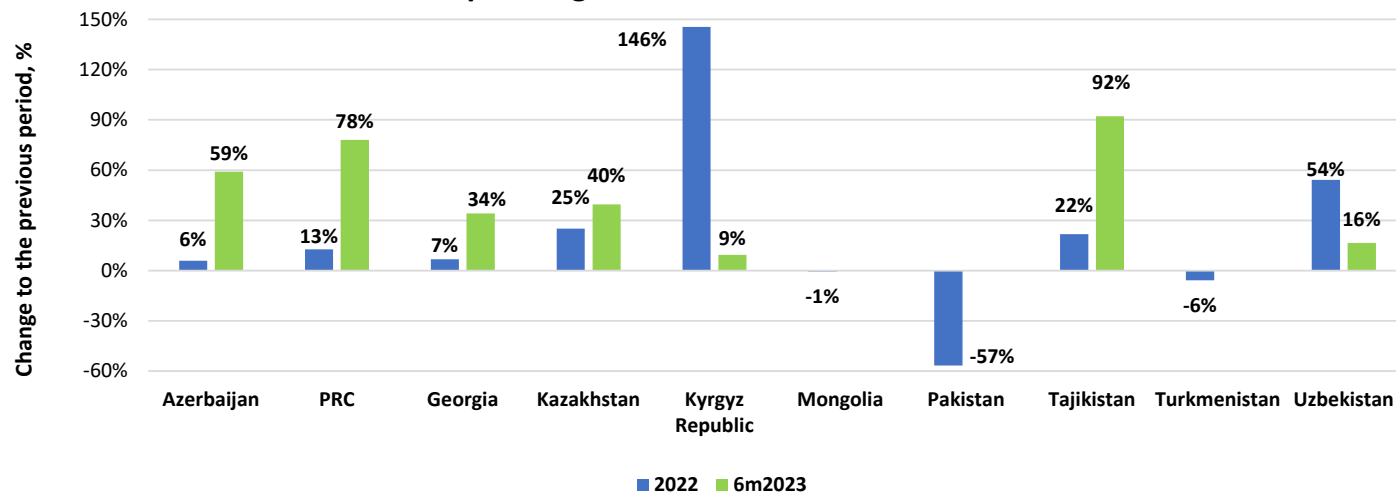
- In 2022, many economies of the region have recorded all-time high values of merchandise and service exports and imports
- The growth mostly continues in 2023
- Dramatic increase in energy trade driven by growth in international prices (64% increase in 2022) followed by 36% decline in the first half of 2023



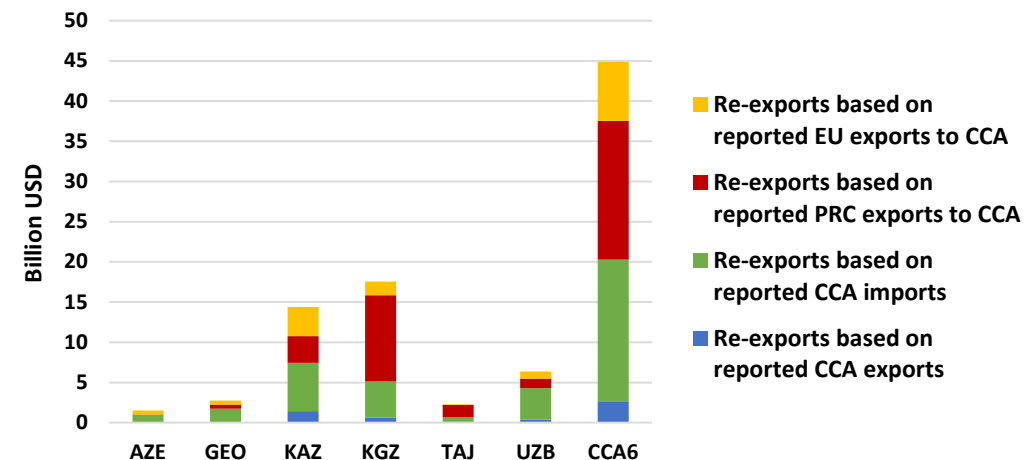
...and exports to the Russian Federation

- Major increase in exports to and imports (mostly energy) from Russia
- Growth in exports due to voluntary departure of international companies from the Russian market and sanctions
- Decomposition of exports to Russia: export creation, export destruction, and re-exports

Export of goods to Russia, 2022-6m2023



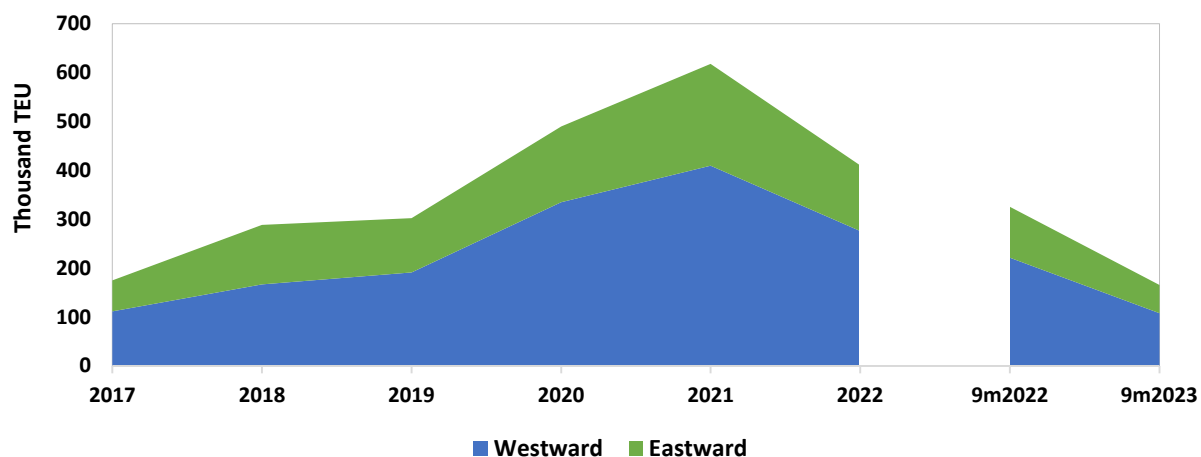
Re-exports to Russia, 2022-6m2023



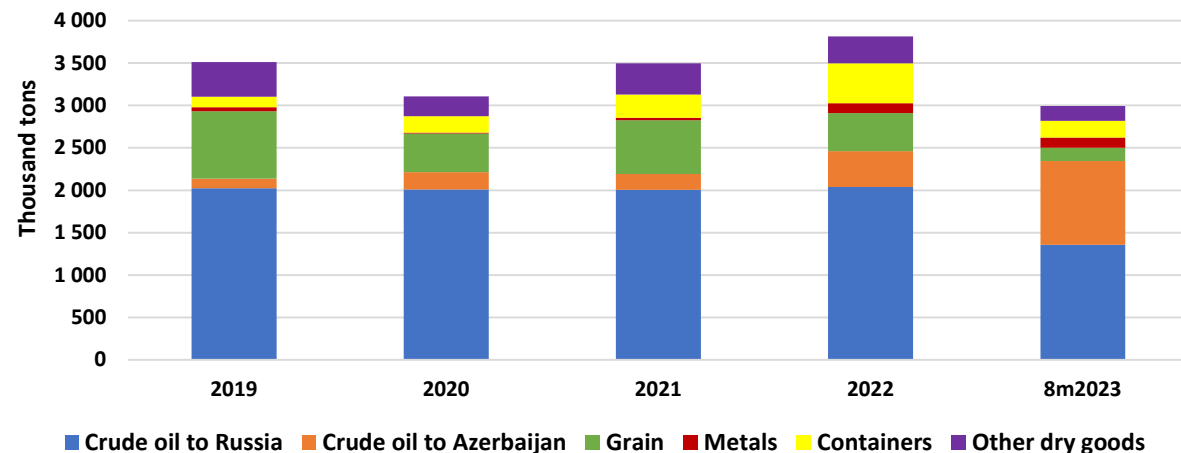
Transit routes revisited

- The war and sanctions created multiple risks for CCA transit routes via Russia
- Two types of transit: (i) from PRC to Europe and (ii) from CCA to Europe and elsewhere
- Robust alternative for the former type of transit; much fewer alternatives for the latter
- Middle Corridor development as a critical resilience mechanism
- Large share of re-exports to Russia is channeled through the Middle Corridor (MC)

CRE traffic via the Northern Corridor



Freight Turnover of Aktau Port (2019–8 months 2023)



Middle Corridor challenges and opportunities

- Challenges for MC:
 - institutional and technical complexity – many borders, multimodality, etc.
 - hard and soft infrastructure issues,
 - logistics – costs, competitive environment, timeliness, traceability, etc.
 - climate change (declining Caspian sea level) and elevated carbon emissions
- Key takeaways:
 - MC is strategically important
 - focus on the CCA's own trade in non-energy goods with partners on the west
 - trade costs to determine the demand for MC services
 - converting MC (and all new CAREC corridors) into economic corridors
 - need in MC development strategy

Summary

- Dramatic growth of CAREC economies' foreign trade in 2022 – first half of 2023 despite external shocks and some supply chain disruptions
- The shocks created (short-term?) trade opportunities for the economies in the Caucasus and Central Asia
- However, long-term growth fundamentals—the ability to access foreign markets, access to advanced technologies, jobs for labor migrants etc.—have been questioned
- Development of alternative options and especially the Middle Corridor for transit of CCA's critical exports and imports is a strategic priority
- The need to lower the costs of using the Middle Corridor through better infrastructure, trade facilitation, logistics, climate-smart solutions, and institutional development

Questions for discussion

For CAREC Country Delegations

- What measures does your government consider as priority measures for diversification of transport and transit routes and corridors, including the Middle Corridor?
- How can regional cooperation be best organized to facilitate the corridor development? How do you see the role for the CAREC program?
- How can synergies be achieved with other coordination mechanisms in the region such as the Belt and Road Initiative, TRACECA, and others?

For Development Partners

- What financial and other resources are needed to address the trade diversification, the development of the Middle Corridor and other routes, and how do you see coordination of these activities?
- What are the trade facilitation and institutional development priorities for the region? How could your organization contribute to easing out the flows of goods and services in the region?

For Trans-Caspian International Transport Route Association

- How can the major infrastructure companies and transport operators, the members of your Association, best contribute to addressing the existing logistical bottlenecks along the Middle Corridor?
- Based on your Association's unique experience, how can the Middle Corridor development work be best coordinated, institutionalized, and prioritized?

For Private Sector Representatives

- From your experience, what measures are required to improve the situation and maintain a healthy competitive environment along the routes?
- What support does private sector need for providing quality and affordable logistical services along the corridors?