



Study on Trade Flows and Transport Routes in the CAREC Region amid External Shocks

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Senior Officials' Meeting
30-31 May 2024
Astana, Kazakhstan

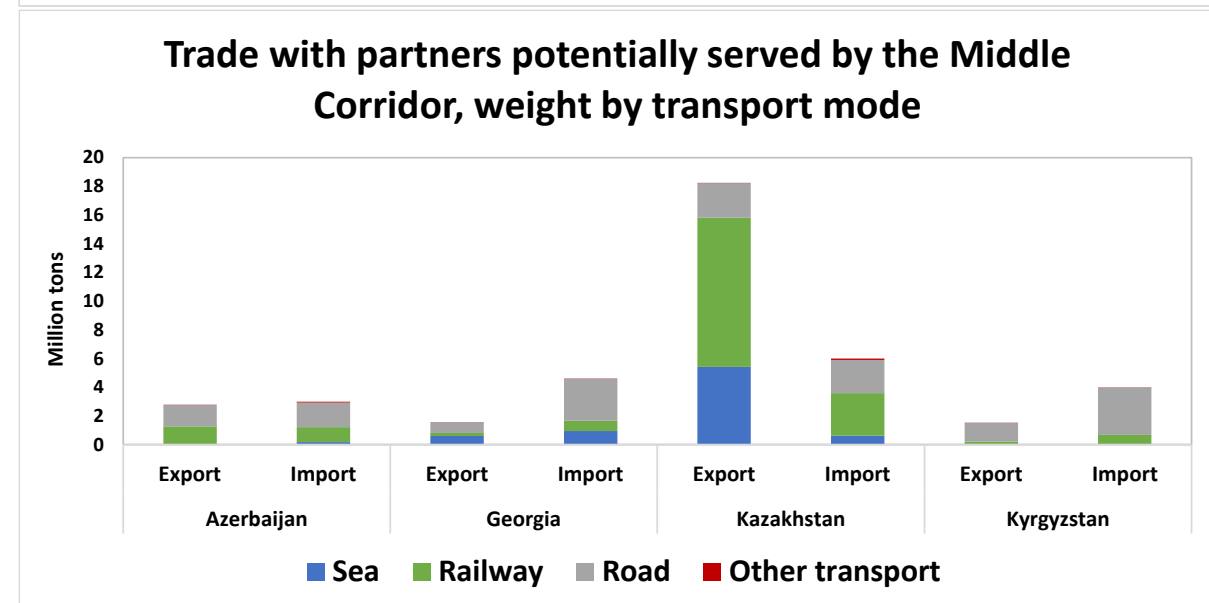
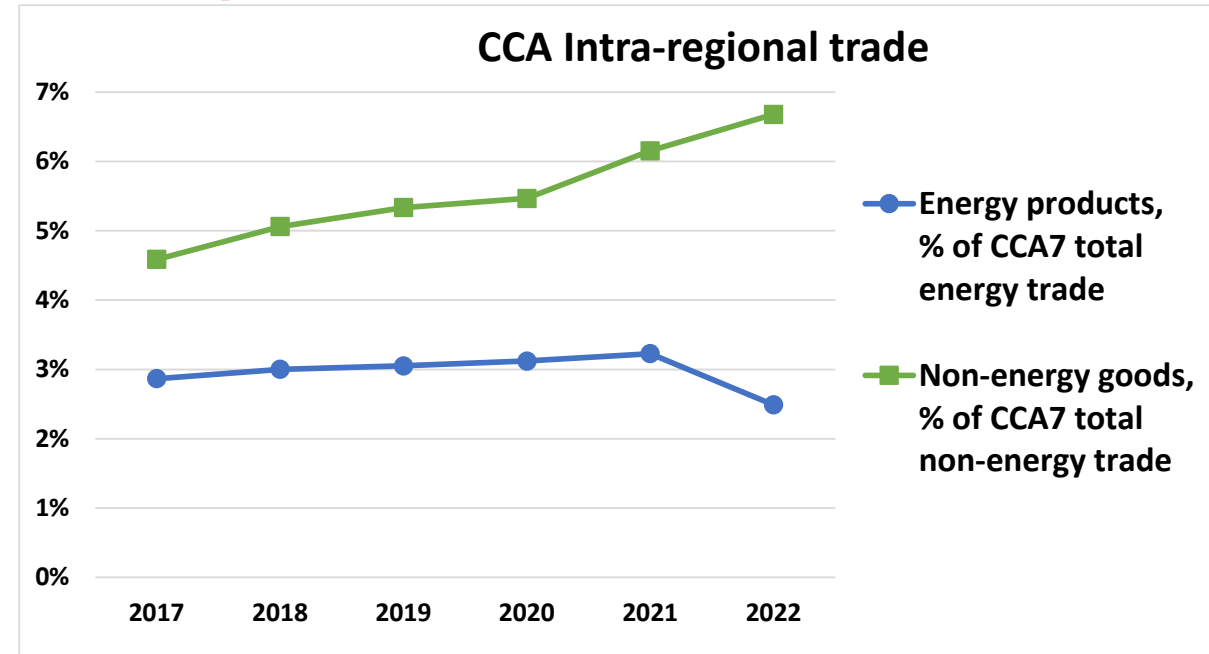
Status Update

- Previous draft of this paper was presented at the Ministerial Conference, November 2023
- The paper was updated and focused on analysis of trade along the CAREC Corridor 2/Middle Corridor (MC), to be published soon
- It contributes to the ongoing discussion on the Middle Corridor (EBRD, World Bank, OECD, ADBI)
- Key findings of the previous studies:
 - ✓ MC is going to serve mostly the trade flows originating from/intended for CCA
 - ✓ Transportation costs and times for shipments via the MC are high
 - ✓ Major improvements in trade facilitation and logistics as well as large infrastructure investments are necessary for the MC development
 - ✓ Regional cooperation is key for MC development



Key Findings of this Study

- For CCA, MC is the only alternative to the existing east-west route
- MC to serve mostly growing regional traffic; could also contribute to PRC-Europe transit
- Road transport is important for the regional traffic – an integral MC part
- Transportation tariffs affected by:
 - ✓ asymmetry of trade flows
 - ✓ low price-to-weight ratios
 - ✓ competition with other corridors
 - ✓ many SMEs among corridor users
- Acute need in **reducing trade costs through better logistics and trade facilitation** which is a pre-condition for massive infrastructure investments





Policy Implications of the Study

- The acute need in diversification of trade partners and transport/transit routes
- CAREC Corridor 2 (MC) as a robust alternative to existing routes for regional trade flows
- The corridor needs to be considered and developed as economic corridor
- Reduction of broadly understood trade costs through better logistics and trade facilitation is key to the corridor development
- Strengthening regional cooperation for the development of cross-border infrastructure, logistics, human resources, production quality assurance systems, etc.
- Well-coordinated CAREC Corridor 2 development strategy is needed

Next Steps

- Operationalize the MC development and support shaping the relevant project pipeline
- ADB launched a small-scale technical assistance on the CAREC Corridor 2/MC Development Strategy
- Draft strategy to be submitted for consideration at the Ministerial Conference, November 2024