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Regional Cooperation and Integration Policy Open Dialogue Webinar
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Advancing Economic Diversification in CAREC Countries through Services Sector Development

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Outline

- Key messages from the ADB report
- Economic structure of the CAREC countries
- Key services subsectors for economic diversification in CAREC countries
- Creating an enabling environment for the development of the services sector in CAREC countries
- Conclusions



Key Messages from ADB Report

- Manufacturing is underdeveloped in most CAREC countries, while the services sector is underdeveloped in all CAREC countries
- CAREC countries' merchandise exports are highly concentrated in terms of commodity composition and/or geographic distribution
- As evidenced by international experience, the services sector can be an engine of economic diversification



Key Messages from ADB Report (Continued)

- A number of services subsectors are critical to economic diversification in CAREC countries
- CAREC countries need to adopt a coherent and comprehensive approach to the balanced development of these interrelated services sectors
- The approach should cover all key elements of the enabling environment for the robust development of the services sector



CAREC and OECD Countries—Share of Selected Sectors in GDP at Current Prices, 2020 (%)

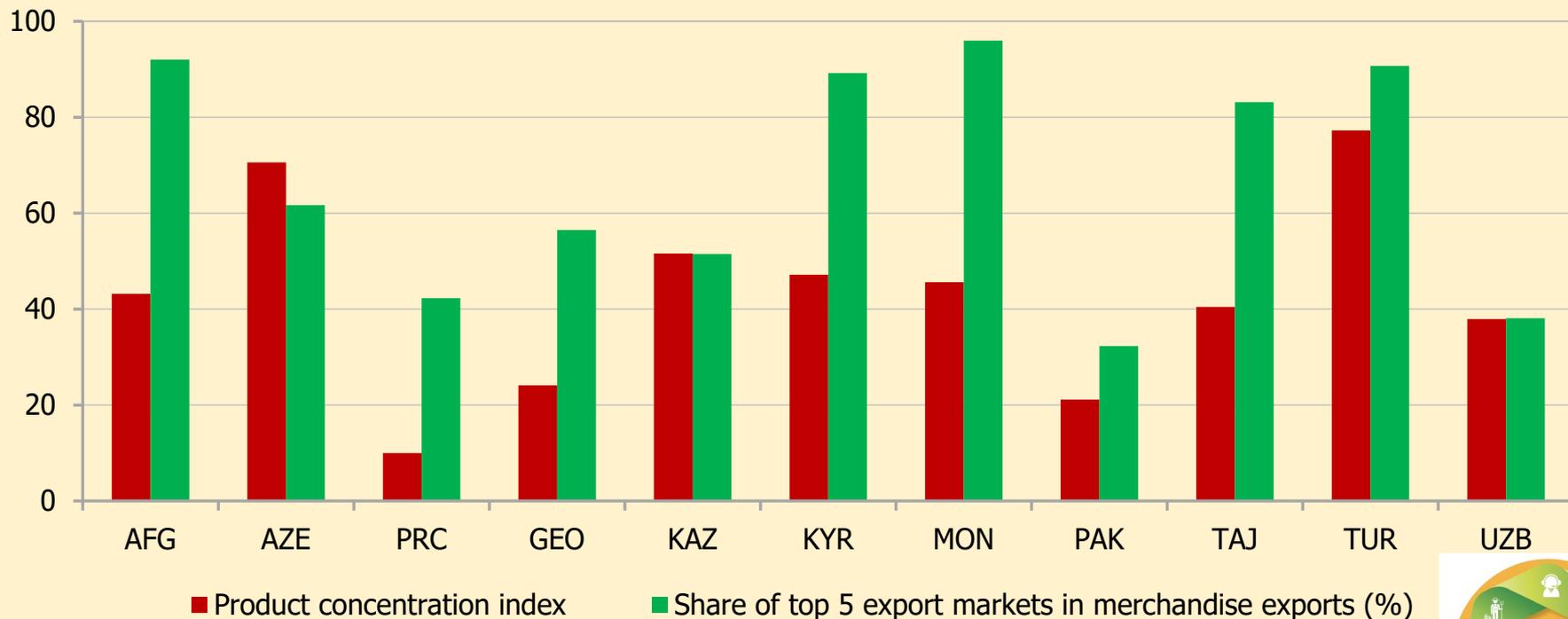
| | AFG | AZE | PRC | GEO | KAZ | KGZ | MON | PAK | TAJ | TKM | UZB | OECD |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|------------|-------------------|
| Agriculture ^a | 27.0 | 6.9 | 7.6 | 7.4 | 5.3 | 13.5 | 12.1 | 22.7 | 23.8 | 10.8 ^d | 26.1 | 1.4 ^d |
| Manufacturing ^b | 6.0 | 5.8 | 26.2 | 9.5 | 12.7 | 17.0 | 10.7 | 11.6 | 13.4 ^d | n.a. | 20.1 | 12.8 ^d |
| Services ^c | 56.1 | 42.5 | 54.5 | 58.6 | 55.8 | 49.6 | 40.0 | 52.8 | 35.3 | 47.2 ^d | 33.5 | 70.1 ^d |

^a Includes forestry and fishing. ^b Includes manufacture of basic metals, which makes up substantial proportions of gross value added created by manufacturing in Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. ^c Corresponds to Sections G-Q of the ISIC, Revision 3. ^d Data is for 2019.

Source: World Bank.



CAREC Countries—Product Concentration Index for Exports and Share of Top 5 Markets in Merchandise Exports, 2020

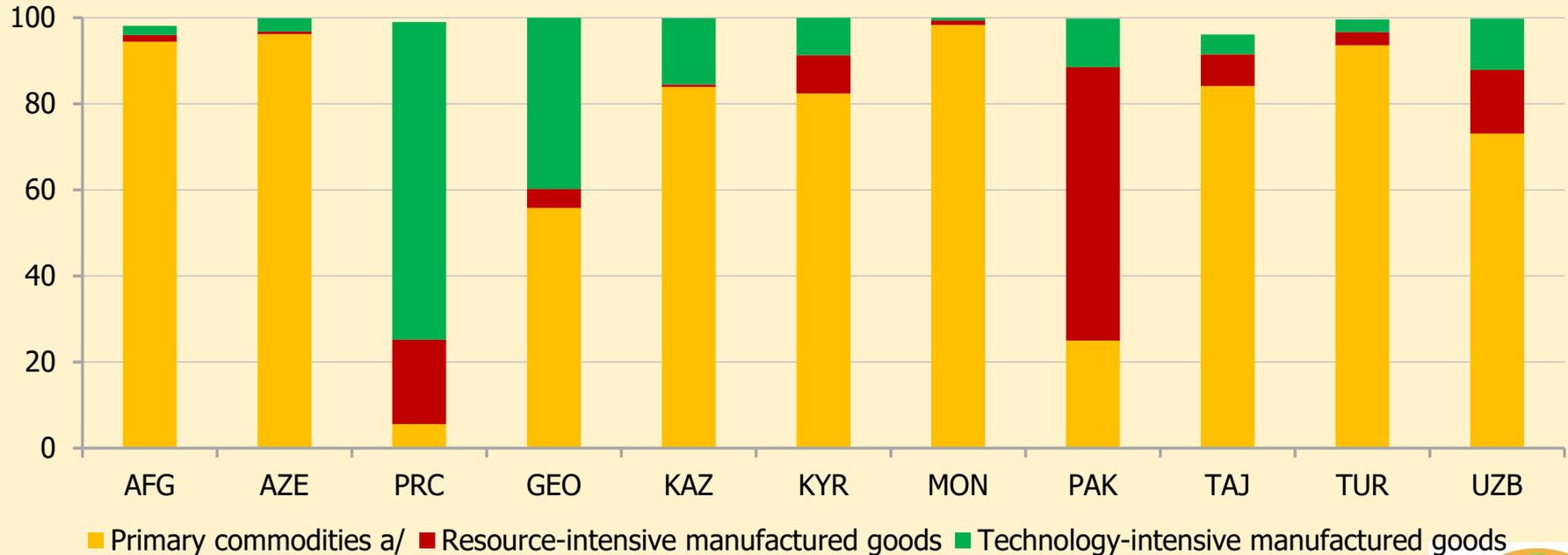


Note: The product concentration index ranges from 0 to 100, with a greater number corresponding to a higher level of product concentration.

Source: International Monetary Fund and United Nations Conference on Trade and Development.



CAREC Countries—Composition of Merchandise Exports by Product Groups, 2020 (%)



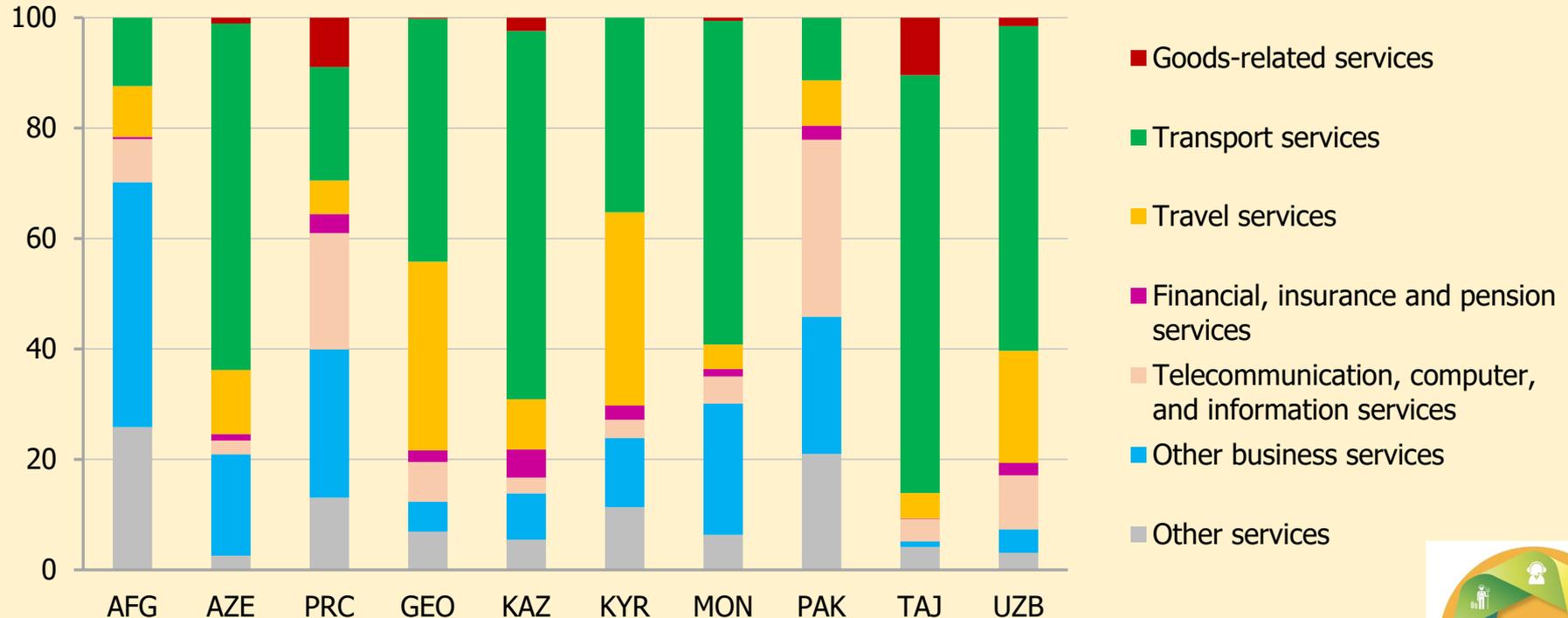
a/ Includes precious stones and non-monetary gold.

Note: For CAREC some countries, the sum of the shares of the product groups included in the chart does not add up to 100% because some goods are not included in any of these groups.

Source: United Nations Conference on Trade and Development.



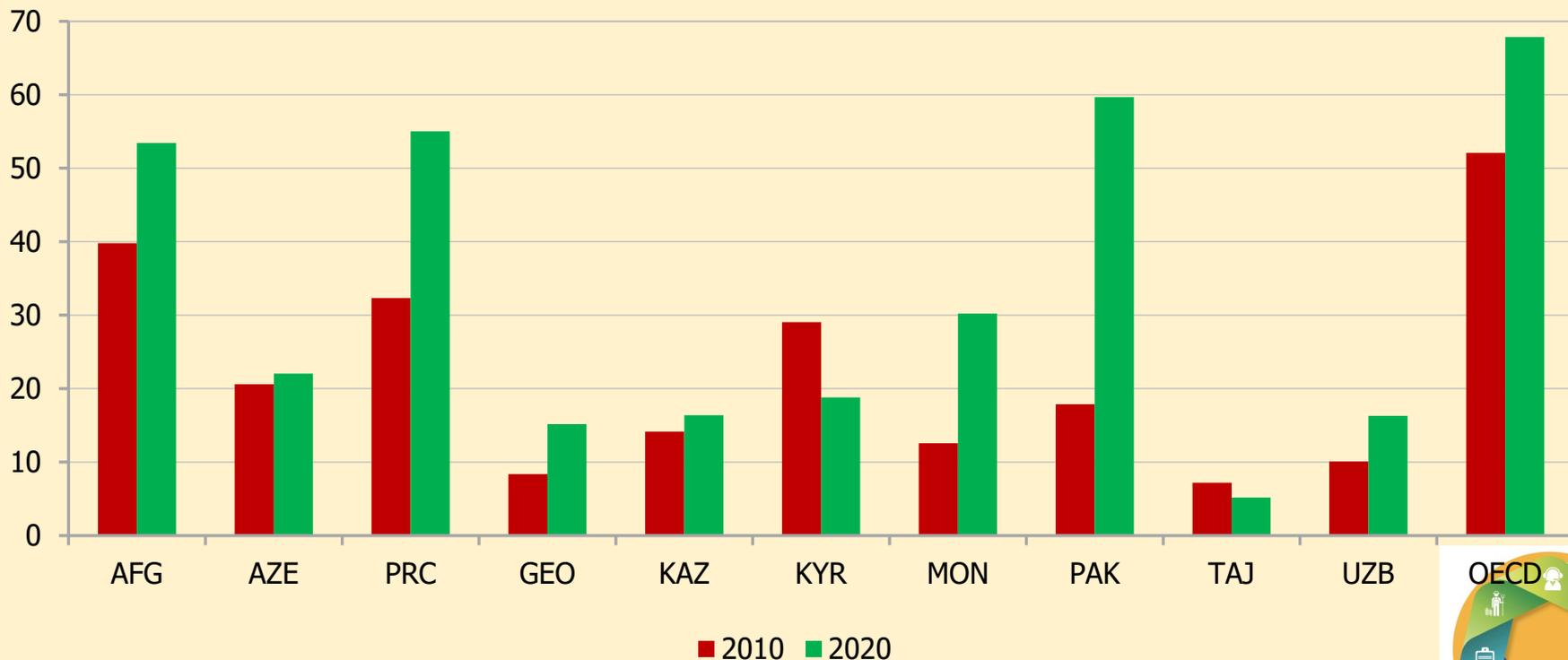
CAREC Countries—Composition of Exports of Services, 2020 (%)



Source: United Nations Conference on Trade and Development.



CAREC and OECD Countries—Share of Digitally Deliverable Services in Exports of Services, 2010 and 2020 (%)



Source: United Nations Conference on Trade and Development.

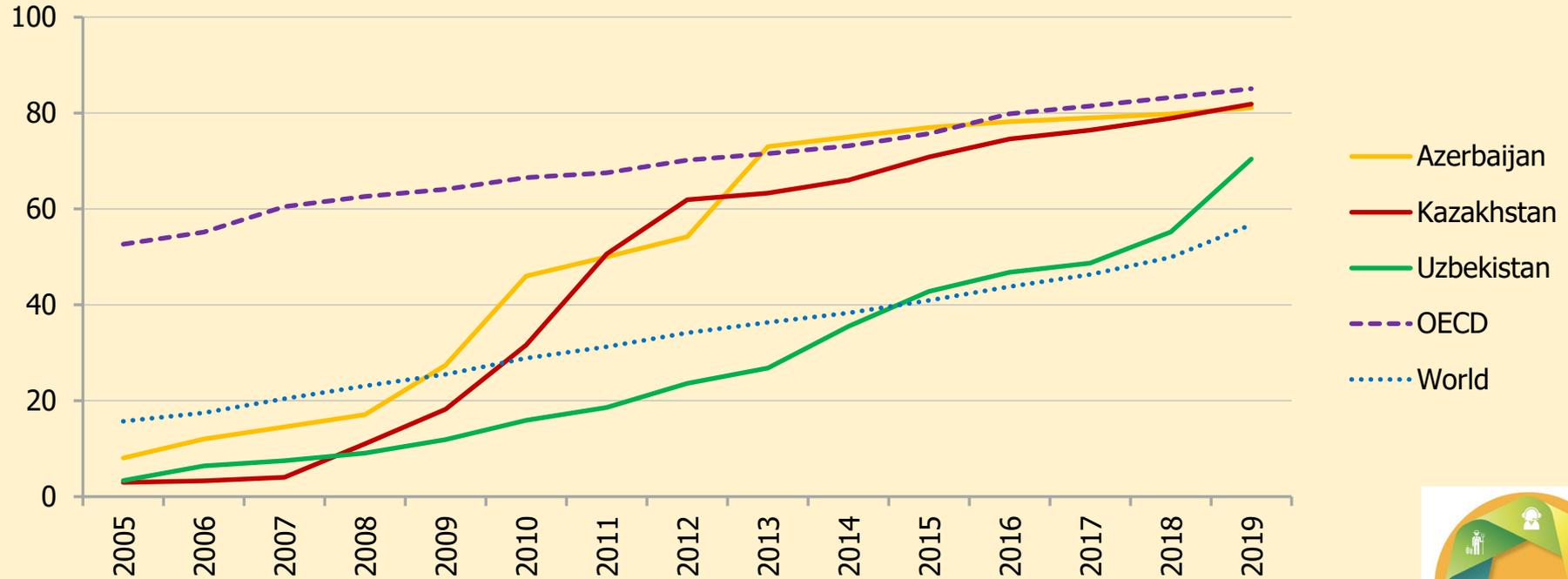


Key Services Subsectors for Economic Diversification in CAREC Countries

- Telecommunication and information services
- Financial services
- Education, research and development services
- Tourism-related services
- Freight transport and storage services
- Quality testing and certification services
- Other agriculture-related services



Azerbaijan, Kazakhstan, Uzbekistan, OECD Countries and World—Individuals Using Internet, 2005-2019 (% of population)



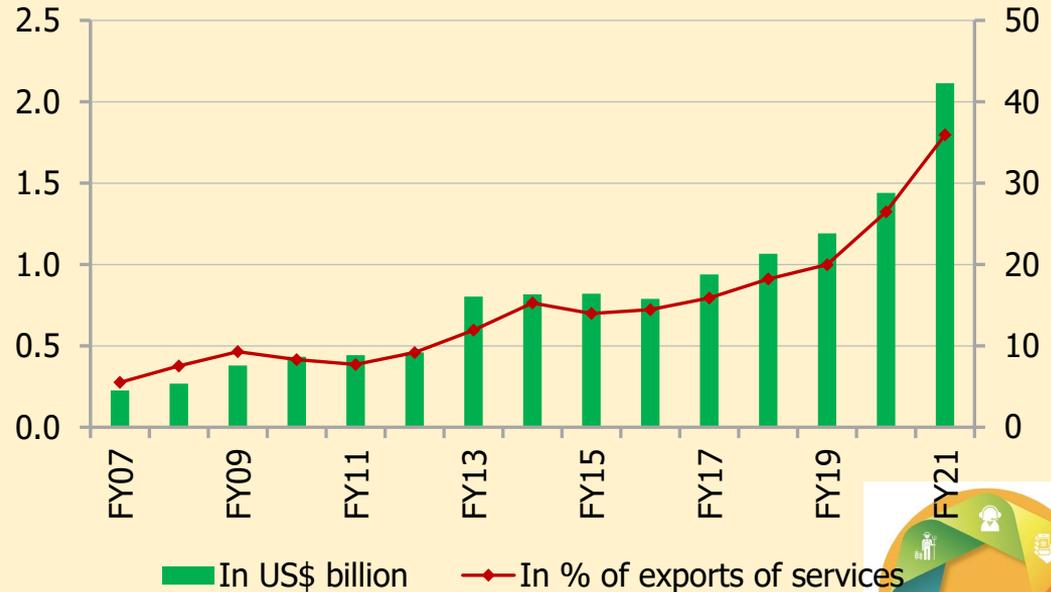
Source: World Bank.



Information Technology Industry in Pakistan

- Comprised of more than 5,000 companies
- Employs over 0.5 million English-speaking professionals
- Three-year tax holiday for IT startups
- Tax holiday for venture capital funds till 2024
- Zero income tax on IT exports till June 2025
- 100% equity ownership allowed to foreign investors
- 100% repatriation of capital and dividends allowed

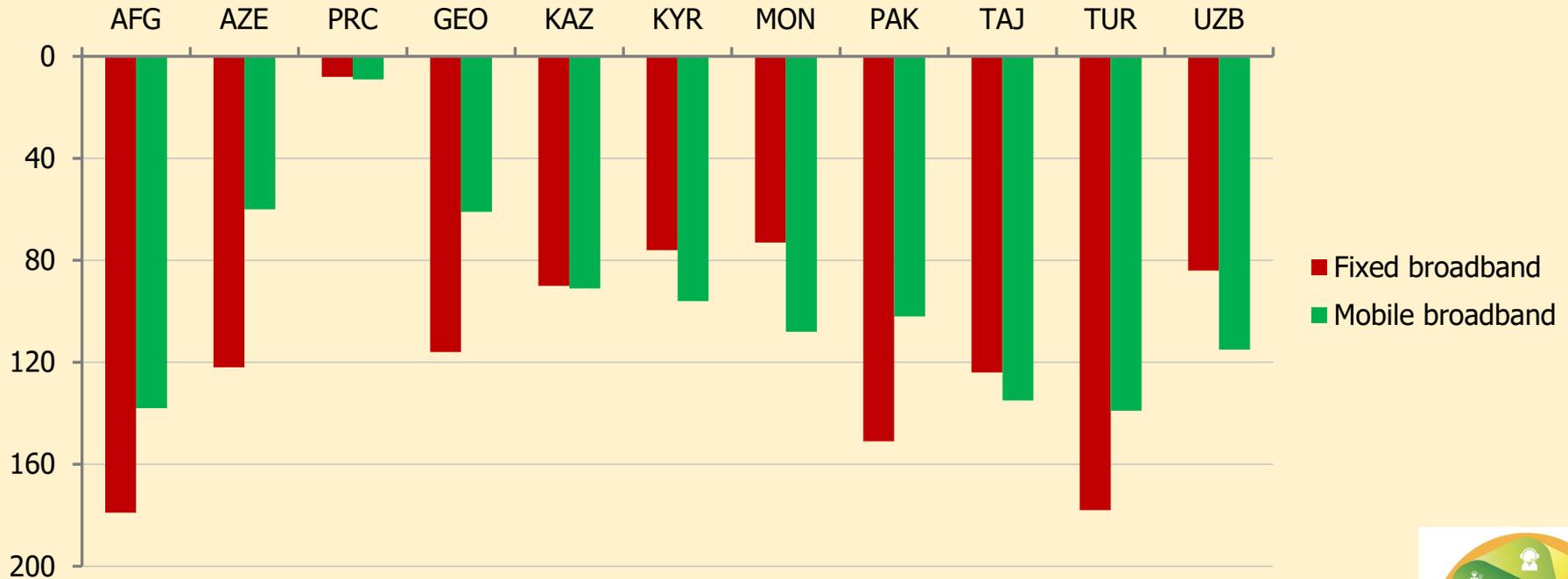
Exports of Telecommunication, Computer and Information Services, FY2007-FY2021



Source: State Bank of Pakistan.



CAREC Countries—Ranking in Speedtest Global Index, January 2022



Note: The Speedtest Global Index ranking for January 2022 covers 179 countries for fixed broadband and 140 countries for mobile broadband.

Source: www.speedtest.net.

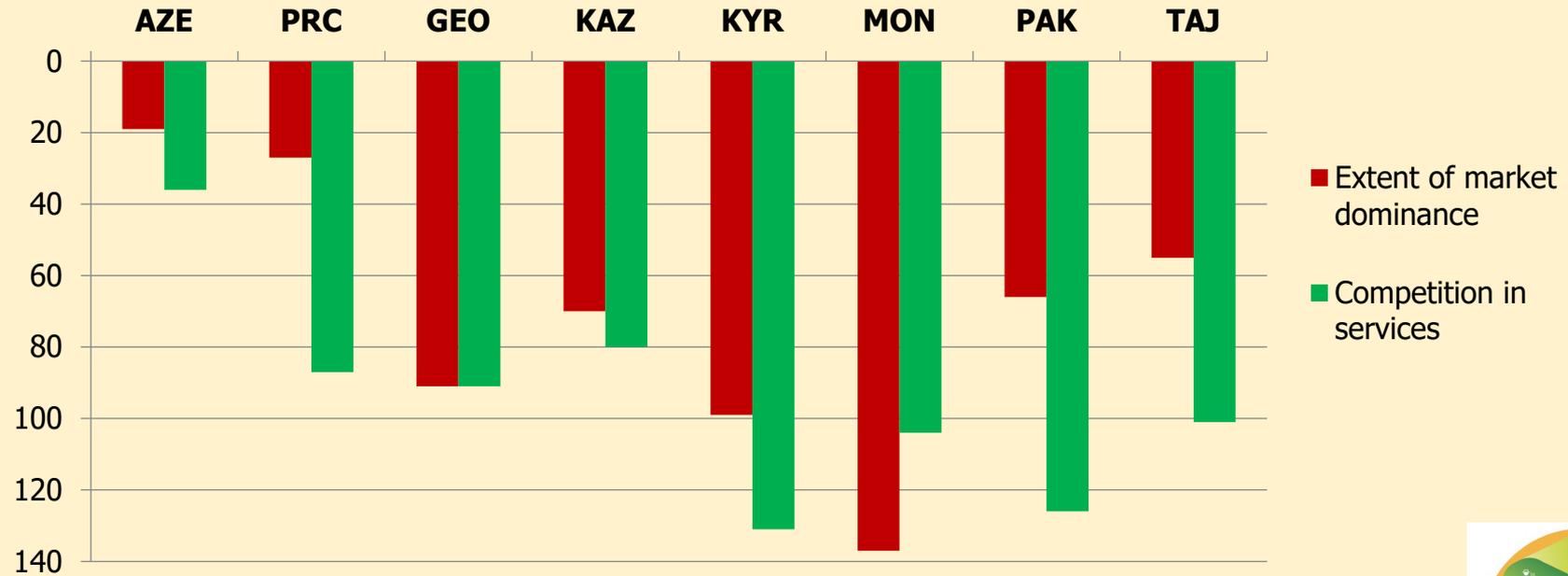


Creating Enabling Environment for Development of Services Sector

- Improving governance
- Enhancing market competition
- Raising the efficiency of the labor market
- Developing physical and digital infrastructure
- Increasing regional cooperation and integration



CAREC Countries—Selected Global Competitiveness Index 2019 Components Relating to Domestic Competition



Note: The Global Competitiveness Index 2019 covers 141 countries. It does not cover Afghanistan, Turkmenistan and Uzbekistan.

Source: World Economic Forum.



CAREC Countries—Sector-Specific Commitments under GATS

| Country | No. of Subsector Commitments | Share of Possible Commitments (%) |
|----------------------------|------------------------------|-----------------------------------|
| Afghanistan | 103 | 58 |
| People's Republic of China | 93 | 52 |
| Georgia | 125 | 70 |
| Kazakhstan | 112 | 63 |
| Kyrgyz Republic | 140 | 78 |
| Mongolia | 37 | 21 |
| Pakistan | 42 | 24 |
| Tajikistan | 110 | 62 |

Note: Commitments are as of entry into force of the WTO Agreement for Pakistan or accession dates of WTO member countries (e.g., as of 29 July 2016 for Afghanistan). The theoretical total number of possible commitments using standard nomenclature is 179. The table does not reflect any changes after 15 August 2021.

Source: World Trade Organization.

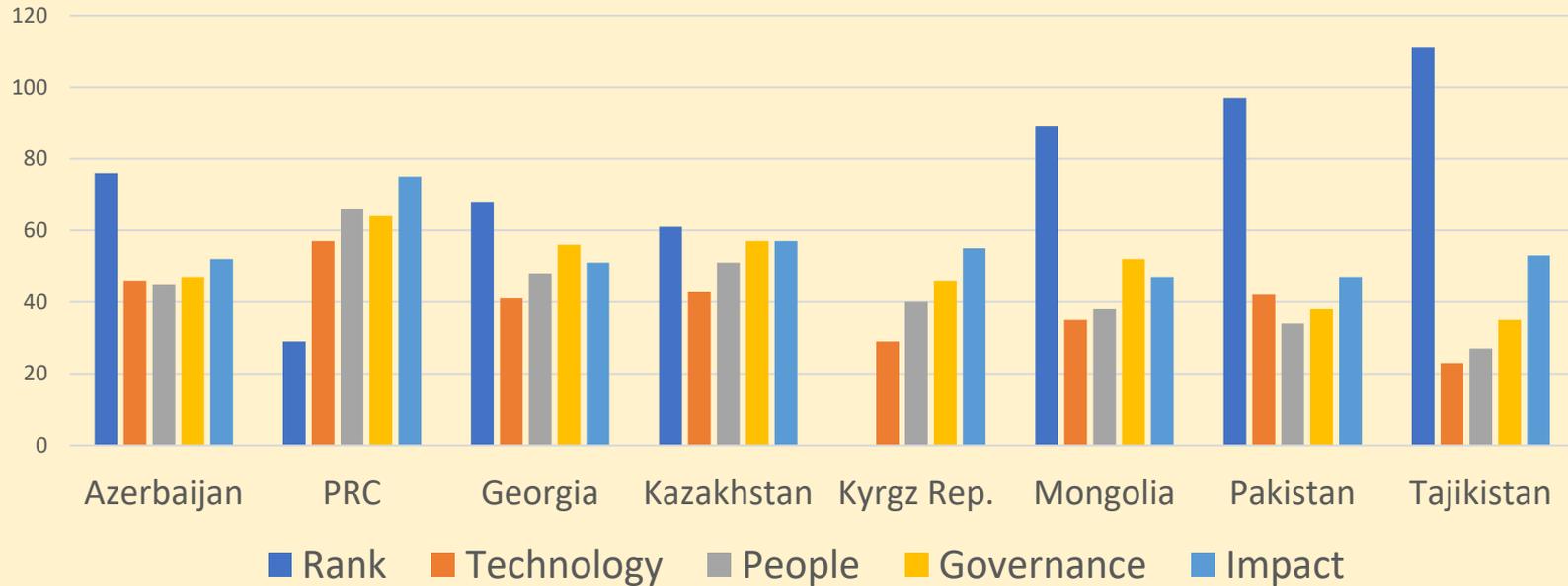


Joint Statement Initiative on Services Domestic Regulation

- Negotiations among a group of WTO Members to strengthen GATS Article VI:4 on domestic regulations
- Agreement on:
 - Licensing requirements and procedures, qualification requirements and procedures, and technical standards
 - Alternative disciplines on domestic regulation in financial services
- Streamlining and strengthening various procedures and other matters, including fees, assessment of qualifications, independent regulators, transparency and publication
- Signed by 67 WTO members (including the PRC and Kazakhstan) and inscribed in the schedules of specific commitments under Article XVIII



CAREC Countries—Rankings on the Network Readiness Index, 2021



Note: The Network Readiness Index 2021 covers 130 countries, with rankings based on four pillars – technology, people, governance and economic impact. The blue bar represents the overall ranking, with lower bars representing higher rankings. The higher the other bars, the greater the readiness under each pillar.

Source: Portulans Institute. www.networkreadinessindex.org



Preferential Trade Agreements Involving CAREC Country (Countries) and Covering Services^a

| Agreement/Parties | Year ^b |
|--|-------------------|
| ASEAN – PRC | 2007 |
| PRC – New Zealand | 2008 |
| PRC – Singapore | 2009 |
| PRC – Pakistan | 2009 |
| Chile – PRC | 2010 |
| PRC – Peru | 2010 |
| PRC – Costa Rica | 2011 |
| Asia Pacific Trade Agreement (includes the PRC and Mongolia) | 2013 |
| EU – Georgia | 2014 |
| PRC – Iceland | 2014 |

^a As of July 2021.

^b Refers to the year when the agreement entered into force.

Source: World Trade Organization.

| Agreement/Parties | Year ^b |
|---|-------------------|
| PRC – Switzerland | 2014 |
| Australia – PRC | 2015 |
| Republic of Korea – PRC | 2015 |
| Eurasian Economic Union (includes Kazakhstan and the Kyrgyz Republic) | 2015 |
| Japan – Mongolia | 2016 |
| European Free Trade Agreement – Georgia | 2017 |
| PRC – Georgia | 2018 |
| Hong Kong, China – Georgia | 2019 |
| Georgia – United Kingdom | 2021 |
| PRC – Mauritius | 2021 |
| RCEP - PRC | 2021 |



Conclusions

- Efficient, competitively priced producer services are a fundamental component of robust, diversified growth
- Liberalization: reduce protection levels on producer services, bearing in mind interdependence among service sectors and management of adjustment costs; review WTO commitments with a view to increasing them; review and monitor regulatory frameworks



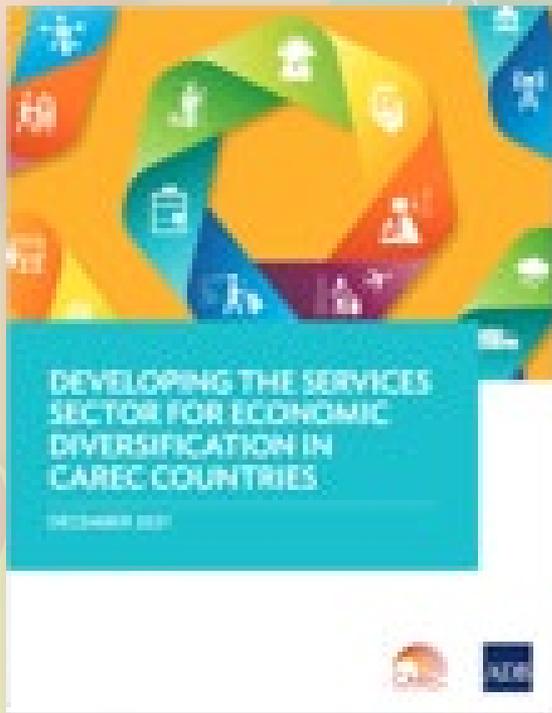
Conclusions (Continued)

- Promotion of digital services: Improve digital infrastructure; review regulatory environment with a view to streamlining as appropriate; engage with other countries to establish digital trade agreements
- Regional cooperation and integration: Deepen and expand regional cooperation through opening services markets, knowledge sharing, policy alignment, and coordinated infrastructure development





Read the ADB report



Learn about the CAREC Program



<https://www.carecprogram.org>

