Welcome to the first monthly *ECA Research Notes* newsletter!

I took over as the Chief Economist for the World Bank Group’s Europe and Central Asia region as of February 1. I hope to regularly share our work about important policy issues and trends through this monthly newsletter.

We recently had our first ECA Talk, on the impact of the Belt and Road Initiative on Central Asia and South Caucasus, which generated a lively discussion. For more analytical work on connectivity and trade links, we are also providing a list of related working papers and blogs by World Bank authors. Also be sure to check the newsletter’s calendar of future events that may be of interest.

Happy reading!
Asli Demirguc-Kunt

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**FEATURE STORY - Belt and Road Initiative in Central Asia and the Caucasus**

The massive Belt and Road Initiative (BRI) plans to build roads, railways, seaports and other trade infrastructure in dozens of countries in the Eurasian continent. The BRI aims to connect Asia to Europe, and the initiative has steadily expanded economic corridors and projects as far as Africa.

RELATED WORLD BANK HIGHLIGHTS

**How Much Will the Belt and Road Initiative Reduce Trade Costs?**
Francois Michel Marie Raphael de Soyres, Alen Mulabdic, Siobhan Murray, Gaffurri Rocha, Patrizia Nadia, and Michele Ruta

Belt and Road transport infrastructure projects will significantly cut shipment times and trade costs, especially along the corridors where projects are built. Shipment times in the corridors may fall by up to 11.9% and trade costs drop up to 10.2%, according to estimates based on two datasets. The effects are magnified by policy reforms that reduce border delays and improve corridor management.

**Trade Effects of the New Silk Road: a Gravity Analysis**
Suprabha Baniya, Gaffurri Rocha, Patrizia Nadia, and Michele Ruta

The Belt and Road Initiative may increase trade flows among participating countries by up to an estimated 4.1%. The increase would be three times larger, on average, if trade policy reforms also accompanied the new transport infrastructure.

**Exposure of Belt and Road Economies to China Trade Shocks**
Paulo S.R. Bastos

China’s massive infrastructure investment program will link it more closely to Europe. Using bilateral trade data for 1995-2015, this paper documents the current exposure of Belt and Road economies to China trade shocks, and policy options to deal with trade-induced adjustment costs.

**Foreign Investment Across the Belt and Road: Patterns, Determinants and Effects**
Maggie Xiaoyang Chen and Chuanhao Lin

Total foreign direct investment in Belt and Road countries will rise by an estimated 5%. Once completed, the new transportation network will cut overall travel times and transportation costs and pave the way for more foreign direct investment, economic growth, and job creation in countries along the corridor.

**Trade Linkages Between the Belt and Road Economies**
Mauro Boffa
Trade integration among the Belt and Road countries has already increased. Intraregional exports in the countries grew from 30.6\% in 1995 to 43.3\% in 2015. Two important interconnected production networks exist around China and Russia, which leverage their domestic markets by building value-chains around them.

**Multidimensional Connectivity: Benefits, Risks, and Policy Implications for Europe and Central Asia**
David Michael Gould, Dror Y. Kenett, and Georgi Lyudmilo Panterov

Multidimensional connectivity — a wider definition of connectivity — is a statistically important determinant of future economic growth. For example, ecommerce is a benefit of Internet connectivity, but without transport connectivity, ecommerce may not amount to much. This research examines a broader view of connectivity in Europe and Central Asia, along with the potential risks and transfer of shocks that can result.

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**RELATED BLOGS**

The World Bank has published a number of blogs about China’s Belt and Road Initiative on [this site](#). Below are some of the most recent blogs.

**Three opportunities and three risks of the Belt and Road Initiative**
May 4, 2018 - Michele Ruta

Successful Belt and Road Initiative projects could benefit a large number of the world’s poor people in countries such as Uzbekistan and Kenya. Other opportunities include helping Tajikistan and other nations integrate into the global economy, and boosting investment and economic growth. Among the risks are unsustainable national debt, no easing of trade barriers, and weak governance that can lead to environmental degradation and corruption.

**Could complex value chains help explain lower export elasticities?**
August 27, 2018 - Francois de Soyres

Policy makers should use indices of global value chain participation based on currencies, not countries, to assess the consequences of international input-output linkages on exchange rate elasticities. This would help track the origin of imported inputs and the countries where exports are consumed. Countries developing a “regional” value chain have several forces at play. For example,
sourcing inputs from a country with the same currency has no impact on the relationship between exports and exchange rate, but exports returning to a country with the same currency decreases the elasticity.

### CALENDAR OF EVENTS

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<td>ECA Talk: Migration and the Europe and Central Asia Region</td>
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<td>April 12-14</td>
<td>World Bank Group and International Monetary Fund annual Spring Meetings</td>
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<td>May 22</td>
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To see past and upcoming ECA talks and lectures, visit the [ECA Chief Economist](http://www.worldbank.org/en/region/eca/brief/office-of-the-chief-economist-europe-and-central-asia) web page.

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The *ECA Research Notes* newsletter is produced by the Europe and Central Asia (ECA) Chief Economist’s Office. Please send your comments, suggestions and feedback to [ECACEoffice@worldbank.org](mailto:ECACEoffice@worldbank.org)

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