

**JOINT MINISTERIAL STATEMENT**  
**3<sup>rd</sup> Ministerial Conference: Central Asia Regional Economic Cooperation**  
**Astana, Kazakhstan**  
**31 October – 1 November 2004**

**I. Vision and Prospects**

1. The 3<sup>rd</sup> Ministerial Conference (MC) of Central Asia Regional Economic Cooperation (CAREC) was convened on 31 October – 1 November 2004 in Astana, Kazakhstan. High-level country delegations representing the CAREC Member Countries (Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan) attended the MC. Representatives of Multilateral Institutions including the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank also attended. Representatives from several neighboring countries and multilateral and bilateral organizations participated as observers.

2. Ministers agreed that regional cooperation provides a strategic means for achieving sustainable and inclusive growth and for reducing poverty in Central Asia, and reaffirmed their 2<sup>nd</sup> MC pledge to work closely to realize their shared vision of a region where people live in harmony and prosperity, with free movement of goods, people and ideas. Ministers stated that economic growth prospects for most CAREC Member Countries are excellent. They expressed confidence that the improved economic performance in recent years will be sustained. Ministers see the vital importance of economic integration, and of strengthening links with regional and global markets.

3. Ministers agreed that a number of challenges will be jointly addressed if the considerable potential of the region is to be fully realized:

- Infrastructure, particularly energy, power, road, rail, civil aviation, and telecommunications systems linking the region, will be improved to promote regional connectivity;
- Basic services will be upgraded, including education services so as to maintain strong labor forces and health services to counter HIV/AIDS and other communicable diseases;
- The transition from central planning and state enterprises to more market-based systems needs to be continued, especially creation of conditions supportive of private sector investment;
- Agriculture will be modernized and better income prospects generated for the rural poor; regional cooperation should assist in ensuring access to vital inputs (technology, irrigation, electricity) and to markets (regional and global);
- WTO accession should be a common goal, but tariff and non-tariff barriers should also be addressed on a national, bilateral and regional basis;
- The region's potential and attractions should be better communicated to the global community, so as to promote trade, investment, tourism and other forms of commerce;

- The region's environment will be better protected and conserved. The region's endowments of water and energy resources should be effectively used in ways that are mutually beneficial.

## **II. Commitment to Working Together**

4. Ministers reaffirmed their commitment to regional economic cooperation aimed at addressing these challenges and meeting this potential. Working together, CAREC Member Countries can create a climate of trust and positive outlook that catches the attention of international investors, tourists and others who will bring capital, innovation, and job opportunities to the people who live in the region. Cooperation is also important in helping to defeat terrorism and in securing peaceful relations.

5. Barriers and impediments to trade and investment should be reduced as quickly as possible, enabling the private sector to expand and employment opportunities to be created. Also, it is necessary to provide transparency within the common trade actions. Transport and transit trade should be facilitated both within the CAREC subregion and with neighboring countries, so as to improve access to regional and global markets. Energy and other development opportunities requiring cross-border cooperation should be expedited, leading to win-win outcomes for all CAREC Member Countries. New dimensions of regional cooperation should be considered in a pragmatic and results-oriented manner.

6. Multi-agency support is needed to mobilize the required technical and financial resources for effective regional cooperation. Ministers expressed thanks to the Asian Development Bank for its leading role in promoting economic cooperation in the CAREC region. Ministers also expressed special appreciation to the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank for facilitating the CAREC program. Ministers also reiterated the need for CAREC Program initiatives to be well coordinated with other important regional cooperation initiatives including the Central Asian Cooperation Organization (CACO), the Shanghai Cooperation Organization (SCO), the Eurasian Economic Community (EEC), and the Economic Cooperation Organization (ECO).

## **III. Progress in Regional Cooperation**

7. Central Asia is emerging as a region with vast economic potential, for regional economic growth, investment, and trade. Ministers noted that Central Asian countries are moving quickly to implement the structural changes that will enable the region to exploit its potential and to achieve sustainable growth and macroeconomic stability. Regional economic cooperation fora including CAREC, SCO, CACO, EEC, and ECO have flourished over the past years and all have affirmed that region-wide economic cooperation is key to economic growth, poverty reduction, and national security. CAREC Member Countries are increasingly pursuing subregional economic cooperation in solving common problems. Further, they have adopted an agenda of projects in these sectors and agreed to work together to mobilize the necessary international resources.

8. Ministers reviewed progress under CAREC since the 2<sup>nd</sup> Ministerial Conference in Tashkent, Uzbekistan in November 2003 and adopted the Progress Report of the Senior Officials' Meeting. They expressed appreciation for the following:

- Trade Facilitation: ADB support for regional customs modernization and infrastructure development, bilateral trade and data sharing agreements, and pilot testing of joint-border processing; EBRD continued support for regional trade financing; UNDP support for Phase II of the Silk Road Area Development Program, and joint EC/UNDP support for improving the effectiveness of border management through the Border Management Programme for Central Asia; a World Bank report on Trade and Transport Facilitation in Central Asia, and trade studies on several individual countries; and the regional seminar on customs risk management hosted by the World Bank, USAID/Pragma and the EEC;
- Trade Policy: IMF support for the establishment of a committee on trade policy, holding of its first meeting, and undertaking to follow-up the committee's proposed priority work areas including: (i) comparative advantages in trade for the Central Asia region; (ii) regional trade agreements; and (iii) barriers to trade in Central Asia and the benefits of removing these barriers, and future work areas.
- Transport Sector: ADB loans totaling \$85 million, for rehabilitating the road between Dushanbe and the Kyrgyz border, for completing the north-south corridor linking People's Republic of China and Russia through Mongolia, and for the South Kyrgyz Transport Corridor Road; ADB technical assistance for a feasibility study of the Yevlakh – Ganja road in Azerbaijan and a regional rail link to Termez in Uzbekistan; EBRD loans totaling 128 million euros for the Aktau-Atyrau Road in Kazakhstan and the Hajikabul - Kurdamir road in Azerbaijan; ; IsDB loan of \$22 million for the Ujar – Yevlakh road in Azerbaijan; and World Bank support to Kazakhstan in preparing a Transport Sector Strategy.
- Energy Sector: World Bank support for discussions of power sector reforms and regulations, analysis of the region's electricity export potential and the Syr Darya water/energy nexus, and support to CACO in developing the concept for a Water-Energy Consortium; EBRD and IsDB support for construction of the second Kazakhstan North-South 500 KV Transmission Line Project; EBRD and ADB loan agreements for the Uzbekistan-Tajikistan Power Transmission Modernization Project; IsDB support for a 500 KV Syr Darya – Sogdiana Transmission Line in Uzbekistan (\$25 million) and a 110 KV Batken - Karabulak Transmission Line in Kyrgyz Republic (\$10 million); and ADB support for assessments of regional gas transmission line projects in the Central Asian Republics, and planned support for a Regional Gas Transmission Improvement Project in Tajikistan.
- Overall Institutional Framework: UNDP support for preparation of a regional human development report focused on Central Asia; ADB support for more frequent meetings of Senior Officials and capacity building, assignment of CAREC Unit staff to the region, planning for a regional business roundtable, and development of a newsletter on regional cooperation. Ministers reconfirmed that the consensus principle should be the basis for cooperation; they also endorsed the recommendation that private sector participation in the CAREC Program should be encouraged and facilitated.

#### **IV. Priorities and Next Steps**

9. Ministers welcomed the adoption at recent SOMs of a more comprehensive approach in priority sectors including the preparation of sector road maps and time bound actions plans. This approach represents a small but important step towards sustained economic growth and poverty reduction.

10. Ministers reaffirmed transport as one of the priority areas for cooperation in Central Asia, so as to promote economic growth and to facilitate poverty reduction. They expressed strong appreciation for the regional transport initiatives currently underway and planned. Ministers welcomed the proposal of PRC to undertake preparation of a Regional Transport Agreement, designed to reduce impediments to the cross-border transport of goods. Ministers also stressed the need for closer coordination with SCO on this matter and encouraged ADB to continue its support on development of a regional transport agreement. Ministers noted the Transport Sector Committee would intensify its work program, in light of the importance of the sector. Rail and air modes of transport should be included in the program of regional cooperation, as well as road improvements and maintenance.

11. Ministers confirmed their support for enhanced regional energy trade and building a regional power market. They instructed Senior Officials to continue analysis and dialogue between concerned countries on water and energy exchange issues. Ministers advised that the concept of the proposed Water-Energy Consortium was approved by heads of CACO countries and following up of establishing the consortium requires careful planning and consultation, and rationalization among parallel fora (CACO, CAREC, and the EEC). Ministers encouraged international development partners and the private sector to join with CAREC Member Countries in the implementation of regional power projects. Ministers also welcomed ADB's proposal to establish a forum of electricity regulators, so as to help harmonize electric power regulations and to conduct training programs for members. Energy saving and efficiency improvements should be included in the program of regional cooperation.

12. Ministers expressed appreciation for the progress to date in trade facilitation, and the practical, results-oriented approach adopted by the Trade Facilitation Committee. Ministers urged continued training and knowledge sharing and bilateral customs cooperation. They also emphasized the importance of country-specific trade facilitation initiatives, as an integral part of the regional customs cooperation program.

13. Ministers welcomed the establishment of a trade policy committee, and endorsed the proposed work plan. The Trade Facilitation Committee and Trade Policy Committee were encouraged to work closely together.

14. Ministers agreed that while progress has been made since the 2<sup>nd</sup> Ministerial Conference, regional cooperation must be accelerated. Accordingly, Ministers instructed Senior Officials to develop a comprehensive plan of action to 2007, including sequencing and prioritization of regional cooperation initiatives. The plan of action should be prepared in full consultation with CAREC Member Countries and supporting international development partners. Ministers should consider the plan during the 4<sup>th</sup> Ministerial Conference, with the expectation that it could be endorsed at that time.

15. To help ensure sustained rapid economic growth, Ministers requested Senior Officials to review the challenges that need to be jointly addressed if the full potential of the region is to be realized. In particular, Ministers requested Senior Officials to identify the main impediments to growth shared by CAREC Member Countries, and to recommend practical, results-oriented initiatives for overcoming these impediments. These initiatives aimed at growth of a vibrant private sector, should be highlighted in the comprehensive action plan requested by Ministers.

16. Ministers agreed that sustained rapid economic growth is the most important means for reducing and eventually eliminating poverty in the region. They also agreed that targeted support is necessary. Accordingly, Ministers instructed Senior Officials to reassess planned regional initiatives, to find ways of enhancing the pro-poor benefits.

17. Ministers agreed that sustaining interest in regional cooperation depends on achieving real benefits for all participants. To reinforce the emphasis on pragmatic, results-oriented initiatives, Ministers directed Senior Officials to develop key performance indicators for the CAREC Program. Each sector committee should focus more on output measures rather than inputs. The performance indicators should reflect the interests of the CAREC Member Countries. In advance of Ministerial Meetings, Senior Officials should prepare a progress report on both regional initiatives (inputs) and sector developments (outcomes). Regional initiatives should have clear time schedules for completion.

18. Ministers agreed that duplication and overlap in regional cooperation should be minimized. Every effort should be made to maximize efficiency and effectiveness in resources used to promote and facilitate regional cooperation. In this context, ministers directed Senior Officials to determine ways to strengthen the performance of CAREC sector committees and to review the interrelationship of the CAREC Program with other regional initiatives, including CACO, SCO, EEC, and ECO. Development partners who observed the meeting noted that they increasingly view CAREC as a mechanism to facilitate the coordination of their own activities in Central Asia. Recommendations respecting greater complementarities and coordination should be made to the 4<sup>th</sup> Ministerial Conference.

19. Ministers emphasized that at the CACO Summit in October 2004 in Dushanbe, heads of CACO member countries approved concepts for establishing regional consortia in areas of transport, energy-water, and food security, and to initiate the drafting of agreements on their responsibilities and operations. Ministers agreed that CAREC should assist in the establishment and operations of the consortia for transport and energy-water. Ministers welcomed CACO's initiative to establish a Central Asia common market and gave emphasis to the decision to set up an intergovernmental task force to develop a concept for its establishment.

20. Ministers see the need for enhancing cooperation with neighboring countries so as to exploit the potential for mutually beneficial gains and to allow regional cooperation to become a catalyst for international integration. Ministers noted that cooperation with Afghanistan is one of important areas for regional cooperation. Ministers welcomed initiatives for increasing trade opportunities between Central Asia and neighboring countries by development partners including UNDP, IsDB and ECO. In this regard, ministers appreciated the presentation made by the ADB at the Senior Officials' Meeting on the improvement of road corridors that will connect Central Asia with South Asia

through Afghanistan, which will provide crucial access for landlocked countries in the region to seaports in Pakistan and Iran, and to external markets. Ministers encouraged the ADB and other development partners to ensure that access is efficient, and supported work to improve trade facilitation by CAREC Member Countries with neighboring countries.

21. The Ministers encouraged CAREC to undertake further analytical works on regional cooperation and in this context expressed appreciation for the UNDP's preparation of the Central Asia Human Development Report.

## **V. Concluding Remarks**

22. Ministers thanked ADB President Tadao Chino for his outstanding contributions to regional cooperation in Central Asia over the past six years. They share his hope, expressed during President Chino's Keynote Speech to the Conference, "to see Central Asia reemerge as a land bridge once again, a vibrant reincarnation of the legendary Silk Road, free of poverty and linked through goodwill and mutual benefit."

23. Ministers expressed their warm appreciation to the Government of Kazakhstan for hosting the 3<sup>rd</sup> Ministerial Conference, and for their excellent and highly professional arrangements and kind hospitality.

24. Ministers welcomed the offer of the Government of Kyrgyz Republic to host the 4<sup>th</sup> Ministerial Conference, at a date to be determined later in close consultation with the participating countries.