

JOINT MINISTERIAL STATEMENT
Fourth Ministerial Conference on Central Asia Regional Economic Cooperation
Bishkek, Kyrgyz Republic
5-6 November 2005

I. The Way Forward

1. The Fourth Ministerial Conference (MC) of Central Asia Regional Economic Cooperation (CAREC) was convened on 5-6 November 2005 in Bishkek, Kyrgyz Republic. Ministers representing the CAREC participating countries agreed that the way forward for Central Asia is “development through cooperation,” working together to expand development options in an increasingly competitive and integrated world, and to address shared opportunities and problems that transcend national boundaries. Ministers called for sweeping measures to overcome trade and other impediments to development, and for the creation of transport corridors to integrate the region and to connect it with markets in the People’s Republic of China, the Russian Federation, India, the EU and elsewhere. In addition, Ministers emphasized the importance of interconnecting energy markets. Ministers expressed interest in cooperative initiatives in a wide range of areas, including the environment, agriculture and food security, tourism, telecommunications, human resource development, disaster management and avian flu preparedness.

2. The Conference was attended by high-level delegations from the Islamic Republic of Afghanistan, Republic of Azerbaijan, People’s Republic of China, Republic of Kazakhstan, Kyrgyz Republic, Mongolia, Russian Federation, Republic of Tajikistan, and Republic of Uzbekistan. Also included at the Conference were senior level representatives of CAREC’s supporting multilateral institutions (MIs): the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank. Representatives from neighboring countries as well as multilateral, bilateral, and civil society organizations additional to the CAREC Program contributed to the proceedings.

II. New Awareness/Renewed Commitment

3. Ministers called for a much better understanding of potential gains from regional cooperation; bringing the benefits of regional cooperation to a wider audience must be a priority. Regional cooperation momentum must be reinforced.

4. In this connection, Ministers expressed deep appreciation to the UNDP for its presentation of the highlights of the Central Asia Human Development Report (2005) and its contribution to “bringing down the barriers.” The Report, a joint MI endeavor led by the UNDP with inputs from the ADB and the World Bank, is expected to convincingly demonstrate what is at stake: facilitating trade, transport and transit, and regional cooperation in other areas such as energy development, water use policy, flood control, and disaster management, could contribute to a doubling of GDP within a decade. Poverty could fall substantially.

5. Ministers stated that regional cooperation needs to be pursued sincerely, effectively, productively and realistically. They agreed that the gains from regional cooperation are dependent upon the continuation of stability, policy reforms, and joint efforts to sustain investment and growth. They renewed their commitment to working together for trade

openness, transport corridors for integrating the region and connecting to external markets, and for developing and sharing the region's energy resources.

6. Ministers reconfirmed the basic principles of the Overall Institutional Framework which are based on consensus, pragmatism and results orientation.

III. New Partnerships

7. Ministers welcomed the participation of Afghanistan in the CAREC Program, and the invitation to the Russian Federation to also participate. The reconstruction of Afghanistan is vital as it serves as a land bridge and important potential trade, transport and transit route to markets throughout the region. The Russian Federation is Central Asia's largest trading partner and a key link to Europe. The participation of Afghanistan and the possible participation of the Russian Federation present significant new opportunities for expanding the scope and reach of the CAREC Program for the mutual benefit of all countries. Ministers welcomed the invitation of the Government of Afghanistan to join a ministerial conference on regional cooperation in Kabul on 4-5 December 2005, and noted that the transport sector (road, railway and aviation) would be one of the main areas of focus.

8. Ministers see the private sector as an engine of economic growth for the region and emphasized the importance of ensuring that regional cooperation reflects the needs and interests of the private sector. They welcomed the holding of the Preparatory Regional Business Roundtable (RBR), just prior to the Fourth MC, as a key step in engaging the private sector in CAREC. Ministers requested follow-up actions that will: (i) enable the private sector to respond to economic opportunities generated by CAREC initiatives; (ii) help mobilize domestic and foreign private sector investment participation in CAREC infrastructure projects; (iii) enhance responsiveness of the CAREC Program to the needs of the private sector; and (iv) facilitate linkages among private sectors throughout the region so as to compete more effectively in global markets.

9. Ministers noted that country and regional workshops and roundtables are a priority in helping to reach out to a wider audience, thereby strengthening interest in and support for regional cooperation initiatives. Ministers also emphasized the need for proactive steps to link the CAREC region with aid agencies and the wider international business community.

10. Ministers further noted that partnership rather than competition should characterize CAREC's relationship with other regional cooperation initiatives. They agreed that CAREC should serve as a mechanism in their support, notably for the Shanghai Cooperation Organization (SCO), the merger of the Central Asia Cooperation Organization (CACO) and the Eurasian Economic Community (EEC), and others such as the Economic Cooperation Organization (ECO) and the Central and South Asia Transport and Trade Forum (CSATTF). They called upon other regional initiatives to avoid overlap and duplication of effort through further coordination and rationalization.

IV. Progress in Regional Cooperation

11. Ministers expressed optimism, drawing on the opening remarks by ADB President Haruhiko Kuroda, that "the region is well poised to reap the benefits of its strategic location." Through cooperative efforts, the region holds great promise for a bright future. The high rates of economic growth now being experienced in the region reflect a new chapter, wherein growing

trade and other forms of openness and modernization are replacing inward preoccupations, in a virtuous circle of strengthening relationships. While barriers to trade and the costs of shipping goods continue to seriously hamper competitiveness and development in the region, CAREC countries recognize that the way forward is “development through cooperation.”

12. Ministers adopted the Progress Report of Senior Officials, which reviews progress under CAREC since the Third Ministerial Conference in November 2004. They applauded the following regional cooperation initiatives and expressed strong appreciation for the technical and financial support provided by CAREC’s six multilateral partners:

- **Transport:** adoption of a Transport Sector Roadmap (2005–2010), with the goal of developing an integrated and efficient multi-modal transport system for the region; the five strategic priorities of the Roadmap, namely (i) harmonizing and simplifying cross-border transport procedures, (ii) harmonizing transport regulations, (iii) development and improvement of transport corridors, (iv) restructuring and modernization of railways, and (v) improvement of sector funding and management; the action plan for implementation of the Roadmap; the adoption of performance indicators emphasizing outputs and outcomes; the report on the potential for liberalization of the aviation sector in Central Asia; major infrastructure investments over the past year, including the Southern Transport Corridor Road in the Kyrgyz Republic, important road sections in Azerbaijan linking Baku to the Georgian and Russian borders, and the Central North-South Road Corridor in Mongolia as well as rehabilitation of the ring road in Afghanistan.

Ministers endorsed the work on harmonization of transport regulations and simplification of cross-border transport procedures, and assistance to the SCO in support of an Intergovernmental Agreement on Facilitation of International Road Transport; Ministers expressed strong appreciation for the transport sector program for 2005-2006 of CAREC’s six development partners, totaling over \$1 billion for investment projects and \$6.8 million for non-lending projects; performance indicators regarding these investments should be refined, incorporating survey data on transit times and costs.

- **Trade Facilitation:** progress in harmonizing and modernizing customs procedures and establishing a sound legal framework in accordance with the revised Kyoto Convention; bilateral transit and cooperation agreements signed in 2005 between Kyrgyz Republic and Tajikistan, Azerbaijan and PRC, and between Uzbekistan and PRC; pilot testing by Kazakhstan and Kyrgyz Republic for joint customs control at the Kordai-Akzhol border crossing; regional forums and country studies on priority elements of trade facilitation; launch of CAREC’s Trade Facilitation Program website; advisory services on trade finance to banks in the region, along with guarantees for trade finance to facilitate foreign trade; and launching of the second phase of the Silk Road Regional Programme.

Ministers approved CAREC’s phased and pragmatic approach to trade facilitation and endorsed the work plan for 2006, including continued promotion of bilateral cooperation initiatives, training and regional knowledge forums, and broadening the program in partnership with private sector and other stakeholders. Bilateral initiatives will include harmonization of cargo manifests by Kazakhstan and PRC, joint border control between Mongolia and PRC and between Kazakhstan and Kyrgyz Republic, data exchanges for cargo clearance between Kyrgyz Republic and Uzbekistan,

customs cooperation between Mongolia and Tajikistan, and a customs modernization and infrastructure project between Kyrgyz Republic and Tajikistan. In-country activities will include ICT master plans for Kyrgyz Republic and Tajikistan, customs modernization by Mongolia, and accession to the TIR Convention by PRC. Ministers noted the need for establishment of national interagency coordinating mechanisms.

- **Trade Policy:** background studies instrumental to removing the barriers to trade in Central Asia and possible measures to facilitate trade, as well as review of regional trade agreements and their potential conflict with WTO accession, and review of the lessons that can be learned from regional trade agreements elsewhere; also, analysis of entrance and transit delays and financial costs, and of barriers to cross-border trade.

Recognizing the potential contribution of these studies, Ministers supported the intention of the IMF and ADB to arrange country-level seminars in CAREC-member countries, designed to summarize the work done for the trade policy committee and the implications of this work for CAREC countries. Ministers noted the six recommendations of Senior Officials aimed at reducing the barriers to transit trade in Central Asia and recommended the following steps:

- Ensure full compliance with the provisions of the TIR Convention by customs services and other agencies; PRC will take steps to accelerate TIR accession;
- Reduction in the charges for customs convoys and in the list of goods subject to such convoys;
- Reduction of all other charges and fees on entry and transit of foreign road carriers;
- Reduction of the cost of entry visas for drivers of foreign road carriers and issuance of visas to them at international pass points in a simple way;
- Harmonization of transport, customs and border documentation in order to simplify procedures of control at and to minimize time at the border; and
- Measures to prevent and eradicate unofficial payments from road carriers in transit.

Ministers called on Senior Officials to monitor the implementation of these recommendations by CAREC-member countries, and to report to the Fifth MC on the status of their implementation. Ministers also supported reduction in the cost of non-reciprocal road transport permits to levels that cover related costs without discouraging transit trade. They recommended further analytical work on removing barriers to cross border trade, especially concerning the legal framework and tax and infrastructure issues, and new work on trade taxes and quantitative restrictions on trade.

- **Energy:** completion of the first phase of the North-South Transmission Line project in Kazakhstan, and progress in discussions for funding the second phase; completion of the Tajikistan-financed 220-kv Batken (Kyrgyz Republic)-Kanibodom (Tajikistan) transmission line; preparations for rehabilitation of the Uzbekistan-Dushanbe gas pipeline; and diagnostic review of regulatory approaches and challenges prepared by the CAREC Members Electricity Regulators Forum (CMERF).

Ministers signed the Memorandum of Understanding for the formal establishment of CMERF; Ministers instructed CAREC's newly formed Energy Sector Coordinating Committee to finalize its terms of reference, clarifying its scope of work beyond the power sector to possibly include oil and gas, energy efficiency, and opportunities afforded by the Clean Development Mechanism of the Kyoto Protocol; Ministers noted the consultations and planning underway, drawing from the Regional Electricity Export Potential Study, for various hydropower projects – including the Sangtuda I project in Tajikistan – and for the export of power to South Asia, Russia and possibly other markets; Ministers suggested that hydropower projects should follow international best practices

- **Capacity Building:** the mobilization of \$1.35 million for capacity building, including \$400,000 from the PRC Regional Cooperation and Poverty Reduction Fund, to help participating countries to better identify, evaluate and implement regional initiatives.

Ministers agreed that capacity building should focus on strengthening the National Focal Points (including through the appointment of domestic consultants and frequent in-country roundtable meetings), training workshops and study tours concerning international best practices for regional cooperation, and information exchange and research networks..

- **Interim Comprehensive Action Plan (ICAP):** the draft ICAP for the CAREC Program is viewed as a work in progress.

Ministers called for further work in preparing the action plan, particularly in developing a strategic framework of expected outputs and outcomes from regional cooperation over the medium term. Ministers agreed that their respective governments must provide the necessary guidance in formulating the strategic framework, from which will follow prioritization and sequencing of regional initiatives needed to reach the envisaged outputs and outcomes; in-country consultations and coordination with the MIs will continue over the next several months for this purpose; Ministers endorsed the main thrusts of the ICAP, notably that the benefits of regional cooperation are substantial, that the impediments to trade, transport, transit, energy interchange and other forms of economic cooperation are serious, and that new or reemphasized initiatives are needed under each of the core sectors of the CAREC Program, as well as in additional sectors, to increase the momentum of regional cooperation; they also expressed appreciation for the commitments and plans for 2005-2006, including the \$1.02 billion for transport projects, more than \$200 million for energy, and \$10 million for trade facilitation.

V. New Directions: Broadening and Deepening the CAREC Agenda

13. Building on the significant progress to date, the increasing trust and confidence among CAREC participating countries, and the rapid economic growth now lifting all countries in the region, Ministers called for broadening and deepening of the CAREC agenda. Through coordinated action, Central Asia can build on its strengths and again become a vital trade route linking the countries of the famed Silk Road between Asia and Europe.

14. Ministers agreed that regional cooperation in transport, trade and energy should continue to be the priority sectors for regional cooperation, and that concerted, strategic efforts

– or “bold strokes” – should galvanize further progress. Further, pertinent performance indicators should drive effective implementation, contributing to the CAREC Program becoming a model of performance-based regional cooperation.

15. An efficient multi-modal transport system for the region is urgently needed. Ministers called for a transport sector strategy that reflects new trade realities and that will lead to sharp reductions in the time and costs of moving goods/freight to both internal and external markets. Trade openness and a free trade zone, as envisioned by His Excellency Felix Kulov, Prime Minister of the Kyrgyz Republic, in his opening remarks to the Fourth Ministerial Conference, must be approached holistically. Ministers called for a regional trade strategy and comprehensive trade, transport and transit agreements to facilitate the cross-border movement of goods, vehicles and people. Cooperation in the energy sector must not be frustrated by nationalist strategies and the water-energy nexus. Ministers called on CAREC’s development partners to apply their best auspices in facilitating energy development and transmission solutions for the mutual benefit of all participating countries.

16. Ministers noted that there is a wide range of other areas suitable for regional cooperation, including the environment, agriculture and food security, tourism, telecommunications, human resource development, disaster management, and preparedness for avian flu. Progress in these areas will contribute to trust and confidence among participating countries, facilitating progress in more difficult areas. Ministers emphasized that all initiatives must be properly resourced and maintain the practical, results- and consensus-based approach to regional economic cooperation that characterizes the CAREC Program.

17. Ministers agreed on the importance of CAREC to move beyond individual sectors and projects in order to realize synergies among initiatives, and to address broader regional development issues. They requested identification of transport corridors – or portions of transport corridors – that could progress to economic corridors through coordinated public and private sector initiatives within specified geographic areas. Ministers called for careful selectivity in this regard, recognizing that the concept of economic corridors requires highly focused planning and sequencing of the necessary supporting infrastructure investments, policy and regulatory changes, and trade facilitation. They agreed on the importance of competitiveness-related issues, including regional initiatives designed to link domestic enterprises, particularly SMEs, to international production systems (e.g. global value chains) and world markets. In this connection, they also called for improved business services to facilitate the logistics of transporting goods to markets, in parallel with individual transport, trade and transit initiatives.

VI. Priorities and Next Steps

18. Ministers agreed that the top priority is mobilizing all stakeholders in support of regional cooperation. The period of uncertainty must be swept aside, replaced by shared goals and clarity of purpose. The interests of new employment and income opportunities and a better future for the people of the region must take precedence. Governments must take leadership in realizing the promising potential of the region, in partnership with the private sector and civil society. The international development community must more effectively combine its support for individual countries with support for regional cooperation.

19. Ministers agreed that a strategic framework for regional cooperation is essential for charting the course ahead, for ensuring that the CAREC Program embraces all stakeholders, and that all initiatives are pursued in a building-block, results-oriented manner. Ministers agreed on five steps to accelerate the momentum of regional cooperation:

- (i) Formulation of a comprehensive strategic framework for the CAREC Program, including the main investments and policy and regulatory initiatives identified by all the participating countries needed to achieve their expected outputs and outcomes from regional cooperation;
- (ii) Prioritization and sequencing of these investments and initiatives – including “bold strokes” – for the short to medium term, together with further articulating associated performance indicators and key expected outcomes;
- (iii) Mainstreaming of the strategic framework into country-based development plans and public investment programs, and the action plans of CAREC’s development partners, and thereby determine the gaps in meeting the investments and initiatives identified in steps (i) and (ii);
- (iv) Realignment of plans where necessary, and mobilization of technical and financial resources to ensure all priorities are addressed according to the strategic framework; and
- (v) Sustained and expanded capacity building to strengthen the ability of all CAREC countries to fulfill the expectations of them under the strategic framework, including training programs

The above steps and initiatives, to be completed by the Fifth Ministerial Conference, provide a practical work program for all stakeholders.

20. Ministers also agreed that the processing and implementation of regional initiatives should be accelerated, especially with regards to priority investment projects. Policy and regulatory work should be extended, as a logical complement to infrastructure investment. In-country workshops and other forms of outreach should be emphasized, so as to build broad-based community interest and support for regional cooperation. They directed Senior Officials to assess options for program expansion and the adoption of new concepts such as economic corridors.

VII. Concluding Remarks

21. Ministers concluded that “development through cooperation” is the way forward; greater momentum in regional cooperation is vital. They welcomed the Joint Statement of CAREC’s development partners and expressed deep appreciation for their commitment to increase their support to ensure CAREC’s continuing success.

22. Ministers expressed their warm appreciation to the Government of Kyrgyz Republic for hosting the Fourth Ministerial Conference, and for their excellent arrangements and kind hospitality.

23. Ministers welcomed the proposal to convene the Fifth Ministerial Conference in Urumqi, Xinjiang UAR, PRC at a date to be determined later in close consultation with participating countries.