



FOURTH MINISTERIAL CONFERENCE ON CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC)

"Partnership for Prosperity"

**Keynote Speech By
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Introduction

Your Excellency, Prime Minister Kulov; Minister of Finance, Mr. Japarov; Excellencies, distinguished guests, ladies and gentlemen:

It gives me great pleasure to address you today on my first official visit to Central Asia as head of the Asian Development Bank. I would like to thank you, Prime Minister Kulov, and your officials for your generosity in hosting this event, and the people of Bishkek for making us welcome in their beautiful city.

I am delighted to welcome participants from all [CAREC](#) countries, as well as representatives of our partner institutions.

Let me take a moment to recognize, in particular, the presence of delegates from the Islamic Republic of Afghanistan and the Russian Federation, who join us today at this [4th Ministerial Conference of CAREC](#).

Russia is Central Asia's largest trading partner, and a key link to Europe. Afghanistan serves as a land bridge and important potential trade route to markets in the South. Their participation will provide significant new opportunities for regional efforts.

The Promise of Regional Cooperation

Ladies and gentlemen, the rationale for cooperation among the countries of Central Asia is clear. Small populations, vast distances to markets, and land locked geographies make cooperation a necessity for strengthening economies and improving standards of living.

With proximity to rapidly growing markets like PRC, India and Russia - all of which have huge needs for energy - and with greater transit access to the sea through Afghanistan, the region is well poised to reap the benefits of its strategic location.

While much has been accomplished, much more remains to be done. The business environment has improved, but still, it is far from perfect. Truckers and traders face closed roads and border restrictions on a daily basis. Small business owners are struggling to stay competitive in new market economies. Something as simple as obtaining a tourist visa is time consuming and expensive. Farmers and villagers urgently need solutions to disputes that restrict the flow of water and energy across national boundaries. These issues must be dealt with if the region as a whole, its countries and its people are to capture the opportunities at hand.

Accelerating cooperation will surely bring impressive results. We believe that if the global economic environment remains favorable, and if Central Asian countries press ahead with economic reforms and regional economic cooperation, per capita incomes could double by 2015. While commodity exports, especially oil and gas exports, will be a primary driver of growth, manufactured exports of some countries will also increase strongly. As a result, poverty could fall from more than 40% today, to 25% or less within 10 years.¹ This would indeed be a major achievement.

The question for all of us, then, is how to realize these gains? A shared vision for the region is a fundamental necessity for sustaining and accelerating progress. Through coordinated action, Central Asia can again become the strategic crossroads for trade, linking PRC, Russia, Europe, India and the Middle East - a region of increased prosperity and well managed, sustainable resources, with good livelihoods and a sense of security and wellbeing available to all. CAREC stands ready to help realize this vision.

CAREC - A Powerful Alliance

Ladies and gentlemen, as you know, CAREC is a multi-country, multi-institutional alliance. We have here with us nine country delegations from: Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Russia, Tajikistan, and Uzbekistan. We also have six multilateral institutions joining this effort under one strategic umbrella: the Asian Development Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, the International Monetary Fund, the World Bank and the United Nations Development Program. CAREC represents a true, robust development partnership; a concrete example of countries and institutions cooperating; one which also achieves the ideals set out in the Paris Declaration on Aid Effectiveness - namely: ownership, harmonization, alignment, results and mutual accountability.

CAREC is a powerful platform to marshal financial resources. Through the CAREC program, the multilateral institutions invest substantial resources in this region. In the transport sector alone, I am pleased to inform you that ADB lending assistance totaled \$224 million during 2000-2005. Looking ahead, the multilateral institutions combined assistance for the priority areas in the [CAREC Program](#) - transport, energy and trade - is expected to exceed \$1 billion² during 2005-2006.

Already, the CAREC partnership has made some strides. The development of trade and customs infrastructure, and related agreements, is progressing. Major road works are ongoing. The South Transport Corridor project, which recently got underway, will ultimately connect southern Russia and western China, through Central Asia and Afghanistan, to ports on the Arabian Sea.

Now, with the early years of CAREC coming to an end, we need to think about how CAREC can help the region to realize the shared vision I spoke of earlier. Starting with assistance to promote physical connectivity, CAREC will need to move on to facilitating the provision of

regional public goods, and further on to integrating the region's economies with each other and with the global economy. To help in this effort, the crucial question to consider is how we want our partnership to be viewed 5 years, 10 years, 15 years from now. What specific, measurable results do we want to achieve?

The CAREC Interim Comprehensive Action Plan, which will be discussed later today, is a good first step. It provides a results-based framework with measurable targets for increased economic growth and greater poverty reduction. And it identifies a rich array of possibilities.

Imagine, for example, the galvanizing effect of a master strategy for road, rail and air transport that responds to the region's rapidly growing trade with PRC, Russia, and Europe.

Imagine the significant impact that full integration of transport and trade would have on growth. Removing barriers to intraregional trade, harmonizing customs regulations, and membership in the World Trade Organization would set the stage for open regionalism and give Central Asia a strong competitive position in the global economy.

Imagine if all the region's energy needs could be reliably supplied, with plenty of room to respond to the energy appetites of the countries that lie just beyond its borders. For example, the Sangtuda I Project - a large hydropower project that a small country cannot finance on its own - is a natural for private sector investment and could provide concrete benefits for Tajikistan, and its neighbors. A similar initiative in Lao PDR, the Nam Thuen 2 hydropower project, clearly demonstrates what can be achieved when governments, project developers, local communities, civil society, and international development institutions forge a win-win partnership to promote prosperity and hope.

To achieve these benefits, and more, countries and multilateral partners need to energize CAREC and do much to move the region forward. However, without the participation of a vibrant, growing private sector, our attempts will inevitably fall short.

Here, I must congratulate the CAREC countries on the admirable progress they have already made. From a very small base in 1991, the private sector has grown to represent over 50% of GDP across the region.³

Clearly, CAREC leaders understand well the vital role of the private sector in creating jobs, reducing poverty, and providing needed innovations and financial resources. This momentum must be sustained. The private sector must be further developed. Private sector industries and institutions are crucial to the region's future.

The Central-South Asia Regional Business Roundtable will provide an important channel for communication between the public and private sectors, a means to facilitate greater trade and investment across borders, and a crucial link connecting domestic business communities to each other and the world.

Inclusiveness and Flexibility

Ladies and gentlemen, regional cooperation is most successful when the process is broadly inclusive. Besides the private sector, civil society and local community groups are essential allies in the fight against poverty. ADB and its multilateral partners have supported a number of projects in the region where these different groups are strong partners in providing microfinance assistance, skills training, food fortification and other vital services. To move forward, the CAREC program will benefit a lot from increased involvement of such stakeholders.

Being inclusive also means creating knowledge networks among research institutions, universities, local think tanks and others whose location in the region will ensure a critical and analytical perspective on its development. I am delighted that I will have the opportunity this week to visit some of these institutions, hear their perspectives and strengthen their understanding of what we are trying to achieve.

Being inclusive means coordinating with other regional cooperation initiatives, especially in the context of Central Asia, where many such initiatives exist. The recent merger of the Central Asia Cooperation Organization and the Eurasian Economic Community is a welcome initiative, but more needs to be done. I urge all regional bodies to consider how we can ensure the greatest development impact at the least cost to everyone involved. I would also encourage CAREC's development partners to devote additional staff and financial resources to regional economic cooperation initiatives, including CAREC, to ensure that CAREC is a reliable and effective partner in assisting your efforts.

Lastly, being inclusive means being flexible and responsive. More urgently, the recent earthquake in Pakistan, the Asian tsunami of last December and a potential avian flu pandemic show that none of us is immune to serious threats, like disaster and disease. These threats do not respect borders. These are issues of regional and global significance and, therefore, can be effectively addressed only through cooperative efforts. Given the prospect of avian flu, especially, we need to coordinate our efforts to prepare the region for what may lie ahead.

Concluding Remarks

Excellencies:

Prime Minister Kulov has spoken eloquently about your commitment, as leaders, to integrate roads and markets, reopen the old Silk Road, and reap the benefits of regional cooperation. Strengthening your resolve to do so has never been more crucial, because a tremendous opportunity lies at hand - an opportunity to significantly increase growth, boost trade, and integrate your countries with regional and global markets.

We at ADB and in our partner institutions understand that regional cooperation takes time, patience and courage. We acknowledge there are risks, but we firmly believe that the benefits outweigh these by far. And we are dedicated to assisting your efforts.

Over the last year, the CAREC collaboration has grown stronger, its objectives more clear. With new partners and a regional economy in high gear, we must reach higher, dream bigger, build better - to intensify our cooperative efforts to reduce poverty and bring lasting peace, prosperity and hope to all the people of Central Asia.

I wish you all the best in your deliberations.

¹ Staff estimates based on ongoing work: Central Asia in 2015.

² Status Report of the CAREC Transport Sector Committee to the 2005 October Senior Officials' Meeting (SOM).

³ European Bank for Reconstruction and Development (EBRD), *Transition Report 2004*.