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The Prospect of Trade Development of Regional Agricultural Product in Central Asia

Distinguished official leaders in the Department of International Trade and Economic Affairs, Ministry of Commerce, honorable experts, ladies and gentlemen,

Good morning! The topic of my speech is “The Prospect of Trade Development of Regional Agricultural Product in Central Asia”.

During the recent years, the economic and trade cooperation between China and CAREC member countries has been developing rapidly and the cooperation relationship has become increasingly closer. In 2007, the total trade volume of import and export between China’s XinJiang and CAREC member countries increases by 50.7% to 13.72 billion US dollars. The level and quality of trade and investment has been improving, however, some restriction factors still remain in the process of economic cooperation, such as Customs clearance, inspection and quarantine, transportation and storage, etc. Especially when agriculture trade just starts up, many restriction factors become obstacles and cause inconveniences to the trade between both parties. In order to solve these problems and provide convenient conditions for the normal trade, the member countries should work together and make efforts to establish a standard suitable for agriculture trade.

First of all, in the cooperation process, CAREC has realized the great importance of agriculture trade to the economic and social development in its member countries and now commits itself to promote the development of agriculture trade and cooperation between its members. In 2006’s CAREC Ministers’ Meeting, agriculture trade and agricultural cooperation were put forward as the most important cooperation fields; besides, the following vital factors were considered: A) the proportion of agriculture labor force and agricultural population to the total population; B) the corresponding level of economic development; C) long distance transportation’s influence on the agricultural products; D) the recovering of agricultural production and its necessary soil and climate conditions.

Secondly, the development of agriculture economy will play a vital role in some countries, esp. in such underdeveloped countries as Kyrgyzstan, Tajikistan, Uzbekistan, Afghanistan, and Mongolia. For a long period of time, agriculture is an important section in the national economy and is the main source of residents’ income. Meanwhile, some relatively developed countries such as Kazakhstan and Azerbaijan, where manufacturing industry and service industry are more

developed, need agricultural products and even have better conditions to expand agriculture production. As for China's Xinjiang, it is in between. Yet in terms of population proportion and economic development level, Xinjiang belongs to the underdeveloped region.

For some relatively developed countries, they have importing demand for agricultural products, as well as the possibility to export staple agricultural products. For underdeveloped countries, they have the exporting demand for agricultural products, as well as the importing demand due to the restriction of its own production condition. Therefore, from the above analysis, we can learn that almost every member country in CAREC has exporting desire and importing demand for agricultural products. For instance, Kazakhstan has exporting capacity of food and oil plants, as well as importing demand for fruit and vegetable. While for such countries as Kirghizia, Tajikistan and Mongolia, they have importing demand for food, yet exporting capacity of some agricultural products like cotton. The situation in China's Xinjiang is a bit complicated. Xinjiang is a region, where the variety and yield of agricultural products can meet its own demand. From this perspective, Xinjiang is a region which only exports agricultural products and has no need to import. However, if we take the huge market of China into consideration, and the problem of long distance transportation of agricultural products is solved, Xinjiang will be a huge channel for importing. The concept of long distance transportation is "for every one ton agricultural products, about 80-90 US dollars will be added as the additional transportation cost, excluding the transportation cost in the normal range." From this perspective, we can consider that Xinjiang is a potential importing area for agricultural products.

Thirdly, great attention should be paid to the development of agriculture trade among CAREC member countries, from the perspective of sensitive impact of transportation cost on agricultural products. However, it is a pity that the agriculture trade volume among CAREC member countries is still very small, far less than the trade volume with other countries outside CAREC. Conservative statistics shows that the proportion is 1:15. This kind of trade structure is contradictory to the restriction factor of long distance transportation. Therefore, we believe there is still great potential in the agriculture trade development among CAREC member countries.

Then, why is agriculture trade volume among CAREC member countries so small? I think, obviously, the trade structure of agricultural products is related to the traditional trade relationship of CAREC member countries. The first reason is that the agriculture trade relationship has not been established among CAREC member countries. As we know, for a long time, Europe is the main market for the agricultural products in Central Asia Region, while Xinjiang's main market for agricultural products is the eastern area of China. The second reason is that the agricultural structure in Central Asia Region does not adapt to the local demand. In other words, the producing structure does not meet the demand structure. For instance, in some countries that plant a large amount of cotton, the local processing ability is weak, thus they have to export cotton to the countries outside the region. Take food for another example, the producing ability of food in the region is not stable, thus it is hard to form steady supply-demand relationship. The third reason is small production scale and unsteady yields have direct impact on the development of agricultural processing industry. Meanwhile, the scale also influences the adoption of new agricultural technologies, which in turn affects the efficiency of agricultural production.

Fourthly, it is a common goal for CAREC member countries to establish a steady supply-demand relationship. As a matter of fact, CAREC has been advocating this goal and its member countries all support it. We believe, in the starting stage, the efforts of Asian Development Bank and CAREC member countries' governments will accelerate the realization of this goal. We have noticed that some member countries have begun this work, which obviously is a good start. For agriculture-producing departments and trade enterprises, probably the most important work is to establish supply-demand relationship between member countries and enterprises. We believe this supply-demand relationship is based on the appropriate industrial division among member countries. Therefore, we have to take actions together to adjust the agricultural industry structure and product structure, so as to meet the demand of international trade.

Fifthly, for member countries, we hope that the agriculture trade volume among member countries constitutes half of the total trade volume of all the member countries. Take the data in 2006 for example, the total trade volume of all the member countries (including areas) is about 3 billion US dollars. If half of the agriculture trade business are conducted among member countries, the transportation cost saved will reach 0.68 billion US dollars for 80x tons. Therefore, the increase of agriculture trade volume among member countries will lead to the increase of peasants' income and the benefit of agriculture production.

The best way to realize the above goal is to adjust agricultural product structure in member countries. Every member country should adjust their own product structure according to the trade demand between member countries, so as to meet import and export demand. This is quite important, yet difficult to carry out. Therefore, agricultural technological communication between member countries is necessary. Both local governments and international organizations should pay attention to this kind of technological communication and offer help to it.

The sixth point, oil plants and cotton are the traditional staples for import in China. Considering the national security of China, we believe it is advantageous for China to diversify its import sources. In other words, China has the reason to select the source nations for importing agricultural products and choose Central Asia countries to import some oil plants and cotton. In 2007, China's cotton consumption is about 9 million ton, and its oil plants consumption reaches to nearly 140 million ton. As the first step to this goal, we believe China can give a market share of 0.2 million ton cotton and 1 million ton oil plants to Central Asia countries, namely, import trade volume of 500 million US dollars. As steady exporting countries, relevant countries in Central Asia Region could establish or increase their agricultural production capacity on the same scale.

As a measure to balance trade, Xinjiang could export to Central Asia Region about 800,000 ton fruit and vegetable, namely, export trade volume of 500 million US dollars. In food trade, we think that every country should guarantee the food supply in its home market. However, because of some influencing factors like climate, it is necessary to establish proper exchanging relationship. For instance, Kazakhstan and China's Xinjiang could provide a small proportion of food to some countries like Tajikistan, Kirghizia, and Mongolia, etc. Because it is only an exchanging relationship, we do not require every country to make strict promises. Every country just provides

or exchanges different kinds of food temporarily according to the market demand. Only in some necessary situations, some countries, such as Tajikistan and Kirghizia, could establish steady food supply-demand relationship with relevant countries. Of course, this kind of cooperation should be advocated by government and be made stable for a long term.

Finally, we suggest that governments of member countries should sign bilateral agricultural cooperation and trade agreement on the basis of multi-lateral common actions. With the efforts of governments, we hope member countries could try their best to sign agreements on the goal, fields and agenda of relevant agricultural cooperation and agriculture trade. International organizations, such as Asian Development Bank, adopt encouraging policies on such kind of agreements, including giving support on financial loans. Under the guidance of governments, agricultural cooperation and agriculture trade can be combined with the national anti-poverty strategy, thus promoting rural economic development. We believe the emphasis on consistent actions could easily form a certain production scale in a short time, thus increasing peasants' confidence. Another reason is scale will play a vital or even pivotal role when it comes to the use of new agricultural technologies, the production organization, and the use of agricultural machines. We are convinced that the relevant agreements on agricultural cooperation and agriculture trade signed between governments will establish supply-demand relationship in the market. And that is the necessary condition or premise to lead peasants or farms to produce agricultural products firmly on a large scale.

The above seven points are my view on the agriculture trade development in Central Asia Region. Thank you.