

17th Ministerial Conference on Central Asia Regional Economic Cooperation

Special Address by ADB President Takehiko Nakao

15 November 2018, Ashgabat, Turkmenistan

Introduction

Deputy Chairman of the Cabinet of Ministers Gochmyrat Myradov, honorable ministers, distinguished guests, ladies and gentlemen:

This is the 17th Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC). I would like to express my appreciation to the Government of Turkmenistan for hosting this Ministerial Conference for the first time since the country joined the CAREC Program in 2010.

I am pleased to be visiting the beautiful white marbled city of Ashgabat for the second time. I understand every first Sunday of December, Turkmenistan celebrates the *Day of Good Neighborhood*. This ancient Turkmen custom aligns with CAREC's vision of "Good Neighbors, Good Partners, and Good Prospects." *Hos geldiniz!*

The conference theme of *Expanding Trade and Promoting Diversification* is highly relevant to promoting global and regional economic cooperation. Excluding the People's Republic of China (PRC), CAREC countries still account for less than 1% of global trade, with exports concentrated in a small number of products and markets. Trade can be

expanded, and exports further diversified, in the CAREC region. I look forward to a fruitful discussion on these topics during the conference today.

ADB and Turkmenistan

Ladies and gentlemen,

ADB's development partnership with Turkmenistan began in 2000. Since then, ADB has supported Turkmenistan's efforts to diversify its economy and increase its regional connectivity. Last year, ADB approved its first Country Partnership Strategy (CPS) for Turkmenistan for 2017–2021. The CPS supports energy trade, transport connectivity, and finance for small and medium-sized enterprises (SMEs).

ADB's first project assistance to Turkmenistan in the amount of \$125 million was implemented between 2011–2017 for the North–South Railway Project. The project improved the country's connectivity with Kazakhstan and the Russian Federation.

Last week we approved a \$500 million loan to strengthen Turkmenistan's power transmission infrastructure to improve the reliability of the power supply and promote electricity trade across the region. ADB is also supporting Turkmenistan's customs authorities to enhance cooperation with customs authorities of other CAREC countries, and has provided technical assistance to support the country's sanitary and phytosanitary measures for food safety and agricultural trade.

I met His Excellency President Berdimuhamedov yesterday for two hours and discussed macroeconomic policy issues and Turkmenistan's

development opportunities and challenges. The President and I discussed further ADB assistance to Turkmenistan in the transport sector including the East-West railway corridor building on the success of the North–South corridor, in energy trade projects including the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan electricity network project (TUTAP), the Turkmenistan–Afghanistan–Pakistan electricity project (TAP), and the Turkmenistan–Afghanistan–Pakistan–India gas pipeline project (TAPI), and in other sectors such as finance, education and health.

Economic and Trade Outlook of the CAREC Region

Distinguished participants,

The economic and trade situation in the CAREC region is improving. Excluding the PRC, growth in the region was 4.7% in 2017, compared to 3.5% in 2016. We forecast growth to rise to 4.8% in 2018. We are seeing resource-rich countries in CAREC benefit from higher oil prices, while increased remittances are boosting the prospects of other countries.

Global merchandise trade expanded by 10.7% in 2017, reversing a 3% decline in 2016. A recovery of trade is even clearer in the CAREC region, with merchandise trade value, excluding the PRC, growing by 12.8% in 2017, compared to a decrease of 8.5% in 2016. Trade growth remained strong in the region in the first half of 2018. The PRC remains one of the main trading partners of the other CAREC countries. In 2017, trade between the PRC and other CAREC countries increased by 23.8% to reach \$54 billion, up from \$44 billion in 2016.

Global and regional trade prospects face uncertainty due to ongoing trade conflicts and higher tariffs. While CAREC economies have responded to external shocks with resilience, policy makers must remain vigilant. Strengthening ties among CAREC neighboring countries and the improving environment for economic cooperation will boost trade prospects in the region.

ADB's Support for Regional Cooperation

As a regional development bank, ADB is mandated by our charter to support regional cooperation, and we reaffirmed this role under ADB's new long-term *Strategy 2030*.

Since 2001, the CAREC Program has financed 190 regional projects worth \$32.9 billion in the areas of transport, energy, and trade. Of this, \$11.9 billion has been financed by ADB; \$13.4 billion by other development partners such as the World Bank, Islamic Development Bank, and European Bank for Reconstruction and Development; and \$7.6 billion from CAREC governments.

This year, ADB plans to provide \$4.7 billion in new assistance for projects in CAREC countries, excluding the PRC, in the areas of transport, energy, education, water supply and sanitation, urban development, trade, agricultural value chains, and disaster risk management.

Of this amount, \$2 billion will be dedicated to regional cooperation projects to improve connectivity, promote electricity exports, and strengthen trade facilitation. With this support, we have started implementing the

commitment I made at last year's Ministerial Conference to provide \$5 billion over 2018–2022 to implement the CAREC 2030 strategy.

We continue to support the TAPI gas pipeline project. ADB has provided technical assistance for various studies and cooperation agreements for the project.

The Turkmenistan and Afghanistan governments have requested ADB financing for the first phase of the project, and we are providing technical assistance to conduct due diligence.

Implementation of CAREC 2030

Ladies and gentlemen,

At last year's ministerial conference in Dushanbe, ministers endorsed the CAREC 2030 Strategy. Good progress has been made in implementing the strategy, which prioritizes support for five operational clusters.

First, in the economic and financial stability cluster, the first CAREC High-Level Forum on Macroeconomic Policies for Economic and Financial Stability was organized in May 2018 on the sidelines of the Astana Economic Forum. The forum brought together central bank governors and finance ministry officials of CAREC countries to discuss lessons learned from implementing countercyclical policies to mitigate the impacts of economic and financial crises. Such high-level dialogue on key policy issues will continue in the future.

Second, in the trade, tourism, and economic corridors cluster, a new CAREC Integrated Trade Agenda (CITA) 2030 has been formulated. This agenda is being tabled today for endorsement by CAREC ministers. CITA will help countries expand trade by adopting more open trade policies, tackling non-tariff barriers, and implementing the WTO Trade Facilitation Agreement. In addition, CITA supports economic diversification, including trade in services and e-commerce, and stronger institutions for trade.

ADB is also processing a new technical assistance package to assess the potential of a new economic corridor between Kazakhstan, Tajikistan, and Uzbekistan.

Work has begun in the tourism sector. A tourism experts workshop was held in Tashkent at the end of October to identify opportunities for tourism cooperation in the region. CAREC's support includes standardizing tourism statistics, developing a web portal on tourism-related information, and training tourism professionals in providing high quality services to tourists throughout the region.

Third, in the infrastructure and economic connectivity cluster, CAREC is deepening operations in the energy and transport sectors. A high technology roadmap has been prepared to achieve economies of scale through cooperation between CAREC member countries in the adoption of new energy technologies, including for solar power, battery storage, and energy efficiency. A scoping study for promoting aviation cooperation in the region has been finalized.

Fourth, in the agriculture and water cluster, ADB is helping member countries upgrade their sanitary and phytosanitary systems to meet international standards. The feasibility of modernizing wholesale markets to promote agricultural trade between Almaty and Bishkek is underway.

Fifth, in the human development cluster, CAREC is preparing a study on opportunities for regional cooperation in higher education and skills development. Potential areas of CAREC support include establishing a regional labor market information system, harmonization of standards and mutual recognition of educational qualifications, and faculty and student exchanges.

CAREC is strengthening coordination with other regional cooperation platforms and the private sector. For instance, CAREC organized a high-level session on the sidelines of ADB's Annual Meeting in May 2018 to discuss opportunities for CAREC to collaborate with the Belt and Road Initiative to enhance connectivity and strengthen trade links in our region. The 3rd CAREC Energy Investment Forum in September 2018 brought together the private sector and government officials to discuss investments in modern energy technologies.

Finally, in addition to support to the five clusters I just mentioned, ADB will continue to support and collaborate with the CAREC Institute to provide knowledge and capacity building services to member countries on key regional issues.

Concluding Remark

Ladies and gentlemen,

As I end my speech, I recall my visit to the famous carpet museum here in Ashgabat in the fall of 2016 to see its wonderful collection of Turkmen carpets. The different carpet designs in the museum represent diversity among various tribes and regions within the country. Yet, taken together, these designs represent the unity of the state of Turkmenistan.

Carpets symbolize identity that exists alongside its colorful diversity. This sense of unity and identity provides a basis of greater cooperation and integration in CAREC.

I thank you all for your support. *Sag Bolun!*