

18th Ministerial Conference on Central Asia Regional Economic Cooperation

Special Address by ADB President Takehiko Nakao

14 November 2019, Tashkent, Uzbekistan

Introduction

His Excellency Ravshan Gulyamov, Advisor to the President of the Republic of Uzbekistan, His Excellency Deputy Prime Minister Elyor Ganiev, honorable ministers, distinguished guests, ladies and gentlemen:

First I would like to thank Mr Sardor Umurzakov for chairing this important meeting. I would like to express my appreciation to the Government of Uzbekistan for hosting this Ministerial Conference of the Central Asia Regional Economic Cooperation (CAREC) Program. Uzbekistan is undertaking landmark reforms to improve governance, energize the economy, and upgrade relations with neighboring countries.

Since my last visit to the country in March 2017, Tashkent's skyline has changed very quickly, and so much construction is going on. This is a clear sign that Uzbekistan is on the path of

growth and prosperity. We at ADB are excited to partner with Uzbekistan during this crucial phase of development.

The theme of our Conference “*A New CAREC — Expanding Horizons of Regional Cooperation*” recognizes the emerging new opportunities for regional cooperation among CAREC countries. Today, we celebrate the efforts of Uzbekistan and other CAREC countries to build a new era of economic prosperity based on mutual trust and a strong resolve to work together.

ADB and Uzbekistan

Ladies and gentlemen,

Uzbekistan became a member of ADB in 1995. Since then, ADB has supported Uzbekistan’s development with \$8.1 billion of loans and \$98 million in technical assistance. This year, ADB approved the country partnership strategy (CPS) for Uzbekistan for five years, 2019–2023, pledging \$5 billion in new assistance over the strategy period.

We have helped rehabilitate national and regional road and railway networks; strengthen electricity generation, transmission, and distribution capacity; provide safer and more reliable water supply services to nearly 3 million people; develop Uzbekistan’s

potential in horticulture export; and improve irrigation infrastructure. Our support for affordable housing is helping the government provide 29,000 homes to rural families, especially low-income households.

We are pleased to support ongoing economic reforms in Uzbekistan through our policy-based operations totaling \$600 million over 2017—2019. This helps the government improve economic management, ensure fiscal sustainability, and strengthen governance in state-owned enterprises.

Economic and Trade Outlook of the CAREC Region

Distinguished participants,

Let me now turn to the economic and trade outlook of the CAREC region. Growth in the CAREC region, excluding the PRC, accelerated to 4.9% in 2018 from 4.6% in 2017 thanks to stronger public investment in Azerbaijan, Pakistan and Uzbekistan. However, growth in 2019 is expected to slow to 3.9%, as Pakistan enters a stabilization phase, and a slowdown in oil production slows expansion in Kazakhstan. Azerbaijan, the Kyrgyz Republic, and Uzbekistan are expected to post higher growth in 2019.

Merchandise trade in the CAREC region (excluding the PRC) posted a strong 13.1% growth in 2018. Improved trade

performance was underpinned by higher hydrocarbon prices and increased demand for gas from the PRC. However, trade growth was 6.4% year-on-year in the first half of 2019.

Ongoing trade tensions, uncertainties surrounding Brexit, and the softening of growth in the PRC are affecting global and regional trade. But we remain optimistic about the medium-term trade prospects for the CAREC region. Uzbekistan's efforts to accede to the WTO, liberalization of visa regimes in various CAREC countries, improvements in connectivity, and reduction in non-tariff barriers should all promote trade going forward.

ADB's Support for Regional Cooperation

Ladies and gentlemen,

ADB has reaffirmed its support for regional cooperation and integration in its new long-term operation strategy. Under *Strategy 2030*, ADB will enhance connectivity and competitiveness, promote regional public goods, strengthen cooperation in the financial sector, and support subregional initiatives such as CAREC.

Since 2001, the CAREC Program has financed 200 projects worth \$37 billion in transport, energy, and trade. Of this, \$14 billion has been financed by ADB. In 2019, we are supporting

regional projects to promote horticultural trade and improve connectivity and border services. A project in Uzbekistan will establish agro-logistic centers in several regions to promote horticulture trade by providing facilities for storage, processing, food safety certification, and customs clearance. In Georgia, a project to upgrade the East-West highway corridor will strengthen regional connectivity and boost trade with Europe. A project in Mongolia will upgrade key border crossing points for efficient trade procedures and better connectivity with neighboring countries, including the PRC.

I am happy to report that good progress is being made in the implementation of the CAREC 2030 strategy. In addition, we are moving forward on the new operational areas identified as priorities in CAREC 2030.

First, more macroeconomic policy dialogue is being undertaken to debate key issues and challenges faced by CAREC countries. ADB, the International Monetary Fund, and the World Bank co-organized a high-level forum on “Balancing Infrastructure Investments with Debt Sustainability” in Nur-Sultan in May 2019. This CAREC forum attracted central bank governors and finance ministries’ officials. In Islamabad, in August, we brought together capital market regulators and private sector stakeholders from

CAREC countries for the first time to discuss experiences in reforming capital markets.

Second, in a high-level policy dialogue in the energy sector, CAREC Energy Ministers met for the first time in Tashkent in September. The Ministers signed a declaration to work together to promote reforms in the energy sector and energy security in the region.

Third, a high-level forum on “*Sustainable Tourism Development in the CAREC Region*” was held during ADB’s Annual Meeting in Fiji this year. Discussions focused on the need for a regional approach to sustainable tourism development. Dialogue continues this afternoon between Ministers and private sector operators on promoting tourism in the region. A regional tourism strategy and a pipeline of tourism sector projects are being developed.

Fourth, in the agricultural sector, to support regional agricultural value-chains, ADB has prepared masterplans for logistics centers for wholesale markets in Kazakhstan and the Kyrgyz Republic. Sanitary and phytosanitary standards are being upgraded. Work has begun to identify challenges and opportunities in regional cooperation in the water sector.

Cooperation in the water sector benefits both irrigation and drinking water in the region.

Fifth, regarding education, we have completed a study on regional cooperation in education, identifying opportunities for harmonization of standards and establishing a labor market information system. These will help promote the exchange of students and faculty members between countries and better access to jobs for students in the region.

Sixth, we continue to deepen our support for trade and connectivity. Under the CAREC Integrated Trade Agenda 2030, we are supporting implementation of trade-related reforms. This includes improving and digitizing customs services, and policy and regulatory frameworks for e-commerce and services sectors. CAREC Ministers today are considering new long-term strategies for transport and energy cooperation, focused on deepening connectivity, and ensuring environmental and operational sustainability.

Seventh, ADB is preparing new region-wide financing facilities. A \$2 million technical assistance project will prepare a regional disaster risk financing facility to develop insurance mechanisms for member countries to hedge against earthquake and flood-related risks. This regional disaster risk financing facility

will increase market size by pooling risks faced by member countries. It will attract private insurers to the region and bring down insurance premiums. A \$2.3 million technical assistance project is preparing a trade credit and investment guarantee facility, which will support exporters and importers in the region by providing guarantees to financial institutions for extending credits to exporters and importers.

Concluding Remarks

Ladies and gentlemen, it has been my honor to have taken part in the CAREC Ministerial Conferences since I assumed the ADB presidency in 2013. This is my last Ministerial Conference as President. As I already stated, I will resign in January 16 next year. I would like to thank all bilateral and multilateral development partners, in addition to ministers from CAREC countries.

I would like to close with this quote from the 15th century great Uzbek poet Alisher Navoiy. He says: "*the greatest curse is for all humankind is hostility, the greatest blessing is friendship among neighbors.*" With this message of peace and friendship, I thank you all again for your support to CAREC, and look forward to a successful discussion in this conference.