

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM
18th Ministerial Conference
14 November 2019; Tashkent, Uzbekistan

SUMMARY OF PROCEEDINGS

I. Introduction

1. The 18th Ministerial Conference (MC) on Central Asia Regional Economic Cooperation (CAREC) was held in Tashkent, Uzbekistan on 14 November 2019. The MC was attended by the ministers and senior officials from 11 CAREC member countries and representatives from development partners.¹ Adviser to the President of the Republic of Uzbekistan Mr. Ravshan Gulyamov opened the conference and delivered a special message from the President of Uzbekistan. Deputy Prime Minister of Uzbekistan and Asian Development Bank (ADB) Governor Mr. Elyor Ganiev delivered the keynote address. ADB President Mr. Takehiko Nakao delivered the special address. The MC was chaired by Mr. Sardor Umurzakov, Minister of Investments and Foreign Trade of Uzbekistan, and co-chaired by ADB Vice President Mr. Shixin Chen. The MC deliberated and endorsed the CAREC Transport Strategy 2030 and CAREC Energy Strategy 2030, discussed the progress of the CAREC 2030 implementation, and held a high-level public-private dialogue on Promoting Sustainable Tourism Development in the CAREC Region through Public–Private Partnerships. A Joint Ministerial Statement was issued at the end of the MC. The agenda and list of participants are in *Appendix 1 and 2*, the Joint Ministerial Statement is in *Appendix 3*.

II. Highlights of the 18th Ministerial Conference

2. **Inaugural Session.**, Minister of Investments and Foreign Trade of Uzbekistan Mr. Sardor Umurzakov delivered welcome address while H.E. Ravshan Gulyamov delivered special message from H.E the President of Uzbekistan and reaffirmed Uzbekistan’s support to strengthen regional cooperation. Deputy Prime Minister H.E. Elyor Ganiev delivered keynote address. He appreciated ADB’s support and contributions to the CAREC agenda and committed Uzbekistan’s stronger engagement. ADB President Takehiko Nakao, in his special address, reaffirmed ADB’s support for regional cooperation and integration in its new long-term corporate strategy to enhance connectivity and competitiveness, promote regional public goods, and strengthen cooperation in the financial sector. President Nakao noted that the trade in CAREC region had moderated in the first half of 2019 but he remained optimistic about the region’s medium-term trade prospects. President Nakao also commended the good progress made in expanding cooperation in the five operational clusters of the CAREC 2030 strategy.

3. **Roundtable Discussion on the New CAREC Transport and Energy Strategies and CAREC 2030 Implementation.** The MC was apprised of the global and regional economic and trade outlook, final draft CAREC 2030 Transport and Energy Strategies, the implementation

¹ The 11 CAREC member countries are: Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan; Development partners present at the 17th MC include: Asian Development Bank, CAREC Federation of Carrier and Forwarder Associations, CAREC Institute, Eurasian Development Bank, European Bank for Reconstruction and Development, European Union, International Monetary Fund, Islamic Development Bank, Japan International Cooperation Agency, Japan Ministry of Foreign Affairs, Shanghai Cooperation Organization, United Nations Development Programme, United Nations Economic and Social Commission for Asia and the Pacific, US State Department, and the World Bank.

progress of CAREC 2030. Guidance was solicited on the way forward (see *Appendices 4, 5 and 6 for presentations*).

- a. **Global and regional economic and trade outlook.** CAREC Secretariat provided an account of key global and regional economic developments. The presentation projected economic growth in the CAREC region to remain broadly stable, but likely to be lower than its historical averages. Inflation will be higher in many regional economies underlined by higher food inflation. It was noted that subdued trade prospects in the CAREC region reflect global trade tension and deeper malaise in advanced economies, that are weakening current account balances. As fiscal buffers deteriorate public debt is also on rise after 2014 oil crisis.

The IMF shared its concern over slowing growth prospects in CAREC countries. Given short- and medium-term economic challenges in the region, it emphasized the need for national governments and the central banks to focus on building resilience through prudent fiscal and monetary policies and more flexible exchange rates in the short term. For the medium term, implementing structural reforms will help achieve higher and more inclusive growth. Concern was also raised over slower growth in total factor productivity implying that growth in the region and particularly in the oil exporting countries is sourced largely from rising investment.

The World Bank emphasized that lack of connectivity in Central and South Asia is a key obstruction to growth in the areas of trade, tourism and data access. The region needs greater integration into international markets to create jobs for skilled labor in export sectors and fast and efficient air and land transport connections to promote tourism. The ongoing cross-border initiatives in Central Asia such as Central Asia-South Asia-1000 (CASA-1000), Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Belt and Road Initiative (BRI) and the ongoing peace process for Afghanistan are expected to offer opportunities for the region for enhanced connectivity.

ADB President Nakao noted that growth was expected to remain moderate in the CAREC region in 2019. Ongoing trade tensions, uncertainties surrounding Brexit, and the softening of growth in the PRC which are affecting global and regional trade. He appreciated good progress in implementation of CAREC 2030 Strategy that now includes many new focus areas. In this regard, he noted : (i) high level policy dialogues on macroeconomic challenges, energy and tourism in 2019; (ii) the ongoing knowledge work in agricultural and water sectors and education; (iii) new region-wide financing facilities including for disaster risk financing and trade credit and investment guarantee. In addition, trade-related reforms under the CAREC Integrated Trade Agenda 2030, and new long-term strategies for transport and energy cooperation aim to continue deepening support for trade and connectivity.

- b. **CAREC Transport and Energy Strategies 2030.** Ministers unanimously endorsed the CAREC Transport Strategy (CTS) 2030 and the CAREC Energy Strategy (CES) 2030. They appreciated the alignment of the strategic pillars of the transport and energy strategies with CAREC member countries' national priorities. Ministers supported CTS 2030's emphasis on multimodal connectivity, quality and sustainability of transport projects and assets, and demand-driven knowledge products to support high-level decision-making. They also welcomed the initiation of work on maritime transport cooperation through a scoping study by ADB.

Ministers appreciated the progress on cross border energy connectivity projects and supported the three pillars of CES 2030 for energy cooperation in region. These strategic pillars include: (i) better energy security through regional interconnections; (ii) more investments through market liberalization reforms; and (iii) sustainable energy systems. Ministers recognized the need for intensified effort to support CES's three cross-cutting themes on creating new knowledge products and peoples' networks; attracting private sector investments across the energy value chain; and empowering women in energy. Ministers committed full support in implementing the transport and energy strategies that will further advance cooperation in these areas in the next decade.

World Customs Organization (WCO) stressed the importance of SMART borders for seamless trade, travel and transport in CAREC countries. Achieving this objective would require automation of border processes, single business windows, risk-based controls and technology driven information systems. Noting the critical importance of economic corridors for landlocked CAREC countries, WCO emphasized that synergies in custom standards of various global organizations dealing with cross border movement can contribute towards harmonized processes and systems and accelerate connectivity and development of economic corridors.

- c. **CAREC 2030 Implementation Progress.** Ministers and senior officials commended the ongoing progress made in advancing cooperation in the five operational clusters of the CAREC 2030 strategy including economic and financial stability; trade, tourism, and economic corridors; infrastructure and connectivity; agriculture and water; and human development. Ministers and senior officials welcomed the CAREC High-level Forum on Balancing Infrastructure Investment with Debt Sustainability, the first CAREC Capital Markets Regulators Forum and the High-Level CAREC Forum on Regional Sustainable Tourism Development held in 2019. They called for continuation and deepening of policy dialogue in these areas to strengthen economic cooperation, and to unleash the untapped potential of the tourism sector. Ministers welcomed the initiation of a second pilot economic corridor under CAREC connecting Kazakhstan, Uzbekistan and Tajikistan and noted the potential of expanded trade and increased economic integration along the corridor.

4. **Panel Discussion on Promoting Sustainable Tourism Development in the CAREC Region through Public–Private Partnerships.** A high-level panel composed of CAREC ministers and representatives from private sector led the discussion based on a background note prepared by the Secretariat (*see Appendix 7*).² The discussion focused on the prospects for public private partnerships for sustainable tourism in CAREC countries and the role of CAREC to help strengthen participation of the private sector in tourism development and operations in the CAREC region.

5. Representatives from tourism industry highlighted various challenges that CAREC countries need to address for development of tourism. World Expeditions underlined significant potential for adventure and cultural tourism in CAREC countries due to their natural sites, rich

² Panelists include: Mr. Aziz Boolani, CEO, Serena Hotels South and Central Asia; Mr. Mario Hardy, CEO, Pacific Asia Tourism Association; Ms. Sue Badyari, CEO, World Expeditions; Ms. Helena Egan, CEO and Co-Founder, Planet Egan Ltd. and former Global Director of Industry Relations, TripAdvisor; Ms. Feruza Nazarova, Founder and Director, Advantour LLC; Mr. Muhammad Hammad Azhar, Minister, Economic Affairs Division, Pakistan; Mr. Abdulaziz Akkulov, Acting Chairman, State Committee for Tourism Development, Uzbekistan; Mr. Werner Liepach, Director General of Central and West Asia Department of ADB moderated the session.

cultural heritage and historic assets, but noted lack of awareness and knowledge in the specific target markets as key barriers. Other challenges impacting tourists' preference to a destination include the risk of natural disasters, war and terrorism, language barriers, health risks and reliability in emergency services as well as limited infrastructure.

6. Serena Hotels emphasized the need to create enabling conditions for tourists as well as businesses for a competitive tourism market in the region. In addition to visa facilitation, tax incentives and concessional land and capital financing can attract private investment into the tourism infrastructure development that will generate demand for the tourism services. It was proposed that a CAREC visa like EU's Schengen visa and a CAREC committee comprising the government and private sector representatives can provide a formal institutional structure for tourism development in the CAREC region.

7. Lack of connectivity was highlighted as a major challenge for tourism development. Advantour LLC noted that there are only a few direct air connections even between capital cities in the CAREC countries and overland border crossings are complicated. Customs registration rules and regulations vary across countries in the CAREC region. Harmonized customs regulation in the region, reducing red tape, establishing green transit lines and facilitation by border agencies were suggested as ways to promote tourism development.

8. Branding, marketing and skills were considered equally important. Trip Advisor suggested tourism promotion by focusing on the unique selling points of the CAREC region and providing customized options for different segments of tourists. All panelists supported a common regional brand/theme representing unique characteristics of the regional countries for joint tourism promotion. Data on target markets will be helpful in developing specific products. Incentives to encourage tourism education for career development can provide a competitive edge in tourism skills in the CAREC countries. Georgia shared its skill development efforts for training in tourism especially for the private sector. It also noted measures undertaken to support network events for connecting private businesses in tourism to international clients.

9. Cognizant of its enormous economic potential, CAREC countries are increasingly focusing on tourism development through enabling policy measures. Pakistan and Uzbekistan highlighted their recent efforts to liberalize tourism sector that are bearing good results. Pakistan noted its new national tourism task force, approval of new aviation policy deregulating airlines, relaxing of the visa regime, as well as special visa schemes for religious tourism. At regional level, Pakistan emphasized the importance of establishing a "CAREC visa regime". Uzbekistan, in addition to its measures related to the introduction of visa simplification procedures and tax incentives for the hotel industry, shared its budgetary allocation program to facilitate investments in the hospitality sector. Considering enormous potential in tourism such as from its rich heritage including religious sites, two countries are also building new infrastructure for enhanced connectivity. Other CAREC countries including Georgia, Tajikistan, Azerbaijan and Kyrgyzstan, that proactively simplified visa procedures, also shared their ongoing efforts to boost tourism development.

10. For sustainable tourism, the private sector representatives underlined the need to incorporate measures from the beginning to help protect the environment and improve the livelihoods. Pacific Asia Tourism Association (PATA) emphasized the role of partnerships between public and private sectors and institutional coordination for supporting sustainable tourism. Otherwise destination overload can result in collapse of infrastructure and adversely affect service delivery for tourists. Such stakeholder partnerships are critical for successful

planning at both country and regional level as well as in improving national capacity to manage high number of tourists.

11. PRC, with double digit growth in its outbound tourists, offered support to CAREC countries in attracting more Chinese tourists as well as technical support for building tourist sites under the Belt and Road Initiative. In this regard, it underlined the importance of Chinese speaking tour guides and television program in Chinese language as well as setting up payment methods that can support online payments from Chinese tourists. Asian Infrastructure Investment Bank (AIIB) shared a success story from Thailand where annual tourist arrivals in 2018 were about two thirds of its total population. UNWTO apprised of its silk road center of excellence in Tashkent to support tourism development.

12. ADB Vice President Shixin Chen noted that despite the recent global economic slowdown the tourism industry has remained resilient. Tourism development can be instrumental in promoting economic diversification in CAREC countries as it can generate spillovers due to the extensive forward and backward linkages with other industries. Governments should create conducive environment for attracting private sector investments that is often the driver of economic diversification. To that end, strengthening dialogue among public and private tourism-related stakeholders is crucial. This high-level public-private dialogue comes at an opportune time, as the CAREC countries initiate the formulation of the first regional tourism strategy to guide cooperation in the tourism sector over the next decade. ADB stands ready to continue working together with CAREC member countries and other development partners to promote a regional approach for sustainable tourism development.

III. Conclusion

13. The Conference endorsed the CTS 2030 and CES 2030 which will support CAREC transport and energy cooperation in the next decade. CAREC Ministers reaffirmed their strong commitments to actively participate and support the implementation of CAREC 2030 going forward. Ministers agreed that there has been good progress in furthering five operational clusters of CAREC 2030. The deliberations on promoting sustainable tourism development in the CAREC region provided CAREC member countries a good understanding of challenges and potential opportunities as well as the policy options to facilitate and support regional tourism development in a coordinated manner. It also laid out the potential areas where CAREC can add value. The MC recognized that CAREC countries' growth prospects face a myriad of development challenges, and that they need to remain committed to fostering stronger and more inclusive and sustainable growth. CAREC's expanded mandate to serve as an open and inclusive platform will further galvanize a revitalized and strengthened partnership between CAREC development partners and member countries to make progress on the international global agenda and strengthen economic cooperation in the region.

Appendices (as stated):

1. 18th MC Agenda
2. List of Participants
3. Joint Ministerial Statement
4. Presentation: CAREC Economic Outlook
5. Presentation: CAREC Transport Strategy 2030 and CAREC Energy Strategy 2030.
6. Presentation: CAREC 2030 Implementation
7. Background Note: Promoting Sustainable Tourism Development in the CAREC Region through Public Private Partnership