

# VPO1 Opening Remarks for the AGM Session “Reinvigorating Regional Cooperation in Central and West Asia – the Role for CAREC”

**ADB AGM, 4 May 2023, 16:30-18:30**

Dear participants, a warm welcome to our session — thank you for joining us today.

## Introduction

Our region, Central and West Asia has been experiencing a series of severe multiplier external shocks since 2020. The region also felt significant impacts of climate change such as the last year’s devastating floods in Pakistan and droughts in Central Asia.

The economic and social spillovers of these shocks include supply chain disruptions, high inflation, re-oriented trade flows, and changed patterns in labor and other international migration.

## A new era of uncertainty

These external shocks come with a high level of uncertainty. Key social and economic development trends are becoming more difficult to predict. For example, back in 2021, many of us were expecting a post-pandemic recovery in the region with higher growth.

But the onset of the Russia-Ukraine conflict in early 2022 drove most forecasters to radically revise their projections downwards, with a major economic slowdown expected across most of the region. And yet, these negative forecasts have not materialized. Moreover, last year, the region appeared to enjoy one of the best years of growth in the last 15 years.

Yet — projecting these high growth rates into the future seems equally risky, given the many development challenges that continue to emerge, potentially threatening the sustainable development of the region. Such uncertainty complicates policy formulation and proper long-term development and investment planning.

## Understanding the change

We have little choice but to live with this uncertainty. Doing so requires a better understanding of the trends and driving forces behind the unfolding challenges.

In the **short term**, we must consider how the ongoing conflicts are affecting trade flows — re-orienting some and generating new ones altogether, including re-exports. We need to understand how the dynamics of labor migration, remittances, and capital flows are changing. The post-pandemic economic recovery in the PRC, and re-engagement of the region with the Belt and Road Initiative, is another major trend to follow.

Climate change is another challenge that requires urgent attention — even as the work to understand its full impacts, get to grips with the energy transition, and advance the ambitious adaptation agenda, will require a **medium-** and **longer-term** investment and policy horizon. We must also explore how to reduce the region’s transit vulnerability, develop alternative international corridors, diversify the export, and import mix, and seek new trade partners and investment sources.

Tackling this will be a worthy investment in **resilience** which means, among others, diversified economic links. But this will require closer coordination between governments and businesses in the region.

### The role of regional cooperation

Regional cooperation is essential to building resilient and sustainable economies in Central and West Asia. Whether it is maximizing individual countries' comparative advantages in trade, preventing the spread of communicable diseases, or smoothing the movement of people, these global challenges cannot be addressed without countries working together. This cooperation is the way to achieve our common development goals of poverty reduction, achieving gender equality, and protecting vulnerable people.

**CAREC** is one of the most flexible and promising forms of regional cooperation in the region. Its work is based on a sound foundation of institutional arrangements, strategic vision, the resources of member governments and development partners, and the practical project and program experience of more than 20 years of CAREC operations.

CAREC's five priority operational clusters are:

- (i) Economic and Financial Stability;
- (ii) Trade, Tourism, and Economic Corridors;
- (iii) Infrastructure and Connectivity;
- (iv) Agriculture and Water;
- (v) and Human Development.

Focusing on these sectors is proven to address key challenges the region faces amid external shocks. As of the end of last year, CAREC investments reached close to \$47 billion covering about 250 regional projects. Of this, about \$17 billion was financed by ADB, about \$21 billion by other development partners, and \$9.5 billion by CAREC governments.

Given the new challenges, the CAREC program needs to be **reinvigorated**, to assume an even larger role in the social and economic development of the region. We need a systematic reassessment of the demand for cooperation in the region in light of the new challenges. Practical policy responses for the governments and the CAREC program can then be prepared. But this can only be possible through well-informed dialogue among member governments and development partners, the private sector, and societies of the region.

### CAREC session

And ladies and gentlemen, **this session** is part of such dialogue. Today, we aim to discuss the impacts of the recent shocks on the region's economies, explore the new role of regional cooperation, and outline possible policy responses.

ADB's Director General of Central and West Asia Regional Department Mr. Eugene Zhukov will set the context for today's discussion and present on the economic and social impacts of external shocks in the region in 2022. This will be followed by a panel discussion on strengthening resilience and the regional cooperation agenda in the CAREC region. The panel will be moderated by Mr. Johannes Linn, who is an expert and good friend of CAREC, a former Vice-President of the World Bank for Europe and Central Asia, and currently a nonresident senior fellow at the Brookings Institution. Distinguished panel members include government officials and representatives of CAREC economies to be properly introduced by the moderator.

Closing

Ladies and gentlemen, I very much hope that this session will make a useful contribution to the policy formulation process in the governments in Central and West Asia and the CAREC program.

Thank you and I wish you a good session.