

## Panel Discussion on CAREC Corridors for the Future: Learning from Economic Corridor Development in Asia

Nur-Sultan, Kazakhstan; 16 May 2019

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### A. Background

1. A high-level panel session on “*CAREC Corridors for the Future: Learning from Economic Corridor Development in Asia*” was organized on 16 May 2019 in Nur-Sultan, Kazakhstan during the 12<sup>th</sup> Astana Economic Forum in which about 100 people participated. ADB Vice President Shixin Chen together with senior officials from Afghanistan, Kazakhstan, the Kyrgyz Republic, and Tajikistan, World Bank, private sector, and academia served as panelists. Werner Liepach, Director General, Central and West Asia Department, ADB moderated the session (See *Annex1 Session Program*).

2. The session was convened amid some new developments in the Central Asia Regional Economic Cooperation (CAREC) region (See *Annex 2 Background Paper*). To name a few: (i) the opening-up of Uzbekistan and its enhanced relationship with neighboring countries inject new vigor to the region; (ii) the first pilot cross-border economic corridor—the Almaty-Bishkek Economic Corridor (ABEC) has been progressing to deepen regional cooperation in agriculture, tourism, health, and transport sectors; and (iii) a new economic corridor among three major cities (Shymkent-Tashkent-Khujand) and their surrounding oblasts (Turkestan-Tashkent-Sughd) of Kazakhstan, Uzbekistan, and Tajikistan is being conceptualized. The objectives of this high-level session were to: (i) discuss regional economic corridor development (ECD) potentials in the CAREC region, (ii) share Asia’s ECD experiences and lessons; and (iii) deliberate on approaches and policy implications of regional ECDs in CAREC.

### B. Highlights of the Discussions

3. The panelists recognized the growing importance of ECD as an effective tool in promoting economic growth and development, commended ADB’s support for ECD in the region, shared views and insights on opportunities and challenges of ECD in the CAREC region drawing from world-wide ECD lessons, and deliberated on CAREC’s possible roles in this course.

4. In his interventions, VP Chen noted the increasing interest and momentum of economic corridor development in the CAREC region, and CAREC countries’ high demand of support from international institutions like ADB to facilitate this process. He elaborated ADB’s support for ECD in Asia, and emphasized the importance of ECD in promoting regional integration as prioritized in the CAREC 2030 strategy. He illustrated the enormous economic benefits achieved in the Greater Mekong Subregion (GMS) through prioritizing ECD manifested by the fact that intra-regional trade in GMS increased to 8 folds, foreign direct investment 12 folds and tourists 3 folds. The VP highlighted some key factors for ECD to be successful including maximizing mutual benefits, widening cross-border connectivity, enhancing digital connectivity, supporting sustainable tourism development, and facilitating innovative energy trading mechanisms. He noted several roles of development institutions like ADB and regional cooperation platforms like CAREC in facilitating ECD. These roles include serving: (i) as financier and resource mobilizer to bridge the large financing gap of infrastructure connectivity in the region; (ii) as knowledge provider and technical facilitator in support of ECD related knowledge generation and capacity building for the CAREC countries; and (iii) as honest broker

and synergy builder to facilitate dialogue and knowledge sharing among different subregional programs, and collaboration with other development partners and initiatives including the Belt and Road Initiative.

5. The Kyrgyz Republic representative Mr. Sultan Akhmatov, Director of Aid Strategy Department of Ministry of Economy shared his observations on the experience of ABEC development supported by ADB. These include: (i) a well-established functioning institutional set-up (chaired by an Intergovernmental Council of the two Prime Ministers, and supervised by a Sub-committee led by the CAREC National Focal Points of both countries); (ii) identification of priority areas such as the creation of various types of tourism clusters under ABEC and incubation of bankable projects such as modernization of agricultural wholesale markets to improve food security and stimulate food exports; and (iii) creation of an enabling trading environment for the private sector in the process of fulfilling WTO commitments, Eurasian Economic Union (EAEU) related agreements and CAREC trade facilitation initiatives. Mr. Akhmatov noted that the ABEC experience can be applied to the new trilateral ECD initiative among Shymkent-Tashkent-Khujand cities.

6. The Kazakhstan Vice Minister of National Economy Mr. Madi Takiev commended ADB's support and the progress of ABEC since its initiation in November 2014, particularly in the areas of tourism, trade, and agribusiness. Mr. Takiev highlighted the importance of agriculture business development between the Almaty and Bishkek, and expressed satisfaction with the progress in support of modernization of agriculture wholesale markets and tourism development. With regard to the new trilateral ECD initiative where Kazakhstan is a participating country, he commended ADB support and committed to working closely with the other two countries towards reaching the desired objectives.

7. The Tajikistan Deputy Minister of Economic Development and Trade Ms. Gulru Jabborzoda noted that physical connectivity improvement and continuous trade facilitation efforts spearheaded by CAREC have laid a solid foundation for ECD. Ms. Jabborzoda highlighted several key aspects for future regional ECD in CAREC, to name a few: (i) cross-national and -sectoral coordination require strong political will and long-term efforts; (ii) a series of reforms are needed to harmonize rules and regulations to facilitate cross-border trade; and (iii) ECD has to be based on sound analytical work providing a well-defined concept and identifying specific projects and investment needs. She also outlined Tajikistan's National Strategy 2030 in which ECD is regarded as a new source of growth through infrastructure development connecting People's Republic of China, South Asia, Russia and the rest of the world. Tajikistan, as a participating country of the new trilateral ECD initiative, is looking forward to tapping opportunities to promote Tajikistan's economic integration with the rest of the region.

8. The Afghanistan Deputy Minister of Finance Mr. Zahid Hamdard highlighted Afghanistan's role linking Central Asia and South Asia and facilitating trade and connectivity. He noted that as the security situation in Afghanistan improves, this provides a more enabling environment for implementing projects in the country. Afghanistan, while landlocked, is participating in a number of regional projects under CAREC, including the Turkmenistan-Uzbekistan-Tajikistan-Pakistan (TUTAP) Power Interconnection Framework and Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline. Afghanistan has also been making efforts in developing industrial parks including at its borders to boost manufacturing and trading opportunities. Mr. Hamdard stated that the public sector can provide basic infrastructure, facilities and services, but private sector's participation is significant to ensure growth and sustainability of ECD initiatives. He called for enhanced knowledge and financial

support from international financial institutions (IFIs) for infrastructure development while helping countries maintain fiscal sustainability. He also emphasized the necessity of strengthened coordination and cooperation among key stakeholders and considered CAREC the right platform for cross-learning and knowledge dissemination.

9. Mr. Paul Valley, Program Leader for Connectivity and Infrastructure from World Bank's Central Asia Office in Almaty highlighted that wider economic benefits should be taken into consideration while developing various corridors such as transport corridors, economic corridors, digital corridors and knowledge corridors. Mr. Valley flagged some possible negative spillovers in corridors development including possible uneven distribution of benefits and adverse environmental impacts to which equal importance should be paid. Large infrastructure projects could also result in possible economic loss of vulnerable populations which may become marginalized when agglomerated economic activities in the urban centers prosper. He also noted the importance of strengthening ownership of the client countries.

10. The private sector representative from Kazakhstan Mr. Dossym Kydyrbayev, Managing Partner of Bakurs Consulting in Almaty shared private sector's constraints in participating in ECD activities in the CAREC region, including difficulties in obtaining cross-border financing particularly for small and medium enterprises. He calls for ADB and other IFIs to introduce innovative financial instruments to support private sector's participation in production networks and value chains. He noted the importance of undertaking cross-border economic analysis which should cover trade facilitation issues and the balance of benefits between central governments and local communities. He concluded that the private sector sees great potential for ECD in the region.

11. Professor Aradhna Aggarwal from Copenhagen Business School outlined the ECD concept and the different types of corridors which are related to ECD. She highlighted the importance of good understanding of economic costs, social costs and environmental costs in developing economic corridors. She was of the view that ECD is a process of urban agglomeration and a spatial concept and a dynamic process. Hence, it is critical to ensure a comprehensive multi-sectoral development concept in the ECD design. She emphasized a few key factors that would lead to successful regional ECDs. These include: (i) the right selection of location taking into consideration existing conditions and development perspectives; (ii) regional planning which facilitates harmonization of economic policies among the countries for regional value chain development, labor skills promotion, and financial services provision; (iii) sound implementation strategies which include participation of the private sector, academia and civil society to bring wider benefits for social and political cohesion; and (iv) regular monitoring and evaluation to determine benefits and costs of ECD.

### **C. Next steps**

12. This high-level session provided a good opportunity for knowledge-sharing and cross-learning on ECD related issues and offered a meaningful dialogue channel for CAREC countries, development partners, private sector and academia to deliberate on how to effectively promote regional ECD in the region. The views and suggestions provided by the panelists and participants will be fully taken into account in CAREC's ECD work, particularly in advancing the ABEC and Shymkent-Tashkent-Khujand initiatives going forward.

#### *Annexes:*

- 1. Session Program*
- 2. Background Paper*