A white truck is driving on a road towards the right, with a bright sunset in the background. The sun is low on the horizon, creating a warm, golden glow. The road has yellow lane markings. The overall scene is a blurred motion shot, suggesting speed and movement.

Connections to Prosperity

Transport and Trade Facilitation in the CAREC Program



Central Asia is on the move. As it rapidly rebuilds the ancient transport and trade routes that once connected Eurasia, the region is poised to recapture its place as a center of trade and commerce. In the past decade, billions of dollars have been invested to upgrade key regional links, and modernize trade infrastructure and systems.

In the next 10 years, under the Central Asia Regional Economic Cooperation (CAREC) Program, a further \$21 billion in investments will energize a new network of six transport and trade corridors that will connect the major economic centers of the region, and link the region with the vast markets that surround it—the People’s Republic of China and Japan to the east; Pakistan, India, and the Persian Gulf states to the south; Europe to the west; and the Russian Federation to the north.

The CAREC Program is a partnership of eight countries—Afghanistan, Azerbaijan, People’s Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan—and six multilateral institutions—Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank—working together to promote economic development. Surrounded by opportunity and committed to regional cooperation, the CAREC region is preparing for a new phase of growth and prosperity.

The region’s ability to capitalize on its unique geographical position and integrate with global markets will be a defining feature of its future development. The potential is vast. Trade among all the major subregions of the Eurasian continent has more than doubled since 1995. Today, annual trade between East Asia and the European Union tops \$650 billion. This growing integration of Eurasian subregions is creating real demand for faster, cheaper, and more reliable transport connections.

Almost none of this trade currently transits Central Asia. Poor roads, incomplete rail connections, and cumbersome border crossing and transit regimes all limit the region’s attractiveness to traders. The landlocked nature of the CAREC countries means improvements in these areas at the national level will not be enough to effect significant change. None of the region’s economies will be able to fully capture this opportunity in isolation. But all will benefit from working together, and with their neighbors, to build on their strengths for mutual progress.

\$21 billion in investments will energize a new network of six transport and trade corridors

The CAREC Program is committed to developing transport infrastructure and trade regimes that will integrate the region into the global economy, promote development through cooperation, and accelerate economic growth and poverty reduction.

The **CAREC Transport and Trade Facilitation Strategy** was adopted in 2007. It will improve the region's competitiveness and expand trade among CAREC economies and with the rest of the world. Key elements of the strategy are the coordinated improvement of transport infrastructure, logistics, and trade facilitation, including harmonized cross-border regulations, procedures, and standards, along six priority transport and trade corridors (see map on page 4). These improvements will result in significant and measurable reductions in transport time and cost requirements for local, cross-border, and transit traffic and trade along the six corridors.

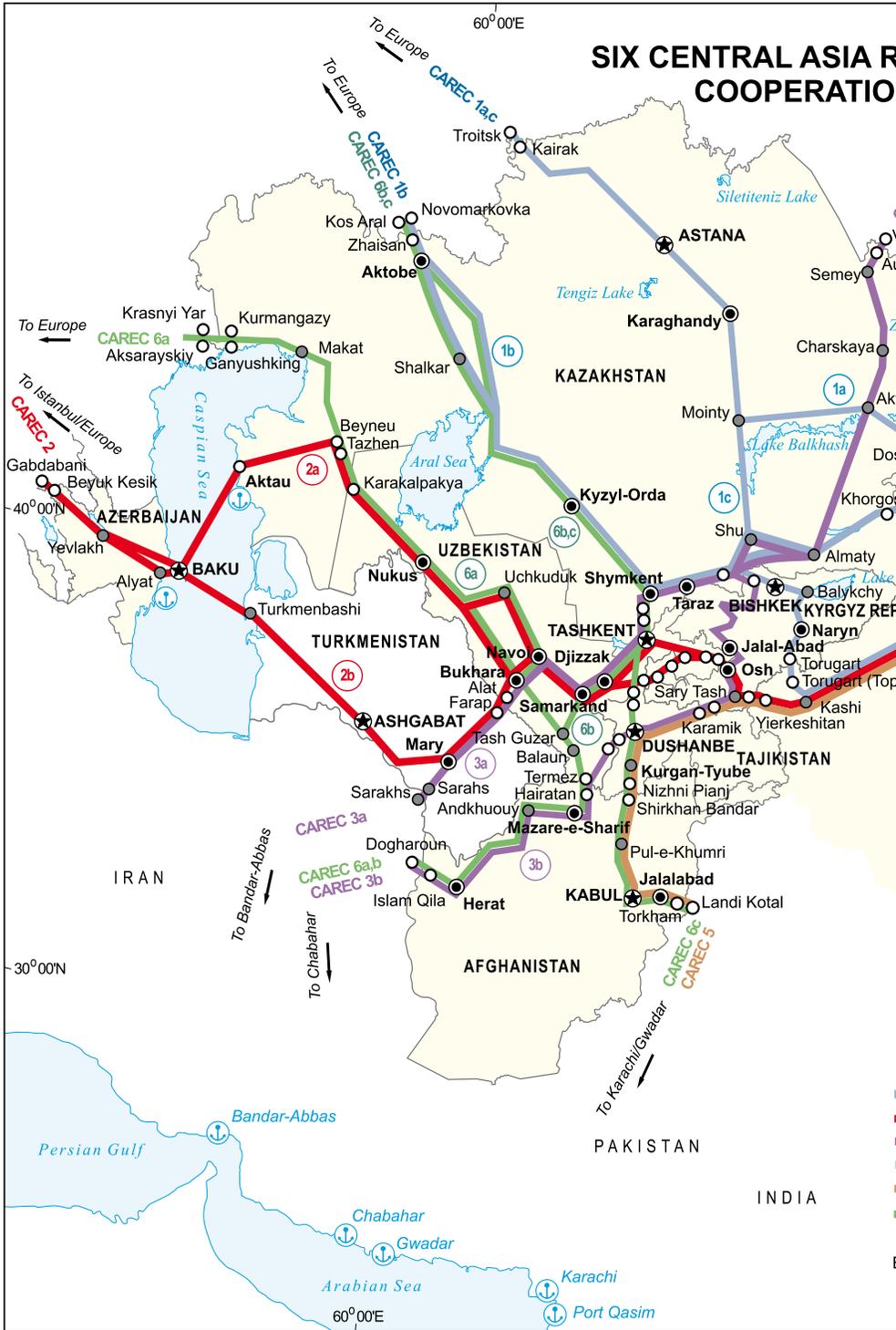
The strategy has three transport goals—

- establish competitive transport corridors across the CAREC region
- facilitate efficient movement of people and goods across borders
- develop sustainable, safe, people-friendly transport systems.

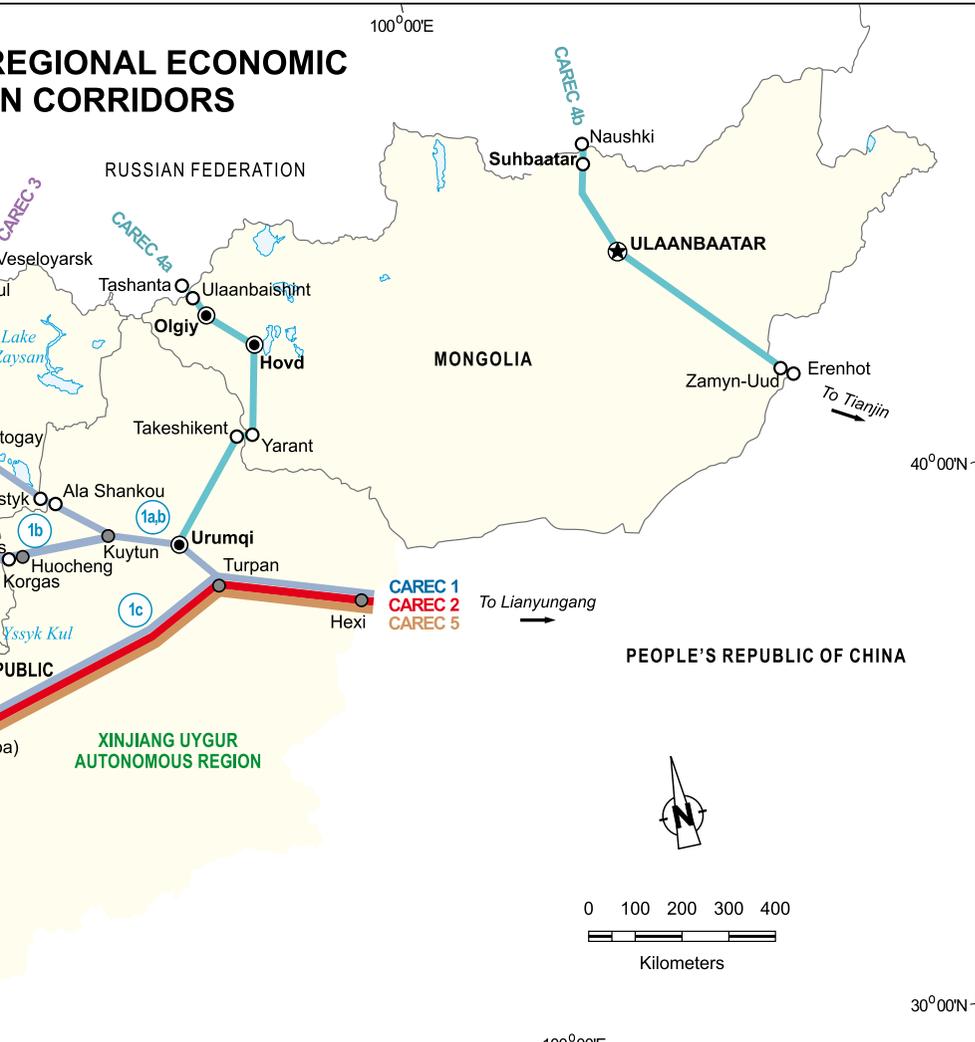
And three trade facilitation goals—

- reduce transaction costs and time by simplifying, standardizing, and harmonizing trade procedures
- encourage the free movement of goods and business people
- improve transparency of trade-related laws, regulations, procedures, and forms.

The full Strategy and more information about CAREC's transport and trade facilitation activities are available online at www.adb.org/CAREC.



REGIONAL ECONOMIC CORRIDORS



- National Capital
 - Provincial Capital
 - City/Town
 - Naval Port
 - Cross Border Point
 - CAREC Corridor 1
 - CAREC Corridor 2
 - CAREC Corridor 3
 - CAREC Corridor 4
 - CAREC Corridor 5
 - CAREC Corridor 6
 - International Boundary
- Boundaries are not necessarily authoritative.





Major Investments, 2008–2012

In 2008–2012 major transport investments under the CAREC Program will focus on Corridor 1 and Corridor 2. Road and rail improvements along these corridors, paired with customs modernization and harmonization of trade rules and regulations, will lower transport and trade costs, improve the competitiveness of the region’s exports, and stimulate economic growth.

CAREC Corridor 1b: Reconstructing the Western Europe–Western PRC Road

Kazakhstan, in cooperation with its partners in the CAREC Program, is reconstructing a 2,715-kilometer transport and trade corridor linking Western People’s Republic of China (PRC) to Western Europe. CAREC Corridor 1b enters Kazakhstan at Khorgos from Urumqi, PRC, and straddles the country, running through Almaty, Shymkent, Kyzyl Orda, and Aktobe before entering the Russian Federation.

The reconstruction effort highlights the promise of the CAREC Program. In a coordinated series of projects, four of the six CAREC multilateral partners will support the significant Government investment program along the corridor (Table 1).

A priority in the Government's Road Development Program for 2006–2012, the \$6.7 billion investment will significantly reduce transport costs and travel time along the corridor, leading to increased and more efficient trade. The improved corridor is expected to attract considerable volumes of new traffic.

The reconstruction will have a substantial positive impact on the Kazakhstan and neighboring economies. Because of their pervasive linkages, more efficient trade and transport services will benefit every sector of the Kazakhstan economy, and by 2020, indirect benefits of the road corridor will be more than 10 times the direct project net benefits. When all direct and indirect impacts are taken into account, the investments are projected to lead to 68% higher real GDP for Kazakhstan by 2020, according to an assessment of the economic impact of the corridor development.¹

GDP effects for Kazakhstan's trading partners reveal significant regional spillovers from the project. The greatest impact is in the Central Asian economies, where combined GDP is expected to be up to 43% higher in 2020. The effect is most significant for immediate neighbors, like Kyrgyz Republic, which have high trade shares with Kazakhstan.

Bilateral trade flows reveal part of the growth leverage process, as Central Asian economies receive 50% more Kazakhstan exports and send 48% more imports by 2020. Bilateral trade with the PRC is the next most dynamic, with demand for Kazakhstan exports rising 36% by 2020; while PRC shipments to Kazakhstan grow 37% in the same period.

IAN GILL



Table 1: Summary Financing Plan, Corridor 1b

Financier	Amount (\$ million)	Percentage (%)
Government	909	15
International financing institutions		
Asian Development Bank	700	10
European Bank for Reconstruction and Development	181	3
Islamic Development Bank	414	6
Japan International Cooperation Agency	150	3
World Bank	2,125	31
Private	2,221	32
Total	6,700	100

Sources: Kazakhstan Ministry of Transport and Communications, and ADB estimates.

¹ David Roland-Holst, 2008. Working paper: "Assessing Macroeconomic Effects of the Western Europe–Western China Transportation Corridor Investment: A General Equilibrium Perspective."

Better Roads Mean Better Business

BM Products, a grain refiner and vodka brewer based in southern Kazakhstan, is the biggest employer in the city of Taraz, along CAREC Corridor 1b. Its business depends heavily on transportation for supplies of raw materials and the distribution of its products.

In less than two decades the firm has built its *Akbozat* vodka into a popular brand, both in Kazakhstan and abroad. A fleet of delivery trucks now carry several million bottles of vodka a month to markets across Kazakhstan, Uzbekistan, and Kyrgyz Republic.

But BM Products' location—in a valley surrounded by mountains—poses some major challenges. Pot-holed and poorly maintained roads, coupled with icy winter weather, often take a toll on business.

"We lose half a dozen bottles out of every 100 through breakages with the bad roads," says Igor Sorokin, a production manager who has been with the firm for 10 years. "Last winter, we lost two vats when vehicles overturned on the icy roads. The roads became so slippery that Taraz was sealed off from the outside world for 20 days."

All-weather roads would not only reduce breakages, fuel costs, and wear-and-tear on vehicles, but would also speed up delivery times and boost turnover, says Mr. Sorokin.

Soon those efficiencies will be a reality as roads linking Taraz with the Peoples' Republic of China to the east and the Russian Federation to the north are upgraded as part of the Government's \$6.7 billion corridor improvement project supported by the CAREC Program.



Igor Sorokin is looking forward to faster, smoother deliveries

CAREC Corridor 1c: Linking Kazakhstan and Kyrgyz Republic to the People's Republic of China

The 500-kilometer Bishkek–Torugart road is the shortest connection from Kashi, a vibrant cultural and trade center in the PRC, to consumer markets in northern Kyrgyz Republic, Kazakhstan, and Russian Federation. Trade along the route is expanding rapidly, but remains constrained by poor road conditions and outdated customs facilities. An upgraded road and customs infrastructure at Torugart will reduce travel and transit times from the current 3–4 days to 2 days, opening this corridor for wider regional trade and economic cooperation.

Kyrgyz Republic and its development partners plan improvements in three phases, including upgrading of 488 kilometers of road, modernizing infrastructure and facilities at the Kyrgyz Republic–PRC border crossing at Torugart, and policy and institutional support in the road subsector in Kyrgyz Republic.

Fueled by robust economic growth in Central Asia and the PRC, Central Asian intra-regional trade has expanded rapidly. Trade volumes in Central Asian countries have more than doubled since 1999, with total freight turnover growing from 145 billion ton-kilometers (ton-km) in 1999 to about 300 billion ton-km in 2006. The PRC has emerged as a major trading partner, with its share in the total imports of Central Asian countries² exceeding 20% in 2006. A remarkable increase in trade with the PRC has been exhibited by the Kyrgyz Republic (with 15-fold growth from 2001 to 2005) and Tajikistan (with 20-fold growth in the same period).

The Kyrgyz Republic's trade volume with the PRC rose from 141,606 tons (81% of total trade) in 2002 to 540,147 tons (92% of total trade) in 2007. More than half of this trade is carried through the Torugart border crossing (Table 2). Trade is expected to continue its rapid expansion and top 3 million tons in 2015.

Table 2: Trade and Transport Statistics with the PRC, 2001–2007 (at Torugart Border Crossing)

Items	2001	2002	2003	2004	2005	2006	2007
Vehicles (no.)							
Kyrgyz Republic	2,891	4,320	4,040	7,598	7,110	7,662	8,214
People's Republic of China (PRC)	474	835	292	660	983	1,149	1,396
Total	3,365	5,155	4,332	8,258	8,093	8,811	9,610
Trade volume (ton)							
To PRC	68,307	79,834	77,677	17,151	147,327	158,765	170,203
From PRC	2,396	32,392	26,351	53,923	79,401	92,810	112,761

Sources: National Statistics Committee. 2008. *Kyrgyzstan in Figures*. Bishkek.

² Including Afghanistan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Road to Health

The regional hospital at Naryn, 350 kilometers southeast of Bishkek, is the referral center for severe medical cases from across the province. Separated from the rest of the Kyrgyz Republic by high mountains traversed by largely gravel roads, Naryn is the last city on the route to the PRC, another 150 kilometers to the south along CAREC Corridor 1c.

As trade between Central Asia and PRC expands rapidly, hundreds of large trucks make the difficult journey along the poorly maintained route each week—with each trip causing further damage to the road.



Dr. Murat Atbaev, director of the Naryn hospital and a practicing surgeon, welcomes the growing trade and expanded opportunities it brings the region. But he has another reason for wanting Corridor 1c improved.

“Sometimes, we need to send patients to Bishkek for specialist treatment, but the road is so bad I cannot risk sending them,” says Dr. Atbaev. “The shaking can accelerate internal bleeding, for example.”

He says the jolting can also increase the suffering or worsen the condition of patients with severe burns, a serious heart condition, acute appendicitis, or those needing intensive care or oxygen supply.

Naryn has among the country’s highest maternal and infant mortality rates, notes Dr. Atbaev, and delays in getting expectant mothers to hospital are contributory factors. “It’s important to give birth naturally, but bumpy roads can stimulate expectant mothers into giving birth prematurely,” he says.

“We understand the importance of trade for the development of the country,” Dr. Atbaev says on a recent ward tour to check on patients. “But we urgently need to improve the road so that the trucks don’t have such a bad impact on them.”

CAREC Corridor 2: Azerbaijan's East–West Connection: CAREC's Route to the Mediterranean

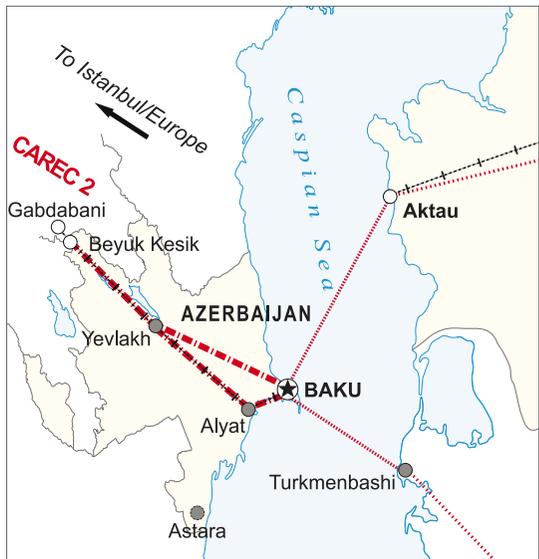
Azerbaijan's east–west transport and trade corridor is one of the nation's main routes for external trade. Stretching from the capital, Baku, to the Georgian border, the corridor is also a key passage to the Black Sea and Mediterranean for Central Asian goods.

In recent years, the Government has invested significant resources to improve the 500-kilometer East–West Highway with assistance from four of CAREC's partner multilateral institutions. The coordinated series of investments are lowering road transport costs, cutting travel times, creating new economic opportunities, and improving trade efficiency.

Looking ahead, improvements to the rail corridor will form a major component of CAREC's transport investment schedule. The Implementation Action Plan for the CAREC Transport and Trade Facilitation Strategy anticipates investment of approximately \$1.8 billion in 2008–2012 to upgrade rail infrastructure and rolling stock.

The rail corridor already carries significant transit cargo from Central Asian countries as part of the larger corridor from Baku to Georgian ports that handles 87% of Azerbaijan's transit cargo. In 2006, this corridor carried 22 million tons, or 73% of total railway traffic. But estimates suggest up to 3 million to 4 million tons of cargo, or the equivalent of \$13 million–\$18 million in revenues, are diverted to other routes each year due to a lack of locomotive capacity.

The Government Program for the Development of Azerbaijan State Railways 2008–2011 includes investments for track, signaling, and power supply rehabilitation, as well as an upgrade of the locomotive fleet.



About CAREC

The Central Asia Regional Economic Cooperation (CAREC) Program is a robust development partnership; a concrete example of countries and institutions cooperating to achieve a common purpose. The Program's overarching goal is development through cooperation, leading to accelerated economic growth and poverty reduction. By promoting and facilitating regional cooperation in transport, trade, energy, and other key areas of mutual interest, the CAREC Program helps the countries of greater Central Asia realize their immense potential in an increasingly integrated Eurasia.

The CAREC Program is a partnership of eight countries—Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan—and six multilateral institutions—Asian Development Bank (ADB), European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank—working together to promote regional economic cooperation. ADB serves as the CAREC Secretariat.

CAREC Field Office

20A Kazibek bi Street
Arai Building, 4th Floor
Almaty 050010, Kazakhstan
Tel +7 727 291 8513/291 8527
Fax +7 727 291 8670

CAREC Secretariat

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444

For more information, visit www.adb.org/carec