

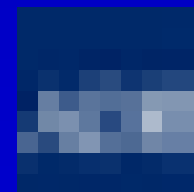
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# Central Asia's Economy: Economic Revival, Industrialization, and Prospects to 2015

Ganeshan Wignaraja  
Asian Development Bank

Senior Officials' Meeting on Central Asia Regional Economic Cooperation

28 August 2006, Urumqi

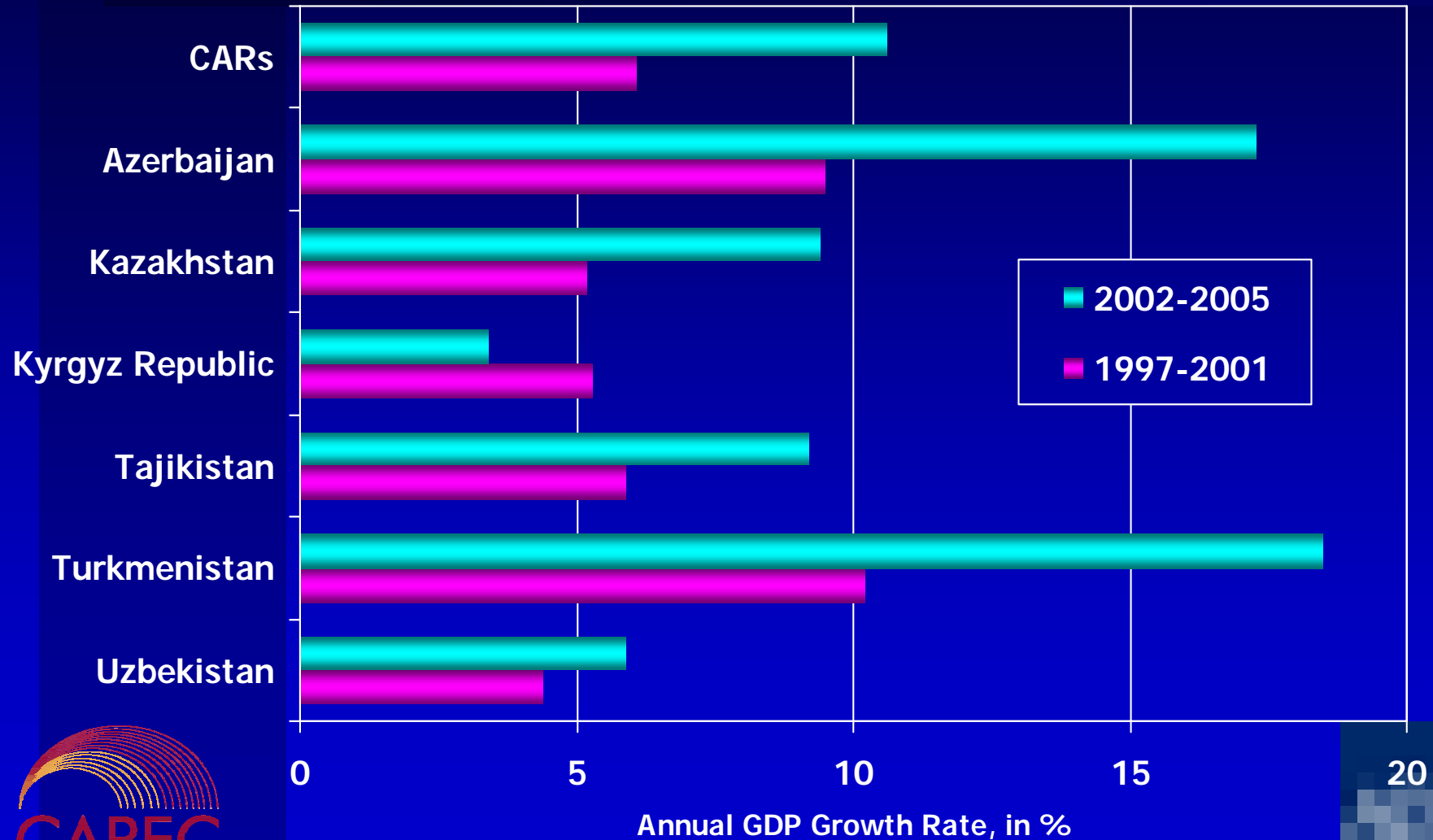


# Highlights - Central Asia 2015

- Strong GDP growth  $> 5\%$  during 2005-2015
- Region (75 million people) will be in ranks of today's middle-income countries
- Poverty will halve to 21% of total population
- Oil and gas will dominate but economic diversification will continue
- Divergence in performance within region
- Risks may mean reduced prosperity
- Economic reform, regional cooperation and industrial competitiveness crucial



# Rapid growth since 1997



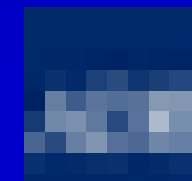
# Drivers of growth

## OIL EXPORTERS

- High oil & gas prices
- Inward investment
- Infrastructure Investments
- Reasonable macro-management
- Emerging services and manufacturing

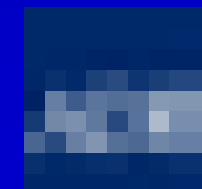
## NON-OIL EXPORTERS

- High cotton, gold & other commodity prices
- Remittances from migrant workers
- Foreign aid inflows
- Textiles exports
- Some reforms



# Other features of revival

- Rise of manufactured exports
  - ✓ CARs manufactured exports \$3.7 bn (2003) growing at 9.9% p.a. (1998-2003).
  - ✓ These grew in both oil and non-oil exporters but former had higher growth
- Poverty is less but remains
  - ✓ Poverty affects about 40% of the CARs Pop.
  - ✓ Poverty is generally higher in non-oil exporters than oil exporters



# Good prospects for 2005-2007

- ADB projects that CARs revival set to continue in the next 3 years but with higher inflation (ADO 2006):
  - Growth forecast for Central Asia is 10.9% in 2005, though expected to slow marginally to about 10% in 2006 and 2007
  - Inflation forecast for Central Asia is 7.4% in 2005 and likely to continue at over 7% in 2006
- CARs short-term growth will be driven by high commodity prices, FDI, infrastructure investment, remittances, etc.



# Outline – “Best Case Scenario”

## Global Background

- Good world growth of 3.2%
- Favorable oil prices of \$40-45 per barrel
- Strong growth in PRC and India
- Relative political stability in CARs

## CARs Policy Thrust

- Accelerating economic reforms
- Strong regional cooperation in transport, trade & energy
- Coherent industrial competitiveness strategy



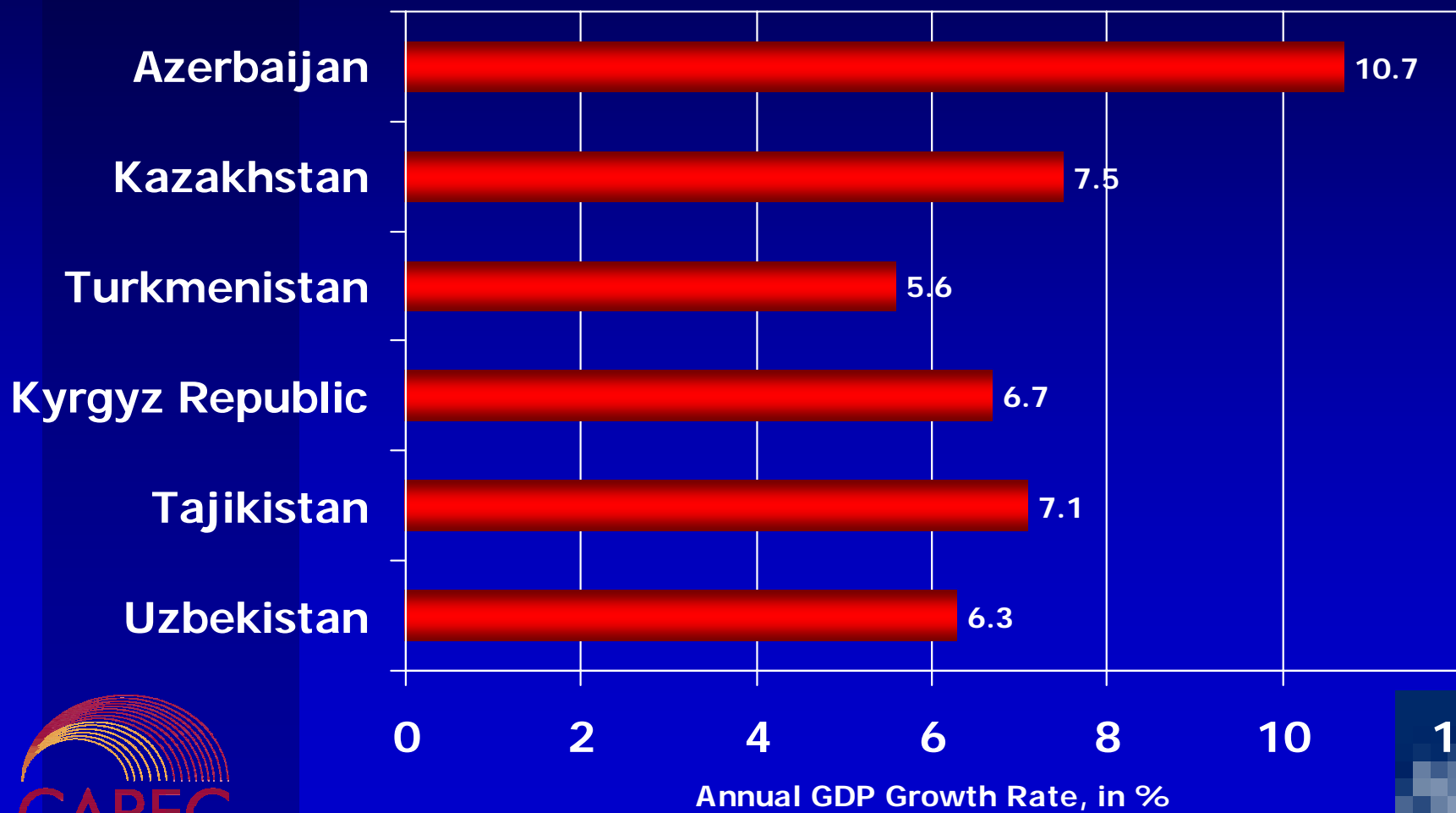
# Key Policies – Examples

- Open trade regime and WTO membership
- Visible progress in privatization
- Financial sector liberalization
- Integrated road, rail & air network
- Streamlined and modern customs systems
- Efficient regional energy market
- Attracting export-oriented FDI & linking SMEs into global value chains

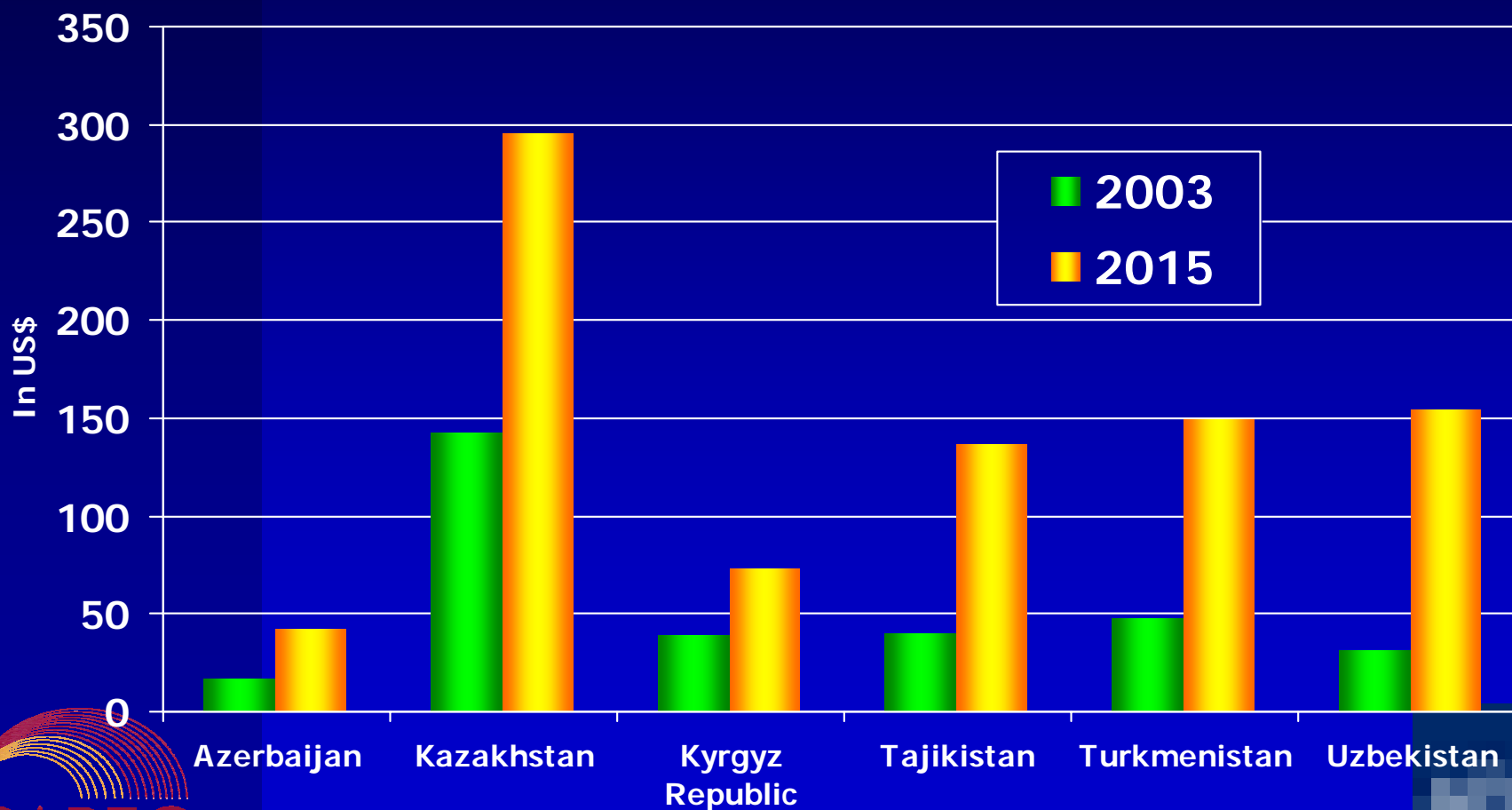




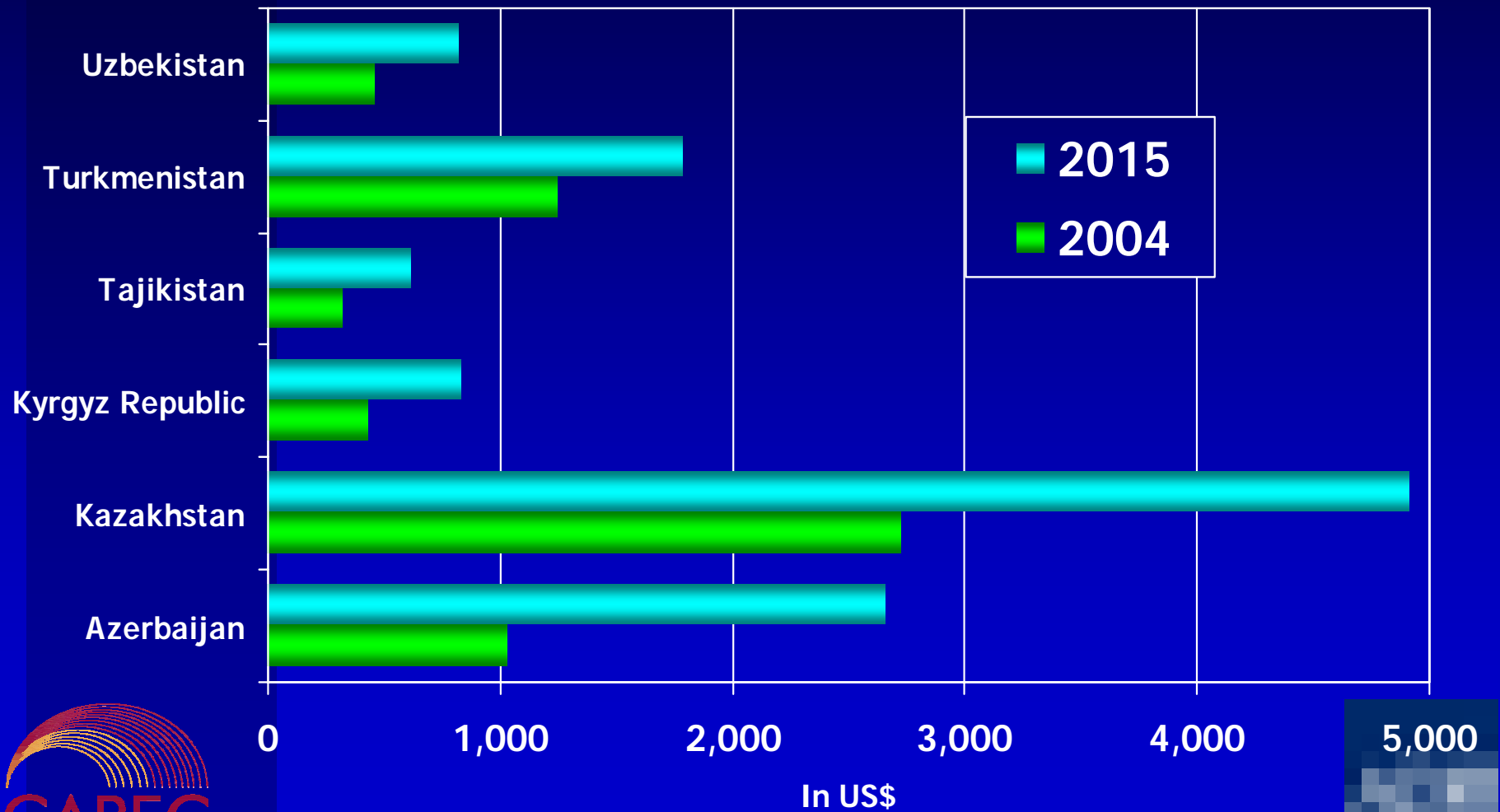
# Strong GDP growth > 5% during 2005-2015



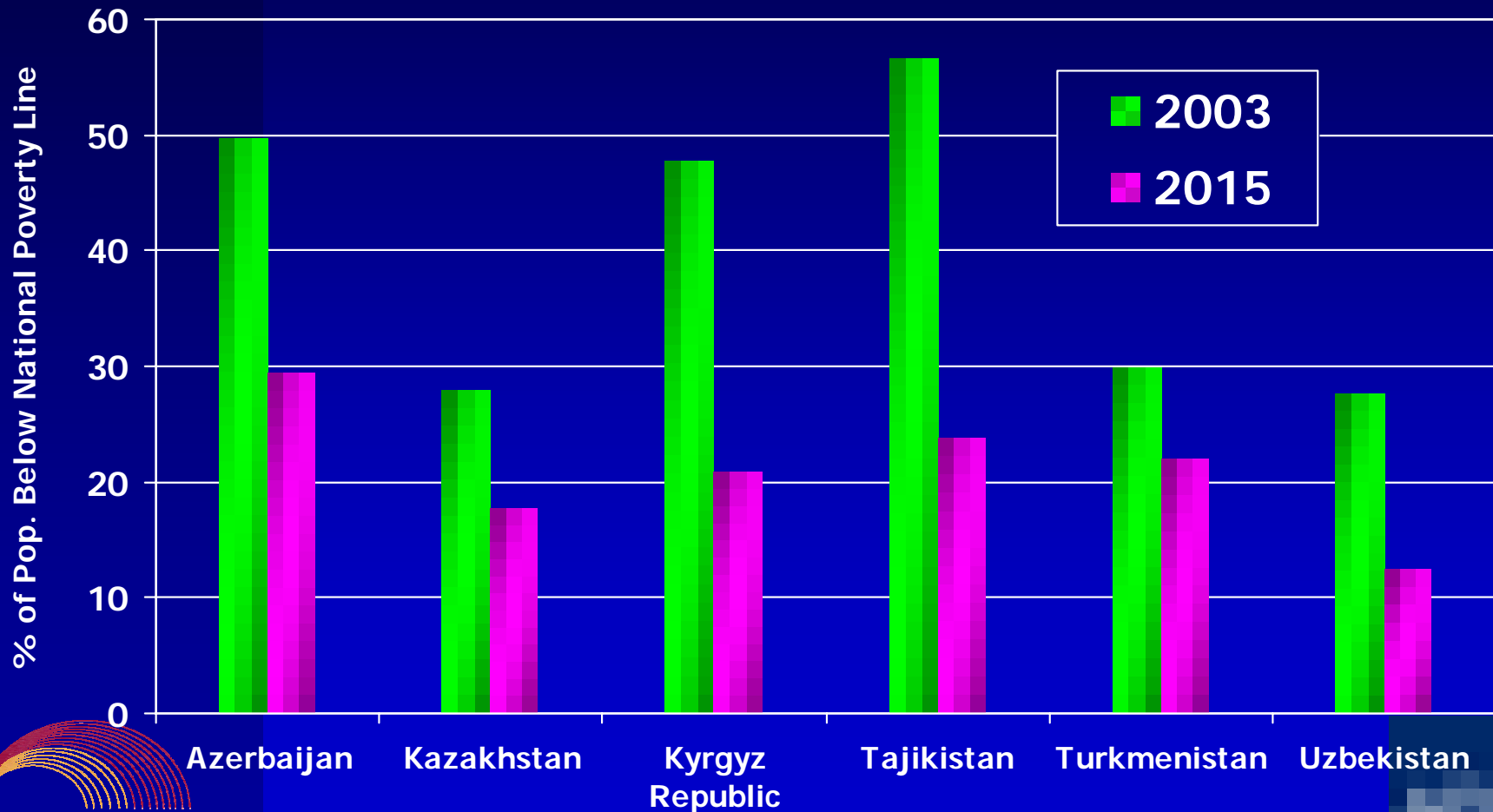
# CARs manufactured exports per head rises to \$166 (2015)



# CARs GDP per head will double by 2015



# CARs Poverty will halve to 21% by 2015



# CARs - Alternative Scenarios for 2015

- Assume less intense policy reform, limited regional cooperation and absence of industrial competitiveness strategy
- Reduced prosperity in the CARs is indicated compared to “Best Case Scenario”
  - GDP growth will be 1-2.5% lower
  - Per capita income will be \$100-\$300 lower
  - Poverty will be 5-9% higher
  - More divergence between oil and non-oil exporters



# ADB's Mission and the Role of Regional Cooperation and Integration

OVERARCHING MISSION/OBJECTIVE

**POVERTY REDUCTION**

FOUR PILLARS OF REGIONAL COOPERATION AND INTEGRATION

Regional and Subregional Economic Cooperation

Trade and Investment Cooperation and Integration

Monetary and Financial Cooperation and Integration

Regional Public Goods

Regional Cooperation and Integration

Individual Country Programs

Pro-Poor Sustainable Economic Growth

Inclusive Social Development

Good Governance

CORE AREAS OF INTERVENTION



# Thank You

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