

**REGIONAL WORKSHOP ON SHYMKENT-TASHKENT-KHUJAND ECONOMIC CORRIDOR DEVELOPMENT**

**5-6 December 2019, Tashkent, Uzbekistan**

**SUMMARY OF DISCUSSIONS**

1. **Introduction**

1. The first regional workshop on economic corridor development among Shymkent (Kazakhstan), Tashkent, and Khujand (Tajikistan) cities and their surrounding oblasts—STKEC was jointly organized by the Asian Development Bank (ADB) and the Tashkent oblast administration in Tashkent, Uzbekistan on 5-6 December 2019. About 80 participants from government agencies, business communities of the three countries including Kazakh Vice Minister of Culture and Sport Mr. Urken Bissakayev and Deputy Governor of the Sughd oblast administration of Tajikistan Mr. Anvar Yakubi, and development partners attended the workshop. ADB Country Director for Resident Mission in Uzbekistan Ms. Cindy Malvicini opened the workshop. Mr. Safdar Parvez, Director of the Regional Cooperation and Operations Coordination Division of ADB’s Central and West Asia Department moderated the first session on “Shymkent-Tashkent-Khujand Economic Corridor Development: Rationale and Vision”.

2. The objective of the regional workshop was to gather together key stakeholders in the three countries, after the national workshops and consultations conducted earlier in the three countries in 2019, to exchange views on the STKEC development, to enhance the rationale and sharpen the focus areas of the TA study. Main issues for discussion included (i) vision for the STKEC; (ii) existing issues in the suggested focus areas and actions needed to address them; (iii) initial projects to address the constraints and challenges and tap potentials in the suggested priority areas; and (iv) possible institutional set-up for STKEC development. The workshop also provided a platform for dialogue and interaction between government agencies, business communities, development partners, and other stakeholders in the three countries at central, oblast and city level, on economic corridor development in general, and on STKEC development in particular. The concept note and agenda and list of participants are in Appendices 1 and 2.

**II. Highlights of the Workshop**

3. Participants deliberated the facts and vision document prepared by the ADB consultants for the emerging STKEC by 2030, with focus on suggested priority areas from in-depth consultations with stakeholders and field studies in the three countries in 2019. The emerging priority areas identified include improvement of transport connectivity, modernization of border crossing infrastructure and procedures; development of cross-border agricultural value chains; upgrading of sanitary and phyto-sanitary (SPS) measures and enhancement of quality infrastructure for exports of food products, regional tourism development; and special/free economic zones and industrial zones/parks. Participants recognized the potential benefits that the STKEC can bring to the three countries, in particular greater cross-border trade and investment and economic integration, through improved transport connectivity, increased integration of economic activities, development of regional agricultural/horticultural value chains, and expansion of the manufacturing and service sectors, as well as regional tourism development. Participants outlined efforts made by the three countries and progress achieved in developing the focus areas of the STKEC. These include improving cross-border customs cooperation through simplifying customs procedures; enhancing transport connectivity by modernizing BCPs, improving roadside services and other infrastructure to facilitate passenger flow and tourism development; growing private sector driven interest and cooperation in developing regional tourism; as well as implementing new regulations and laws to simplify trade and ratifying WTO Trade Facilitation Agreement. International and local experts shared lessons and best practices in the specific areas of economic corridor development which can be good references to the STKEC development.

4. Several issues were highlighted by the participants for the STKEC development, which were summarized in detail as below.

**a. Cross-Border Trade**

5. Participants all recognized the high and untapped potential of cross-border trade within the STKEC region and with external partners. Comparing with other regions, trade among Central Asian countries including within the STKEC region is relatively small. In 2018, intraregional trade turnover within STKEC was $327 million or 8.3% of total trade among the three countries. Efforts were made by the three countries in facilitating cross-border trade. Kazakhstan is in talks with Uzbekistan on the establishment of a major logistics hub in Turkestan oblast along the border with Uzbekistan (Tashkent oblast). It can be developed into a trade platform for Central Asia, and Tajikistan will be welcomed to participate. On the Uzbek side, the visa requirement with Tajikistan was removed, which greatly facilitated the movement of goods/automobiles (by 1.5 times) and people between the two countries. More businesses were opened or are being opened along the border with Tajikistan, including construction of new hotels and processing factories. More people are looking for trade opportunities with Tajikistan. Tajikistan is implementing new regulations and laws to simplify trade and ratifying WTO Trade Facilitation Agreement.

6. However, challenges and constraints were also voiced which need to be addressed to realize the full potential of trade. These include (i) improving cross-border connectivity particularly modernizing related infrastructure hard and soft (e.g., roads and joint border control), and development of railway transport is gaining importance in the region; (ii) reducing transaction cost—at present, cross-border trade cost within Central Asia is high, involving both numerous documents for customs clearance and higher fees (sometimes unofficial); (iii) harmonizing standards and technical regulations, (iv) abolishing entry permits for trucks (so-called “dozvols”), which have been removed between Kazakhstan and Uzbekistan, but apply to movements of trucks between Tajikistan and Uzbekistan; and (v) developing logistics centers. A notable challenge expressed by participants is the similarity of production patterns in the STKEC region (e.g., agriculture, processing), as well as similarity in population and economic structure, culture, and history which make their trade complementarity relatively low. This necessitates an integrated approach of production within the region in consolidating and standardizing the production and branding activities, which can collectively expand market access to other countries such as Russia and PRC.

**b. Transit Trade**

7. The large potential of transit trade in the STKEC region was brought up at the workshop. The STKEC has an important function/advantage for transit of international goods flows by rail and road: (i) four CAREC transport corridors connecting the three countries with their trading partners pass through the STKEC region; (ii) the region is very important for transit of most goods produced or consumed in other parts of Tajikistan and Uzbekistan; and (iii) Kazakhstan and many other countries’ exports to Afghanistan pass through the STKEC region. In 2018, transit trade in the STKEC region is estimated at $26.3 billion, including $22.8 billion of trade with non-STKEC countries and $3.5 billion of trade between Tajikistan and Uzbekistan, as well as non-STKEC parts of Kazakhstan. Comparing with the trade value within the STKEC, transit trade is some 8 times larger. And transit trade with non-STKEC countries is forecast to increase significantly by 2030 with further improvement of physical and policy environment connectivity in the STKEC region. The three countries are implementing measures (e.g., Uzbekistan introduced the system of preliminary notification and guarantee payment for transit and international shipment) which will improve transit trade. Given the high potential of transit trade in the region, it was suggested that a joint mechanism composed of national coordinators be established to facilitate transit trade through the region. The CAREC Advanced Transit System (CATS) and Information Common Exchange (ICE) pilot project, of which Kazakhstan is a participant, can be a useful measure to support transit trade in the STKEC region.[[1]](#footnote-1) The effective application of WTO mechanisms and a number of international conventions in the development of the international corridors were noted. Accession to the Admission Temporaire/Temporary Admission (ATA) Convention/Carnet is recommended, which may have an important role in the process of regulating temporary import of goods.[[2]](#footnote-2)

**c. Performance of Border Crossing Points (BCPs)**

8. Participants all recognized the key role that BCPs play in developing the STKEC through facilitating the flow of goods and people within the region. The recent years have seen a growing increase of the opening/functioning of BCPs along the borders between Kazakhstan and Uzbekistan, and between Uzbekistan and Tajikistan. There were also notable efforts made by the three countries in developing and/or improving and planning to develop and/or improve the BCPs both hard and soft. These include constructing auxiliary facilities, further developing roadside infrastructure through standardizing categorizations and constructing more category “A” facilities to provide multifunctional roadside services in Kazakhstan and Uzbekistan, and simplifying border crossing procedures by piloting “Single Window” operations in Tajikistan. The three countries all have plans to reconstruct and/or modernize the BCPs to reduce time spent passing through the BCPs by trucks and people. More use of the Internationaux Routiers Carnet (TIR) system under the Convention on the International Transport of Goods and e-TIR system, and application of new digital tools of the International Road Transport Unit (IRU) such as e- Contract for the International Carriage of Goods by Road (CMR) and TIR-Electronic Pre-Declaration (EPD), by creating green corridors at the BCPs are also in the governments’ plan to facilitate transit transport through the STKEC region.[[3]](#footnote-3)

9. Participants all noted the existing challenges in the optimal operation of the BCPs. These include the need to (i) upgrade the BCP infrastructure particularly expanding lanes to ensure more vehicles can pass at the same time through the BCPs, which particularly represents a binding constraint for Tajikistan; (ii) upgrade outdated equipment and facilities by applying latest ICT technologies; (iii) enhance coordination among the three countries on BCP related infrastructures and procedures by setting up a coordination team with focal points identified by each country; (iv) engage more actively the participation from the private sector to attract more private investment. Integrated border management, as an advanced approach for border management, is an optimal approach for the STKEC region. However, it is still at an early stage in the Central Asian region, and joint customs control at the BCPs can be a good starting point to improve integrated BCP management.Participants also proposed to consider increasing BCPs between the three countries, by upgrading the existing bilateral BCPs into international BCPs.

**c. Agricultural/Horticultural Value Chain Development**

10. Participants all recognized the importance of developing agricultural/horticultural value chains within the STKEC region, for increased trade and creation of new job opportunities and permanent workplaces, to improve welfare of the region’s rural population which is growing fast. The region faces similar challenges in agriculture production, in particular, lower level of industrialization (agricultural processing), and lack of professional and/or skilled labors, which constraints the scale and quality of production and limits the market access. Several approaches were suggested that aim at strengthening competitiveness of the products for increased export in expanded markets. These include, among others, (i) apply common approaches in the region for agricultural/horticultural production to standardize the quality of the products for increased opportunities of export; (ii) establish and/or develop a cross-border network of agro-logistics centers to coordinate the manufacturing, collection, storage and transportation of products; (iii) apply common approaches on SPS measures and/or regulations for consistency and secured protection within the region; (iv) proactively seek external markets particularly Russia and PRC as these are large markets with high demand of agricultural/horticultural products; (v) proactively engage private sectors in the process, including apply public-private partnership (PPP) mechanisms; and (vi) strengthen the capacity and skills of the workers in this field. In fact, this export is already happening. Some countries (e.g., Uzbekistan) have already entered agreement with countries in other regions (e.g., the PRC and Russia) for export of some horticulture products.

**d. Regional Tourism**.

11. Participants all recognized the great potential of tourism development within the STKEC region given its rich tourism assets including historical sites (e.g., Silk Road routes), religious shrines, and natural attractions (e.g., mountains and lakes). At present, the three countries receive more tourists among themselves than from international destinations. The potentials of attracting more tourists are high. The three countries all attach importance to and make notable efforts in tourism development, including visa facilitation (Uzbekistan has implemented visa exemption for 45 countries since February 2019, adding PRC to the list from January 2020; intensifying tourism promotion (Tajikistan labels 2018 as year of tourism), developing regional tourism schemes (Kazakhstan and Uzbekistan are working on introducing a common tourist visa called Silk Road Visa). Furthermore, a regional tourism product “Tourism Ring of Central Asia” is being proposed by tourism associations in the region, which combines most of the tourism assets in Central Asia such as the Tamerlane routes tour, pilgrimage tour, silk road tour, mountain tour and gastronomy tour. All these combined national and regional tourism development/promotion activities will be conducive to regional tourism development. However, challenges in developing a regional tourism approach include, among others, insufficient connectivity (air, and road, including speed train); inadequate infrastructure and facilities in tourist routes; complex visa regimes and border crossing procedures; shortage of skilled workers and language barriers. These need to be effectively addressed in realizing the huge potential of tourism in the region.

**e. Lessons and Best Practices in Economic Corridor Development**

12. Participants all highlighted the importance of sharing lessons and best international practices in economic corridor development to apply as necessary to the STKEC development, and appreciated the lessons and best international practices shared by international and local experts in the specific areas of economic corridor development. These include (i) World Bank’s analytical work on horticulture sector in Central Asia (in particular in Uzbekistan) and the implications for export to PRC and Russia; (ii) joint border control system in the European Union, and joint customs control pilot project between PRC and Mongolia; (iii) the SPS measures applied by the PRC and their implications for export of agriculture and food products to the PRC markets; (v) the agro-logistics development and creation in the STKEC region in Kazakhstan, Uzbekistan and Tajikistan, and (vi) challenges and opportunities for tourism development in the CAREC region. Successful examples in some areas were particularly mentioned by Tajikistan including a BCP with ADB investment (Guliston BCP linking Kyrgyz Republic) that has advanced physical infrastructure (e.g., with increased lanes, and green lane/corridor) and soft infrastructure (e.g., electronic declaration of goods, permits and quotas free for international transport, and simplification of visa application for tourists, as well as enhanced monitoring of the performance of the BCP) which can be applied to the STKEC development. Participants urged ADB to continue and strengthen knowledge sharing work in this respect including sharing lessons both from the CAREC region (e.g., the Almaty-Bishkek Economic Corridor) and from other regions (e.g., the Greater Mekong Subregion).

**f. Importance of Government Commitment**

13. Last but not least, participants unanimously highlighted the vital importance of government commitment in supporting the STKEC development. It was noted that the essence of cross-border economic corridor development involves the economic cooperation among the participating countries, and open policies and high-level political commitment are key to realize the purpose. Participants called for the designation of national focal points to form joint working groups/units in the specific areas of the STKEC development to coordinate related policy reforms and implementations among the three countries. As the STKEC involves three levels of government cooperation and coordination, government commitment at the central/national, oblast and city level are essential to ensure strong ownership of the project as well as involvement of private sector in the framework of PPP.

14. Overall, the workshop was interactive, productive and constructive. Participants expressed frank and candid views on the STKEC development, with focus on the specific areas, and specific project proposals. Participants exhibited high interest and commitment to cooperation and collaboration in developing the STKEC, while recognizing the constraints and challenges that need to be addressed in the focus areas in achieving the vision of the STKEC.

**III. Next Steps**

15. Following this first regional workshop, the TA team will draft a roadmap for STKEC development. The roadmap will include existing issues in each of the emerging priority areas identified and specific policy recommendations on actions needed, as well as possible projects and institutional set-up, in developing the STKEC, to realize its full potential as outlined in the STKEC vision document. The valuable comments and suggestions from all stakeholders in the workshop will be incorporated and reflected in the draft roadmap. Some key recommendations on research activities and programs include (i) the development of commodity distribution centers, basic warehouses for primary, intermediate storage, and reference laboratories; (ii) International Center of Trade and Economic Cooperation Central Asia; (iii) transit potential of STKEC for freight flows from PRC, India, Southeast Asia; and (iv) government programs and strategies for development of trade and investment, agriculture, industry, transport infrastructure, tourism, and transit roles of the STKEC. The final draft roadmap is planned to be completed around mid-2020. Subsequently, the second regional workshop or high-level dialogue with government officials and private sector representatives from the three participating countries will be held in 2020 to discuss the draft roadmap and address key issues, in particular, those issues that require concerted efforts and high-level government commitments in developing the STKEC.

After the second regional workshop, the TA team will finalize the STKEC roadmap which will be submitted to the three countries for review and consideration on implementation arrangement including the establishment of the institutional set-up and conceptualizing/developing joint projects for the STKEC development. The third regional workshop or high-level dialogue on the STKEC will be held in 2021 to disseminate the STKEC roadmap and discuss implementation issues.

1. The CAREC Advanced Transit System (CATS) and Information Common Exchange (ICE) is a harmonized electronic system for the control of movement of goods in transit through CAREC member states. It is a risk-based system that uses a single and digital transit document, and offers comprehensive guarantees. CATS is expected to reduce cost and time for transit operators and expedite transport of goods to and from the European market. Azerbaijan, Georgia, and Kazakhstan are participants in the pilot projects. [↑](#footnote-ref-1)
2. The ATA Carnet is a universally accepted customs document issued in 78 participating countries which aims at facilitating temporary admission of goods into a member country without payment of normally applicable duties and taxes. The ATA carnet is widely used by the business community for international operations involving temporary admission of goods. The ATA Carnet is jointly administered by the [World Customs Organization](https://en.wikipedia.org/wiki/World_Customs_Organization) (WCO) and the [International Chamber of Commerce](https://en.wikipedia.org/wiki/International_Chamber_of_Commerce) (ICC) through its World Chambers Federation. [↑](#footnote-ref-2)
3. The Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention) is a multilateral treaty that was concluded at [Geneva](https://en.wikipedia.org/wiki/Geneva) on 14 November 1975 to simplify and harmonize the administrative formalities of international [road transport](https://en.wikipedia.org/wiki/Road_transport). The Convention was adopted under the auspices of the [United Nations Economic Commission for Europe](https://en.wikipedia.org/wiki/United_Nations_Economic_Commission_for_Europe) (UNECE). As of December 2018, there are 76 parties to the Convention, including 75 states and the [European Union](https://en.wikipedia.org/wiki/European_Union). All CAREC countries are members of TIR Convention. [↑](#footnote-ref-3)