

**Keynote Address by  
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**10<sup>th</sup> CAREC Ministerial Meeting  
Baku, Azerbaijan  
23 November 2011**

Excellencies, distinguished guests, ladies and gentlemen:

It is an honor to join you in commemorating 10 years of fruitful collaboration through the Central Asia Regional Economic Cooperation (CAREC) program. I congratulate your Governments on achieving this milestone. A decade of sustained cooperation and commitment has made CAREC a successful regional cooperation program in Asia. Good neighbors have indeed become good partners, working together to realize the potential of the subregion.

This spirit of trust and confidence has brought significant gains to the people of Central Asia. Better connectivity has allowed people and goods to move with greater ease and at lower cost within their own country and throughout the CAREC region. This, in turn, has increased trade and improved the quality of life.

CAREC's flexible and pragmatic institutional framework has allowed its member countries to proceed with challenging initiatives at their own pace. The outcome has been faster implementation of priority programs and projects, greater focus, and better links across the sectors.

The CAREC Institute is supporting the specific knowledge needs of

priority sectors through capacity building and research. And the successful partnership with six multilateral institutions has enhanced CAREC as a platform for dialogue, as well as for planning and implementing priority projects.

CAREC has contributed significantly to improving infrastructure connectivity in the region. To date, over 100 regional projects in transport, trade facilitation, and energy – amounting to nearly \$17 billion – are either completed or underway. However, the enabling policies for cross-border transit agreements and trade facilitation remain a challenge. Strengthening the links between transport and trade facilitation within the CAREC framework is key to maximizing investment returns on infrastructure.

With a focus on the six transport corridors, CAREC is opening access to major external markets and increasing trade within the region. These corridors could triple trade flows by 2017 from the 2007 figures. Improved infrastructure contributed to a nearly 13-fold increase in intraregional trade between 2001 and 2008.

In the energy sector, CAREC has embarked on 27 energy projects worth \$3.4 billion, or 20 percent of all CAREC investments. These investments are helping to promote energy security and accelerate economic growth in the region.

Even with these major achievements behind us, CAREC's development agenda is just unfolding. Recent regional and global developments suggest that CAREC's next decade will be as formidable, if not more so, than in the past. The economic space that surrounds CAREC is thriving. The re-emergence of the Eurasian continent as a contiguous

land mass is redefining traditional transport and trade routes, with Central Asia at the crossroads. Patterns of investment and trade are also changing. While Europe faces financial crises, Asian countries proved their resilience and continue to grow. These developments offer a wealth of opportunities for the CAREC region, given its strategic location as a land bridge that spans the Caucasus, Europe, the Russian Federation, the Middle East, East Asia and South Asia.

So how do we chart the course ahead?

It is perhaps good to begin with the end in mind.

Where will CAREC be, four to five decades from now? Where will Asia be?

A new ADB-commissioned study, *Asia 2050: Realizing the Asian Century*, looked at Asia's dramatic economic transformation in recent decades, and set out plausible scenarios of where the region will be in the next 40 years. The study found that, if Asia continues in its present trajectory, it could account for half of global output by 2050, and generate per capita incomes similar to those found in Europe today.

But the study also cautions that Asia's continued rise is by no means pre-ordained. Risks and challenges abound. Increasing disparities could undermine social cohesion. The race for resources could harm the environment, and global warming and climate change could threaten agricultural production. Weaknesses in governance and institutional capacity could undermine policy reforms. Given the diversity and complexity of Asian countries, failure to meet these challenges could lead

some countries to fall into the middle income trap of sporadic and unsustainable growth.

Against this broad canvas, where does CAREC stand?

With the exception of the China, CAREC countries generally lag behind other Asian subregions. They need to improve productivity, deepen and expand the capital base, and generate employment. Managing these important drivers of growth will be crucial to advance CAREC economies onto the path of sustained growth and help them avoid the middle income trap. In addition, CAREC countries should be able to build their governance and institutional capacities to manage ageing populations, high rates of urbanization, and a rapidly growing middle class. To rise to these challenges, CAREC countries need to devise bold and innovative national policies, while pursuing avenues for regional and global cooperation.

Regional cooperation within Asia as a whole will become significantly more important in the coming decades. It will link diverse national actions to shared goals and common aspirations. It will be the means for Asia to take a position on global issues commensurate to its weight in the global economy. For CAREC in particular, regional cooperation can transform individual economies from land-locked to land-linked, thus expanding their reach and significantly increasing their growth potential.

In this context, CAREC's strategy for its second decade will be crucial. It will advance the CAREC economies through the free flow of trade and investment, and enhance competitiveness through a network of regional supply chains.

Excellencies,

In the course of this Ministerial Meeting, you will be deliberating on CAREC's strategy for its second decade – CAREC 2020. As your development partner and a stakeholder in Asia's future, ADB is committed to support CAREC 2020 with investments in trade expansion and improved competitiveness. Guided by your strong resolve, we stand ready to assist in accelerating the development of physical infrastructure connectivity.

Drawing from lessons learned from other regional cooperation programs, we will also invest in soft infrastructure and institution building, particularly in the area of trade and transport facilitation. We will support the analytical work needed to transform transport routes into economic corridors, and improve the knowledge base through the CAREC Institute. The CAREC Secretariat based at ADB will also have our continuing support to serve the needs of member countries, individually and collectively.

In the years to come, ADB looks forward to an even greater engagement of all member countries at the highest levels and a willingness to overcome the high barriers to cooperation. Commemorating our achievements should also remind us of the constraints that impeded even greater progress – the need to support policy regimes for greater openness and increased mobility.

History offers many lessons reminding us that with mutual trust, we would be able address these constraints, thereby further strengthening regional cooperation. The challenge ahead is to continue nurturing mutual trust to achieve an era of harmonious and cohesive cooperation, and constructive competition in the CAREC region by 2020.

Thank you.

*1134 words (about 12 minutes)*