

Note on the Silk Road Initiative

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**Silk Road Initiative:
Opportunities for business communities in the region**

1. Silk Road Initiative - regional cooperation built on tradition

United Nations Development Programme (UNDP), in collaboration with the United Nations Conference on Trade and Development (UNCTAD) and the World Tourism Organization (WTO), is implementing a major regional project aiming at developing a framework for regional cooperation between China and the Central Asian countries: Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan under the *Silk Road Initiative* (SRI). The project covers the period from 2005 until the beginning of 2007 and is intended to build capacities for regional integration, further develop mechanisms for cooperation and set up regional traditions to promote trade, foster tourism and attract additional investment to the Silk Road area. UNDP seed money applied in the Initiative aims at launching important long-term processes, in which business community is bound to play a decisive role.

For centuries, the Silk Road served as a fundamental link between the East and the West, exchanging cultures, crafts, ideas, technologies, beliefs and peoples. Since 1991, coinciding with the independence of the five Central Asian republics, we have been witnessing a revival of the interest in the region resulting in various forms of economic and cultural cooperation.

Recently, there has been also a major intensification of bilateral dialogue on fostering of investment flows and trade. Considering the richness and variety of natural and human resources, progress in various locally developed technologies and know how that can be offered by particular countries, we see however, still a lot of untapped potential for cooperation and regional development. Among others, the dynamism of China, the fastest growing world economy and the proximity of another major world economic power, Russia, combined with the vastness of their domestic markets is posing enormous opportunities that could be used for the benefit of the whole region.

The specific aim of the SRRP is to build capacity for regional cooperation and develop specific long-term programmes that would create the required framework for that. The Silk Road Regional Programme concentrates on the three areas:

- **Trade promotion:** it will recommend ways to increase the level of trade in the region which would thereby stimulate socio-economic growth and accelerate human development;
- **Investment:** it will facilitate growth of regional investment through the establishment of the Silk Road Investment Forum – a mechanism that should indicate investment opportunities in particular countries of the region and may become an important tradition of the Silk Road countries and integrating force for the region;
- **Tourism:** it will assist in development of broadly understood tourism in the region by promoting regionally coordinated, national plans for sustainable development of tourism including the promotion of Silk Road arts and crafts, and by expanding commitments to sustainable levels of tourism development through the establishment of an award of a “UN Silk Road City”.

SRI is working towards achieving policy results through close cooperation with the Shanghai Cooperation Organisation (SCO) and with regional economies. It is seeking to

underpin institutional capacity, whilst encouraging a broad basis of support for sustainable levels of economic cooperation between Central Asian countries and China.

One of the features of the Silk Road Initiative is that all its activities require collaboration with participating countries and prospective members not just at the government level (where policy directives for regional cooperation are established), but also within business communities (where the policies should materialise in concrete results) and at the local - Silk Road cities - level, where the regional cooperation strategies will be implemented and where the cities and their communities will establish own working ties among themselves and may come up with own autonomous initiatives. In all aspects of the Initiative, alongside central and local governments, a major role is to be played by the private sector and basic components of the civil society such as business associations, chambers of commerce, and NGOs.

An important dimension of SRI's activities is cooperation with the Shanghai Cooperation Organisation (SCO), especially with its newly created Business Council where Silk Road Initiative intends to assist in the building process of its capacity. Currently, UNDP is in the process of preparing a Memorandum of Understanding with the SCO to create a formal framework for future cooperation under SRI and beyond.

Under the SRI, UNCTAD is the main strategic partner for the Investment component and the World Tourism Organisation (WTO) – in the Tourism component. The project intends to closely cooperate with the Asian Development Bank's *Central Asia Regional Economic Cooperation (CAREC)* Program.

The ultimate goal of the UN Silk Road Initiative is to further deepen and enhance regional cooperation in order to help the region meet the Millennium Development Goals of reducing poverty and promoting growth and equality.

2. Opportunities for business communities in the region

2.1 Trade promotion

In the SRI's trade component, the major objective is to help improve the policy and legal environment for trade and transit in the Silk Road area.

Though development of trade creates incredible opportunity for the region, significant bottlenecks still persist in this area. Trade has yet to be used as a driving force for the region's economic development and is often depressed by the imposition of complex tariff and non-tariff barriers. In addition, substantial barriers in physical infrastructure, institutional capacity, and in implementation of regional agreements, have delayed efforts at closer economic cooperation. The re-establishment of robust trade exchange, the development of local markets, and increased levels of inward investment, would contribute to more equitable, balanced economic growth necessary to combat the overall trend of uneven development, low levels of purchasing power and limited capital for investment.

The SRI's trade promotion component intends to work towards abolishing remaining barriers, harmonize trade facilitation procedures, and promote a favourable policy-making and legal environment for decision-making on trade and transit issues. It intends to cooperate closely with SCO's Business Council Working Groups regarding trade and transit to provide policy analysis and regulatory environment assessment, to facilitate meaningful dialogues for

policy makers and government officials on trade and transit issues, and to identify bottlenecks and priority areas of focus.

It intends to encourage greater participation of the private sector, including SMEs, in trade and transit promotion in the region. The project will support regional initiatives in trade and transit promotion and facilitation such as through the SCO Business Council. It intends to initiate capacity building programmes for business, trading companies and national institutions involved in trade/transit facilitation, as well as projects to promote entrepreneurship development for export-orientated SMEs.

SRI aims at promoting a fruitful dialogue between public and private sectors and increase the level of private sector participation in regional trade.

2.2 Investment

Within this component, the Silk Road Initiative intends to assist in attracting increased levels of investment to the Silk Road region.

Silk Road Initiative seeks to stimulate and encourage region wide Public Private Partnerships (PPP) in investment through launching in 2006 a Silk Road Investment Forum, which will aim at attracting international and regional investment. The first Forum will be organised in China and it is foreseen that the following Fora will be held on a rotating basis in different Silk Road cities of the whole region.

The Silk Road Investment Forum should give additional, important exposure of the region towards international community, will disseminate information about investment and business climate, will help establish direct contacts within local and international business community. It should become a forum for Silk Road countries where experience is exchanged, experience in attracting investment of particular is studied and open business dialogue is thriving.

Forthcoming events organised by SRI with regard to Trade and Investment components and involvement of business community.

First Silk Road Investment Forum. – the central event for the Silk Road Initiative planned in China, 2nd Quarter 2006, with broad participation of representatives of local, regional and international business community. Will use existing networks of potential investors, including multinational corporations, set up by UNCTAD to give broad insights to the region and its investment opportunities, will promote development of formal and informal ties among participants. Through this First Silk Road Investment Forum, SRI will aim at launching a long-term process and at establishing a tradition of Silk Road Investment Forums hosted by Silk Road cities in the region on a rotating basis.

Preparatory meetings for the first Forum will take place in the first half of 2006 in Geneva and later in Central Asia (most probably – in Almaty).

Euro-Asia Economic Forum in Xian (10-11 November 2005) – UNDP/SRI is co-organising an event jointly with the SCO, UN ESCAP and the *Boao Forum for Asia* (Chinese NGO, a potential partner for other future activities). UNDP, UNCTAD and WTO representatives will introduce the Silk Road Initiative and its main components (trade tourism and development, attracting investment to the Silk Road area) to a high profile, international audience. The Forum

will be also used as a preparatory meeting for SRI's 2006 Silk Road Investment Forum; its basic concept will be discussed in Xian with participation of representatives of UNCTAD and the Boao Forum for Asia.

Silk Road International Symposium in Xuzhou (December 6-7, 2005) and following study tour in China for representatives of governments, business community representatives and Mayors of Silk Road cities from Central Asia.

A series of **roundtable discussion** is foreseen in 2005 and 2006 in particular CA countries to help identify existing barriers in trade of goods and services with China. These will be important fora to share observations and experience gathered in various countries, as well as to suggest ways of lowering and removing of the barriers. Another focus of these discussions will be the cross-border trade, applied regulatory solutions and the rationale behind, as well as functioning of the special economic zones devised to promote trade and investment.

Business community of the Silk Road may participate in the events directly or through their representatives in business Associations, Chambers of Commerce and NGOs. SRI is open to active feedback from private sector partners and interested in all local business community initiatives supporting the process of launching of the First Silk Road Investment Forum in 2006 including its preparatory events.

SRI is also organizing a series of study tours to partner countries to make business communities familiar with the partner's realities – the business climate, existing opportunities and resources. These study tours will complement the bilateral contacts recently developing rapidly in the region, especially China - Kazakhstan, as well as China - Uzbekistan.

The 2005 **study tour for Chinese entrepreneurs** (October 18 – November 2) covers 4 Central Asian countries: Uzbekistan, Kazakhstan and Kyrgyzstan and Tajikistan. Participating entrepreneurs, CEOs of Chinese large corporations, have been selected through a questionnaire distributed by the China Group Companies Association, our main partner for this event, among hundreds of enterprises. They represent state, mixed and privately owned companies with true business interest in Central Asia. Sectors involved include textile industry, silk and wool production, construction materials and electronics. The network of SRI's focal points in UNDP Country Offices in Central Asia is helping prepare comprehensive programmes in each country, which will make participants familiar with government policies, local business climate and will facilitate direct contacts with local business community. The study tour will be preceded by a preparatory process in China consisting of series of short briefings for the participants on particular countries delivered by specialists from Central Asian Embassies in Beijing.

The study **tour for entrepreneurs and Mayors from Central Asian** countries will follow the Xuzhou Silk Road Symposium in December 2005.

2.3 Tourism

SRI aims at helping increase levels of tourism in the Silk Road area. SRI's tourism component intends to support the development of national/local strategies to achieve sustainable tourism in the region. Particular focus will be placed on the development of value-added cultural tourism and ecotourism. Different approaches will be adopted to meet the special challenges faced by SRI member countries taking into account the unique character of the natural environment and culture of each.

The project aims at encouraging sustainable tourism through the establishment of an award for "UN Silk Road City" whereby participating cities will be required to meet criteria entailing cultural, environmental, and socio-economic, development. The project is also seeking to encourage progress towards a composite Silk Road/multiple destination visa for touring along the Silk Road. A *Silk Road Eminent Persons Group* will be set up to decide on the criteria for the awards, select winners, and also advise and enrich other project activities.

The "UN Silk Road City" awards scheme will be first open to the cities from the participating programme countries. Eventually, the annual competition will be expanded to cover all cities along the Silk Road. The award idea is intended not only to recognise the past – cities' tradition and heritage rooted in the ancient Silk Road, but also their present and future in order to stimulate a healthy competition among the various cities to become the best cities in terms of current achievements and future development plans. The award scheme will motivate and reward cities and their communities for their efforts to develop tourism based on the principles of long-term sustainable development, protection of cultural attractions, improved standards of tourist accommodation, higher quality of tourism services, and enhanced public-private partnership. This is the first time that an award of this nature will be developed in the region.

The UN Silk Road City awards scheme will be implemented by the *Silk Road Eminent Persons' Group*. It will comprise a balanced, international mix of prominent members of society including academia, experts in culture, experts in environmental protection, architects and urban planners, arts and crafts experts and other representatives of social and economic life. The Silk Road Eminent Persons' Group will be set up as an institution that would decide on procedures and principles for its activity, review the criteria for granting awards (to be developed by an expert group) and once these are finalised, would review the cities-candidates based on nominations received from government and non-government organisations of Silk Road countries. Finally, the Group will designate the winning cities. It is proposed to have 4-5 such cities each year in the initial phase. All activities of the Silk Road Eminent Persons group will be fully transparent, unbiased and autonomous.

It is hoped that the awards allocated in the first year under the Silk Road Regional Programme will become a firm tradition in the region and the initiative will continue in the long-term bringing additional motivation to further economic, social and cultural development of the contemporary Silk Road.

Events organised by the SRI project under the tourism component and involvement of business community.

Meeting of Silk Road Mayors in Xian under the Euro-Asia Economic Forum in Xian (November 10-11);

Meeting of Silk Road Mayors in Xuzhou under the International Silk Road Symposium in Xuzhou (December 6-7);

First Regional Silk Road Mayors Forum – planned to be held in Tashkent in the 2nd half of 2006.

Series of discussions are also planned on the possibility of launching a **multi-destination, limited time tourist visa** for people traveling to destination along the Silk Road and on harmonisation of border control procedures.

In the subcomponent regarding cooperation among Silk Road cities, the focus will be on extending the movement initiated among Chinese City Mayors, in the spirit of 2004 Urumqi declaration, to the rest of the region and on creating of an institution of a fully-fledged, Regional Mayors Forum for the Silk Road to promote ties between Chinese and Central Asian cities and their communities. The Forum will consist of the City Mayors, but in fact it is hoped, it will involve and represent broadly understood local communities and institutions of civil society, where business community plays major role.

By the same token, the competition for UN Silk Road City titles should reflect and reward the local ability to mobilise whole communities around the goal of developing contemporary tourist base for Silk Road tourists and work towards improving attractiveness of tourist destinations, develop participatory approach to urban planning to better combine the Silk Road cultural heritage with the needs of modern city development, and help balance tourism development with environmental protection needs.

The more originally thinking, active and aware of existing needs and challenges local business communities, NGOs, Chambers of Commerce will be, the more chances the city will get to receive the award. Further, by the nature of the official title, the more chances there will be to get a positive feedback - attract broad, international attention, stimulate tourists' inflow and also add positive impulses to a wide variety of local businesses.

In this component, the project hopes to stimulate businesses' and, in general, citizens' involvement in the Initiative, increase the level of activity and general awareness of the historical Silk Road ties combined with local present and future needs. It hopes to promote creative, proactive thinking on exchange of experience among not only Mayors and Cities' administrations, but also among small and big businesses, and all citizens along the Silk Road.

Silk Road Initiative will lead an open policy encouraging interested countries to join and bring additional inputs to this Initiative. It is also looking forward to get a lot of stimulating impulses from the regional business community. Here, we need strong and active partners - true owners in future of the processes that we are launching now.