

**Fourth Ministerial Conference on
Central Asia Regional Economic Cooperation
5-6 November 2005, Bishkek, Kyrgyz Republic**

**Opening Statement by
Dr. Anwar-UI-Haq Ahady
Minister of Finance of Afghanistan**

Economic and Finance Minister Japarov, Mr. Eichenberger, Excellencies, Ladies and Gentlemen:

This is the first time that Afghanistan is participating in the Ministerial Meeting of CAREC. It is indeed a pleasure for me to represent my country in this conference today. I would like to take this opportunity to thank the Government of the Kyrgyz Republic and the Asian Development Bank for organizing this conference.

The Government of Afghanistan considers its participation in CAREC very important because we fully subscribe to the economic assumptions behind the formation of CAREC. In the past four years the Government of Afghanistan has fundamentally restructured the country's political, social, and economic institutions. Politically, Afghanistan has made the transition from authoritarianism, has established all the necessary institutions for a democracy, and has completed presidential and parliamentary elections. Socially, we have enshrined the values of equality of gender, cultural pluralism, tolerance, civil liberties, and the rejection of social discrimination in our new constitution. But perhaps more important for our conference is the fact that now Afghanistan has a fundamentally different economic system.

We believe in market economy. We believe that private sector-led growth is more likely to be sustainable than state-owned enterprises led growth. We believe that government should build physical infrastructure (e.g. roads, railways, power), develop human resources, and create a legal and regulatory environment which would facilitate private-sector-led growth. We believe that trading is beneficial to all participants, and thus, trading should be promoted. And, we believe that in order to ensure the efficiency of scarce capital, there should be very few, if any, restrictions on direct foreign investment.

Excellencies: In the past four years the Government of Afghanistan has built its new economic institutions on these beliefs. Thus, now Afghanistan has very liberal banking and investment laws, and probably the lowest tariffs in the region.

The reason for my elaboration on these developments in my country is that I find a strong congruence between the economic principles of my government and the economic assumptions behind CAREC. Consequently, it is not a difficult decision for me to endorse CAREC. There are ample theoretical arguments as well as empirical evidence to establish that regional economic integration significantly enhances the welfare of a region. Thus, we are confident that the implementation of CAREC economic plans will benefit all of the participating countries.

Excellencies: Let me specifically discuss my government's position regarding regional economic cooperation in the transport, trade, and power sectors. My government believes that the construction of transport infrastructure is essential for national, regional, as well as inter-regional economic development. The absence of good and well connected roads will seriously hinder the efficient allocation of resources. As you may know, Afghanistan is sometimes classified as a Central Asian, other times as South Asian, and yet other times as Middle Eastern country. This

kind of ambiguity of regional identity actually enables Afghanistan to be the bridge connecting all three regions. We believe that the construction of good highways and railways that connect various countries in this region and the three regions will enhance the efficiency of the transport sector which in turn will greatly benefit us all.

In this regard, in the past three years Afghanistan has spent \$1.2B on constructing all-weather highways; and we will be spending additional hundreds of millions of dollars in the next three years to build more highways. Our roads are connected to Pakistan's, Iran's, Turkmenistan's, Uzbekistan's, and Tajikistan's highways. We are ready to do more regarding the development of this sector and to coordinate and harmonize our activities and procedures with the other CAREC members. We believe that in this sector there are great opportunities for gain for all of us.

As I stated earlier, we believe that trading benefits all trading nations. This is a well accepted economic principle now. Even though, it will take a while to develop economic complementarities between the national economies of this region, we can adopt certain measures right away to promote trade within this region and with the outside world. We believe that harmonization of customs practices and transit facilities are necessary and will help the promotion of trade. Afghanistan has already launched the modernization of its customs facilities and the adoption of standard international practices with regards to its customs procedures. WE strongly support CAREC's proposal regarding the harmonization of customs procedures and other trade facilitating measures. We also believe that lowering custom duties on imported goods promotes trading. Happily, Afghanistan's new import duties are now among the lowest in the region. We are happy to support CAREC's call for a more liberal trade policy in this region.

And finally, with regards to the power sector, we believe that regional cooperation can provide major gain. In this sector real economic complementarities can be identified within the region as well as between Central Asia and South Asia. Currently Afghanistan is short of electricity. At least for the medium term it is economical for Afghanistan to import power. My government has decided to import power from Uzbekistan and Tajikistan. Currently, a transmission line, which is financed by the Asian Development Bank and the Government of India, is being built from Hairatan, at the border with Uzbekistan, to Kabul. The government of Afghanistan has already signed an MOU to purchase power from Uzbekistan. We are also building transmission facilities to purchase large quantity of power from Tajikistan.

For the long term Afghanistan sees opportunities for the expansion of power trading which is likely to include a number of countries in Central and South Asia.

To conclude, we find CAREC's proposals in all of the three sectors of trade, transport, and energy realistic; we believe that their implementation will enhance the notional economic growth of all CAREC member countries. Thus, Afghanistan endorses the CAREC strategy and looks forward to being an active member in the preparation and implementation of CAREC's action plan.

The promotion of regional economic cooperation is at the top of Afghanistan's agenda. Indeed the strength of our belief in regional cooperation is such that we have organized a regional cooperation conference at Ministerial level in Kabul for December 4th and 5th, 2005. You will be receiving our invitation soon and we hope that you can join us for another discussion of regional cooperation in Kabul. The objective of the Kabul conference is not to establish another regional cooperation organization. Indeed, we would like to see much greater coordination between existing regional organizations and greater focus on concrete measures to be adapted by all.

We believe that there is a strong willingness to promote regional cooperation; and we are confident that together we will promote the welfare of the people of this region.

Thank you.