

(Translation)

**Building a Harmonious Region by  
Strengthening Partnership and Improving Cooperation Mechanism**

Speech by H. E. Mr. Zeng Peiyan, Vice Premier of  
the People's Republic of China  
20 October 2006, Urumqi

Dear colleagues,  
President Kuroda,  
Ladies and gentlemen, friends,

It is my great pleasure to attend the 5<sup>th</sup> Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC). Closely linked by rivers, mountains and cultural ties, the countries participating in the CAREC Program have long history of friendship and share a broad base of cooperation. Today, the representatives from CAREC participating countries and Multilateral Institutions are gathering here in Xinjiang to map out the strategy of and the vision for the future of our cooperation. Our meeting today will have an impact on our region in terms of promoting the social and economic development and strengthening the friendship among our countries. On behalf of the Chinese Government and in my own name, I want to extend warm congratulations to the conference and welcome all the distinguished guests. I also want to extend my heartfelt thanks to all the countries, organizations, and individuals for their support to CAREC.

Strategically located in the heart of the Eurasia Continent, Central Asia serves as a land bridge linking Asia and Europe. It has abundant natural resources, and well – developed industry and agriculture. The economic and trade relations and the cultural exchanges among the CAREC countries, which could trace back to the ancient Silk Road linking Asia and Europe, are ever closer today, representing enormous potential for further deepening regional cooperation. In recent years, the region has achieved overall stability, and the pace of economic growth has been accelerated thanks to the progressive economic restructuring and the rapid expansion of intra – regional trade. Over the period of 2002 to 2005, the CAREC countries recorded an average annual GDP growth rate of above 9%, and the international community has been showing increased confidence in the development prospects of the region. However, our region as a whole is still faced with many challenges, including in particular the low level of economic and social development, poor infrastructure, and the shortage of financial resources. On top of that, the three evil forces, namely terrorism, separatism, and extremism, pose serious threats to the peace and development in our region.

Five years has passed since the convening in 2002 of the first Ministerial Conference of the CAREC Program, which was incepted under the coordination of the Asian Development Bank in late 1990s. With the concerted efforts of all participating countries, ADB and other Multilateral Institutions, the CAREC Program has achieved notable and steady progress. A total of \$2.3 billion, including about \$100 million of TA grant, has been mobilized to support a series of initiatives in transport, energy and trade sectors. They have played an important role in enhancing infrastructure connectivity, facilitating trade, improving investment environment, raising the competitiveness of the region, and promoting the

development of all participating countries. Over the years, the CAREC Program has also yielded some valuable experience vital for the success of regional cooperation, the most important of which include the principles of equality, mutual benefit, and consensus through consultation; the pragmatism and result orientation; and broad participation by all the parties concerned. These principles and good practices should be maintained in our future cooperation.

China has a long history of cooperation with the Central Asian countries. With the development of bilateral and multilateral economic cooperation, China has become an important trading partner and source of foreign investment in the Central Asian countries. In 2005, the trade volume between China and the other seven CAREC countries reached \$ 9.8 billion, registering an increase of 47% over the previous year, and in the first half of this year, it further increased by 46% over the same period of last year. China's investment in the other seven CAREC countries covers a wide range of sectors, including energy, transport, telecommunication, mechanical and electronic industry, light industry, and agriculture. China attaches great importance to, and has been actively participated in the CAREC Program. China has also done its best to make due contribution to the regional cooperation and development. Through the "Poverty Reduction and Regional Cooperation Fund" which China set up in ADB, China has provided technical assistance to some CAREC countries to support agricultural development, environment protection, and capacity building activities. China also provided RMB 60 million concessional assistance to Kyrgyz Republic to support the construction of the China - Kyrgyz - Uzbekistan road corridor. Under the framework of Shanghai Cooperation Organization, China has provided \$ 900 million of preferential export credit to certain member countries in support of a large number of projects in

energy and transport sectors.

Ladies and gentlemen,

It is the common goal of the CAREC countries to develop economy and improve people's living standards. To achieve it, we need to further enhance our cooperation. China is of the position that CAREC countries as partners should work together to establish and improve the regional infrastructure network, and facilitate the movement of people, goods and production factors within the region, thereby creating conditions needed to form a Central Asia regional market. We should work together to enhance our technological exchanges to increase the development and deepen the processing of our natural resources, with a view to transforming the economic growth patterns in our region from the extensive to intensive ones. We should also work together to expand trade and investment flows, and realize mutual benefits and win - win results for all building on the comparative advantages of each country. In this connection, I would like to make the following proposals for further deepening the CAREC cooperation.

**1. Strengthening our cooperation in infrastructure sectors.** Rapid economic growth in our region will not be possible without well - developed infrastructure. China stands ready to work with all parties concerned to enhance investment cooperation in such key areas as transport and energy. In transport, our priority is to establish a well - functioning road, railway and air transport network in our region. The bold strokes should include China - Central Asia - Europe Road Corridors, China - Mongolia - Russia Road Corridor, and China - Kyrgyz - Uzbekistan Railway. Efforts should also be made to accelerate the process of negotiating the Agreement on Facilitation of International Road Transport among SCO members. In energy, we shall work together to gradually form a regional energy and

electricity market, and conduct cooperation in renewable energy development, energy conservation and energy efficiency.

**2. Broadening cooperation gradually.** Encouraging progress has been achieved under the CAREC framework, and broadening the Program is in the interests of all parties. While consolidating what has been achieved in the existing priority sectors, we shall actively explore potentials for cooperating in new areas including human resource development, sustainable growth, agriculture and tourism. The Chinese Government supports the cooperation in environmental protection, HIV /AIDS control, and human and avian influenza control in the form of special projects. I'm happy to announce that China will provide \$ 500, 000 through the PRC Poverty Reduction and Regional Cooperation Fund to support the HRD activities under the CAREC Program.

**3. Encouraging the participation of and cooperation among business communities.** Companies and enterprises are the main players in economic activities. Only when a sound mechanism and environment is formed for cooperation among business communities, can CAREC be really energized. Before this conference, the 1<sup>st</sup> CAREC Business Development Forum was held under the initiation of China. The BDF provides a platform for the business communities from within and outside the CAREC region to enhance mutual understanding and cooperation. It is our hope that the governments of the CAREC countries will continue to promote trade and investment facilitation and liberalization, modernize border – post facilities, improve custom codes, reduce trade barriers, and simplify customs clearance procedures, thus creating a better environment for cross – border business development. The Chinese Government encourages the Chinese entrepreneurs to actively take part in CAREC cooperation. We also hope to see that CAREC countries and international organizations will be more



proactive in business promotion to attract more investment into our region.

#### **4. Further improving the CAREC Overall Institutional Framework.**

CAREC has established an institutional mechanism consisting Ministerial Conference, Senior Officials' Meeting, and Sector Coordinating Committees. This governing structure has played an active role in promoting the regional cooperation. It is our hope that under this framework, multilateral policy dialogue and coordination will be further strengthened, and the roles of Multilateral Institutions be brought into full play, so as to produce more results in a more effective manner. The 5<sup>th</sup> Ministerial Conference is going to discuss and endorse the CAREC Comprehensive Action Plan, which we believe will provide an excellent instrument for better prioritization and more effective implementation of the CAREC Program. Meanwhile, the CAREC Program should further improve its collaboration with, and provide more support to, other cooperation organizations in the region, including inter alia the SCO, by mobilizing development funds, implementing concrete projects, and sharing experience and knowledge.

Ladies and gentlemen,

Since late 1970s, China has been firmly implementing market system reforms, and an all-round pattern of economic opening has gradually taken shape, resulting in more than two decades of steady, rapid and sound development of the national economy, and remarkable improvements in people's living standards. In recent years, the industrialization and urbanization process in China has been accelerated. With effective measures in macroeconomic management, the Chinese economy has sustained a good momentum of rapid and stable growth. In the first nine months of this year, the GDP increased by 10.7%, while inflation remained low and employment

increased significantly. We believe that the economic and social development targets for the whole year will be realized smoothly. Despite the difficulties and problems ahead, we have the determination and confidence to continuously advance our modernization process.

Looking into the future, China has put forward a scientific outlook on development which puts people first and focuses on comprehensive, harmonious and sustainable growth. We will intensify our efforts in restructuring our economy, transforming the mode of economic growth, conserving energy, protecting environment, and better coordinating development of rural and urban areas and among different regions in the country. At the recently held Sixth Plenary Session of the Sixteenth Central Party Committee of the Communist Party of China, a decision was made to build a socialist harmonious society, which is characterized by democracy, rule of law, equity and justice, integrity and fraternity, vitality, stability and order, and harmonious coexistence between man and nature. In line with that, we will further accelerate the development of social undertakings such as education, culture and health, and improve the institutional mechanism for social management, so that the benefits of reform and development will be shared equitably by all the people. We expect that by 2010, the per capita GDP in China will double that of 2000. It is our belief that China's development will also bring opportunities to our neighboring countries including those in Central Asia.

Ladies and gentlemen,

China pursues a foreign policy which is guided by the principle of being friendly to our neighbors and treating our neighbors as partners, and focuses on fostering an amicable, peaceful and prosperous environment. China implements an opening - up strategy which aims at achieving mutual benefits

and win – win results together with our neighbors. China will continue to strengthen economic cooperation with the neighboring countries, by further enhancing personnel, information and technology exchanges and expanding trade and investment ties, building upon the advantages of our commonly shared strategic location. Our domestic development strategies, including the Western Development Strategy and the Strategy of Rejuvenating the Old Industrial Base in Northeast China will be coordinated with China's efforts to broaden economic and trade cooperation with the surrounding countries, so as to contribute to the realization of our comparative advantages, mutual benefits, and common development.

To promote the cooperation in CAREC region is a common task of all parties present today. The 5<sup>th</sup> Ministerial Conference will adopt *Urumqi Declaration*, which puts forward a long – term vision of “Good Neighbors, Good Partners, and Good Prospects”. Taking this opportunity, I hereby, on behalf of the Chinese Government, reiterate China's firm support and commitment to the CAREC Program. In accordance with the principle of equality and mutual benefits, we will work with the Central Asian countries, Multilateral Institutions, and other development partners to deepen regional cooperation, following a proactive and pragmatic approach. Let's join our hands together to make concerted efforts in promoting development through peace, openness and cooperation, so as to build our region into a land of harmony and common prosperity.

In conclusion, I wish this conference a full success. I wish all of you good health and a happy stay in Urumqi!

Thank you!