

# Linking with the Private Sector Toward Seamless Connectivity

Welcome remarks by  
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Greetings:

Your Excellencies, Governor Nur Bekri, Deputy Prime Minister Ganiev, Vice Minister Yi Xiaozhun, Vice Chairman Zhuang Congsheng; distinguished guests, ladies and gentlemen:

On behalf of the Asian Development Bank, I wish to thank the Ministry of Commerce and the Ministry of Finance of the PRC, and the Xinjiang government for graciously hosting the Second CAREC Business Development Forum. We are equally grateful to the All-China Federation of Industry and Commerce for its invaluable help in putting together this important event.

A decade ago, several countries in Central Asia and the PRC, supported by ADB, joined together to establish the [Central Asia Regional Economic Cooperation program](#), or CAREC, to help reduce poverty in the region by strengthening regional economic cooperation. In ten short years, CAREC has enjoyed impressive achievements in promoting collaboration and partnerships in the region, especially in the fields of transport, trade facilitation, trade policy, and energy. Its membership has grown now to 8 countries and I am pleased to welcome participants at this week's meeting from four other countries from the region. Six multilateral institutions round out the CAREC family and we are pleased that their representatives have joined the Forum as well.

## **CAREC's Economic Outlook**

The CAREC region has proved to be robust and resilient amid the onslaught of the global economic crisis of 2008. Although growth in the Central Asian countries fell by half—from 6.1% in 2008 to 2.8% in 2009—a more positive outlook is expected in the next 2 years. Growth is expected to pick up as a result of higher oil prices and

the recovery of the Russian Federation, a major trading partner. In the Kyrgyz Republic and Tajikistan, for instance, expansion is expected to accelerate slightly to about 4%–6%. The PRC economy is forecast to continue to grow by 9.6% while the economy of Mongolia started to recover late in the year after the government adopted an extensive policy reform program. It is expected to return to solid growth this year and next.

The subregion faces serious structural adjustments, however, particularly in light of the unwinding of global economic imbalances requiring rebalancing of growth models around Asia. For the Central Asian members of CAREC that means diversifying their narrow resource-based economies where economic activities and investments are concentrated in a limited number of sectors or commodities, making them susceptible to global price fluctuations. In the PRC rebalancing will require boosting private consumption, improving health care, cleaning up the environment, and shifting away from over-reliance on energy-intensive and capital-intensive heavy industry towards economic activities that will create more jobs and less pollution.

We at ADB believe that boosting trade through regional integration among [CAREC members](#) will be an important element in this new rebalancing of growth in Asia. By reducing the cost of cross border transactions, from trade in goods to trade in energy, CAREC can create new economic opportunities for the private sector that will provide more sustainable and inclusive growth.

As you all know, those costs, in terms of time and money, can be significant. ADB studies show that the average speed on Corridor 2, the most comprehensive of the CAREC corridors, is a mere 20 km an hour. A study by the International Road Union shows that time wasted at border crossings accounts for much of this slow pace — they estimate that a truck traveling the length of the Silk Road will spend about 40% of its time at border crossings and spend about 40% of total costs of the trip on payments to border officials.

### **CAREC and the Private Sector**

So we are here today to forge even closer ties between governments and the private sector to better understand how we can together lower these barriers to trade in goods and services in the CAREC subregion, thereby creating more opportunities for businesses to prosper. At the first Business Development Forum, held in 2006 also here in Urumqi, eminent business leaders and government policy makers clearly laid out the agenda they wanted governments to adopt to remove constraints to cross-border business. You called for greatly expanded investment in cross-border infrastructure. You called for cooperation between officials to speed up and streamline border procedures. You called for regulatory changes to allow freer movement in goods, people, and power. You called for better governance and steps

to eliminate corruption that kills entrepreneurial spirit. You called for training and human capacity development to ensure high quality responsive public services. And finally you called for continued cooperation and consultation between public and private sectors to ensure further progress, an appeal we are heeding with the convening of this conference today.

ADB, along with Governments in the region, has been listening to those concerns closely and taken them very seriously indeed. ADB has worked hard to develop infrastructure projects to strengthen the hardware — the roads, bridges, railways and transmission lines — that will tie the region more closely. From 2000-2010, ADB has financed \$3.6 billion for transport, trade facilitation, and energy projects.

We have helped launch new consultative mechanisms, such as the CAREC Federation of Carrier and Forwarder Associations (CFCFA), a private sector voice in CAREC bringing real, on the ground, experience to the challenge of improving transport and trade logistics in the region. I would like to welcome the CFCFA Executive Board and CFCFA members, who just held their 1st annual CFCFA meeting yesterday and are participating in the forum.

We have also brought information and data to the policy debate. Most of the CFCFA members are our partner associations who collect data for the CAREC Corridor Performance Measurement and Monitoring (CPMM) activity that identifies the major barriers to trade flows and that provide key real time information to decision makers in their efforts to improve policies and streamline trade routes. CPMM data for the past year (which is collected on a quarterly basis) continue to indicate that border crossing points are the single most important bottleneck in this region. This is the first time that anyone has ever monitored this type of continuous, ongoing survey data directly from the private sector. We have had queries about how to set up similar programs in the GMS region in Asia and as far as Africa. CAREC is truly a world leader in providing this information to its policy makers and ADB is pleased to be part of it.

Finally we have supported CAREC members to address the software needs of trade facilitation and I would also like to take this opportunity to announce a project that we are developing in the CAREC region to help address the serious delays at border crossing points uncovered by our surveys. We will be working with counterparts in the region to improve the infrastructure at specific border crossing points and support single windows for trade related government administrations. We will work with pairs of countries together at the same time to jointly address delays crossing the border. This is a truly regional approach to a regional project for a regional issue. It is estimated that the project preparation will be about \$2 million with a total project cost of around \$200 million. We have had a great deal of interest already from most of our CAREC partners who have realized the advantage of working on cross-border issues together.

## **Conclusion**

In the next two days, we will discuss on what ought to be done to expand private sector trade and investment in the CAREC region. Your active participation in the forum will give all of us the crucial insights we require to eliminate the constraints to increased trade and investment. Later this morning my colleague VP Zhao Xiaoyu will talk about the importance of robust public private partnerships in the development of the CAREC region. In subsequent sessions, we will be discussing concrete trade and investment opportunities focusing on both countries and sectors. I hope you will find these next two days rewarding and fulfilling. I am confident we will all take away new insights that can help us all — the private sector, governments, and multilateral institutions – accomplish our common goal of prosperity and elimination of poverty in the CAREC region.

I wish this forum every success.