

**VIRTUAL REGIONAL WORKSHOP ON SHYMKENT-TASHKENT-KHUJAND ECONOMIC CORRIDOR DEVELOPMENT**

16:00-18:30 (Manila time), 28 August 2020

**SUMMARY OF DISCUSSIONS**

1. **Introduction**

1. The second regional workshop on economic corridor development among Shymkent (Kazakhstan), Tashkent (Uzbekistan), and Khujand (Tajikistan) cities and their surrounding oblasts (referred to as STKEC) was jointly organized virtually by the Asian Development Bank (ADB) and the Kazakhstan Government on 28 August 2020. More than 150 participants from government agencies, business communities of the three countries, and development partners attended the workshop. Senior officials from the three countries including Vice Minister of Investment and Foreign Trade and CAREC National Focal Point for Uzbekistan Mr. Shukhrat Vafaev, Deputy Minister of Economic Development and Trade of Tajikistan Mr. Abdurahmon Abdurahmonzoda, Deputy Mayor of Shymkent City Mr. Aibek Sattibayev, Deputy Governor of Turkestan Oblast Mr. Meirzhan Myrzaliev, Deputy Chairman of Sughd Oblast Mr. Anvar Yakubi, also attended the workshop. Vice Minister of Trade and Integration of Kazakhstan Mr. Kairat Torebayev and Mr. Safdar Parvez, Director of the Regional Cooperation and Operations Coordination Division of ADB’s Central and West Asia Department co-chaired the workshop and delivered welcome remarks.

2. Following the first regional workshop held in December 2019 in Tashkent, Uzbekistan which discussed the vision of the STKEC, the ADB TA team prepared the roadmap for the STKEC. The roadmap proposes six intertwined thematic areas for the STKEC development which include (i) improvement of road and railway transport connectivity; (ii) modernization of border crossing points and border management; (iii) development of horticulture value chains; (iv) modernization of sanitary and phytosanitary measures and development of food quality certification services; (v) development of regional tourism; and (vi) development of special economic zones and industrial zones. The roadmap further analyzes the trade potential, assesses existing issues in the focus areas, proposes action plans and projects to address these issues, envisions expected results, and recommends institutional set-up in developing the STKEC.

3. The objective of the second regional workshop was to (i) present the draft roadmap of the STKEC to and seek feedback from the three countries; (ii) propose next steps for the STKEC development, with continued support from ADB; and (iii) discuss key steps and timeline for the institutional set-up of the STKEC. The draft roadmap was shared with the participants. The agenda and list of participants are in Appendices 1 and 2.

**II. Highlights of the Workshop**

4. The ADB TA team presented the draft roadmap and proposed next steps in implementing the roadmap. Participants from the three countries discussed the issues as listed in the agenda, and updated each country’s progress in specific sectors related to the STKEC. Overall, they expressed positive feedback on the roadmap for the STKEC development, commended the quality of the report, and agreed on the recommended action plans and projects in the six focus areas, and the institutional set-up. They highlighted the potential of the STKEC in strengthening economic cooperation and integration among the three countries, particularly in restoring economic growth through improved cross-border economic cooperation to mitigate the impacts from the coronavirus disease (COVID-19) which has affected all the three countries. Participants all highlighted the role of the private sector in the STKEC development, as well as partnership with ADB and other development partners, and appreciated continued ADB support. They have also committed to strengthening cooperation among the three countries in developing the STKEC. Key issues discussed were summarized below.

**a. Roadmap for the STKEC Development**

5. The three countries all agreed that the STKEC initiative coincides with the governments’ efforts in developing the STKEC region, thus the roadmap provides timely guidance to the planning and investment activities in the region. In Kazakhstan, with the city of Shymkent elevated to a city of republican significance (along with Nur-Sultan and Almaty), and the creation of the new Turkestan oblast in 2018, growing investments have been flowing into this region. For example, since early 2020, despite the COVID pandemic, Shymkent city has attracted around $308 million investment with 60% investment in small and medium enterprises (SMEs). In Uzbekistan, the government attaches great importance in economic cooperation with neighboring countries particularly Kazakhstan and Tajikistan to boost trade and tourism, and transit trade, taking advantage of Uzbekistan’s connecting role. The government of Tajikistan looks forward to benefiting from the STKEC particularly improving cross-border trade, and gaining access to the bigger markets of the Russian Federation and the People’s Republic of China (PRC), and integrate into broader regional and international value chains.

6. Participants highlighted the high potential of trade growth in the STKEC region given the favorable conditions such as geographic proximity and close economic links. In January-August 2020, Uzbekistan’s export of fresh food products to Kazakhstan amounts to about $180 million, accounting 25% of total export during the period. This is commendable achievement given the COVID situation. Tajikistan has been actively implementing the WTO Trade Facilitation Agreement, and has recently created a trade portal to instruct on import and export procedures including transit for more than 1500 products, as well as inform trade related legislations and statistics. The anticipated establishment of the international center for trade and economic cooperation (ICTEC) between Kazakhstan and Uzbekistan will help realize much of the untapped trade potential along the STKEC through developing cross-border infrastructure and services. The STKEC will continue to serve for the large transit trade through the region.

7. Participants all recognized the importance to improve transport connectivity and the modernization of border crossing points (BCPs) in developing the STKEC. During the COVID-19 pandemic, some BCPs kept open to facilitate the transportation of medical equipment, food products and humanitarian aid among the three countries. The COVID-19 and its impact on cross-border activities calls for more concentrated efforts among the three countries to improve smooth transport connectivity to ensure economic interactions in the region. Improving the performance of the BCPs will be vital to ensure cross-border flow of goods and people. At present for Uzbekistan, due to cumbersome procedures, about 30% of travel time are lost at the BCPs in the region. Underdeveloped BCP networks and limited geographic locations constrain the trade flow through the BCPs (e.g., the Zhibek-Zholy BCP), including export of goods from the region to other countries. Thus, it is important to tackle this problem jointly, addressing the key issues such as harmonization and unification of procedures and requirements for goods and vehicles passing the BCPs. Tajikistan also saw the importance of further development of BCPs, in particularly coordination and harmonization of policies and requirements for automobile and railway transport. Kazakhstan briefed on the progress of the Central Asia Regional Economic Cooperation (CAREC) Advanced Transit System (CATS) and Information Common Exchange (ICE) pilot project participated by Azerbaijan, Georgia and Kazakhstan, which will be a useful mechanism in solving modern transport issues (e.g., containerization and expanded fleet of wagons) once in full operation, and can be applied in the STKEC region. Tajikistan highlighted the importance to include urban and water infrastructure under the transport connectivity, and expressed interest in electrification of railways (e.g., Bekabad-Khujand-Kokand) in the STKEC region.

8. The three countries all recognized the high potential of horticulture value chain development in the STKEC region given its favorable climate and dense population in horticulture farming. Given the threat of global food security particularly from the COVID-19, developing horticulture value chain will be key to ensure food security in the region, and for increase export of horticulture products. These can be achieved through developing joint ventures in agro-industry and exploring new export markets. Uzbekistan has plans to expand the volume of fresh horticulture products to 20 million tons in the next few years, with emphasis on cultivating most productive and high yielding products for future exports. To ensure international standards applied in horticulture products for export, it is important to apply sanitary and phytosanitary measures, use of modern technologies, exchange of information and training of professional personnel.

9. Participants all emphasized the huge tourism potential in the STKEC region given the rich tourism resources such as famous historical and religious sites and rich cultural heritages. Some regional tourism initiatives are already under consideration. These include tourism programs such as the “Tourist Ring of Central Asia”, and “In the Footsteps of Tamerlan”. Participants also noted the Central Asia Silk Road Visa initiative introduced by Kazakhstan and anticipated its implementation as soon as possible to facilitate tourism development in the STKEC region. It is important to create mutual tourist products that involve all three countries along the STKEC. Tourism sector is also among the hardest hit sectors by the COVID-19 pandemic, which needs to be restored as soon as possible. And there is a big tourism market among the three countries, with great tourism assets to attract international tourists. With the CAREC tourism strategy being developed, tourism is expected to be rebounded after the COVID-19.

10. Participants supported the development of special economic zones (SEZs) and/or industrial zones (IZs)[[1]](#footnote-2) for the STKEC. SEZs and/or IZs are regarded as important tools for economic corridor development through attracting investment, particularly private investment in support of small and medium enterprises (SMEs). Shymkent city is planning to introduce a third IZ in addition to two successful IZs in operation including the Ontustik SEZ which focuses on textile and petrochemical industries. At present, there are more than 1000 participants in the SEZs and IZs in Shymkent city and Turkestan oblast with participation from Uzbekistan and Tajikistan in agriculture, construction and other sectors. There are more than 25 SEZs and IZs in Uzbekistan. However, the country still needs to introduce and apply latest technologies to attract sufficient investments.

**b. Proposed Continued Support for the STKEC Development**

11. With the completion of the STKEC roadmap, the current TA will come to an end. Based on the increasing interest and commitment of the three countries for the STKEC and at the request of the three governments, ADB proposes to continue support for the STKEC through mobilization of up to $1 million additional funding. Additional activities will help the countries implement the roadmap of the STKEC, under three major components.

1. Undertake prefeasibility studies for selected priority projects to develop the STKEC, which include (a) a study to assess the establishment of an international center for trade and economic cooperation between Shymkent and Tashkent), analyzing key aspects of the cross-border trade and economic cooperation (ICTEC) in the border areas of both sides; and (b) a study for Tajikistan involving cooperation with Uzbekistan and Kazakhstan.
2. Support the institutionalization of the STKEC, including (a) facilitating the implementation of a memorandum of understanding (MOU) among the three countries on the STKEC development; and (b) supporting the STKEC institutional set-up—the creation and operationalization of the STKEC Steering Committee, and Working Groups in the focus areas.
3. Conduct Economic corridor development-related knowledge sharing to raise awareness and strengthen institutional capacity, including (a) ECD-related training workshops with focus on specific sectors and (ii) study tours in other regions and countries to learn good ECD practices.

12. Participants expressed full support and appreciation to ADB for the continuation of the TA activities. They agreed in principle the three components and highlighted the importance of capacity building for both economic corridor development and specific focus areas. For the institutional set-up, while there is general agreement on the framework, detailed arrangement and implementation plan will need to be laid out during the implementation of the next phase of the TA, in close consultation with the three countries based on readiness. On the prefeasibility studies, Kazakhstan updated the progress of the ICTEC, and highlighted the importance to engage with government agencies and local technical experts of Kazakhstan and Uzbekistan in conducting the study including preparation of the terms of reference for the consultants, as well as the importance of incorporating intraregional and interregional trade perspectives, and the transit capacity of the ICTEC. Tajikistan proposed several projects for the study, which will be confirmed after the workshop.

**c. Institutional Set-up and MOU**

13. The proposed institutional set-up is based on the experience of the Almaty-Bishkek Economic Corridor and economic corridors in other regions (e.g., Southeast Asia). It is proposed that an STKEC Steering Committee, STKEC Thematic Working Groups (TWGs) and an STKEC Secretariat be set up to implement the roadmap. Components and responsibilities of each level are also proposed. The bilateral Intergovernmental Commissions of the STKEC countries will be the highest decision-making bodies.

14. Participants expressed broad support of the proposed institutional set-up, and discussed the nature and functioning role of each level. Several issues were raised such as whether the coordinating committee should be a permanent organ, the frequency of the steering committee meetings, and when to create the secretariat. It was clarified that technical details of the institutional set-up will be further discussed with the three countries during the next phase of the TA. Participants all noted and appreciated Kazakhstan government’s efforts in coordinating the signing of the MOU. They fully support the MOU and will facilitate the completion of the signing as soon as possible.

**III. Next Steps**

15. Following this second regional workshop, the TA team will finalize the roadmap for STKEC development incorporating comments from the workshop and publish it in 2020. For some important comments on the roadmap, if not being able to be included in the revised roadmap, they will be included in the next phase of the TA activities. The second phase of the TA will be started once additional funding is secured. The ADB TA team will closely coordinate with the three countries in implementing the next phase of the TA.

1. Special economic zones (SEZs) are under different names in the STKEC region, which include industrial zones (IZs), free economic zones (FEZs), and industrial parks (IPs). [↑](#footnote-ref-2)