

**Vice-Minister of Economy and Budget Planning
Ms. Madina Abylkassymova**

**High-Level Round Table Discussion on
Regional Cooperation and Integration**

*Asian Development Bank (ADB) Headquarters, Manila, Philippines
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Distinguished delegates, ladies and gentlemen,

Please allow me, as representative of the **Office of the National Focal Point** for the Republic of Kazakhstan to the Central Asia Regional Economic Cooperation [CAREC] Program, to welcome you to today's high-level round table discussion on regional cooperation and integration issues.

I would like thank ADB for the warm reception and excellent arrangement of this event. Kazakhstan is the **2013 host country for CAREC** and we look forward to many successful activities leading to the 12th CAREC Ministerial Conference, to be held in Astana, Kazakhstan in October of this year.

CAREC brings together 10 member countries—Afghanistan, Azerbaijan, the People's Republic of China (PRC), Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The CAREC countries are supported by six multilateral institution partners—ADB, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank.

Transport.

Since 2001, these partners have jointly invested **more than \$21 billion** in transport and energy infrastructure projects, combined with

trade facilitation and trade policy measures to boost intraregional and inter-regional trade. CAREC follows a highly practical project-based approach to regional cooperation, based on consensus building and decision making, and mutual benefit for its members.

CAREC is guided and driven by members' shared priorities for an effective regional cooperation agenda, as laid out most recently in its updated **strategic framework "CAREC 2020,"** and endorsed by all CAREC ministers in 2011. The two main objectives of CAREC 2020 are **trade expansion** and **increased competitiveness**. CAREC 2020 defines four main sectors of development: transport, trade, energy and trade facilitation.

To date, the results of CAREC-related investments are significant, as published in the program's annual **Development Effectiveness Reviews**.

The six CAREC multimodal transport corridors run east–west from northern PRC to Azerbaijan in the Caucasus, and north–south from the border of Kazakhstan with the Russian Federation to the warm water ports of Karachi and Gwadar in Pakistan. **Almost 4,000 kilometers (km)** of road and almost **3,500 km** of rail networks, approximately 50% of the corridors identified for rehabilitation have already been built or upgraded. About **\$17.3 billion** has been invested in transport infrastructure improvements.

In practical terms, allow me here to refer to the CAREC Corridor 1. It is the longest of the six corridors, running 8,445 km from the Xinjiang Uygur Autonomous Region in the PRC to north western Kazakhstan's border with the Russian Federation. **2,787 km** of this corridor pass through Kazakhstan. Since 2009, four major international donors including ADB actively participate in the **\$5.5 billion** worth **Western**

Europe–Western China Road Project. We aim to finish construction of the Kazakh sections by 2014, further increasing the opportunity for trade to flow through the heart of Eurasia, toward regional and global markets.

The multimodal aspect of the CAREC corridors was strengthened in 2012 with the completion of the **Zhetygen–Korgas** railway in Kazakhstan, also along Corridor 1. In addition to shortening the previous railway line by 500 km, this rail link has helped boost transit trade between Kazakhstan and the PRC. Transit cargo from Central Asia to the PRC and Southeast Asia has increased with the opening of a second international railway check point.

Trade facilitation.

Trade facilitation work under CAREC—amounting to \$247 million since 2001—complements and maximizes the transport infrastructure improvements in all 10 member countries. Significant progress has been made since 2001 in the following areas:

- simplifying and harmonizing customs procedures;
- investing in automated customs information systems;
- moving toward establishing national single windows;
- expanding joint customs control between Mongolia and the PRC;
- identifying regional initiatives in sanitary and phytosanitary measures; and
- establishing a private sector CAREC Federation of Carrier and Forwarder Associations.

These measures, and more, have contributed to a quantifiable drop in the average time and cost to clear border-crossing points along the CAREC corridors. This in turn helps people and enterprises do better business, nationally, regionally, and ultimately globally.

Trade policy activities under CAREC focus on intensive **capacity-building** and **direct experience sharing** in the goal of every CAREC country acceding to the World Trade Organization. With the approval of Tajikistan's accession package in late 2012, and its imminent ratification of full membership in 2013, there will be five World Trade Organization (WTO) CAREC members: the PRC, the Kyrgyz Republic, Mongolia, and Pakistan. Kazakhstan is also moving toward to finalize WTO accession by the end of this year.

Knowledge-sharing activities in trade policy are held in support of CAREC's objective of increased competitiveness. These activities aim to reduce or eliminate specific quantitative restrictions and tariffs, and simplify tax regimes related to trade.

As part of further integration, **the Customs Union** was created by three countries: Kazakhstan, Russian Federation, and Belarus in January 2010. The Union has a unified international trade policy with third countries and allows for its members free movements of goods within its territory. As of today two CAREC countries, the Kyrgyz Republic and Tajikistan, expressed their interest to join Customs Union in the near future.

The second phase of this integration process will be the formation of Single Economic Space where people, capital and services can move easily.

Energy sector.

In a region with very significant natural resources, yet also constraints and challenges in distribution of those resources, the CAREC energy sector works to ensure energy security and efficiency for all CAREC countries, and to pursue opportunities to increase regional power trade. **Over \$3.7 billion** has been invested since 2001 in projects

that have built more than 3,200 km of high-voltage transmission lines, now bringing reliable electricity supplies to the people and commerce of Central Asia. **A CAREC Power Sector Regional Master Plan** focusing on Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan is now complete and will guide investment opportunities over the coming years. An Afghanistan Power Sector Master Plan is currently underway.

The CAREC Institute—one of CAREC 2020's operational priorities—aims to generate world-class knowledge resources in CAREC's priority areas of transport, trade, and energy. Its 5-year Strategic Knowledge Framework details the plan to generate, manage and spread knowledge as well as provide other information related services. It will guide the Institute in becoming a knowledge solutions hub for economic cooperation in the CAREC region. Transforming the CAREC Institute from its current virtual environment to **a physical entity** in the region by 2014 was approved by the CAREC countries in 2012. We welcome all further activities to expand knowledge cooperation in building resilience to future global challenges for the Central Asian countries, such as the recent global economic crisis.

CAREC has certainly achieved much since 2001, but still has much to accomplish and much ground to cover. The 11th CAREC Ministerial Conference in 2012 endorsed the **Wuhan Action Plan** to guide and prioritize implementation of CAREC 2020. To effectively achieve the objectives of expanded trade and improved competitiveness, the Wuhan Action Plan identified the following three areas: sector operational priorities, CAREC Institute Work Plan 2013–2017, and the Transport Facilitation Action Plan.

Currently, the transport and trade facilitation joint strategy is undergoing a midterm review process that will spur implementation of

the 68 identified projects in the transport pipeline to 2017, requiring investments of \$23 billion.

CAREC ultimately seeks to create seamless connectivity and strengthen regional cooperation and integration processes in Central Asia. As the CAREC transport corridors reach completion by 2017, the program will intensify its focus **on development of logistics corridors** that over time transform into economic corridors. This is happening already.

Drawing once again on the tangible example of **Kazakhstan**. The President of the Republic of Kazakhstan, Nursultan Nazarbayev, has commissioned a comprehensive plan of implementation to revive the country's historical role as part of the Silk Road, and become **the largest business transit hub of Central Asia**, a bridge between Europe and Asia. This plan envisages a major multimodal **transport-logistics hub**, expansion of the Aktau sea port, and construction of a logistics center in Aktobe.

CAREC Corridor 1 will become the western gates to and from Eurasia, connecting Central and East Asia to the Caspian region, the Russian Federation, and further to Europe. With the intersecting north-south axis of CAREC corridors leading to the sea ports of Karachi and Gwadar, the Eurasian trade network expands to South Asia and the Middle East.

The initiatives I have shared with you are merely indicative of CAREC's **portfolio of over 130 projects** since 2001, which all contribute to regional convergence and cooperation—the building blocks of CAREC. Today's meeting further demonstrates the firm intention of parties to develop and strengthen intra- and inter-regional cooperation.

In conclusion, I would like to express my gratitude to ADB, the organizers of this meeting, to our donor partners and I wish us all success in the implementation of the initiatives under the CAREC Program.

Thank you for your kind attention.