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DEVELOPMENT OF CROSS-BORDER ECONOMIC CORRIDORS IN CENTRAL ASIA

Bahodir Ganiev
Senior Advisor
Center for Economic Development
Tashkent, Uzbekistan



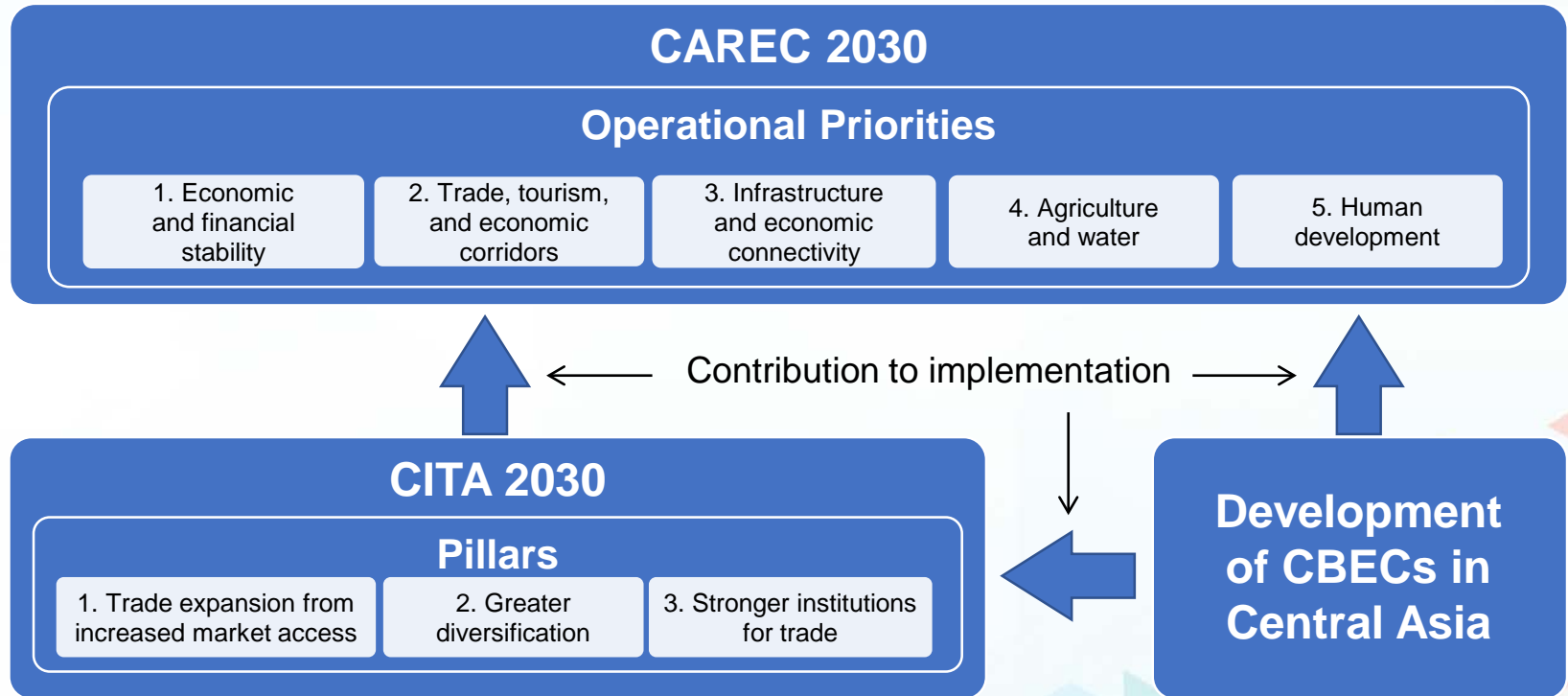
Outline

- Definition of a cross-border economic corridor (CBEC)
- Links between CAREC 2030, CITA 2030 and development of CBECs in Central Asia
- Rationale for development of CBECs in Central Asia
- Challenges and favorable factors
- Almaty-Bishkek economic corridor (ABEC)
- Shymkent-Tashkent-Khujand economic corridor (STKEC)

What is a CBEC?

- A CBEC is an integrated economic region that spans two or more countries
- Typically, it includes several big cities and the areas around and between these cities
- It is characterized by superior connectivity (including transport and digital connectivity), seamless movement of goods and people across borders, and extensive cross-border trade and investment flows
- It involves cross-border value-chains and clusters of economic activity

CAREC 2030, CITA 2030 and Development of CBECs in Central Asia



Why are CBECS Needed in Central Asia?

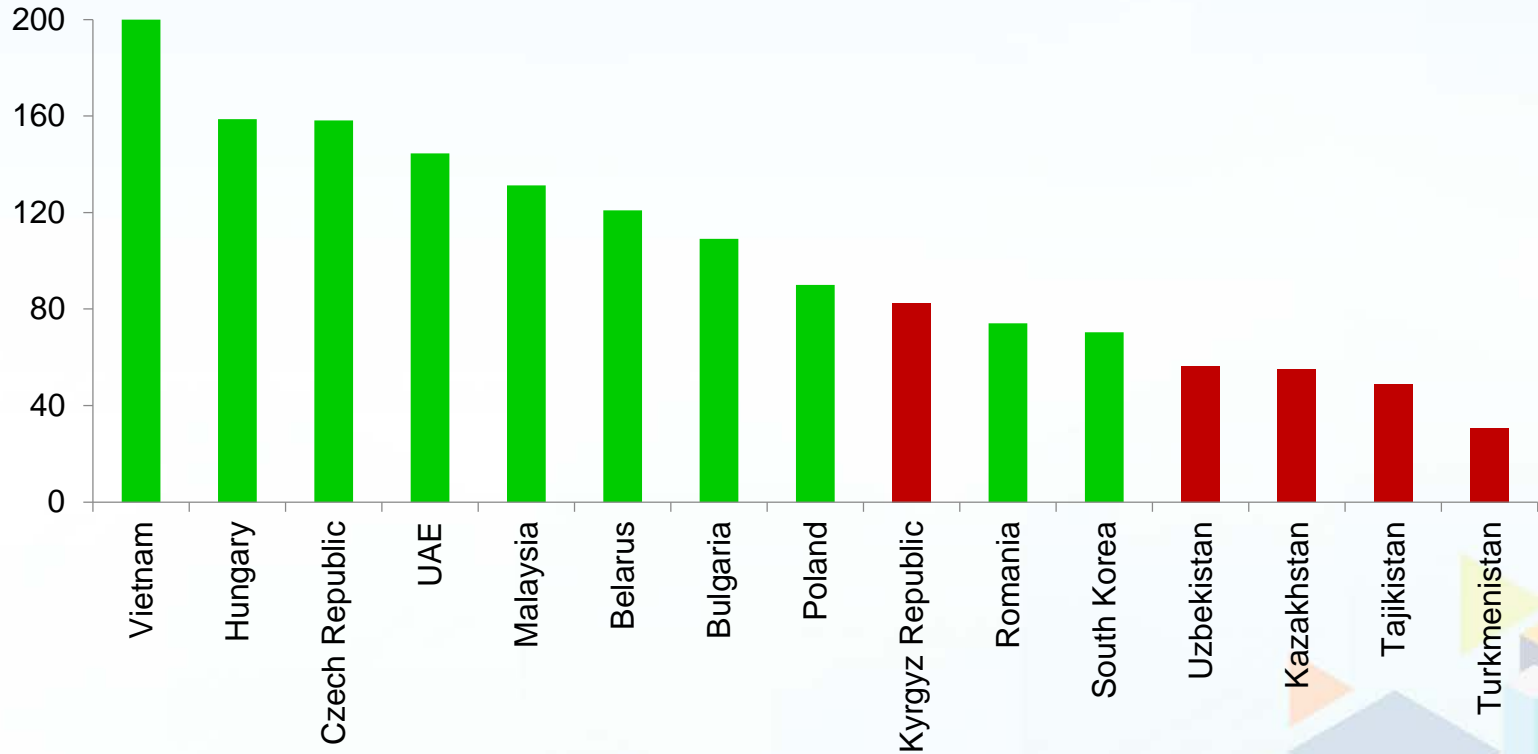
- Their economies are small and not well integrated into the global economy
- Bilateral trade flows between some CACs are small
- The stock of inward FDI is small in most CACs
- The level of urbanization is low in the CACs
- Manufacturing and services sectors are underdeveloped in the CACs
- Primary commodities dominate their exports

Population and GDP of CACs, 2018

	Population	GDP at Current Prices	GDP at PPP	Share of World GDP at PPP
	(Million persons)	(Million US dollars)		(%)
Kazakhstan	18.5	170.5	508.6	0.38
Kyrgyz Republic	6.4	8.1	24.5	0.02
Tajikistan	9.1	7.5	31.1	0.02
Turkmenistan	5.8	44.1	112.7	0.08
Uzbekistan	32.7	41.2	250.3	0.19
All CACs	72.4	271.5	927.3	0.69
<i>Memorandum item:</i>				
Japan	126.5	4971.9	5594.5	4.14

Source: International Monetary Fund.

Ratio of Total Merchandise Trade to GDP in Selected Countries, 2018 (%)



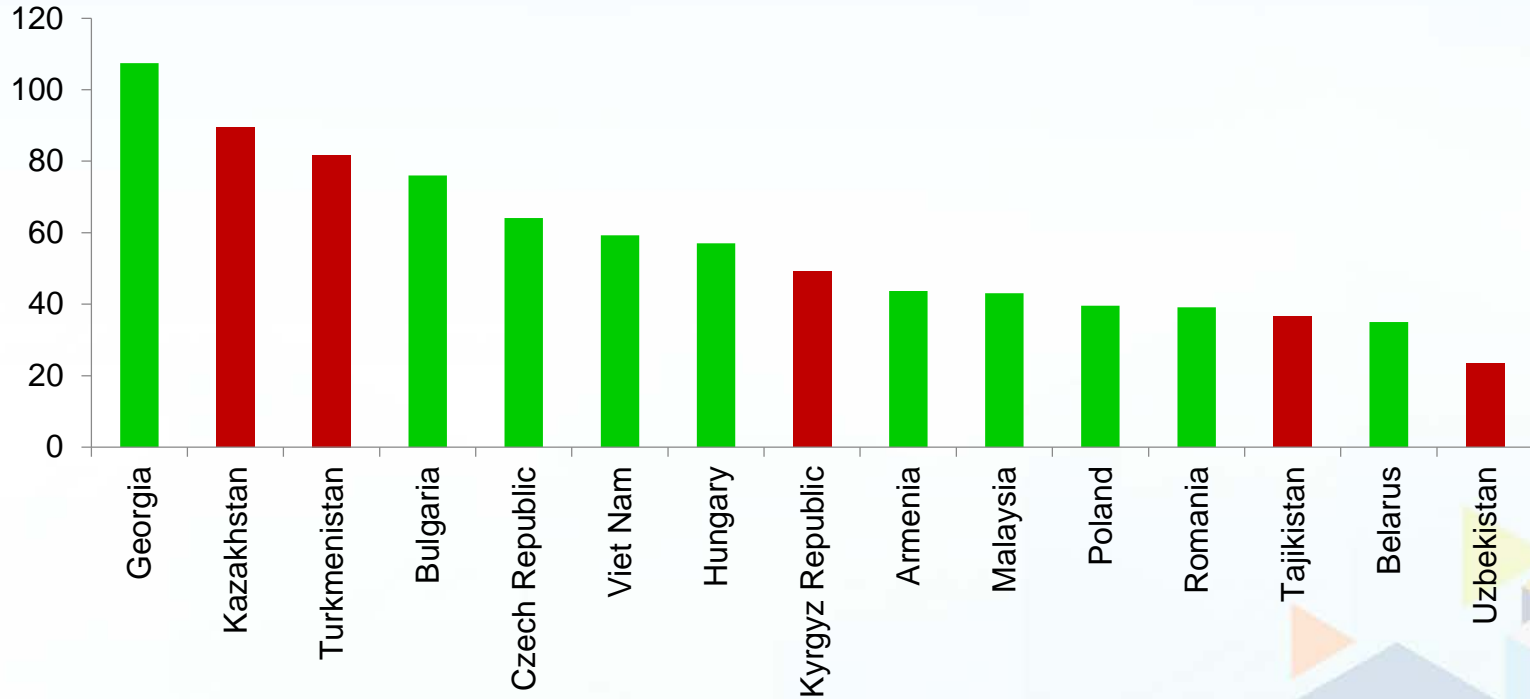
Source: World Bank.

Share of Bilateral Trade in Merchandise Trade of CACs, 2018 (%)

	Trading Partners				
	Kazakhstan	Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan
Kazakhstan		0.8	0.9	0.1	2.7
Kyrgyz Republic	10.6		0.9	0.1	5.2
Tajikistan	4.7	1.2		n.a.	31.1
Turkmenistan	0.9	0.0	n.a.		0.6
Uzbekistan	10.7	1.4	0.9	0.3	

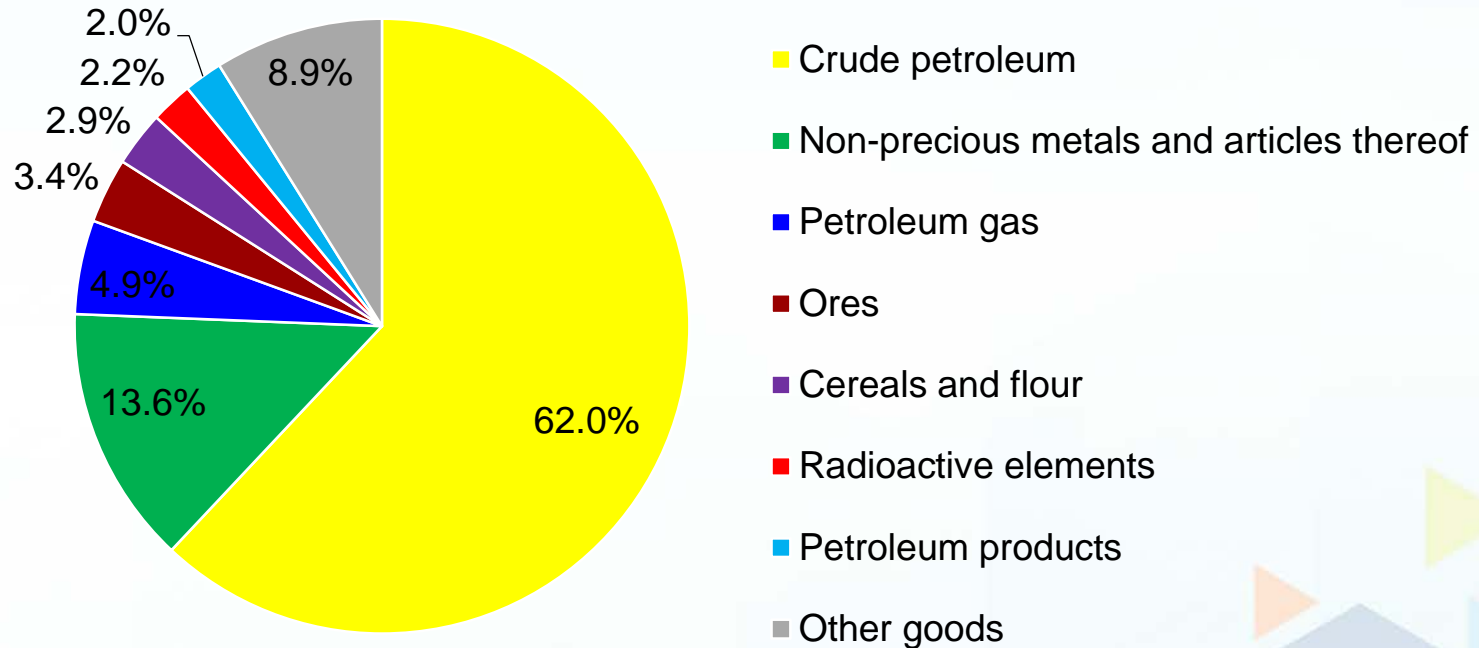
Source: International Monetary Fund and the authors' computations.

Ratio of Stock of Inward FDI to GDP in Selected Countries, 2018 (%)



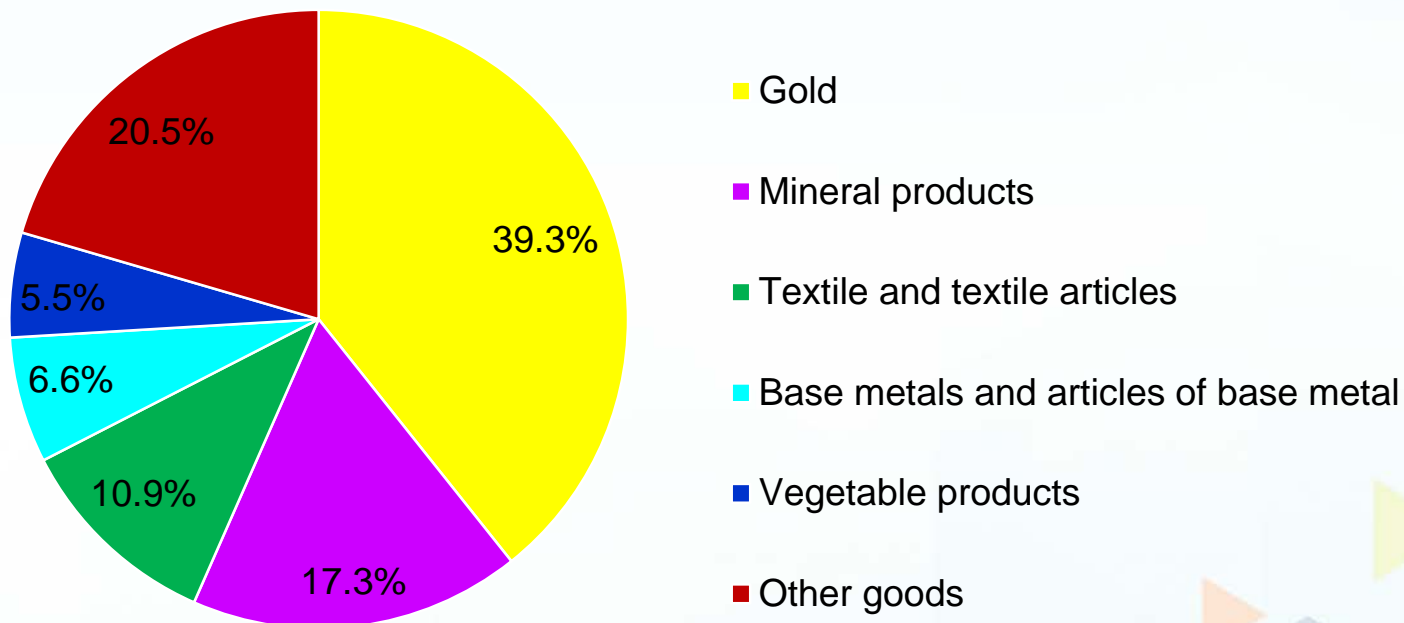
Source: United Nations Conference for Trade and Development.

Commodity Composition of Kazakhstan's Merchandise Exports, 2018



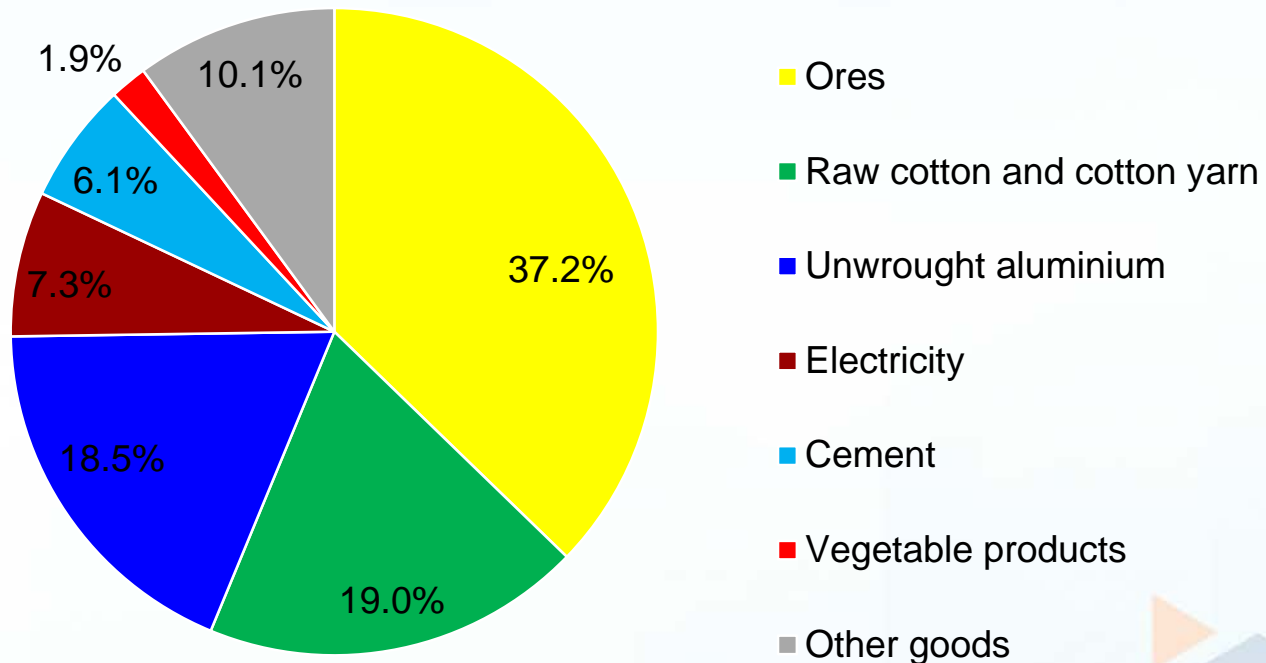
Source: UN Comtrade.

Commodity Composition of Kyrgyz Republic's Merchandise Exports, 2018



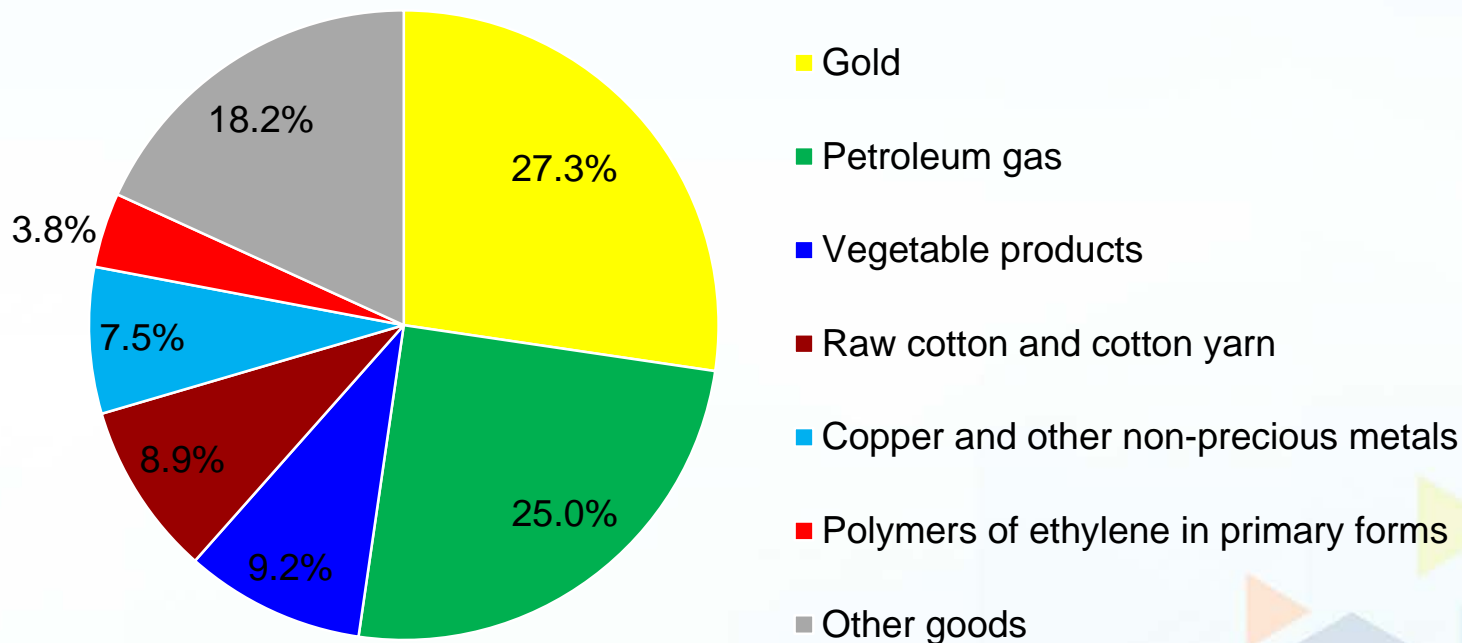
Source: UN Comtrade.

Commodity Composition of Tajikistan's Merchandise Exports, 2018



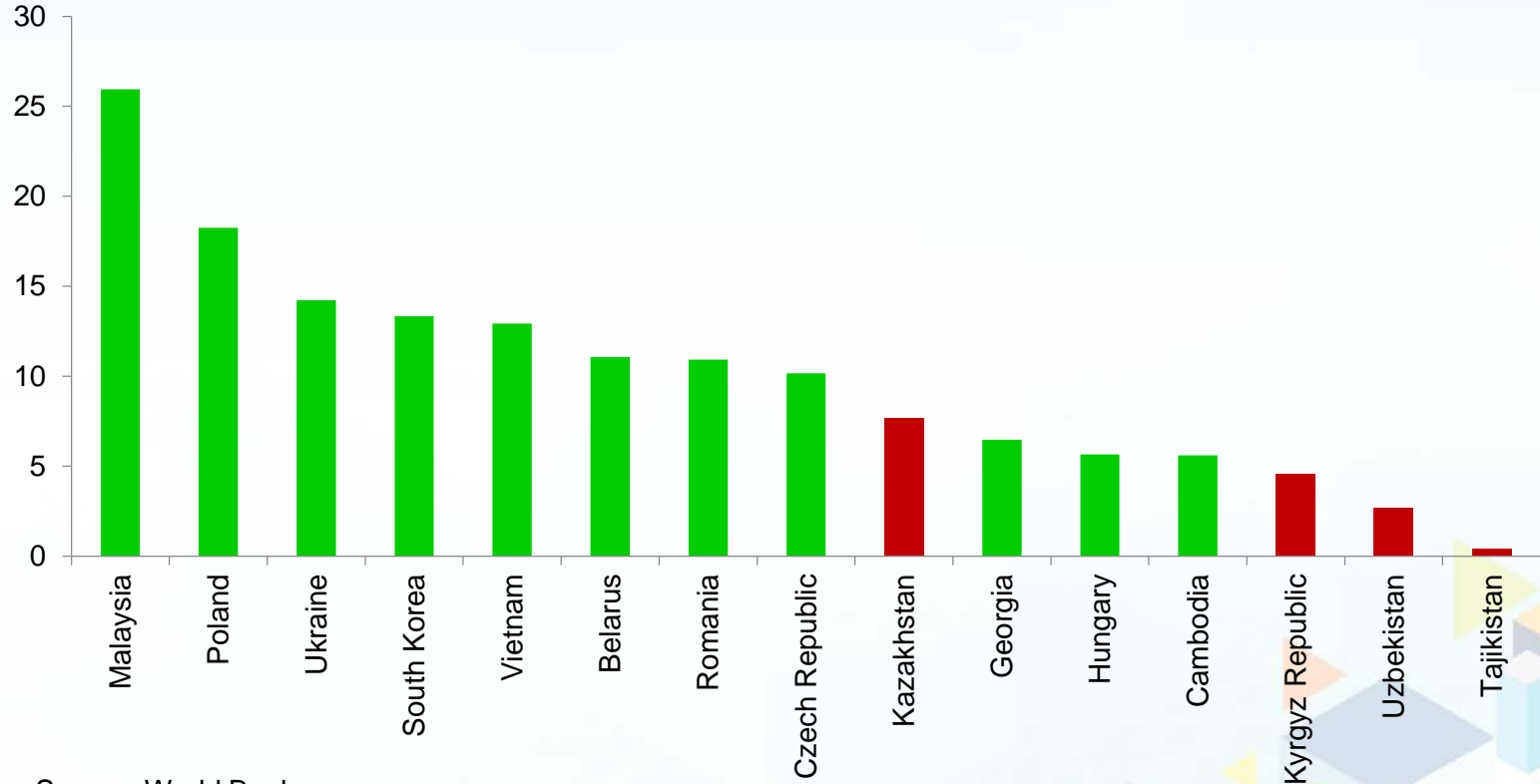
Source: Customs Service under the Government of the Republic of Tajikistan.

Commodity Composition of Uzbekistan's Merchandise Exports, 2018



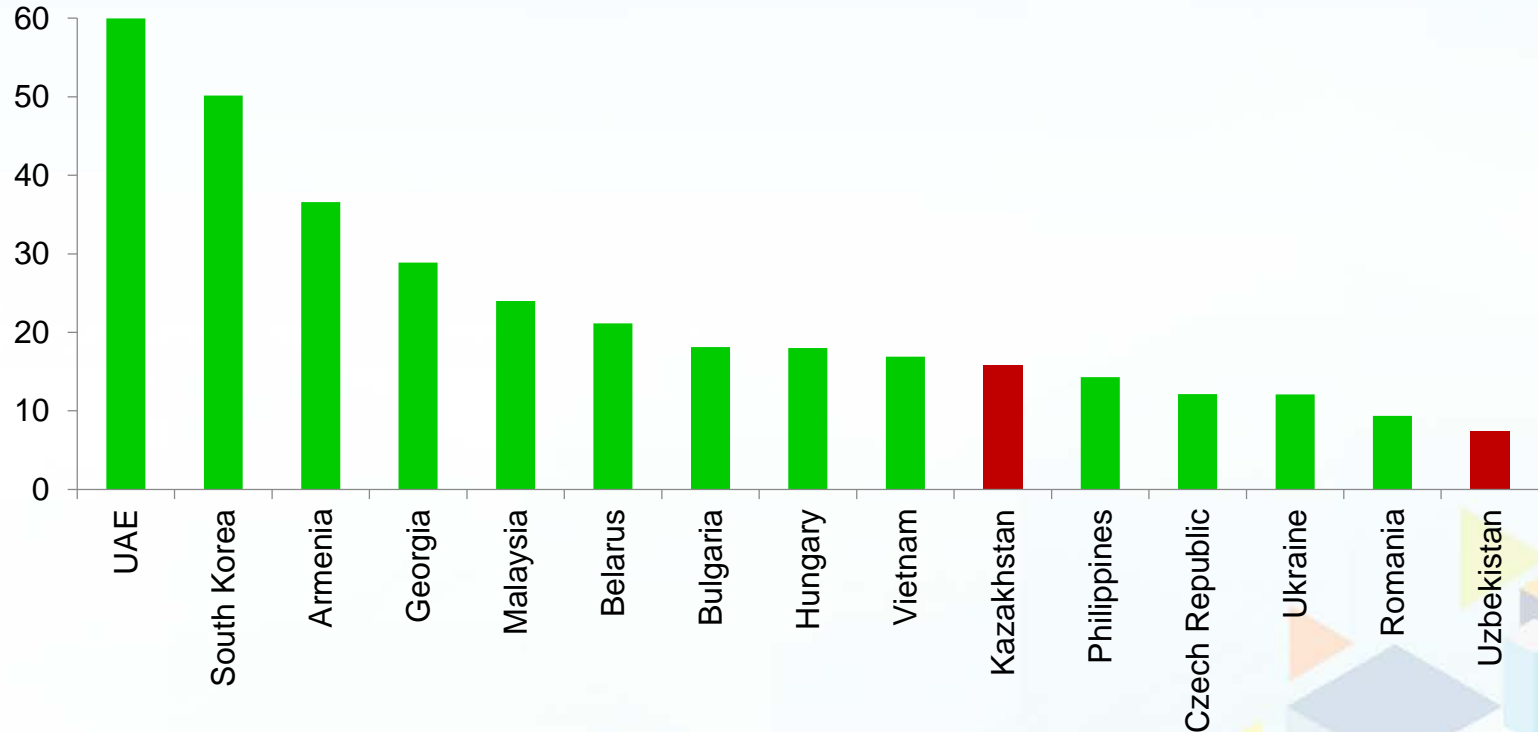
Source: Central Bank of the Republic of Uzbekistan.

Number of International Visitors to Selected Countries, 2017 (millions)



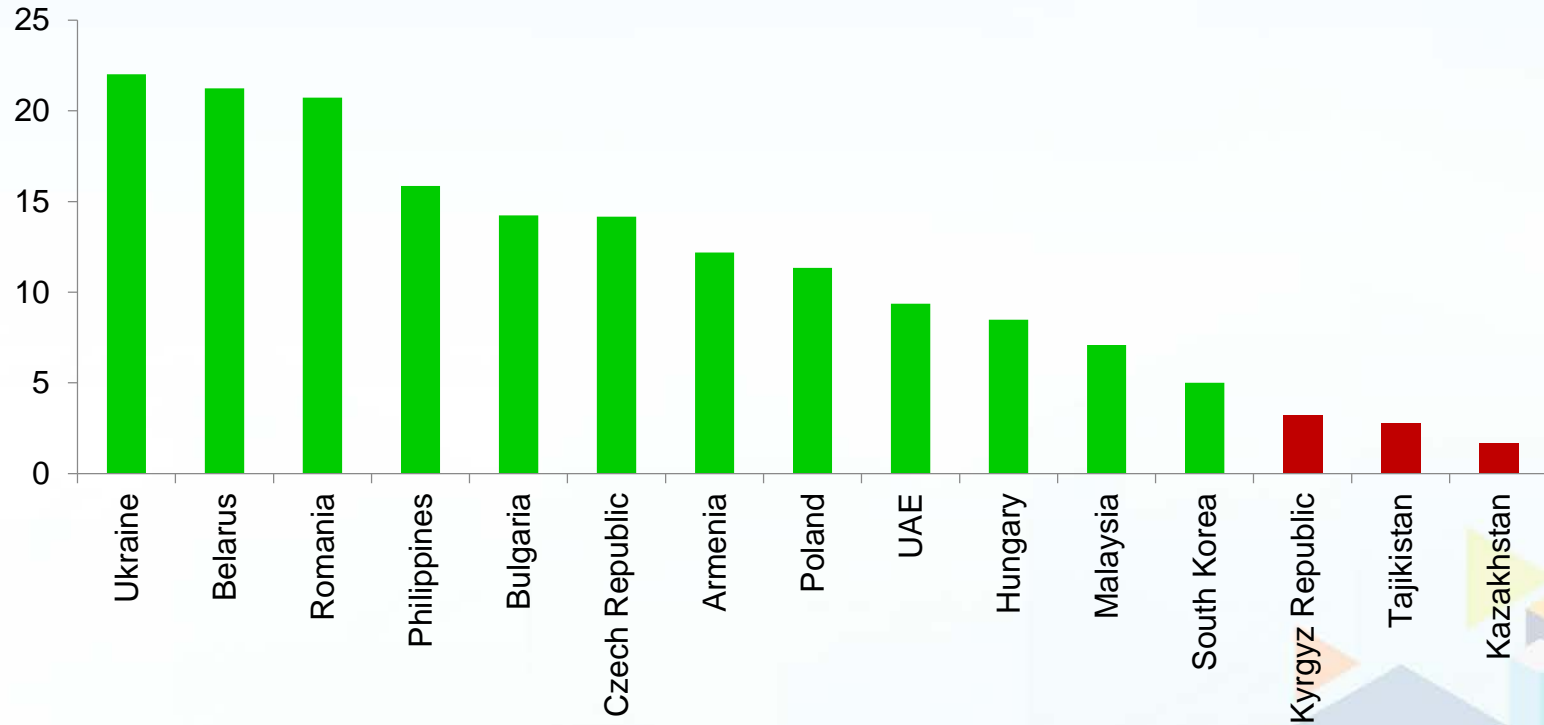
Source: World Bank.

Share of Urban Agglomerations of More Than 1 Million in Total Population in Selected Countries, 2017 (%)



Source: World Bank.

Share of ICT Services in Total Trade in Services in Selected Countries, 2018 (%)



Source: United Nations Conference for Trade and Development.

Benefits of CBECs for CACs

Development of CBECs can help the CACs

- deeper integrate their economies with each other and with the global economy
- attract more FDI and international tourists
- develop urban agglomerations, manufacturing and the services sector
- diversify the composition of exports away from primary commodities and towards manufactures and services
- make a greater variety of higher quality goods and services available to consumers at lower prices

Major Challenges in Developing CBECs in Central Asia

- Overcoming misperceptions of the general public about foreign trade and resistance of vested interests to reforms
- Securing and sustaining the commitment of numerous stakeholders
- Enhancing trade facilitation and improving the overall business environment
- Effectively managing the risks associated with regional and global economic integration and rapid urbanization

Selected International Rankings Related to Trade Facilitation and Business Environment

	KAZ	KYR	TAJ	TUR	UZB
Logistics Performance Index 2018 (160 countries)					
Overall logistics performance	71	108	134	126	99
Quality of trade and transport-related infrastructure	81	103	127	117	77
Efficiency of customs clearance process	65	55	150	111	140
Ease of arranging competitively priced international shipments	84	138	133	136	120
Competence and quality of logistics services	90	114	116	120	88
Doing Business 2019 (190 countries)					
Overall ease of doing business	28	70	126	n.a.	76
Ease of trading across borders	102	70	148	n.a.	165

Source: World Bank.

Favorable Factors

- Strong historical, cultural and ethnic ties among the CACs
- Improvement in the bilateral relations between many CACs in recent years
- High priority attached by the governments of most CACs to deepening regional and global economic integration
- Membership of Kazakhstan and Kyrgyz Republic in the EAEU
- Membership of Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan in the CIS free trade agreement and the SCO
- Membership of Kazakhstan, Kyrgyz Republic and Tajikistan in the WTO and Uzbekistan's renewed efforts to join the WTO
- China's Belt and Road Initiative

Geographic Coverage of ABEC

Kazakhstan:

Almaty city and the surrounding areas

Kyrgyz Republic:

Bishkek city and the surrounding areas, including Issyk-Kul lake



Source: Google Maps

Major Events in ABEC Development

- Signing of MoU between Mayors of Almaty and Bishkek

2014

- Four Joint Working Group Meetings

2015-2016

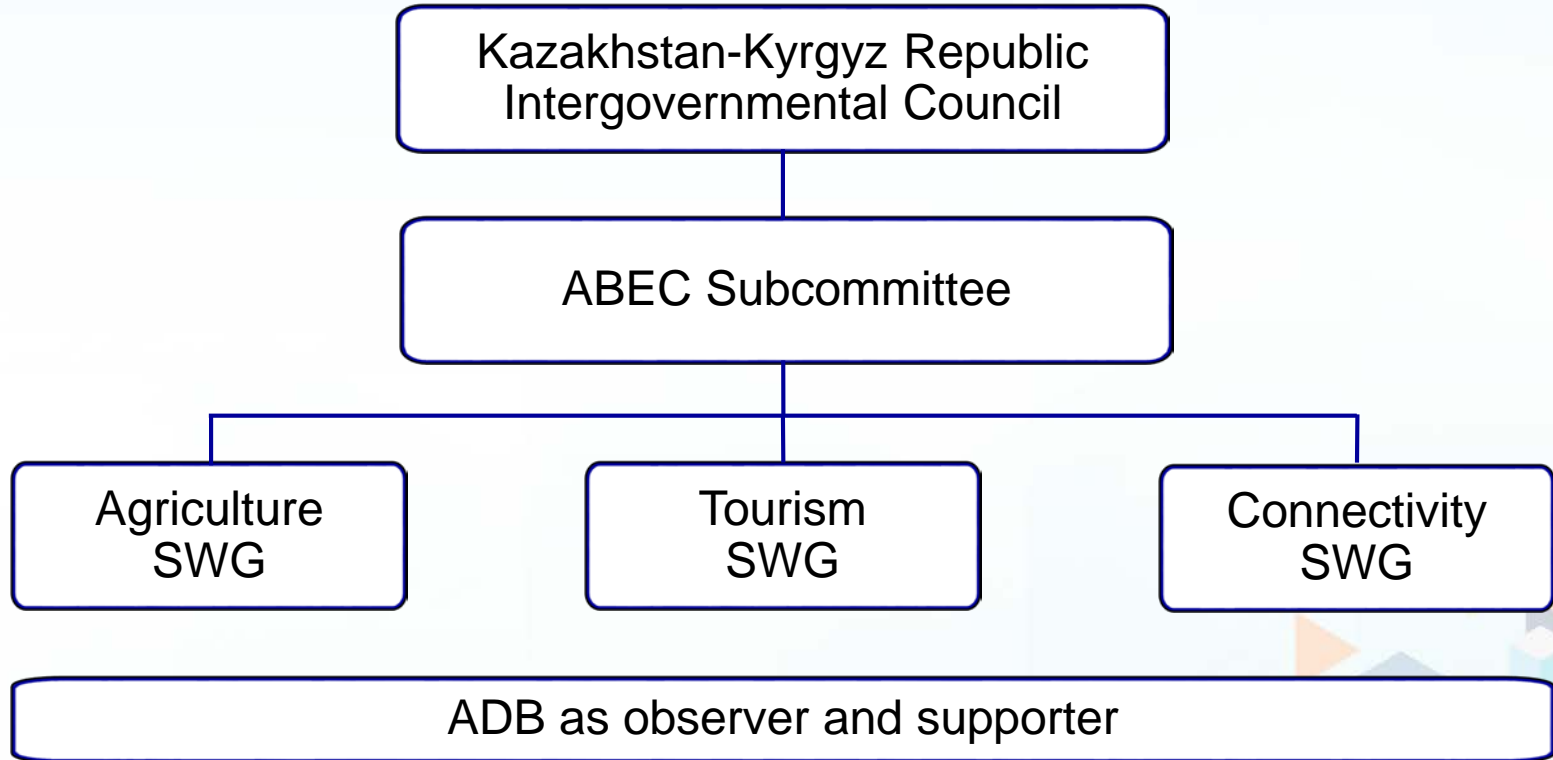
- Creation of ABEC Subcommittee of Kazakhstan-Kyrgyz Republic Intergovernmental Council

2017

- Three ABEC Subcommittee Meetings

2018-2019

Institutional Setup for ABEC Development



Achievements in ABEC Development

- Sector analysis and policy dialog to develop an innovative concept
- Identification of investment priorities in
 - agriculture
 - tourism
 - transport
 - social sectors

Geographic Coverage of STKEC

Kazakhstan:

- Shymkent city
- Turkestan province

Uzbekistan:

- Tashkent city
- Tashkent province

Tajikistan:

- Sughd province, including Khujand city

Note: About 15% of the total population of Central Asia live in this region



Source: Google Maps

Focus Areas for STKEC Development (Preliminary)

- Improvement of transport connectivity
- Modernization of border crossing procedures and infrastructure
- Development of cross-border agricultural value chains
- Modernization of SPS measures and development of quality infrastructure for exports of agricultural and food products
- Development of regional tourism
- Development of special economic zones and industrial parks

Priority Actions to Develop STKEC (Preliminary)

- Harmonization of transport regulations and abolition of quotas for entry of foreign trucks
- Introduction of e-TIR and a multi-country tourist visa
- Establishment of green/express lanes at border crossing points
- Development of a network of modern agri-logistics centers
- Transition to risk-based SPS control over imports
- Upgrading of SPS laboratories



Thank You

Email address for inquiries:
bganiev2014@gmail.com