

Developing Economic Corridors and Cooperation Zones— Emerging Approaches in CAREC, the PRC and Mongolia

Xinglan Hu

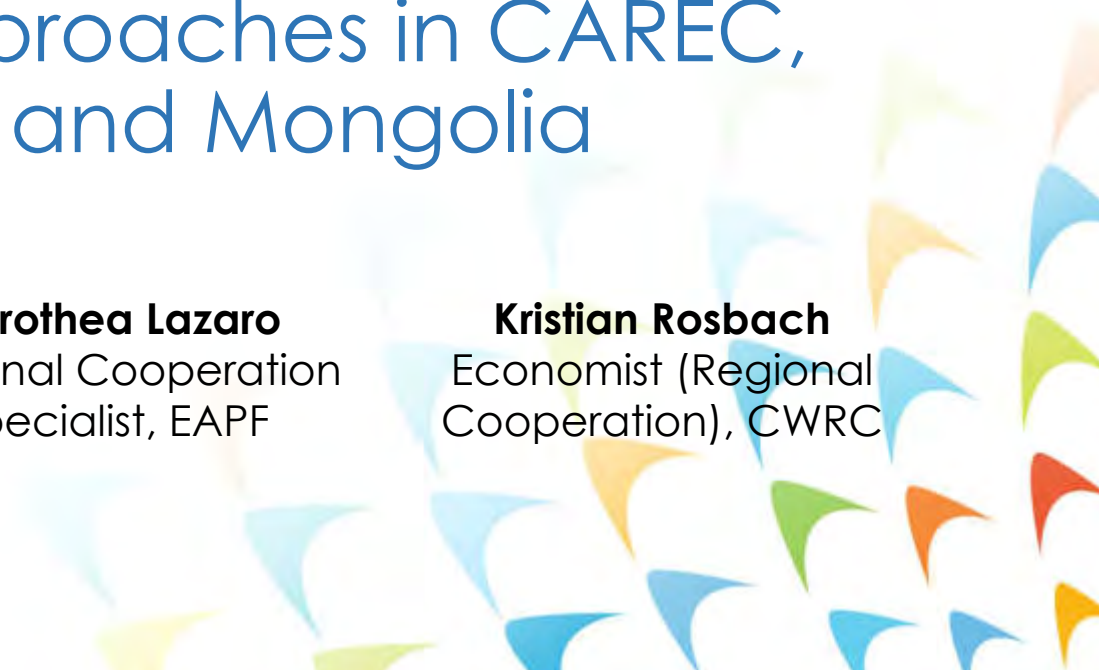
Principal Regional Cooperation
Specialist, CWRC

Dorothea Lazaro

Regional Cooperation
Specialist, EAPF

Kristian Rosbach

Economist (Regional
Cooperation), CWRC



Outline

- Introduction on CAREC program — focus on economic corridors and cross-border zones
- Almaty- Bishkek Economic Corridor (ABEC) in Kazakhstan and Kyrgyz Republic
- Shymkent-Tashkent-Khujand Economic Corridor (STKEC) Initiative – a trilateral economic corridor in Kazakhstan, Uzbekistan and Tajikistan
- Economic cooperation zone between the PRC and Mongolia
- Q&A

Central Asia Regional Economic Cooperation (CAREC) Program



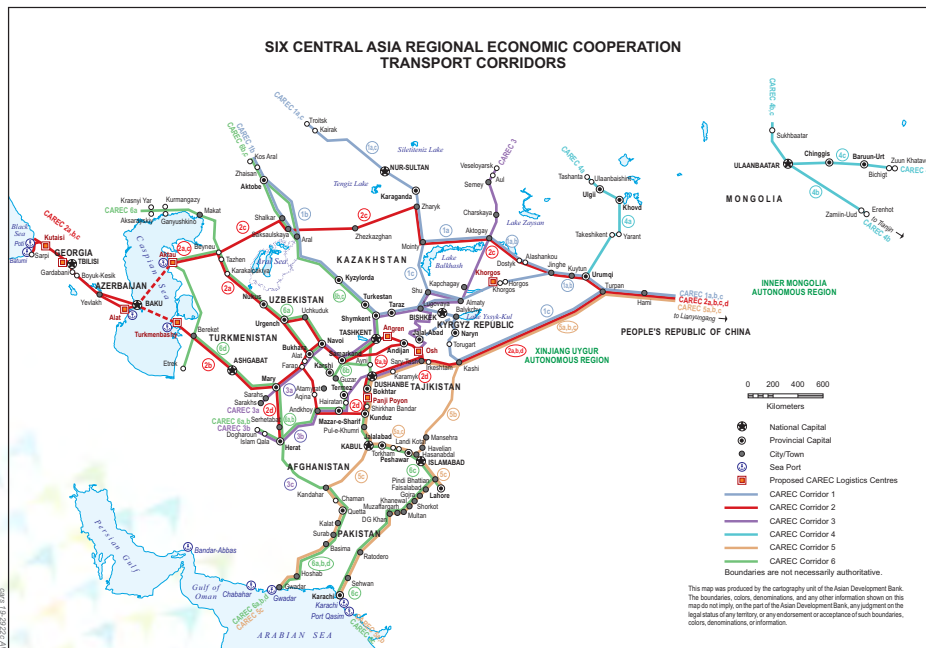
*Connecting the region for
shared and sustainable
development*

- **11** member countries
- **6** transport corridors
- **5** operational clusters
- over **\$38.6** billion investment projects and **\$0.5** billion technical assistance (2001 to 2019)



<https://www.carecprogram.org/>

CAREC transport corridors and performance assessment tool



CPMM is a tool to assess the efficiency of CAREC transport corridors:

- identifies causes of delays and unnecessary costs along the CAREC corridor
- helps authorities determine where and how to address identified bottlenecks
- assesses the impact of regional cooperation initiatives.



By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

Enhancing trade, developing economic corridors and cooperation zones in CAREC



from landlocked to land-linked... developing multimodal transport corridor

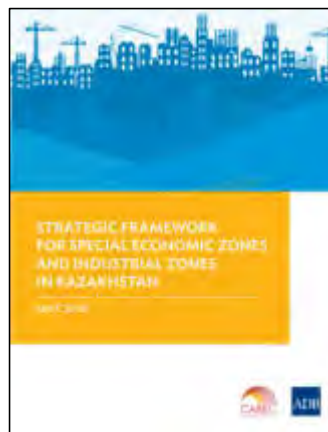
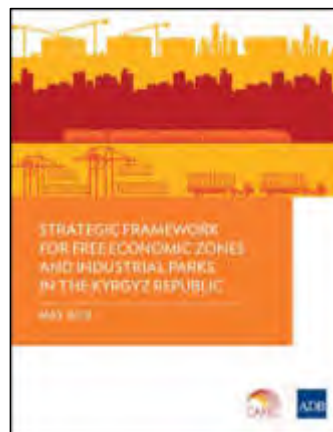


*regional corridor through integrated linkages involving infrastructure **plus** knowledge and technology for goods and services...*



...achieving greater diversification by linking countries with global and regional supply chains

Some resources



“Pillars of integrating free economic zones and industrial parks”

- **sustainable development** program
- **investment climate**
- strengthening **domestic capabilities**
- forming **regional and cross-border value chains**
- sound **implementation strategy**
- **monitoring and evaluation** framework

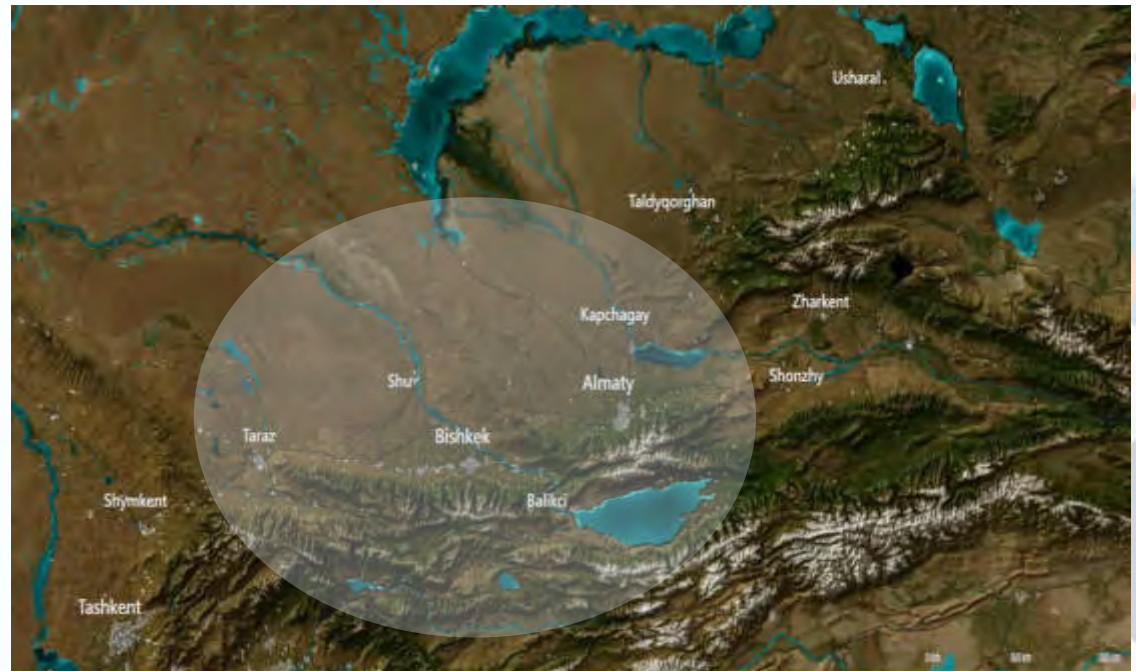
Almaty- Bishkek Economic Corridor



23 September 2020

What is the Almaty-Bishkek Economic Corridor?

- **Vision:** the two cities can achieve far more together than either alone
- ABEC aims to:
 - increase connectivity;
 - create one market for tourism, health, and education services; and
 - create modern wholesale markets to exploit export potential
- Act local and think global



ABEC Evolution

2014

MoU between Mayors of Almaty and Bishkek

2015-
2017

Four Joint Working Group Meetings

End
2017

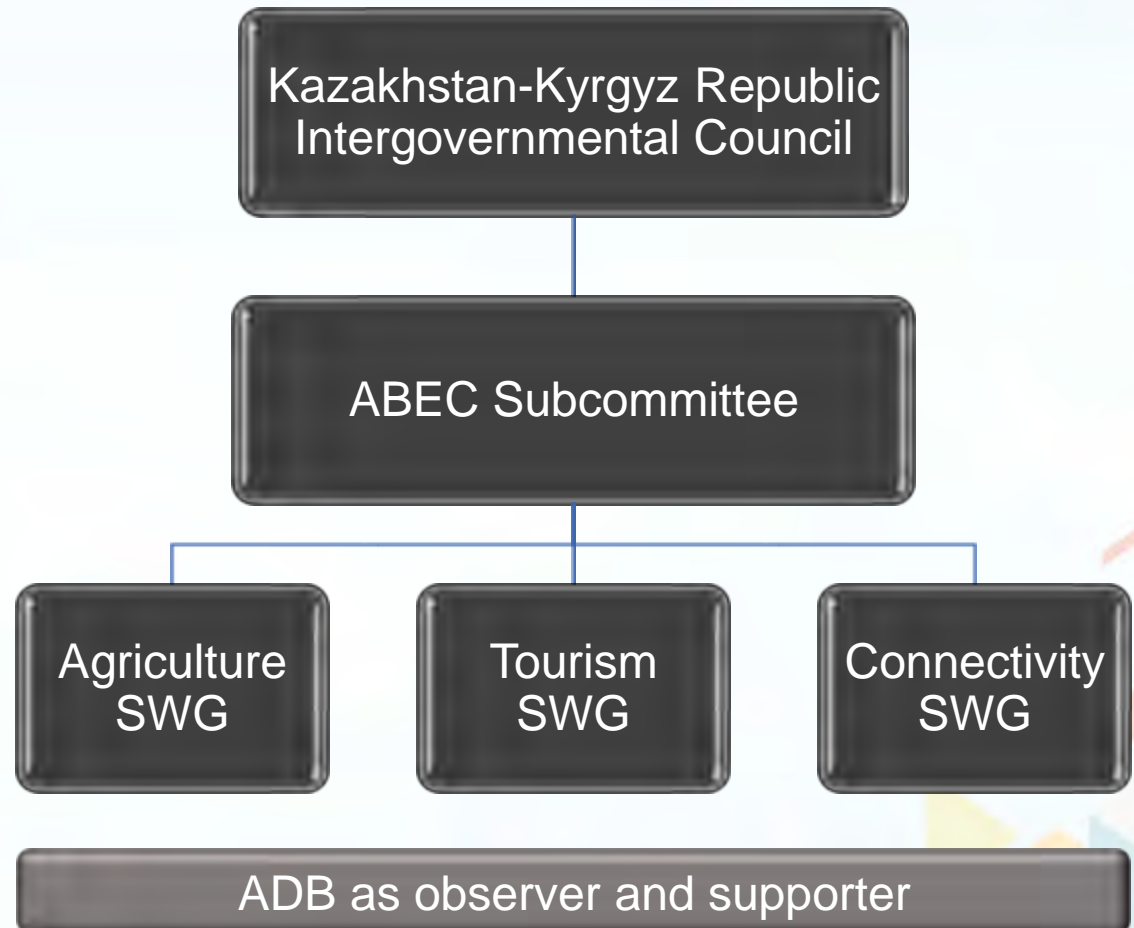
Creation of ABEC Subcommittee by Intergovernmental Council

2018-
2020

Four ABEC Subcommittee Meetings



ABEC Institutions



ABEC Tourism Potential



ABEC is among the top 10 growth destinations in tourism worldwide in 2017 (WTTC)



The Kyrgyz Republic is globally ranking first in growth of tourism's contribution to GDP



Tourism suited for job-rich and inclusive economic growth of ABEC



ABEC Tourism Approach

- Historic Silk Route, mountain ranges, lake Issyk-Kul and cities of Almaty and Bishkek
- Tourism related ABEC initiatives:



- Mountain Cluster Master Plan



- Medical and Health tourism



- Common Branding and Tourism Products



ABEC Mountain Tourism Master Plan

- Joint destination concept
 - Maximize use of assets for year-round tourism
 - Scale and specialization of tourism offerings
- Regional Master Planning
- ✓ Spatial/functional planning
 - ✓ PPP concession design
 - ✓ Environmental protection



ABEC Agri- business



Rationale:

- Food security through price stabilization
- Food safety through SPS controls
- Exports through labeling, packaging, certification



ABEC Agri- business

ABEC Modern Agriculture Wholesale Market

Development Project:

- Further integrate cross-border food value-chains
- Mainstream SPS controls,
- Modernize logistics, SPS, and storage infrastructure



ABEC Connectivity

- Economic corridor concept only works if movement of people, goods and ideas is easy, fast, and inexpensive

- Connectivity project concepts:

- Almaty-Issyk-Kul alternative road



- Border-crossing point modernization



- Regular direct bus connection between the two cities and airports



ABEC Education and Health Sector

- Cooperating in high-level service provision
- Economies of scale and specialization:



Reference laboratories for medical or pharmaceutical testing



Tertiary specialized regional health centers



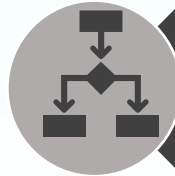
Tourism and health training in specialized regional facilities



Lessons learned



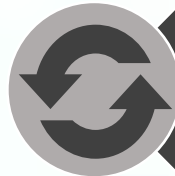
Focus on projects



Institutions within established framework



Written commitments



Creation of trust among parties



Continued support





Shymkent-Tashkent-Khujand Economic Corridor (STKEC) Initiative



Outline

- I. Background
- II. Proposed Geographic Focus
- III. Opportunities for Increasing Cross-border Economic Cooperation and Integration
- IV. Roadmap for STKEC Development
- V. Next Steps



Background

- Improving relationship among Kazakhstan, Uzbekistan and Tajikistan
- Increasing economic cooperation and integration among the three countries
- Development of regional economic corridor useful to the three countries in deepening economic integration
- Economic corridor development gaining momentum in the CAREC countries—ABEC as successful pilot
- ADB technical assistance (\$0.8 million) in 2018 to support the STKEC studies

Geographic Focus of STKEC

Kazakhstan:

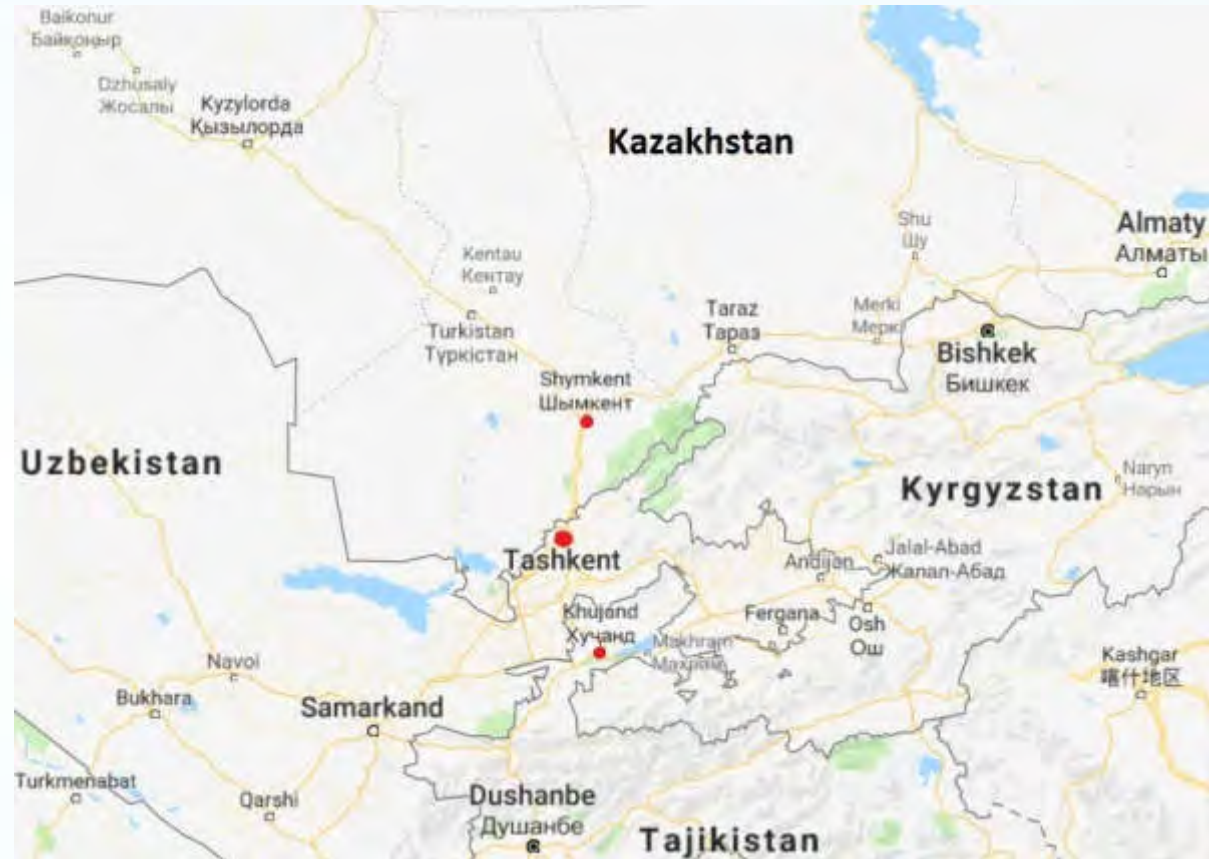
- Shymkent city
- Turkestan oblast

Uzbekistan:

- Tashkent city
- Tashkent oblast

Tajikistan:

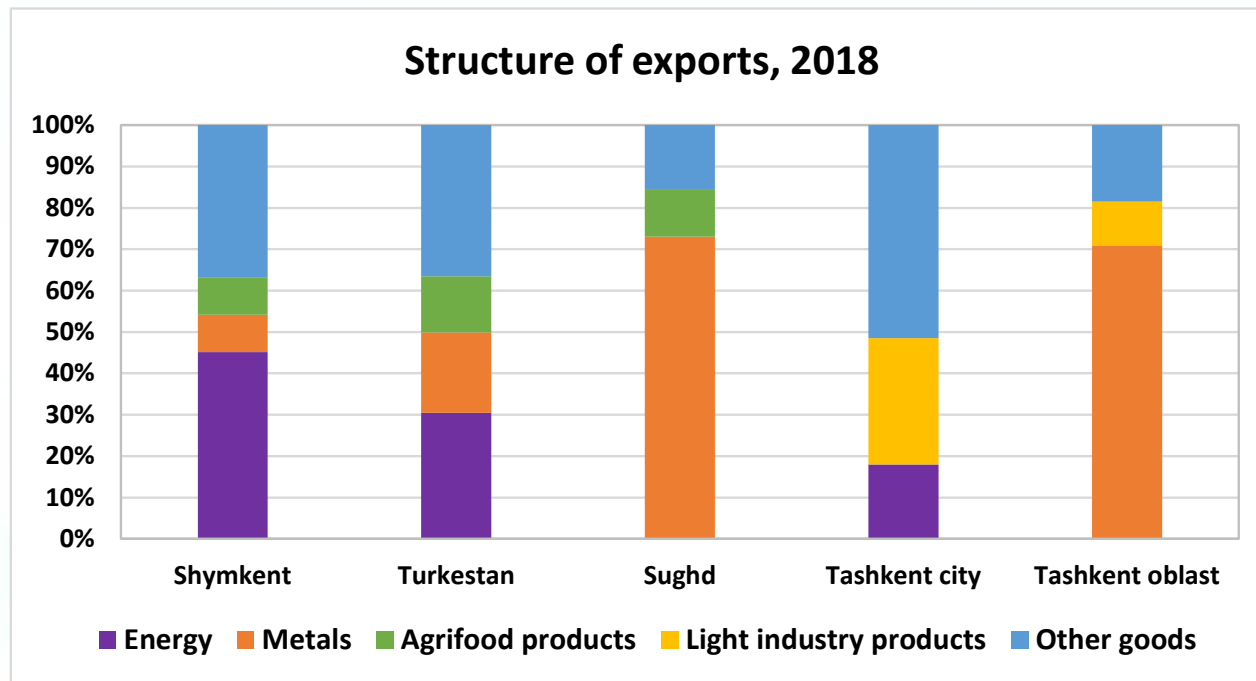
- Khujand city
- Sughd oblast



Source: Google Maps

International Trade in STKEC Region

- Exports have similar structure and are concentrated in a few products
- Tashkent city and Tashkent and Sughd oblasts are national import hubs
- Transit trade is large (USD20.5-25.5 billion in 2018)





Trade within STKEC Region

Trade within the STKEC region is relatively small and has been decreasing

Exporter	Importer					
	Shymkent city and Turkestan oblast		Tashkent city and Tashkent oblast		Sughd oblast	
	2015	2018	2015	2018	2015	2018
Shymkent city and Turkestan oblast			206.8	136.1	39.2	14.1
Tashkent city and Tashkent oblast	329.3	76.4			1.9	36.4
Sughd oblast	19.6	0.9	2.3	77.5		

	2015	2018
Total in million USD	599.1	341.1
Total as % of KAZ-TJK-UZB total trade turnover	0.6	0.3



Opportunities for Increasing Trade in STKEC Region

- Growing markets in the STKEC region
- Little trade now, but huge potential for expansion
- Some scope for intra-industry trade in existing sectors
- Development of new export products (higher value-added agriculture, manufacturing etc.)
- Untapped potential for trade in services (e.g. tourism, education, health care)
- Expansion of transit trade



Opportunities for Increasing Cross-Border Economic Cooperation

- STKEC region as a 'laboratory' for export product development
- Development of regional value chains
- Provision of regional public goods:
 - joint network of quality certification facilities
 - joint development of standards and certification for organic produce
 - joint professional education and business development programs for prospective export sectors (e.g. tourism)



Roadmap for STKEC Development

- Proposed Six Thematic Focus Areas and Action Plans
- Expected Results
- Implementation Arrangement



Proposed Thematic Focus Areas

- Improvement of road and railway transport connectivity
- Modernization of border crossing points (BCPs) and border management
- Development of horticulture value chains
- Modernization of sanitary and phyto-sanitary (SPS) measures and development of food quality certification (FQS) services
- Development of regional tourism
- Development of special or free economic zones (SEZs/FEZs) and industrial zones (IZs)

Proposed Actions/Investments for STKEC Development

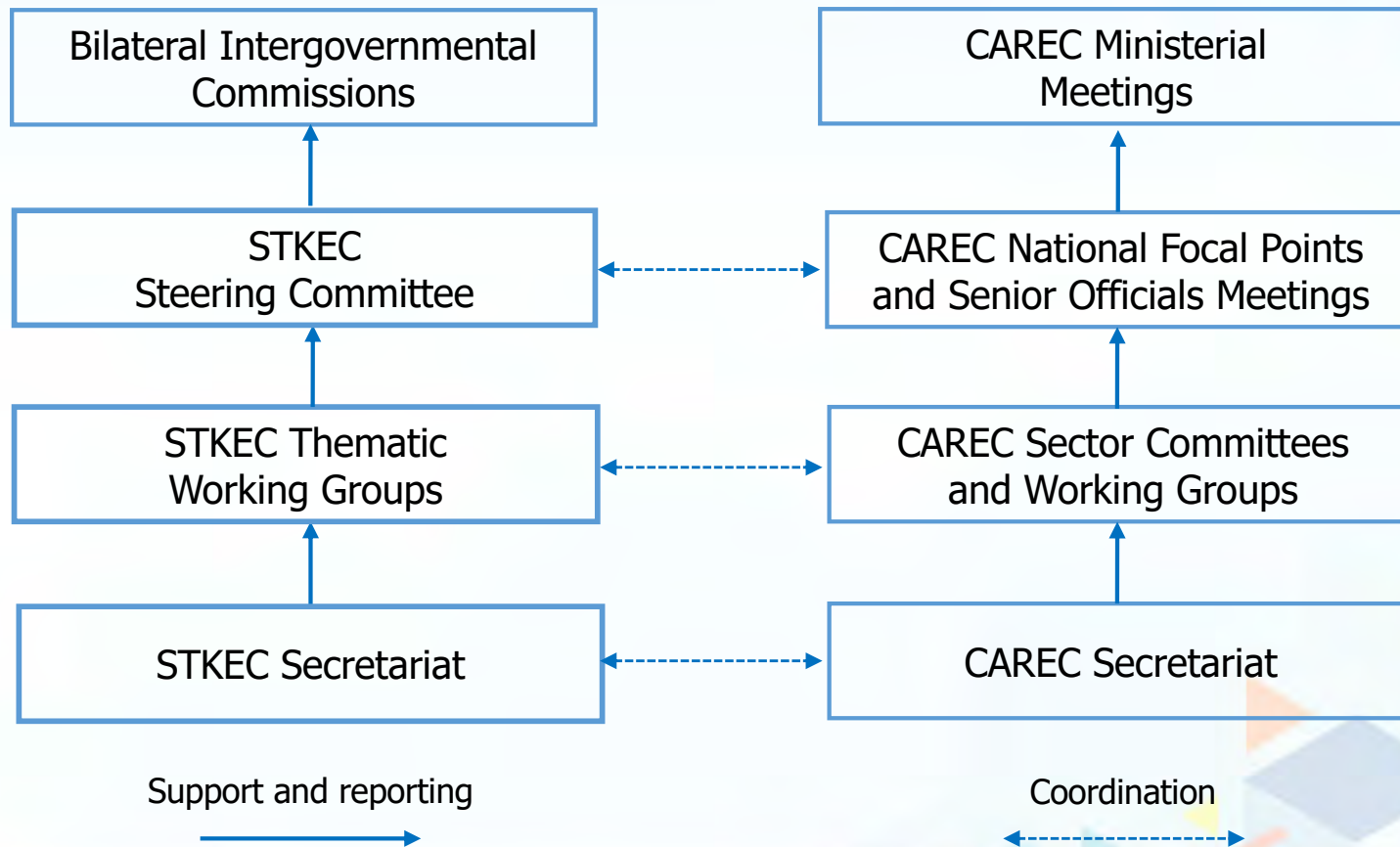
Thematic Focus Area	Project Scope	Project Type
Improvement of transport connectivity	Construction of a Sarygash bypass road in Turkestan oblast, construction of a Chirchik ring road in Tashkent oblast, and rehabilitation of the Khujan-Asht road in Sughd oblast	Public sector investment projects, some of which may involve public private partnerships (PPPs)
Improvement of transport connectivity	Strengthening the capacity of central and local government agencies in charge of operation and maintenance of roads	Regional technical assistance (TA) project
Improvement of transport connectivity and Development of regional tourism	Rehabilitation of roads enabling access to tourism sites in Tashkent oblast	Public investment project
Improvement of transport connectivity	Introduction of intelligent transport systems (including automated weigh-in-motion systems) along major roads connecting Shymkent, Tashkent and Khujand cities	Public sector investment and TA projects involving PPPs
Improvement of transport connectivity	Harmonization of transport regulations (including the axle load regulations) in Kazakhstan, Uzbekistan and Tajikistan	TA project
Improvement of transport connectivity	Modernization of existing railway infrastructure (in particular, through introduction of modern information and communication technologies, such as radio frequency identification technology) in Kazakhstan, Uzbekistan and Tajikistan (with focus on the STKEC region)	Public investment projects
Improvement of transport connectivity and Development of regional tourism	Construction of Turkestan-Shymkent-Tashkent high-speed railway	Public investment project
Improvement of transport connectivity and Development of SEZs and IZs	Construction of a railway extension that will connect the railway network in the southern part of Sughd oblast with the northern part of the oblast (where the Sughd SEZ is located)	Public investment project
Modernization of BCPs and trade facilitation	Modernization of border crossing infrastructure and procedures at selected BCPs (e.g. the Qybek-Fotehabod BCP)	Public sector investment and TA projects
Development of agricultural value chains and Modernization of SPS measures and enhancement of quality infrastructure for food products	Development of agricultural value chains (including the establishment of agro-logistics centers) in Turkestan, Tashkent and Sughd oblasts and enhancement of Kazakhstan, Uzbekistan and Tajikistan's quality infrastructure for exports of food products	Public sector investment and TA projects involving PPPs
Modernization of SPS measures and enhancement of quality infrastructure for food products	Modernization of SPS systems (including SPS laboratories) in Uzbekistan and Tajikistan	Public sector investment and TA projects
Development of regional tourism	Strengthening of the capacity of central and local government agencies in charge of tourism development, support for public-private partnerships and cross-border collaboration in developing tourism, and development of regional tourism products	TA project
Development of regional tourism	Development of road and other infrastructure needed to connect	Public sector investment



Expected Results

- Close economic cooperation and integration, including transport and trade facilitation, agricultural research and development, plant and animal health protection, and tourism development.
- Superior transport connectivity both within the region and between the region and the rest of the world
- Seamless movement of vehicles, goods and people across the borders inside the region;
- Rapid technical progress and high productivity, in particular along agricultural value chains;
- Higher density of economic activity and robust economic growth, with convergence of living standards in various parts of the region;
- Extensive trade and investment flows
- High levels of trade with the rest of the world, with large volumes of exports of horticulture goods, including organic produce
- A vibrant tourism industry and large numbers of international tourist arrivals; and
- Larger shares of manufactures and services (such as processed food products and transport and tourism-related services) in exports.

Proposed Implementation Arrangement



Next Steps

- ADB will continue support the development of STKEC through additional financing of \$1 million under TA phase 2
- Conduct prefeasibility studies for priority projects for the STKEC development
- Support the creation of the institutional set-up of the STKEC
- Continue support for institutional capacities in managing economic corridors



Thank You

Developing the Economic Cooperation Zone: The case of PRC and Mongolia

Dorothea Lazaro
Regional Cooperation
Specialist, EAPF

A decorative pattern of colorful triangles (blue, yellow, orange, green, red) arranged in a repeating, slightly overlapping manner, located in the bottom right corner of the slide.

Establishing Special Economic Zones

- SEZs dovetails into economic corridor development
- a viable tool of industrial policy— must be linked with development strategies, urban planning
- sound and stable macroeconomic environment, with good governance, robust legal and regulatory framework
- Encouraging spillovers and time-bound incentives; promote clusters and productivity
- Identify the pros and cons of SEZs and learn from success (best practices) and pitfalls in other countries



PRC's Evolving Zones

State-level zones in the PRC		
Categories		Some wide-area zones
<ul style="list-style-type: none"> Economic & technical development zones High-tech industrial development zones Special customs zone border/cross-border cooperation zones Others 		<ul style="list-style-type: none"> Special economic zone National new area National innovation demonstration zone National key experimental zone for development and opening up pilot free trade zones Cross-border e-commerce pilot zones

Cross-border SEZs

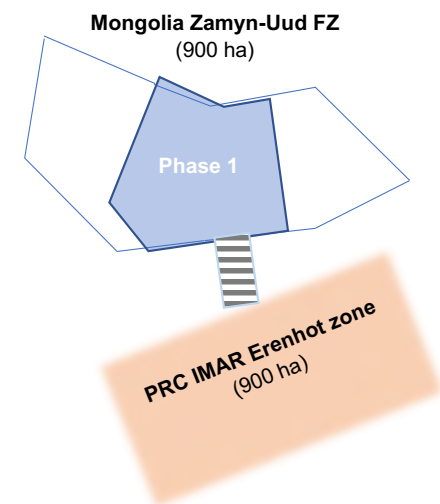
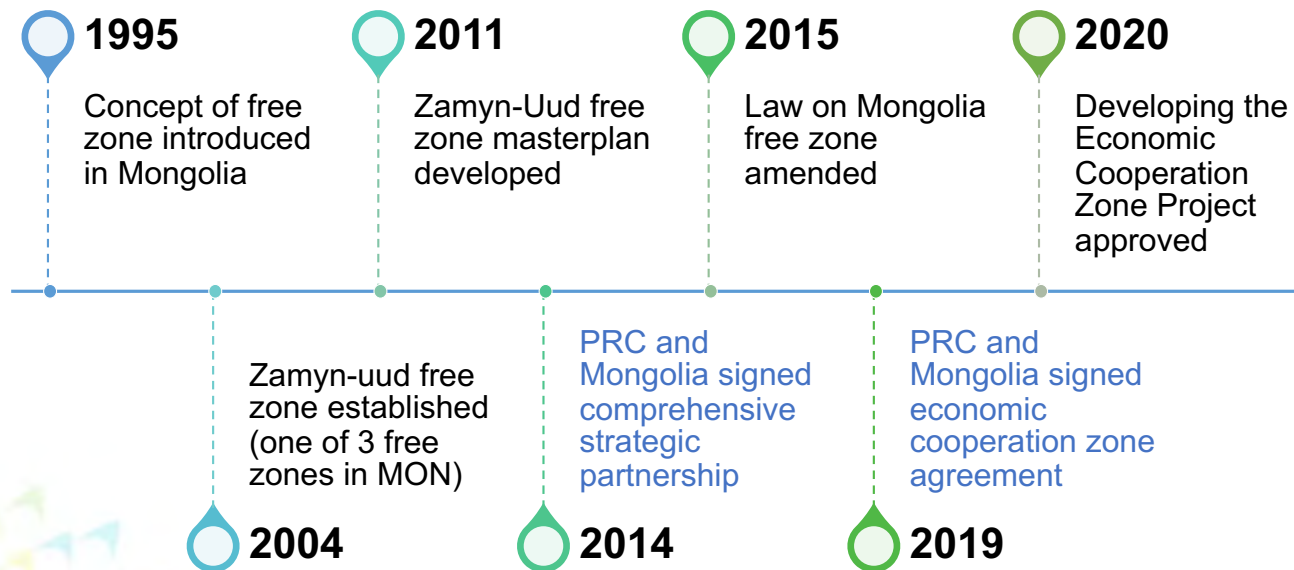
- where zones physical straddle borders, under joint ownership of neighbouring countries, involving deeper integration
- PRC and Kazakhstan's Horgos/Khorgos International Border Cooperation Center

Free trade zones

- 21 FTZs, Shanghai pilot FTZ as pioneer (2013)
- testbed for reforms
- attract FDIs, support industrial and supply-chain
- promote innovation, entrepreneurship, trade in services
- drive local economy, with strategic locations and specialization

Sources: [UNCTAD \(2019\), World Investment Report 2019 – Special Economic Zones](#); ADB compilations.

Key developments in Mongolia



Enabling Regulatory Environment in Mongolia

National legislation

- special treatments in terms of customs, visa, registration, currency regulation, employment and specialized inspection
- tax incentives
- single-window or one-stop-shop system
- infrastructure

Bilateral agreement with PRC*

- allocation of 900 hectares per zone
- simplified documentation for entry and exit between the zones
- immediate response action in customs control and quarantine inspection
- reciprocal protection in investment and intellectual property
- balancing ratio of citizens working within the zone
- joint cooperation mechanism
- areas of cooperation

*under Mongolia Parliament ratification

MON: Developing the Economic Cooperation Zone Project

Challenges

1. Limited and scattered infrastructure
2. Inexperienced zone management, unclear guidelines on zone special privileges; poor planning
3. Inadequate interagency coordination; border-related issues



Solutions

1. Zamyn-Uud free zone infrastructure and facilities constructed and operational
2. Sustainable free zone operations and management promoted
3. Free zone port of entry system established

MON: Developing the Economic Cooperation Zone Project

- Diversified domestic production and sustainable economic development, less dependence on mining sector
- Stronger participation in CAREC economic corridor development (corridor 4)
- Trade facilitation for export competitiveness
- Improved resilience to future transboundary threats (e.g., regional health risks such as COVID-19)

Impact

Greater diversification and linkages with the global and regional value chains

Outcome

Economic activities and employment in Zamyn-Uud free zone enhanced

Targets (Benefits)

1,000 new jobs generated
\$30 million trade and investment
150 women traders with improved business skills

ADB Support

Project's value added

Regional Cooperation and Integration

PRC-MON economic cooperation zone agreement

CAREC cross-border movement of goods and people

innovative technology interagency coordination,
improved surveillance for border security and traceability

Gender Mainstreaming pilot entrepreneurship
for women, potential traders market, integrated approach to
prevent human trafficking increased private sector
participation

environmental management plan

Regional cooperation

- Wider framework of regional cooperation projects in Mongolia
- Counterpart subproject with the PRC under consideration
- Zamyn-Uud free zone masterplan development (phased approach)
- Technical assistance on experience- and knowledge- sharing on PPP, SEZs and water-saving technology

CAREC Workshop on Special Economic Zones: Challenges and Perspective for Landlocked Countries (Nov 2018, Shenzhen)



- Shenzhen's success turning a fishing village in southeastern PRC into an industrial powerhouse:
 - Backward and forward linkages with its domestic economy
 - Preferential policies for private enterprises (tax benefits and soft loans)
 - Efficient government + efficient market
 - Dynamic development model
- Critical success factors:
 - *Structural* – link with development strategies
 - *Operational* – policies on trade and FDI, one-stop shop, logistics and infrastructure
 - *Strategic* – clusters, skills development
- Policy approach tailored to country-specific circumstances