

**Brief Statement
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I am delighted to join this important Ministerial Meeting on behalf of the Asian Development Bank, and to share with you our perspectives and experiences on this important subject.

Of the total 32 LLDCs in the world, 12 are ADB developing member countries. On one hand, they vary significantly in terms of per capita GDP, from upper middle-income economies (three including Kazakhstan, Azerbaijan, Turkmenistan), to lower middle income (seven: Armenia, Bhutan, Kyrgyz Republic, Lao PDR, Mongolia, Tajikistan, Uzbekistan), and to low-income economies (two: Afghanistan, Nepal). On the other hand, these economies share some common features, apart from being landlocked.

For example, they are highly reliant on exports of primary commodities and other mineral resources and on remittance inflows from the neighboring countries. As such, they are very vulnerable to external shocks, as vividly demonstrated since mid-2014 after the fall in global oil prices and the economic slowdown in the region of Central Asia and beyond. Employment in agriculture in these economies remains high as a percentage of total employment, averaged 44% in 2016 across all the 12 ADB LLDCs, while its contribution to total GDP is low. Share of manufacturing as a percentage of GDP is low, averaged only 11.4% in 2016. These low shares are indicative of low productivity, and in some cases, deindustrialization and highly undiversified economic structure.

To transform these economies, it is essential to integrate them with the global economy, especially through trade and investments, transforming them from being landlocked to being land-linked. There are many successful factors worth noting for such transformation and let me mention a few.

First, it is to connect these economies with the global-value-chain trade both physically and economically. Transport costs to sea ports, through which most of the current global trade are taking place, are apparently higher for LLDCs than for non-LLDCs. But trade barriers are related to more than physical transport of goods and services. Non-physical factors, such as custom

procedures, border crossing, sanitary and phytosanitary quarantines, play an increasingly important role in determining the competitiveness of a country's trade. It is in these non-physical areas where LLDCs must excel and do better than others while continuing to improve their physical connectivity. To be effective, such connectivity should be planned, implemented and monitored at regional level, and investments prioritized in line with the underlying trade flows.

Second, diversification must be pursued as a long-term development objective, with necessary legal and institutional arrangements in place to ensure it is implemented in both good and bad times of global commodity markets; and public investments and capital expenditures need to be prioritized for support of achieving economic diversification. Diversification should be well sequenced. Growth drivers based on existing resources, human capital endowments and potential for value-chain upgrades need to be prioritized; and a conducive enabling environment for private sector with complementary steps like sector-specific policies, urban growth nodes, connectivity with markets, and access to finance need to be in place to explore development of new areas where export potential is high, such as tourism.

Third, development of a vibrant financial sector is key for support of small and medium enterprises where most employment opportunities are generated which can help absorb the excess labors in the low productivity sector.

Fourth, one cannot overemphasize the importance of human resource development; education, especially in the field of science and technology; and needed development in information, communication and technology infrastructure. With increasing digitalization, competition of future trade will likely occur more in know-how, such as research and development, ideas and design, than in productions, and will likely rely more on labor with good education than traditional machines. If you like, it is in these areas where LLDCs can compete with all other economies on an equal footing basis.

ADB contributes to the development of its 12 LLDCs in many ways, addressing the abovementioned economic diversification issues and physical and economic connectivity at both regional and country levels.

At the country level, ADB develops a country partnership strategy (CPS) jointly with each of these countries that elaborates the ADB operational priorities for a five-year period, and then prepares

a three-year rolling country operational plan to implement the respective CPS. For example, one of ADB's priorities in its Central Asian LLDCs has been infrastructure investments, including development of six multimodal transport corridors and regional energy projects like the Turkmenistan Afghanistan Pakistan and India (TAPI) natural gas pipeline project, Turkmenistan Uzbekistan Tajikistan Afghanistan and Pakistan (TUTAP) and Turkmenistan Afghanistan and Pakistan (TAP) power interconnection initiatives that aim to further develop a regional power exchange market and export excess natural gas and power from Central Asia to South Asia.

At the regional level, ADB supports development of these countries through three regional cooperation and integration programs, the Central Asia Regional Economic Cooperation, (CAREC); Greater Mekong Subregion, (GMS); and South Asia Subregional Economic Cooperation (SASEC) where ADB serves as the secretariat. CAREC covers 8 Central Asian LLDCs including Mongolia. SASEC includes 2 LLDCs; while GMS has 1 LLDC.

CAREC is in its 17th year of operations. ADB has supported a total of 185 projects of more than \$30 billion since its establishment, with ADB's own financing amounting to more than \$10 billion in four strategic priority areas: transport, energy, trade facilitation and trade policy. Apart from investment projects, ADB has provided a lot of support for capacity building and policy reforms through its technical assistance projects on a grant basis. Recent technical assistance project initiatives include a diagnostic study of the Kyrgyz Republic's and Kazakhstan's free economic zones and industrial parks, and a strategic framework for special economic zones and industrial parks for Kazakhstan and Kyrgyz Republic, respectively, as well as a technical assistance project on CAREC's sanitary and phytosanitary issues. The long-term CAREC 2030 strategy approved in 2017 deepens its operations in the four traditional priorities, and at the same time, plans to expand its focus on new approaches to support diversification through cross-border, private sector investments in agriculture, agribusiness development, manufacturing, tourism, education, health and service sectors.

GMS was established in 1992. Prior to 2012, key elements of the GMS Program in Lao PDR were hydropower, power transmission and transport connectivity. After 2012, the focus is to transform transport corridors into economic corridors through trade and transport facilitation, border corridors town development, tourism, investment promotion and enterprise development. SASEC was founded in 2001. It is a project-based partnership and includes Nepal and Bhutan. Economic

corridors development is an operational priority in addition to transport, energy and trade facilitation.

ADB is committed to support LLDCs through trade and transport and is open to work with all development partners and stakeholders in this endeavor.