

Statement of Dr. Savas Alpay, Director General of the SESRIC
at the Workshop on
“Country Partnership Models with Central Asia”
Ankara, Turkey, 22-23 February 2012

بسم الله الرحمن الرحيم

Distinguished participants,
Ladies and Gentlemen,

Assalamu Alaikum wa Rahmatullahi wa Barakatuhu,

It is a great pleasure for me to address this august gathering on the occasion of the workshop on “Country Partnership Models with Central Asia”. At the outset, I would like to express our thanks and appreciations to COMCEC Coordination Office, Turkish Cooperation and Coordination Agency (TIKA) and the Government of the Republic of Turkey for organizing and hosting this important workshop.

As we all know, the five OIC member countries in Central Asia, namely Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan, are located in an important geo-strategic region; the home of the Silk Road and the crossroads of cultures and transit routes, which connects the West to the East. The region is also endowed with rich and diverse natural resources in different fields and sectors. As a substantial part of the region, the OIC member countries in Central Asia have high economic and investment potentials, particularly in energy and agriculture. They have large reserves of oil and gas. A substantial part of their huge land area is agricultural land with large irrigated areas of cotton and wheat. They are also rich in minerals and metals such as Aluminium and gold.

Together, the five OIC member countries in Central Asia possess 20% of the total agricultural land area of the OIC countries. Kazakhstan, Uzbekistan and Turkmenistan are among the world major producers of wheat, cereals and cotton. In 2009, Uzbekistan and Kazakhstan were ranked the 4th and the 7th world largest producers of cereals. They were also ranked the 19th and the 12th world largest producers of wheat and the 5th and the 18th world largest producers of cottonseed. In the same year, Turkmenistan was also ranked the 8th world largest producer of cottonseed. These three countries accounted for almost 13% of the total OIC countries' exports of agricultural products.

On the other hand, the total natural gas production of the five OIC countries in Central Asia accounts for almost 14% of the total production of the OIC countries and 4% of that of the world. In terms of proven natural gas reserves, three OIC Central Asian countries are now among the world top 20 countries: Turkmenistan (6th), Kazakhstan (14th) and Uzbekistan (19th). In terms of production, Uzbekistan is ranked the 14th world producer of natural gas, and, in terms of exports, Turkmenistan and Uzbekistan ranked the 14th and 18th world exporters. In 2010, the total oil production of the five OIC Central Asian countries accounted for almost 5% of the total oil production of the OIC countries and 2% of that of the world, with Kazakhstan ranked the 11th in terms of proven oil reserves, 19th in terms of production and 18th in terms of exports.

Moreover, the OIC Central Asian countries have a relatively high young population with an average share of youth population reached 29.3% in 2009 and even this ratio reached 37% in Tajikistan, a rate which is higher than the OIC average of 34.2%. Over the last five years, most of these countries have achieved impressive growth rates where the average real GDP growth rate of these five countries, as a group, recorded at 7.6% in 2010 compared to 5.3% of the OIC group as a whole. During the same period, they steadily recorded an average growth rate which is 2-3% higher than the OIC average.

Yet, notwithstanding the huge endowments of natural resources and the recent impressive growth rates, the OIC Central Asian countries are still facing serious challenges and problems, particularly in their foreign trade and access to international markets, and thus their fully integration into the world economy. In 2010, total merchandise trade of these countries accounted for 4% of total OIC trade with only 3.2% share in total intra-OIC trade. The landlocked geographical nature and difficult topography of Central Asia complicates transport logistics to other parts of the world. This is aggravated by the poor quality of transportation services and difficulties in transit through neighbouring countries. The average distance between major cities in the region and the nearest sea ports is more than 4000 km. On the other hand, the strong specialization in export of one or few primary commodities, such as oil and gas in the case of Kazakhstan and Turkmenistan, aluminium and cotton in Tajikistan, gold in Kyrgyz Republic, and cotton in Uzbekistan, increases the vulnerability of these economies to the adverse trade shocks in international commodity markets.

On the other hand, while the share of OIC Central Asian countries in FDI flows to OIC countries is relatively high (10.6% in 2010), FDI inflows into these countries is not impressive except in the case of only one country; Kazakhstan, which shows a sustainable pattern in attracting significant amount of FDI though the bulk of these FDI inflows went to oil and gas sector. FDI in other sectors is very small and limited due to the small size of the domestic markets, their distance from world markets, poor investment climate and low levels of R&D activities. The limited flows of FDI, especially in sectors other than oil and gas, and the low levels of R&D activities limit these countries' prospects for economic modernization and deeper product and geographic diversification of their trade structures.

In this context, it is worth mentioning that the average share of R&D expenditures in GDP of these countries is still extremely lower than the world average of 2.2% and lower than the OIC average of 0.81%. In 2007, this share was 0.36% in Kazakhstan, 0.42% in Kyrgyz Republic and only 0.24% in Tajikistan. Only 735 patent applications have been made by these countries in 2009, corresponding to 2.7% of the total patent applications in the OIC countries. Therefore,

with the exception of Kazakhstan, the share of high-tech exports in total exports of these countries is very low. Kazakhstan, with \$1.8 billion of high-tech exports in 2009, accounted for 2.8% of the total high-tech exports of the OIC countries, and ranked the 3rd largest exporter of high-technology products in the OIC.

Given this state of affairs, in order for these countries to attract more FDI and strengthen their production base and trade competitiveness, they must improve their business environment, increase their level of R&D activities, and expand and strengthen their regional cooperation, including their cooperation with the rest of the OIC member countries.

Distinguished participants,

Ladies and Gentlemen,

With their feelings of strong and natural sense of belonging to the Muslim Ummah, the five Central Asian member countries joined the OIC immediately after their independence from the former Soviet Union. They have shown over the last decade a growing interest to get more involved into the various OIC cooperation activities in the political, socio-economic and cultural fields. Recently, Tajikistan was the first OIC Central Asian member country to host the 37th Session of the Council of Foreign Ministers (CFM) in 2010, followed by Kazakhstan which hosted the 38th Session of the OIC CFM last year. With these developments, the OIC member countries in Central Asia have intensified their engagement with the OIC and enhanced their efforts towards more cooperation with other member countries.

As we all know, these efforts have resulted in the adoption of the OIC Plan of Action for Cooperation with Central Asia by the High Level Regional Conference organized on the sideline of the 37th Session of the CFM in Astana in June last year. Within the framework of the implementation of this Plan, today, we are here in this workshop (representatives of the concerned OIC member countries and institutions) to discuss and deliberate on specific country

partnership models and effective technical cooperation projects and programmes with the OIC Central Asian member countries.

In this connection, as a subsidiary organ of the OIC and within the framework of its mandate in the area of training and technical cooperation, SESRIC initiates and implements capacity building programs and facilitates technical training projects and courses on many important subjects and areas of immediate interest to our member countries. In so doing, the Centre devotes a large portion of its resources to facilitate exchanging expertise, experiences and best practices among the member countries with a view to contributing to the South-South cooperation initiative within the OIC community through transferring knowledge and know-how from one member country to another. We have various capacity building programmes and projects in areas such as vocational education and training, statistics, central banks and stock exchanges, health and environment, cotton, agriculture, skill development for youth employment, poverty alleviation, etc.

In this context, I would like to inform you that SESRIC will make a detailed presentation on these programmes and projects during the working sessions of this workshop. Within the framework of these programmes and projects, we have organized and implemented during the last few years a number of training activities in and/or with the participation of representatives of relevant national institutions in some OIC Central Asian member countries. We have recently prepared a list of all our planned capacity building and training activities for these countries in 2012 and 2013. This list has been sent to the OIC General Secretariat to include it in the executive framework of the OIC Plan of Action for Cooperation with Central Asia and will be also distributed during the workshop.

Distinguished participants,

Ladies and Gentlemen,

I am confident that the deliberations you will hold and the recommendations and proposals you will make will contribute significantly to the successful implementation of the OIC Plan of Action for Cooperation with Central Asia and to the efforts of the Central Asian member countries towards enhancing their cooperation and integration with the Islamic world in general and the rest of OIC member countries in particular.

As we all look forward to the successful outcome of this workshop, I wish you all the success in your discussions and deliberations.

Thank you for your kind attention.

Wassalamu Alaykum we Rahmatullahi we Barakatuhu