



Silk Road Initiative

丝绸之路项目

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CICETE
中国国际经济技术交流中心



Dear Colleagues and Friends,

After months of hard work our Silk Road Investment Forum erupted practically like a volcano on 7 June. More than 400 people attended the opening session, including 5 ministerial delegations from member countries and representatives from about 15 other countries. Speeches, presentations, discussions and rich cultural programmes made for a memorable few days. The Silk Road Forum opened not only one, but several new processes, which should be continued.

Thanks for everything!

It was a true team effort where so many pieces of our Silk Road puzzle had to come together at the right time and in one place; Xian which even handed over the city keys to us for the duration of the Forum.

Excellent, complex inputs from all the Central Asian countries, from the city of Xi'an, from participating UN organizations (UNCTAD and UNWTO, and the Regional Centre in Bratislava), from the business community, from the Chinese Government, and from organizations like SCO, Boao Forum for Asia and China Group Companies Promotion Association.



Wojciech Hübner

Thanks for providing excellent translators' support and superb cultural programmes. Many thanks to the sponsors of our follow-up programme in Urumqi and Turfan. Thanks to the whole UNDP network in Asia from both Regional Bureaux, RBAP and RBEC.

The Forum has opened a number of important processes, so saying "Thank You"; I am hoping we will continue this journey along the Silk Road together. Considering the powerful history of the Silk Road, ours is a humble contribution. But 'Building Future based on Tradition' is as important as ever in today's challenging times.

*Thanks again,
Wojciech Hübner*

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Regional Investment Attraction Highlights along the Silk Road

- A direct market of over 140 million persons, and access to the more than 2 billion persons living in the Greater Silk Road Region.
- Cultural and tourism resources of unparalleled diversity
- Huge energy potential in all areas; oil, gas, hydro, etc.
- The World's gold belt as well as other metal, non-metal minerals, and precious stone resources
- The potential transport bridge between East and West
- Extensive opportunities in privatization as the economies of Central Asia and China liberalize their economies and introduce market-oriented reforms
- Predominance of two major languages - Russian and Chinese

Branding

The Silk Road is a region on the move. Branding the Silk Road, partnering Kazakhstan, the Kyrgyz Republic, Tajikistan, Uzbekistan and the four western provinces of China under a regional investment concept is not a matter of bridging East and West. It is about creating investment opportunities in a pivotal part of the globe to service new consumer demands which have developed through the globalization of manufacturing and services over the last three decades, making an investment destination once sidelined by the march of history, reclaim its prosperity.

The new, untapped, mass consumer markets of tomorrow will be in Western China, Central Asia, Central and Western Russia, Northern India, Iran and Iraq. In total, they represent about 40% of the world's population. This creates countless commercial opportunities to capitalize on, simply through the sheer grand market size, and a powerful trading bloc with considerable clout.

Also, companies from the developed Western nations can use the region as a "back-door" to develop trade with Islamic nations.

In addition, the region also presents opportunities for developing nation trans-national corporations (TNCs) from South Africa, Brazil, Singapore, Malaysia, Korea, Pakistan and India who are used to working in basic manufacturing environments to widen their global reach.

The branding strategy for the Silk Road should be based on concrete opportunities and realism, framed on five pillars. Positioning, cohesiveness, momentum, opportunities and partnership are the focal points of approach. The Silk Road Investment Forum to be held in Xi'an, China, in June 2006 will encompass these themes and is the first of a series of annual fora, which will allow concrete benchmarking of the various private and public sector commitments and policy efforts.

The Silk Road is placed within a wider regional context, thereby calling for regional solutions over national solutions. This offers mechanisms for the region's stakeholders to overcome some of their bottlenecks, while at the same time providing investors with a wide range of opportunities in terms of products and end-users.

Mechanisms such as the Silk Road Investment Forum create a platform for joint strategy development, political mobilization and commitment by all participating authorities. This feature of cohesiveness is a key to success given the trans-national nature of the region.

As described above, the Silk Road is a region on the move, and this has to be tapped. Investors are attracted to such areas, and the region should aim at reinventing itself in a new forward looking context built on tradition.

The brand strength of the Silk Road is rooted in the diversity rather than uniformity of opportunities. The region covers four countries and four Chinese western provinces, thereby obviously presenting a wide array of investment opportunities. Close partnership between investors, host communities and the Silk Road governments themselves will seal the commitment to making the Silk Road an attractive investment destination, creating new business frontiers.

Regional solutions

A regional approach to investment promotion offers the individual states and provinces an opportunity to excel in a super-national league, by specializing in their own enclaves of comparative advantage and contributing regionally. Tajikistan and the Kyrgyz Republic might not be able to form individual pockets of excellence in the field of IT, but in a regional framework, they might contribute to a Silk Road cyber corridor and be a part of it. Regional trade and economic solutions are also often easier to achieve than national development programmes because they offer governments participating in the negotiations a wider range of opportunities for the trade-offs that they have to make in giving up their protection of local industries or interest groups.

In terms of trade policy, China and Kyrgyzstan are already members of the 150 nation World Trade Organization and have embraced many of the regional ideas. Kazakhstan, Tajikistan and Uzbekistan hold observer status and negotiations are currently underway for full membership, which is expected within the next two years. It is through this acceptance of a multilateral environment that the regional cooperation plan will work.

There are a number of similar successful regional initiatives such as the common policy approach in the 10-nation Association of South East Asian Nations (ASEAN) which was created in 1967. ASEAN is not a common market or custom unions like the European Union, but it seeks the gradual elimination of all tariffs on goods originating in and traded among the member nations. The aims and purposes of this treaty-based association are to accelerate the economic growth, social progress and cultural development in the region in a holistic manner through joint endeavours in the spirit of equality and partnership.

In addition to trade and investment liberalization, regional economic integration in Southeast Asia is also being pursued through the development of trans-ASEAN transportation network consisting of major inter-state highway and railway networks, principal ports and sea lanes for maritime traffic, inland waterway transport, and major civil aviation links. In the Silk Road, various regional agreements have already been implemented within the framework of SCO in terms of unifying trade and tariff regulations and UNESCAP in terms of transport infrastructure development.

A regional approach to investment promotion for the countries in the Silk Road could prove extremely beneficial as it would demonstrate coordination, commitment and continuity to furthering trade and opening up their markets to the international community. This process might further be facilitated by having a regional investment promotion agency (IPA) set up with representative offices in a neutral city of a more developed investment environment, such as Hong Kong, to tap the interest of potential large investors.

The Silk Road investment opportunity

The first step of the Silk Road brand is first getting it on the radar map of potential investors. Successful regional markets in Europe and Asia display the following characteristics: (1) they focus on core competencies; (2) they have an integrated public/private sector; (3) they have an excellent skills base; (4) an international orientation.



Peter Brimble, Asia Policy Research and Mike Pfister, UNCTAD

The key economic drivers and potential involvement of foreign direct investors for the Silk Road over the next decade will be in energy, technology, transport and tourism. The technology will be focused on securing and delivering energy and developing the internet. Transport will transform the region into a distribution hub and tourism, which can draw on the vast array of landscape wonders, will become the major service industry of the region. Below are four paradigms of opportunities which can emerge along the Silk Road.

Growing world demand for oil and gas, gold, metals and non-metal minerals will drive the domestic industrial base of the region. The development of an onshore depot in Western China to secure Middle East oil will also serve as the major industrial catalyst.

Kazakhstan and Uzbekistan have a reserve of scientists educated at the highest level, who worked on the Soviet space programme. It is an existing base for the information technology industry which can help develop market specific internet capabilities for the region.

The overland travel time by rail between Western Europe and China (4,131 km) will be reduced from 5 days to 2.5 days by the end of the decade giving the developed nations the capability of moving vast quantities of manufactured goods at cost effective rates to tap into the growth potential of Western China as a consumer base.

Based on a concept drawn from partnership and cooperation between the private and public sectors, communities and states, and the Silk Road governments, the Silk Road can be exploited as one of the world's most fascinating tourism destinations. Various stimuli will have to feed into expanding air routes to service growing urban areas in the region and will act as a general catalyst for developing opportunities for tourism.

The Investment Promotion Tool Kit

A Silk Road IPA can harness foreign interest in these opportunities if it defines its strategy by its investor's needs and is able to describe, quantify and sell that opportunity in a rational argument that has an emotive appeal.

Whether one uses an electronic medium like the internet or television, or the print medium such as brochures and magazine articles, the essential elements in describing and quantifying opportunity is to (1) keep the topic relevant to

the audience; (2) use comparative data from reliable sources; (3) use global currencies where possible (US\$, Euro); and (4) use testimonials from global, well-known companies.

In order to sell opportunity, a Silk Road IPA needs to target its potential client base. To do so, there are a number of databases and website templates that help define rules, regulations and business practices, which took years to develop, are a fast track way to provide up-to-date and reliable information in a concise and uncomplicated manner to investors.

In most markets, investors are spoilt for choice. Marketing the Silk Road Initiative will be a challenge. No matter how attractive you may think your country is, it is a buyer's market. To compete in this global environment, an investment promotion agency must adopt a level of professionalism that encompasses responding with speed, attention to detail, project handling, enthusiasm, and a commitment to delivery. That is what the investor is looking for.

Note: This brochure was developed by UNCTAD and UNDP China in cooperation with Mr. Samuel Passow (Research Fellow at the Conflict Analysis Research Centre and a PhD candidate at the University of Kent in Canterbury, England).



Tang Paradise