



The Eurasian Economic Corridor: The New Geography of Global Trade Connectivity

Victoria Barbary 00:02

Good afternoon, everyone. Thank you very much for sticking with us at 4:30 in the afternoon after what has been a very long day. I hope you find this session interesting. It's a little bit of a departure for us today, looking at Central Asia. But I hope you will understand exactly why we're doing this, because this region has, over the recent years, become an increasingly important trade corridor and logistics corridor, not only for energy of all types, but for logistics, for critical minerals, fossil fuels, and it's become an incredibly important region. I have a wonderful panel here today looking at this region from a range of perspectives. But we are going to look at the role of state capital in particular in developing this region. So, I'm going to ask everyone to introduce themselves, so they know who they are better than I do. So, I will start with Your Excellency. So, please introduce yourself.

Yaser Faquih 01:02

Thank you very much. My name is Yaser Faquih. I'm the deputy minister of economy and planning from Saudi Arabia.

Victoria Barbary 01:09

Temuulen?

Temuulen Bayaraa 01:11

Very good afternoon, everyone. My name is Temuulen Bayaraa. I am from Mongolia, and I've been in the role of chief executive officer of the Chinggis Khaan Sovereign Wealth Fund of Mongolia since about two years ago. Pleasure to be here.

Manraj Sekhon 01:25

Good afternoon. I'm Manraj Sekhon. I'm the chief investment officer of Templeton Global Investments.

Victoria Barbary 01:32

JP?

Jang Ping Thia 01:33

Good afternoon. I'm happy to be here. My name is Jang Ping Thia. Just call me JP. I'm the acting chief economist of the AIIB. I'm a Singaporean, but I live in Beijing. Happy to speak about the region.

Victoria Barbary 01:44

And Zhussup at the end?

Zhussup Yeralin 01:45

Yes. My name is Zhussup Yeralin. I'm from Kazakhstan, and I'm CEO of the management company for Kazakhstan Investment Development Fund. It's a state-backed fund, yeah. Thank you.

Victoria Barbary 01:57

Thank you very much, everyone. So, I'm going to start with His Excellency Yaser. And I think that Saudi is kind of shaping its economy and looking at new markets, new supply chains as the world and the energy transition kind of moves through. So, can you give us an overview of how Riyadh sees the geo-economic map, which regions matter most, and where does Central Asia fit into this kind of whole worldview?

Yaser Faquih 02:25

Thank you very much. It starts us at a good basis here. So, let's discuss. You've seen many panels today and many sessions, and you probably heard about the uncertainty, the growing uncertainty. So, let's take it. It's not only a geopolitical shock in the region. It transmits through energy prices. It transmits then to shipping costs. It goes into higher costs of supply chains. It feeds into inflation. Inflation feeds into higher interest rates at central banks. That adds more pressure fiscally on governments who are already burdened with debt and high deficits. So, it's like a cycle. So, it makes everything more expensive. It makes capital more expensive. This leads us to capital becoming more selective of where it gets deployed for the higher return. At the same time, you have other uncertainties on the good side, which is the technological boom. All this technology—you've heard AI maybe a million times today in different panels. Now, that has a lot of promise, but also a lot of uncertainty because we all know, we can all agree that the end state of it is transformational, but we're not sure what type of transformation that is. So, we're not sure what's the final shape of the industrial organization and economic organization around that. Uncertainty around jobs, around actual returns, around actual productivity gains. So, all of this, this is the backdrop of the global economy. In the short term, it's leading to subpar growth globally. I think the World Bank expects less than 3 percent, maybe 2.7 percent. IMF, likewise. This area, actually, this region is the exception. So, growth rates of 4 percent or 5 percent, that's the exception. The rest of the world, including our own region, because of the shock, this period is subpar economic performance. But this also opens up the doors to rethink the engines of growth. So, the shocks that we saw in recent years, from COVID to the heightened competition between China and the US on all fronts, technology, trade, and all that, it brings to the fore the need for more optionality, the need for more redundancy, for more resilience. In the old days, redundancy used to be looked at as a cost, as something to get rid of. Right now, I think the world is seeing more and more the value of these optionalities. So, to put it in simple terms, a lot of uncertainty, both on the positive side and negative side, leading to more careful and cautious decisions to allocate capital and leading to more emphasis on redundancy, resilience, and basically optionality for partners. And that's maybe where it takes us to this region, why it's important in that regard. Thank you.

Victoria Barbary 05:41

Great. Thank you very much. And JP, I think it would be really good to have—given what His Excellency has just said, have the AIIB view on this region and how it's important and what you're doing in the region.

Jang Ping Thia 05:56

Let me say also that I agree very much with the vice minister's—Yaser's—point about redundancy. I will just share a little bit on the economic geography. The region, Central Asia, is actually very accessible. It is very close to the Western European market in Türkiye, it is very close to the Chinese market, and it's actually fairly close to the Indian market in the subcontinent, a little bit south as well. So, there is a perception that Central Asia is not accessible, but actually, when you study the economic geography, it is not the case. So, with more connectivity being built around the region, we are beginning to enter into a period, what I would think we call the cumulative causations. All this little bit of connectivity, they don't seem very much project by project. When you start to piece together, it can amount to a fairly useful transformational change for the region. Politics is a little bit difficult at this stage because there are going to be issues with transportation around some of the countries. But then the Middle Corridor is starting to become much more viable. A lot of countries are putting infrastructure and soft infrastructure together, and we are now seeing a lot of goods being transported there. I can say a lot more, but I think this region is full of promise. It may take some time, but I think the promise is going to be realized in the years and the decades to come. Let me stop here.

Victoria Barbary 07:23

Thanks, JP. Manraj, I think Franklin Templeton is one of the most experienced frontier market investors. I think you probably invented it some time back. Can you tell us a little bit about how you see it as a commercial and private sector investor managing other people's money, and where the opportunities are, and how you kind of reflect the comments you've just heard?

Manraj Sekhon 07:47

Sure. We've been investing in emerging and frontier markets for over 40 years now, and when we think about Central Asia today, there's some facets that have been long-standing, and there's some facets that are new. Now, when you look around the world, outside of the developed world, Asia, Latin America, the Middle East are relatively well known. Slowly being more penetrated, but they're relatively well known by investors. The one region that is not well known, that certainly doesn't have very deep, broad, functioning capital markets, not well understood, is Central Asia. Which is why we think it's very interesting, and a lot of investors share that view. And when you look at the location, the size of the populations, the size of the youth in those countries, there's a very compelling investment opportunity. And that's before you look at the resources they have to hand, whether it's metals, whether it's critical minerals, whether it's fossil fuels, whether it's uranium. So, there's a whole rich source of new resources that are underpenetrated. And that's always been there. There's been reform to varying degrees in the various countries, but the reform has accelerated in the last few years. So, that's what's happened historically. Where are we today? What's changed—and you've heard some reference to this already—the geopolitics has changed significantly. We all understand the power play that's happening between the US and China, and Russia is part of that equation as well. And so, for a lot of the major powers around the world, ensuring that Central Asia does not fall outside of their sphere of influence has become very important. Alongside that, you see the various crises around the world, whether it's the Russia-Ukraine one, what's happening in the Middle East currently. So, ensuring there's alternatives in terms of supply chains, trade routes, sources of energy, sources for

minerals, has become very important as well. And the third thing, which I don't think we should underestimate, is the sociopolitical shift in all these countries, which is not very different from what's happening elsewhere in the world. We know what's happening on the streets of France right now. So, that's not unique to the developed world. It's happening in the emerging world as well. It's certainly happening in Central Asia, where, in many ways, political evolution has happened ahead of economic evolution. So, the demands of the population, the demands of the youth, the demands for high levels of income, for opportunities. When they see the availability of jobs elsewhere in the world, they want the same. So, governments in Central Asia have had to accelerate their reform agendas. So, when you put that all together—the geopolitics, the reform agenda, the sociopolitical shifts—it is a very, very ripe area, which is why we've got a very active presence there, and we think it's a region for the future.

Victoria Barbary 11:00

Great, thank you. I'm now going to kind of dig down into the country level. So, Temuulen, I'm going to come to you. What kind of a change—to Manraj's point—what's been changing in Mongolia and how you're managing your resource wealth through the Chinggis Khaan Sovereign Wealth Fund, and how and why is that shift happening?

Temuulen Bayaraa 11:21

So, thank you, Victoria, for this wonderful question, and these gentlemen are right. And let me just paint a picture of what's happening on the ground, right, in frontier markets like Mongolia. So, what's been changed? Globally, due to the geopolitical uncertainty and also tensions happening, supply chains are being reconfigured as we speak. So, Mongolia is also re-looking at its role in this regional integration, and also shifts happening, of course, right? So, that is driving the reform that we are doing back at home. And one of the fundamental shifts is that we are building our sovereign investment capacity and also sovereign savings, long-term savings capacity as well. And right now, as we speak, the economic fundamentals of Mongolia, due to the reform that happened until thus far, has been bore its fruits to some sense. Let me give you some numbers to begin with. The economic growth by the first half of this year was 7.7 percent for Mongolia, which has outperformed the global average that His Excellency has also shared with us on this panel today. And beyond that, our sovereign credit rating has improved recently, and we're being encouraged by this progress that is being made. And Mr. Manraj is so right in a sense that it's a young population, and it's a very dynamical society in Mongolia as well. So, over 60 percent of the population of Mongolia is under the age of 35. So, I am representative of the 60 percent of the population of Mongolia. So, the people's wish for access to global capital markets, people's wish to diversify our trading partners, to also invest in space, for example. It's people's calling. Therefore, the government has to act upon it. And in doing so, we're actually prioritizing two key reforms, I would say. One is, of course, building the sovereign wealth capability. So, two years ago, we passed our law on Sovereign Wealth Fund, and in two years, on average, we have seen around over 50 percent growth of inflows from mineral royalties to dividends of mining state-owned entities to the Sovereign Wealth Fund. And today, the asset under management for the Sovereign Wealth Fund stands at about 2.4 billion. And going forward, next year and onwards, we are seeing at least 50 percent or so additional revenues to this Sovereign Wealth Fund as well. And now we're looking at investing that into international markets to ensure that we are resilient from commodity cycles. We have learned our lessons, and we're building that resilient system to be able to ride the boom-and-bust cycles of the commodity going forward as well. Second agenda I'd like to share in this room is, of course, something around state-owned assets of Mongolia. Even though Mongolia is a free-market, democratic country, up until the 1990s, we were under the influence of Soviet Union. Therefore, a significant portion of the economic cycle was happening around state-owned assets, basically. Therefore, restructuring that, optimizing state-owned enterprise, also enabling global investors to access Mongolian market through investing in state-owned enterprises is something we're also working on right now as well. So, these are some changes happening and things we're working on at the moment.

Victoria Barbary 14:49

Great. Thanks. Last but not least, Zhussup. I first went to Astana 10 years ago, and I think that it's changed quite a lot since then in terms of not only the sovereign investment ecosystem, but also the economy has really, really diversified and changed as well. So, maybe you can share a little bit about how that investment environment—and how you're partnering with investors to bring more FDI into Kazakhstan.

Zhussup Yeralin 15:19

Thank you very much. Really, I think you should visit Astana this year or next year, then you will see the changes. Yes, it's really changed a lot. Kazakhstan has investment grade. And this year S&P raised it further. And, for example, our development institutions placed two bonds this year in China, and the second one was priced cheaper than the first one, 1.82 percent against 1.9 percent for three years. So, it's showing that investors are believing in Kazakhstan, and they want to invest into Kazakhstan. For example, for decades, the key investors in Kazakhstan were ExxonMobil, Chevron, Shell, Eni, the oil companies. Now we see that another energy companies like Masdar, Total, China Power, ACWA Power is coming into Kazakhstan, investing into alternative energy. These four players are building one-gigawatt power plants, wind farms each. And each project costs about \$1.5 billion. So, we are diversifying into manufacturing, to logistics, to agriculture, everything. So, that's the key indicators.

Victoria Barbary 16:50

Great. Thank you. I'd just like to—I think that's given us a really good picture of the big picture of this region and how it's growing and changing, and its increasing relevance as well to making global supply chains just more resilient. And I'm sure you've heard that word quite a lot today as well. So, I'd like to just talk a bit about the investment environment and how all these changes are reflecting that. So, Manraj, I'm going to start with you. I know Templeton's got a really long experience of helping governments open state assets and manage those efficiently. Can you tell us a little bit about what you've been doing in Uzbekistan, for example? And how that model works, and what were the challenges in putting it together, and what are the opportunities that you see through it?

Manraj Sekhon 17:39

Sure. As we were talking about before we came into this room, the many variations of sovereign wealth around the world. There's certainly different versions in Singapore, Norway, which we were talking about. But not all economies, and certainly not a lot of the frontier market economies, have access to liquid capital. They don't have access to the necessarily talent, the infrastructure, the capital markets, or the governance systems. So, what we've been trying to do with governments like that is help them accelerate the transformation of their economies, transformation of their capital markets, in ways that are unique to their particular needs. So, Uzbekistan is a great example of that, and I'll come to that in a second, but the genesis of this is something we did in Romania, a little further to the west, where about 15 years ago, we managed a fund for the government. And essentially what happened was, once the wall fell in Europe, the Eastern Europeans had significant assets, not very well-functioning markets, not enough capital. So, the Romanians actually came up with a structure, and we helped them to manage it, where 90 state-owned enterprises were put into a structure. We managed that structure. We helped them to transform each individual company and, over time, list these companies on the various exchanges, including Bucharest and London. And then we've transposed this model to Uzbekistan, which is what we've done most recently. And that's probably the best template of what we do and what we think works for a lot of markets. And I should say, we're doing that in Uzbekistan. We have 20 people on the ground. Fifteen months ago, we had nobody

there. I'm pleased to say we've recently signed an MOU with the government of Mongolia to do something similar, and we've done the same in Azerbaijan as well. And what we've done in Uzbekistan with the government is they've put together a portfolio of about a dozen state-owned enterprises. So, this covers banks, insurance, airport, the seaport, the utilities, the hydro company into a portfolio, minority interest in these companies. We have become the manager of that entity, and that entity is really focused on transforming each and every one of those 13 companies so that, over time, they transform in terms of governance, they transform operationally, financially, in terms of profitability, as well as build a pipeline of future IPOs for the local exchange. And why we think this is a very powerful model and suitable for Central Asia and indeed elsewhere is because, with one project, i.e., this project, we achieve multiple objectives. First of all, you transform governance, you realize capital for the country because through the IPO of the entity, capital comes in. Over time, you see operational improvement, financial improvements, which means higher dividends for the state. And you have, as I said, a pipeline of IPOs for the country. So, you see the financial markets transform and capital comes in. So, in the case of Uzbekistan, we announced it in May of last year. Within two months of our announcement, the rating agencies upgraded Uzbek debt, citing our project. So, you have one project that has multiple benefits and most importantly, it aligns the government with the corporates, with foreign capital, and the citizens of the country. So, you have true transformation over a period of time. The entity we listed in Romania, over the last 15 years, it's generated significant returns. That entity has outperformed the S&P 500 Index and the MSCI World Index and the Emerging Markets Index. The entity in Uzbekistan, we listed it in May. The shares are up significantly since then. So, there is a lot of appetite, there is a lot of interest in a model like that, which we think would be great for other countries as well.

Victoria Barbary 22:07

Yeah. Great. Thank you. I should say that was not investment advice. I don't want to get into trouble. So, Zhussup, I'd like to come to you. Can you tell us a little bit more about KIDF and how you're working to do some of the work through some of partnering, bringing in more FDI, helping the Kazakh economy grow and develop? Can you just talk a little bit about what you've been doing and your strategy? Because it's very different.

Zhussup Yeralin 22:33

KIDF was especially established to work with foreign investors, to attract FDI into Kazakhstan. We are a young company, but still we have several projects on the ground. So, for example, I mentioned the wind farms. So, for a one-gigawatt wind farm with Masdar, we are minority shareholder. So, our aim is to help foreign investors to come to Kazakhstan. We understand that strategic investors price commercial risks good, and the funds like we, the state fund, we price regulatory risk, the country risk. So, we help to navigate in the country to help them, and we act more as a development institution. Now, we invested in tourism, in several sectors. Now we are aiming at manufacturing. So, our mandate is to invest in all sectors except extracting mineral resources because our government says that they don't need help. They need just base mineral resources, let's say, to extract. So, that's how we work.

Victoria Barbary 23:51

Great. Thank you. And Temuulen, if you could talk a little bit about Chinggis Khaan, because again, it's a different model. I spend my life telling people, as a former sovereign wealth fund person, that these institutions are incredibly diverse. And I think you've got a very different model because you've got your savings portfolio as well. So, if you could talk a little bit about how that's helping develop the Mongolian economy, and how you're using your resource wealth to drive that change.

Temuulen Bayaraa 24:19

So, designing the Sovereign Wealth Fund took us over 20 years of consensus building. What works for Mongolia was the key question driving it, and we ended up with more of a hybrid model. The Sovereign Wealth Fund of Mongolia today comprises three sub-funds. We call them diversified funds. First one is Future Heritage Fund. It's a permanent fund for future generations. I would say it's inspired by the Norwegian pension fund. So, only the certain portion of the investment returns can be used in that year, and the rest will be saved for future generations. And the inflow of the fund comes from part of minerals royalties, basically. Second one is Provident Fund, and this could be quite relevant to audience here in this room as well because this was inspired by Singapore CPF model. The only difference is that the revenue source comes from dividends of the state-owned enterprises. Now, when people get certain portion of dividends of the state-owned enterprises of Mongolia, then they start to demand better performance, more dividends. So, that helped the government to be empowered to also push the reform agenda through state-owned enterprises. And as you can imagine, mining state-owned enterprises make up the largest portion of state-owned assets of Mongolia. Third one is Development Fund. So, this is similar to any other development funds around the world. This is to finance long-term development projects to help us advance or move upstream in our processing capabilities, industrialization policies, and also transport logistics, so on and so forth. So, this is the Sovereign Wealth Fund of Mongolia in a nutshell, and how it's driving change going forward is, of course, we're looking at socioeconomic policies through this Provident Fund, and also, we're looking at international markets to build our portfolio, to build resilience to our markets as well, our markets and economy as well. Development Fund, for now, is—we're carefully studying how we could take this forward because there are different pockets of funds that's also interacting at the moment to finance these development projects with partners from multilateral organizations to mobilizing private capital as well.

Victoria Barbary 26:34

Great. Thank you. JP, coming to you. How are you working in this region as AIIB, and how are you finding all this transformation that is going on—is kind of crowding in capital and is helping DFIs and MDBs?

Jang Ping Thia 26:52

Thank you. Thank you. That's a very good question. So, I would say that we work across the region in basically four areas. The first area is to provide basic infrastructure. Basic infrastructure like water and sanitation, roads, and so on. These types of projects, we tend to work directly with the government as sovereign projects. The second area is that we give policy loans. For example, if there are policy commitments to improve the institutional settings, to do greener projects, to improve the water management, AIIB provides policy loans to improve the institutional setting, and we have done that for Uzbekistan. That's number two. Number three, we invest a lot in connectivity projects. We have connectivity projects, railway projects in Kazakhstan, railway projects in Türkiye, railway projects in Kyrgyzstan, and so on. We invest a lot across the connectivity projects in terms of the logistics space, warehouses, and so on. Why? Because we think that, like I said, redundancy is important, having Middle Corridors is important. Having trade across the various markets and linking them up are so important. Connectivity projects, this is number three. Number four, we work very closely with the private sector to crowd in private sector investments. AIIB has a fairly large number of projects with both ACWA and also Masdar. ACWA from Saudi Arabia and Masdar from UAE. Across the spectrum, it could be energy projects, it could also be other types of projects. So, these are the really four areas that AIIB is pushing really hard to work across the region. Let me say something before I stop here. So, there is a very important window of opportunities for the region to seize. Of course, I hope that the straits of the political situation will resolve itself and the Suez Canal will open to full traffic. But people are looking for diversification, and people are looking for kinds of alternatives, strengthening the

patchwork of connectivity. I think this is a very good window. Be consistent, be pro-business, and be open. I think that is the part that will allow a lot of capital to crowd in and make this shift durable for the region. Let me stop here.

Victoria Barbary 29:21

Great. Thank you. And Your Excellency, your perspective from Saudi. How are you reacting to this very rosy picture? But I will come back and ask them for challenges because I'm a Brit and we have to do the negative stuff as well. So, maybe if you could just talk about how Saudi and your Gulf compatriots, if you can, kind of are approaching this region and dealing with some of these institutions.

Yaser Faquih 29:45

Absolutely. I'm glad I came after JP because he said a lot of things that connect well with my train of thought. So, thank you, as you mentioned. The GCC and the Gulf and Saudi Arabia and the UAE are already operational in the Central Asian region through renewable energy projects, mineral projects, and others. The corridors that Central Asia now is trying to complete, and have completed some, that links them to Europe through Türkiye and through Azerbaijan and others. Now, these are great starts, but their value will quadruple and multiply many times if they connect to other established routes and corridors. I can think of my region, the Gulf region, as super connected. It's a natural hub. Notwithstanding the recent issues, eventually these will be resolved. I can give you one piece of good news. Our oil production, oil exports from the Strait of Hormuz are now back to the same levels as pre-war. So, now these things don't tend to last. Geography, at the end, will prevail. But even us are looking for alternatives, and we're looking for some corridors that go through Syria, Türkiye, another alternative through Iraq and Syria to Europe. So, if Eurasia wants to actually amplify and multiply the value of their corridors, connecting to us will give them a gateway to the Red Sea ports and to Africa, which is a huge demand center. Moreover, the ports of the Gulf are not only ports, they're industrial zones, and they're free economic zones. So, that's also a multiplicative factor. The thing to do is that I mentioned that we already have interest in Eurasia, and we already have presence in Eurasia. But I think there's also a role for sovereign capital from the Gulf to Eurasia. Now, the way we think about that, we apply the same formula that we apply to ourselves. So, when we wanted to do our economic transformation 10 years ago, the role of sovereign wealth funds and government capital was specific. It was, as you gentlemen mentioned, to unlock other capital. So, typically what happens is governments come in with their money. They take on risk that private capital will not take on by themselves. You take that risk, and then hopefully, when things start to move, development banks will come in to provide some certainty and some guarantees. If that works out, you have commercial banks. They come in and they provide debt financing, and then from that, you bring in the companies. The companies come in, the commercial companies, they bring technology. They bring also offtake agreements. They bring some level of guaranteed demand. And then when the project becomes self-sustainable and has a steady return, then you can spin it off to the pension funds and the big funds who look for steady returns. Now, the measure of success is that this could be the roadmap for project number one. Project number two and three, you want to have less and less sovereign money to unlock that demand. And then you want to ask yourself a question: For each dollar I put of my sovereign money, how many dollars did I unlock from this whole chain? A prerequisite, or a condition of success, is that money can follow, but to retain that money and assets, you need to have certainty. JP mentioned that—certainty about many things. The investors invest in the whole system. So, an investor who invests in the railway will need to know that the train will not stop at the border for three days before crossing the border. An investor who invests in the port will need to know that the railway and the road will be functional, and so on and so forth. So, you invest in the whole system and in the regulatory system as well. You want to make sure that the rules and regulations don't change overnight. Currency risk has to be reasonably managed. So, this is the formula. We applied that formula to ourselves. It succeeded. It's still

succeeding. And we have ways to go. And I think we can unlock each other's potential, Eurasia and the Gulf region, by this interconnectivity between the two regions. Thank you.

Victoria Barbary 34:18

Yeah. No, that's really helpful. And I think also a lot of these kinds of co-investments and partnerships that go on, it helps with the governance around some of these countries, and it helps bring up—a rising tide raises all boats in terms of governance, which helps make them more investable. As I said, we've kind of said how great this region is, but it does have its challenges. Manraj, what have you found, maybe one or two things given the time we've got left, that you've just found really that was the kind of hump that you had to get over to make your investments work? What have been the big challenges?

Manraj Sekhon 35:00

Yeah. I think the model I described ticks a lot of boxes for all sorts of governments. But the reality is, going back to my point about politics having run ahead of economics, managing the different needs of different constituencies, whether it's business, whether it's in government, whether it's in foreign capital as well, that has been a challenge. So, the speed with which governments are moving towards privatization, transformation of state-owned enterprises, reform, I think there is still scope for accelerating that. I think governance—ultimately, foreign capital is only going to come in with a whole range of prerequisites, but governance and the quality of governance is central to that. So, I would say speed and governance. And this is true around the region: where you've had really strong, clear leadership to move forward, we've seen results, and Uzbekistan is an example of that. But it's a challenge for a lot of governments because they're weighing different constituencies and needs. And I think the last thing I'll say is, often you find governments trying to do it in a staggered manner, doing it stage by stage. But the ability to bring in capital today, when markets are so concentrated, there's so much capital still going to the developed world, going to the biggest economies, the ability to actually really leapfrog, really accelerate change—has become even sharper. And I think for governments and economies who can't move quickly enough—they will be left behind.

Victoria Barbary 36:57

Yeah. No, and I think that point about the unsexy role of it, the governance is—I'm afraid it's not a very sexy subject, but it is utterly important. But also, your point about leadership, because that's something that our friends in the Gulf have very much had in the national visions that have been so successful in developing the Gulf over the last 10 years, and hopefully that some of the investment that these institutions are doing in the region really helps that. JP, I'm going to talk to you. Does your experience as an MDB reflect Manraj's, or is it slightly different? What are your big challenges being in this region specifically?

Jang Ping Thia 37:35

I agree with Manraj. I think governance is a key issue, specifically around SOE reform and letting more resources and letting the private sector play more in the development of the countries. I think that agenda is very much alive. But since he already said that, I will just say something different. I hope that all the countries in the region take a serious look at the way customs are handled. They are. They are already tracking what is the timing for goods to cross border and so on. If there can be greater harmonization of customs, how much to declare, what to declare, allowing the goods to flow more freely, I think that is going to be a very important aspect of integrating the region together. I'll say one more thing. And then it's interesting to me that even though there is a war in Ukraine, actually the Chinese trains, the goods are still running through Russia, and some amount of goods are still going to the EU through that route, provided that they are non-sensitive goods. There are some limitations, but the routes are still

running. The Middle Corridor is running at a lower capacity, but the Northern Corridor is still running. So, to the extent that Türkiye, Azerbaijan, Armenia or Georgia or Kazakhstan, Uzbekistan can come together to let trade flow despite the differences maybe in political orientation, let trade flow, that I think is going to be beneficial for not just one country but for the entire region.

Victoria Barbary 39:14

Great. Thank you. No, I think that's a really good point, actually, because this whole region acts as a corridor, and if it's not joining up, then it's not going to work. Yeah. Right. So, Zhussup, can I just have some reflections from you in terms of building your partnerships and kind of crowding in that private capital? What are the challenges that you've had at KIDF?

Zhussup Yeralin 39:42

As before I said, for example, for projects in Kazakhstan, we need strategic investors—who bring technology, experience, and they operate the business. We are like, as a minority shareholder, just help them to enter the market, give some advice, help in negotiations. But strategic investors should do the main stuff in the business. So, the challenging is that the region was closed, and there was a lack of information. And when investors come to Kazakhstan, they ask us about the projects. But we say to strategic investors that you should base this on your experience and say to us what you want to do in Kazakhstan, and then we will help you. So, I think that there is a good interest in the region. The investors want to invest, but they should do some homework, investigate, research, and come maybe some prepared.

Victoria Barbary 40:49

Yeah. Okay. Yeah. No, that makes perfect sense. I've seen that before. And Temuulen, just a quick reflection from you on these challenges and what are you finding in Mongolia. Is it a similar kind of people seeing a wonderful opportunity but not doing their homework, or what's your reflection from your fund?

Temuulen Bayaraa 41:09

Our fellow panelists' frameworks they shared with—the cases they shared with—we're fully aligned with the approach, the required approach to unlock potential of Mongolia. Mongolia's endowed with almost over \$3 trillion of mineral deposits and 2.6 terawatts of wind and solar capacity to unlock, right? So, for us, the challenge at the moment is, of course, building the capacity to develop the pipeline projects, bankable projects, as His Excellency said, right. With sovereign involvement to then decreasing the involvement to make it become more private sector-driven, I guess, values to be unlocked is something we're definitely looking at and working towards as well. And for doing so, obviously, we have to develop our capital markets, we have to develop our capacity, and also capacity of our sovereign investing to even generate project preparedness for investor readiness, basically. In doing so, we have been inviting partners like Franklin Templeton to BlackRock to come into Mongolia, help us develop this capacity, bringing the technology, or build our Mongolia story for the international investors, basically. So, these are some active works that is being done, and hopefully I'll come back to Milken next year with more exciting updates on our work.

Victoria Barbary 42:36

Excellent. So, I think a lot of what we've been hearing is very much, it's about narrative, it's about consistency, it's about helping those flows. And I think in the current investment environment at the moment, there's a potential to have a really strong narrative. And Manraj, you were saying?

Manraj Sekhon 42:53

Yeah. One thing, we've been talking about the economics and the capital a lot. I wouldn't underestimate the geopolitics. His Excellency talked about the capital coming from the Gulf. Recently, in the last month, you had a meeting in Kyrgyzstan where the leadership of China, Russia, India, the region, and Iran was represented. And the US is very closely aware of that and paying a lot of attention to what's happening in the region. Later on this month, Senator—I should say Secretary Rubio—is making an official visit to Uzbekistan, and there is now a special envoy for the US to the region. There is speculation that President Trump will make an official visit to the region next year. So, the economics are one aspect to it, but the guided capitalism and the guided state influence is not something we should underestimate. So, I think you'll see more of that.

Victoria Barbary 43:55

Yeah. And certainly, with the new DFC Trump corridor going through this region. So, this has been a really interesting conversation. I hope that it's been informative for you. We've got less than a minute left, so I'm just going to wrap up and say thank you very much to all my panelists, Your Excellency, Temuulen, Manraj, JP, and Zhussup. Thank you so much for—I've really enjoyed this. This was great and really informative, and I hope that you've learned something and taken something away as well. Thank you very much.

Disclaimer: This transcript was reviewed by individuals for accuracy and serves as a reference. However, it may still contain errors or omissions. Please verify any critical information independently.