



Central Asia as the Hub of Eurasian Economic Integration —Implications for CAREC

**Presentation at the 6th Ministerial Conference of CAREC
Dushanbe, Tajikistan, 3 November 2007**

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A. Introduction

Your Excellencies, Distinguished Ministers and Delegates, Ladies and Gentlemen

1. It is a great honor for me to address you today at the 6th Ministerial Conference of CAREC. It is also an honor for me to serve as CAREC Special Adviser since March 2007. I thank you for the trust you put in me and hope that I can contribute in a small way by supporting your efforts to create a prosperous and stable Central Asia through cooperation and integration into the world economy.

2. In today's presentation, I will address three key points:

- Eurasian economic integration is proceeding at a fast pace and presents big opportunities, as well as big challenges.
- Central Asian economic cooperation and integration is a key to Central Asian prosperity and Eurasian economic integration.
- CAREC has a major role to play in facilitating this dual integration process.

B. Eurasian economic integration: Big opportunities – big challenges

3. Let us start with the larger picture: the rapid process of integration of the great super-continental economy of Eurasia. In my opinion, Eurasian economic integration represents the big new opportunity of the 21st Century. After centuries during which the continent was divided by major political barriers, the opening up of China in the early 1980s and the disintegration of the Soviet Union in the early 1990s combined with an openness of the new countries of the Former Soviet Union, are the key factors now permitting the reintegration of a dynamic Eurasia. Of course, this process of reintegration must be accompanied by infrastructure development and institution building, if it is to proceed smoothly and with maximum benefit to all countries on the Eurasian super-continent.

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4. In a recent paper on this process of Eurasian integration, David Tiomkin and I documented the available evidence on Eurasian integration for a number of areas.² We looked at energy trade and transport, non-energy trade, transport and communications, capital flows, migration, drugs and epidemics, among others. One could also add the environmental area and tourism. For all these areas we concluded that the integration process is rapid and in many ways now more intensive a process than the continuing integration between Eurasia and the rest of the world. In effect, Eurasia is catching up with the process of globalization that has proceeded for over two centuries, at least.

5. There is little doubt that energy, trade and transport are the most important and most advanced areas of this Eurasian economic integration process. They are, of course, also the core areas of CAREC's engagement.

6. For energy, the greatest progress has been made in connecting Europe with the vast energy resources of Russia and of the Caspian Basin, as a quick look at the dense pipeline networks for oil and gas in the Western part of Eurasia shows. This process continues with further important investments in new pipelines towards Europe. However, starting about ten years ago and rapidly intensifying over the last five years, we now see a number of important initiatives intended to connect East and South Asia with the energy resources of Russia, the Caspian Basin and Central Asia. Hardly a day passes without news reports on new agreements between energy producing countries from those regions with Asian energy consuming countries for the development of new energy sources and investment in new pipeline and transmission capacity.

7. Similarly in the area of transport, there is now a much-increased focus on developing major transport corridors across the super-continent and on agreements to facilitate transit and trade across the huge landmass of Eurasia. One such example is the recent meeting organized by OSCE less than two weeks ago here in Dushanbe which focused on transcontinental transport and transit integration. But there are countless others, as a combination of efforts from the west (in the context of EU initiatives such as the Trans-European Networks and TRASECA), of efforts from the east (spearheaded among others by SCO, CAREC and ESCAP) and of efforts within Eurasian countries are helping to develop essential over-land transport corridors which eventually will provide much faster and cheaper means of communication than is currently the case. The fact that there is increasing interest by private business in exploring the over-land transport routes as alternatives to the traditional sea routes is a sure sign that this is where the future lies.

8. Of course, the process of Eurasian energy, trade and transport integration also presents great challenges, which require much enhanced cooperation among the key players on the super-continent. Financing and managing the huge investments required, creating efficient policy and regulatory regimes across borders and sorting out potentially competing interests – all these require very likely greater attention, more trust and stronger institutional capacity than currently exist. And they require effective private-public partnership. Regional institutions like CAREC will have a critical role to play in supporting the cooperation needed for a smooth and efficient Eurasian economic integration process.

² J. Linn and D. Tiomkin in *Asia Europe Journal*, [Volume 4, Number 1 / April, 2006](#)

C. Central Asian cooperation: Key for Central Asian and Eurasian integration

9. Let us then turn to Central Asia. Central Asia lies at the heart of Eurasia. It is a key source of natural resources and a transit hub for the rapidly growing sub-regional economies of Europe, Russia, China, Japan, South Asia and the Middle East. As such a stable and prosperous Central Asia is essential for the integration of Eurasia. And to function effectively as the hub on the wheel of Eurasia, Central Asia requires major regionally coordinated investments and institution building in all areas, especially in regional energy and transport infrastructure.

10. Recently there has been an increased focus on integration of Central Asia as a region and with the rest of Eurasia, as the realization has grown that great benefits can be reaped from regional cooperation. As the recent UNDP Central Asia Human Development Report has demonstrated, effective cooperation is needed in many areas, including in trade, transport and trade facilitation, in energy, water and the environment, in education, health and migration, as well as in the areas of disaster preparedness and the fight against illicit drugs trade. Indeed, the UNDP report estimates that Central Asia's GDP could double over ten years over and above what it would be without enhanced cooperation.

11. With such benefits beckoning it is not surprising that new efforts are being made to support cooperation among Central Asian countries and with their neighbors, as reflected in the development of the regional institutional capacities, among them prominently those of SCO, EurAsEC, CAREC and SPECA. And indeed, three factors argue that the time has never been better for such cooperative efforts.

12. First, there is now clearly a shared long-term interest in a stable, prosperous region among all countries in the region, as well as among the region's neighbors and development partners. Second, there are a number of positive regional trends which support greater cooperation, including the sustained economic recovery in the region, the rapid progress made with integration among some countries (esp. Kazakhstan, Kyrgyz Republic and Tajikistan), and the growing links with Afghanistan and the recent political changes in Turkmenistan. Third, there are important external facts which have a positive influence on Central Asia: The broader Eurasian integration process in effect acts as a driving force for cooperation and integration of Central Asia. The growing support for cooperative initiatives from the big neighbors and from the international development partners is another driver. And finally there is the growing strength of the regional organizations of Central Asia (SCO, EurAsEC, CAREC, SPECA).

D. Implications for CAREC

13. What then does this mean for CAREC? Let us first look at CAREC's unique strengths in supporting regional integration in Central Asia and the integration process of Eurasia. They are: CAREC's explicit focus on the key areas of transport, trade and energy; the development of its Comprehensive Action Program and of action-oriented sectoral strategies; a good track record of country interest and engagement; and strong technical inputs and financing by the Multilateral Institutions (MIs).

14. But CAREC also faces a number of challenges. These arise from the constrained organizational capacity for regional cooperation in the countries and in CAREC itself; from the low visibility of CAREC to date and the limited political engagement at highest levels of governments; from its weak links with other regional organizations; from the weak links between national and regional strategies and plans; and from the fact that some key players have so far

not been engaged in CAREC, especially Turkmenistan, but also Russia and Central Asia's other development partners (EU, India, Japan, Pakistan, US).

15. What then are the main steps which CAREC should take to strengthen its ability to serve as a key forum for promoting regional cooperation in Central Asia and for supporting Central Asia's and Eurasia's interlinked integration processes?

- First, and most important, is an effective implementation of CAREC's Comprehensive Action Plan and of the newly developed sector strategies, with a commitment to monitor the results and adjust the plan and strategies as needed in light of the lessons learned.
- Second, CAREC through its newly to be created CAREC Institute needs to help strengthen the organizational capacity of the countries in the region and it needs to enhance the capacity of CAREC itself as an organization.
- Third, CAREC needs to strengthen its engagement with the many potential stakeholders in the region through active outreach (again through CAREC Institute) and by improving its exposure at the highest level of government.
- Fourth, CAREC needs to strengthen the links with other regional organizations in Central Asia (the recent meeting of regional organizations in Istanbul represents an important step forward in this regard).
- Fifth, CAREC needs to strengthen the links between national and regional plans (another area where the CAREC Institute should engage).
- And finally, CAREC needs to bring in the missing countries from the region (especially Turkmenistan) and should create a development partners' forum through which it can systematically interact and coordinate with other important players who are supporting regional cooperation and integration of Central Asia.

16. In closing, let me say that CAREC has in my view the potential to be the key technical and financing arm for regional cooperation and integration in Central Asia. I congratulate the countries and the MIs for their initiative and active engagement in making CAREC work. All participants in CAREC need to continue to engage fully and actively in a spirit of trust and mutual respect if CAREC is to succeed over the long haul, as it should.

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