

**REGIONAL COOPERATION IN CENTRAL
ASIA: A CASE STUDY OF CENTRAL ASIAN REGIONAL
ECONOMIC COOPERATION (CAREC), 1997 TO 2014**

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DECLARATION

I declare that the dissertation entitled “Regional Cooperation in Central Asia: A Case Study of Central Asian Regional Economic Cooperation (CAREC), 1997 to 2014”, submitted by me in fulfillment of the requirements for the award of the degree of MASTER of Philosophy of Jawaharlal Nehru University is my own work. This dissertation has not been submitted for any other degree of either this university or any other university.

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CERTIFICATE

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(Shubha Chatterjee)

LIST OF ABBREVIATIONS

AIDS	: Acquired Immune Deficiency Syndrome
ADB	: Asian Development Bank
BCM	: Billion Cubic Meter
BCP	: Border Crossing Points
BOMCA	: Border Management in Central Asia
CACO	: Central Asian Cooperation Organization
CAU	: Central Asian Union
CAEU	: Central Asian Economic Union
CAP	: Comprehensive Action Plan
CARs	: Central Asian Republics
CBM	: Confidence Building Measures
CAREC	: Central Asian Regional Economic Cooperation
CAREC CPMMR	: CAREC Corridor Performance Measurement and Monitoring Report
CAREC DEFR	: CAREC Development Effectiveness Review Report
CARECCFCFA	: CAREC Federation of Carrier and Forwarder Associations
CAREC TSCC	: CAREC Transport Sector Coordinating Committee
CAREC TTFS	: CAREC Transport and Trade Facilitation Strategy
CAREC TPCC	: CAREC Trade Policy Coordinating Committee
CNPC	: Chinese National Petroleum Corporation
CPI	: Consumer Price Index
CIS	: Commonwealth of Independent States

CST : Collective Security Treaty

CHS : Council of Heads of State

CHG : Council of Heads of Government

CMFA : Council of the Ministers of Foreign Affairs

CPR : Council of Permanent Representative

CMD : Council of Ministers of Defence

CBGC : Council of Border Guard Commanders

CIS IPA : CIS Inter-Parliamentary Assembly

COM : Council of Ministers

CPR : Council of Permanent Representatives

CSTO : Collective Security Treaty Organization

CSTO RRF : CSTO Rapid Reaction Force

CFE Treaty : Conventional Forces in Europe Treaty

CNC : Committee of National Coordinators

CADAP : Central Asia Drug Action Programme

CICA : Conference on Interaction and Confidence-Building
Measures in Asia

CANWFZ : Central Asian Nuclear Weapon Free Zone

CARICC : Central Asia Regional Information and Coordination Center

EBRD : European Bank for Reconstruction and Development

ECO : Economic Cooperation Organization

ECOTA : Eco Trade Agreement

EU : European Union

Euras EC : Eurasian Economic Community

EDB : Eurasian Development Bank

EAPC	: Euro-Atlantic Partnership Council
FTA	: Free Trade Agreement
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
GUAM	: Georgia, Ukraine, Azerbaijan, Moldova
GUUAM	: Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova
HT	: Hizbut-Tahrir
IDB	: Islamic Development Bank
ICSID	: International Centre for Settlement of Investment Disputes
IDA	: International Development Association
IMF	: International Monetary Fund
IBRD	: International Bank for Reconstruction and Development
IFC	: International Fund Corporation
IFAS	: International Fund for Saving the Aral Sea
ISF	: Islamic Solidarity Fund
IIFA	: International Islamic Fiqh Academy
IRCICA	: Research Centre for Islamic History, Art and Culture
IUT	: Islamic University of Technology
INOGATE	: Interstate Oil and gas Transportation to Europe
IPAP	: Individual Partnership Action Plans
IRU	: International Road Transport Union
IRP	: Islamic Renaissance Party
IMU	: Islamic Movement of Uzbekistan
IQI	: Institutional Quality Index
JBIC	: Japanese Bank for International Cooperation

MIGA : Multilateral Investment Guarantee Agency

NGO : Non-governmental Organization

NFP : National Focal Point

NATO : North Atlantic Treaty Organization

NATO PFP: NATO Partnership for Peace Programme

OSCE : Organization of Security and Cooperation in Europe

OIC : Organization of Islamic Cooperation

PSA : Product Sharing Agreements

PPPs : Public–private partnerships

RIBS : Regional Improvement of Border Services

RATS : Regional Anti-Terrorist Structure

RCD : Regional Cooperation for Development

RPC : Regional Planning Council

SPECAL : Special Program for the Economies of Central Asia

SCO : Shanghai Cooperation Organization

UNESCAP : United Nations Economic and Social Commission for Asia and the Pacific

UNODC : United Nations Office on Drugs and Crime

UNDP : United Nations Development Programme

US : United States

USSR : United Soviet Socialist Republic

UAE : United Arab Emirates

WTO : World Trade Organization

WMD : Weapons of Mass Destruction

XUAR : Xinjiang Uygur Autonomous Region

YIRNDP : Yunnan Integrated Road Network Development Project

PREFACE

Historically, Central Asia has been at crossroads of the famous Silk Route, promoting economic and cultural communication among the different regions of the world. Not only is the region endowed with rich natural and human resources, but its unique geographical location has made it a zone of geo-strategic importance. Its reserves of energy, mineral resources, precious metals, metallurgical raw materials and ore and agricultural resources posit Central Asia to exert the role of a strategic player in international relations.

Regional cooperation emerged in Central Asia following the dissolution of the former Soviet Union in 1991. The independence of the five Central Asian Republics gave them the opportunity to explore the vast economic potential that they are blessed with. At the same time, they also became plagued with the increasing number of post-independent challenges that suddenly arose in the region. The ethnic diversity of Kazakhstan, Uzbekistan and Tajikistan became a major source of conflict that the region has had to grapple with. Artificial boundaries inherited from the former Soviet Union and which ignored the historical processes and patterns of ethnic settlement created division and disputes along ethnic and linguistic lines. Concerns also loomed large over the problems related to the distribution of natural resources especially water and regional economic imbalances that generated widespread poverty in the region. Water crisis particularly became acute at times because of its uneven distribution. Upstream and downstream countries have always been in a confrontational relationship over the sharing of river waters and construction of dams. While upstream countries of Tajikistan and Kyrgyzstan have sufficient water supply, countries especially Uzbekistan remain dependent on its neighbors. There has also been other dispute for which Central Asia has been in the news like visa restrictions on the people migrating from the bordering states, prevention of trade because of sealing of borders and stoppage of energy supplies. Ferghana Valley divided among Kyrgyzstan, Tajikistan and Uzbekistan has been worst affected because of religious extremism, economic blockades and contested claims over territories. Thus, the sudden independence of these states from ex-Soviet Union has also exposed them to the vulnerability due to these unresolved crises.

Hence regional cooperation seems to be a viable option to these five independent countries namely Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan. The need for regional cooperation is particularly important under these challenging circumstances which

these countries are confronted with. Addressing these conglomerations of problems and establishing peace and stability in the region requires concerted efforts from the CARs which share common history, language, religion besides geographical proximity and common experiences. Also, the era of globalization and the opening up of economies makes regional cooperation vital for the promotion of sustainable development and inclusive growth. Today, strengthening of connectivity takes a center stage in all regional cooperation mechanisms as expansion in trade and investment gets hampered without adequate transport and communications infrastructure. Establishing a self sufficient and a common market is the basis of today's regional cooperation making promotion of trade and economic activity a major objective. The process of regional cooperation in Central Asia is still in its experimental stage. These countries are forging bilateral and multilateral relations with other countries and influential groups in order to integrate the region and reduce the extent of challenges. As such, immediately after independence the Central Asian countries have been seen participating in several regional forums and organizations in order to address the present needs of the changing circumstances. They are members of regional organizations like Commonwealth of Independent States, the Eurasian Economic Community, Economic Cooperation Organization and others.

But with time the initial optimism of the heads of the state in promoting regional cooperation declined as these organizations showed little hope for the success of regional cooperation. Expansion of trade remained limited in scope as the CARs exported only limited range of commodities. For example, Uzbekistan exports cotton and gold, Kyrgyzstan mainly electricity and gold, Turkmenistan in gas and cotton, Kazakhstan mainly oil and metal products while Tajikistan electricity, cotton and aluminum. Unity and inter-state cooperation in the region remains a distant dream as Central Asian states continue to look at each other with suspicion thereby gradually moving away from each other. Similarities in economic structure have not facilitated intra-regional trade as their economic relationship has been more competing than complementary. A number of barriers to domestic markets restricting the flow of goods and people have been created particularly by Turkmenistan and Uzbekistan. Political uncertainty over the succession of rulers and economic connectivity still remains a matter of concern.

The emergence of CAREC as a regional organization has ushered a new era which has displayed a successful cooperation of globalization and regionalism. It includes a number of

countries and multilateral institutions actively participating in the region. It has been established with the initiative of Asian Development Bank and over time it has expanded its coordination efforts to pool in resources and strengthened its expertise in the field of regional cooperation. The objective of the program is to improve trade and cooperation with large markets, reducing transportation costs and improving supplies of energy. CAREC follows a clear approach of regional cooperation based on the idea that locations play an important role in developing an integrated economic space in the region. Its technical and financial expertise contributed by ADB has enabled it to support investments in the development of key regional infrastructures.

The time and scope of the study is important since CAREC has emerged as an important regional organization that attempts to come out of the often replicated trend of many Central Asian organizations which cannot go beyond bureaucratic functionalities. CAREC, being an informal organization has facilitated a space for the region's own countries to voice their opinion. The large amount of finance available to the organization has made it more functional than other such organizations. The opportunities for development in the sectors of transport, trade and energy through CAREC has made it an important area of study. Also, not much research work has been conducted in this area till now. The academic contribution in analyzing the role of CAREC has largely been limited in nature. It is against this backdrop that this research study aims at examining the different mechanisms of regional cooperation in Central Asia particularly focusing on CAREC during the period from 1997 to 2015. The study has the following objectives:

1. To understand the significance of the region from historical and geographical and economic context;
2. To examine the role of economic aspects in fostering effective regional cooperation;
3. To examine the role, structures and evolution of the different forms of regional organizations in order to understand their patterns of cooperation;
4. To analyze the importance and major developments of CAREC in the region;
5. To examine the role of ADB as the largest contributor in the activities of CAREC;
6. To examine the significance of CAREC 2020 in its future course of action.

Keeping these objectives in mind, the study examines the following questions:

1. How did the emergence of the post-Soviet challenges in the region influence the emergence of regional cooperation;
2. What are the different types of regional organizations existing in Central Asia and whether they have been successful in achieving regional integration?
3. How is CAREC unique and different from the earlier attempts in forging effective regional cooperation;
4. What are the benefits the Central Asian States have achieved with the functioning of CAREC in the region?
5. What is the future trajectory of CAREC and its implications for the region?

The whole study tries to test the two hypotheses:

- Improvement in transport networks and adoption of trade facilitation measures are necessary to promote economic cooperation in the region;
- CAREC has been the first concerted effort by the extra-regional financiers to bring economic and infrastructural developments in Central Asia in the wake of limited successes achieved by other regional organizations in this regard.

In this research, historical, analytical and descriptive methodology has been followed to examine the patterns of regional economic cooperation in the region. The study is based on the available primary sources of data that consist of government documents, newspapers, records, reports and interviews with concern authorities and the secondary sources will consist of books, articles, periodical, etc. These primary sources have been supplemented by secondary sources that consider several articles and books on the subject as well as policy documents and joint declarations during the meetings of several organizations. Data has been derived from various official reports of ADB, CAREC to test the hypotheses of the research.

The **first chapter** which is the “*Introduction*” deals with the conceptual framework of regionalism in general and transforms it in the economic context in particular. It starts with a prologue of the Central Asian region to understand its importance within the lexicon of history, geography and economy. It discusses the background of the patterns of regionalism that existed

in Central Asia during the Soviet period and also highlighting the challenges that the Central Asian countries encountered immediately after the fall of the USSR.

The **second chapter** “*Regional Economic Cooperation in Central Asia*” focuses on the main determinants that influenced the emergence of regional organizations in the region. It discusses different forms of regional organizations that suddenly emerged in the region. Emphasis has been given on the organizational structure of each of the groups in order to broaden the understanding of their nature of cooperation in the region. As such, the roles, structures and evolution of the organizations have been studied to analyze their patterns of cooperation. Simultaneously, the fault lines of these organizations involving the member countries have also been explored to understand their limitations. The sudden foray of the extra-regional countries in the territories of CARs immediately after independence has also been taken into consideration. Analysis has been done to understand that whether their involvement in the region has generated any game of power play in the region. Apart from the extra-regional players, there exist several other types of regional forums outside the conventional regional framework. Proper examination of these groupings has also been done to understand their role in the development of the region. The chapter concludes by figuring out the reasons that has made these regional organizations a partially successful arrangement.

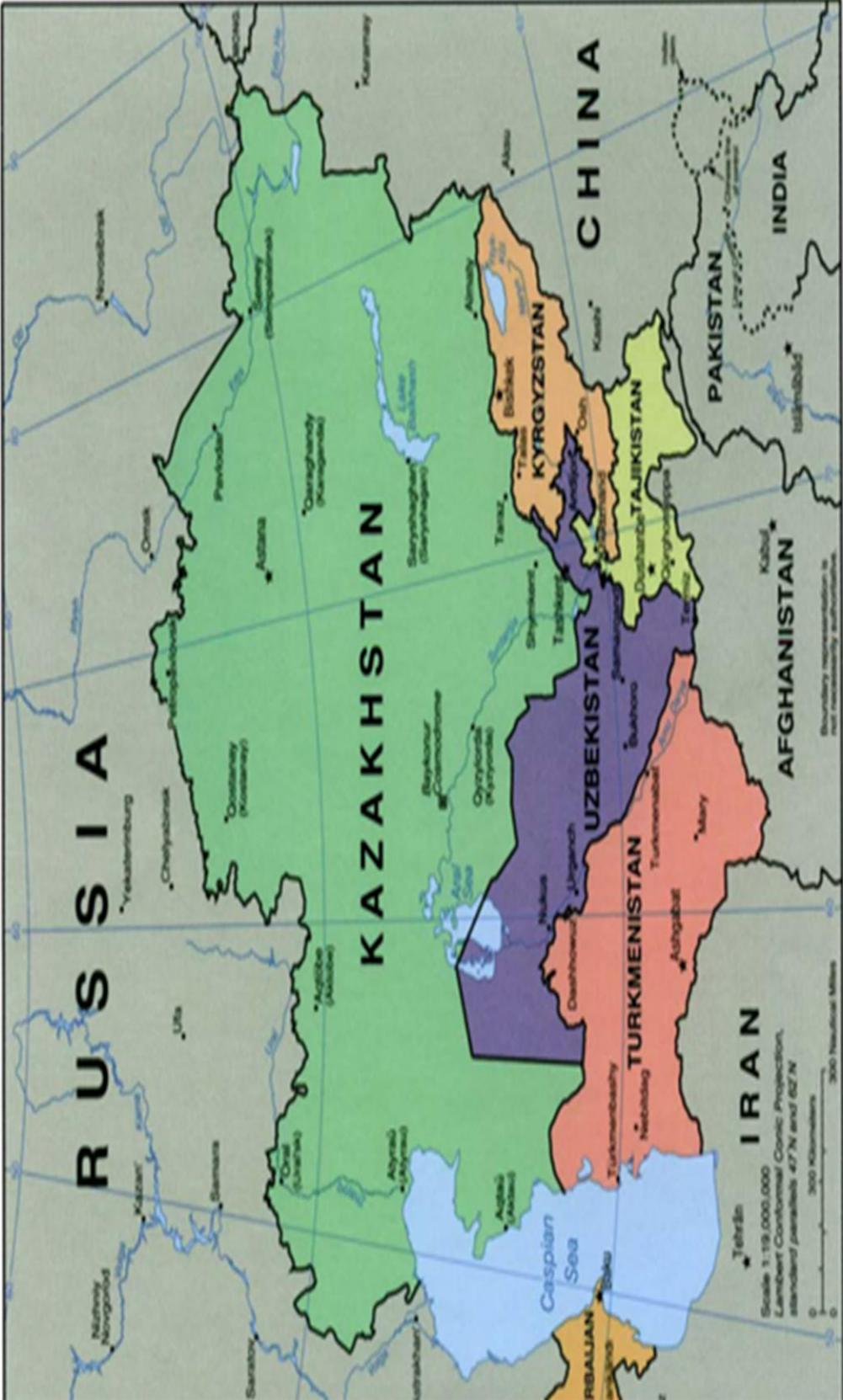
The **third chapter** titled “*Central Asian Regional Economic Cooperation (CAREC) and its role*” begins with the understanding of CAREC as a regional organization. It highlights the importance and major developments of CAREC in order to deduce its effectiveness in carrying out economic cooperation in the region. The organizational structure of CAREC has been focused to delve deeper in order to identify with its mechanisms that are employed to understand its system of cooperation. The chapter also examines the role of the Asian Development Bank (ADB) in the process of the evolution of CAREC along with the representation of other institutions in it. A part of this chapter has been devoted to CAREC 2020 which is essential to understand the organization’s future course of action.

The **fourth chapter** titled “*Achievements of CAREC*” deals with the nature of developments that the Central Asian states have been confronted with following the advent of CAREC in the region. Separate areas of achievements by CAREC have been focused to analyze the success or

failure of the organization. Apart from the core areas, studies have also been done on the inter-related fields where spill-over effects of the activities of CAREC are likely to be seen. In order to make the research work comprehensive, loopholes of the Program have also been identified.

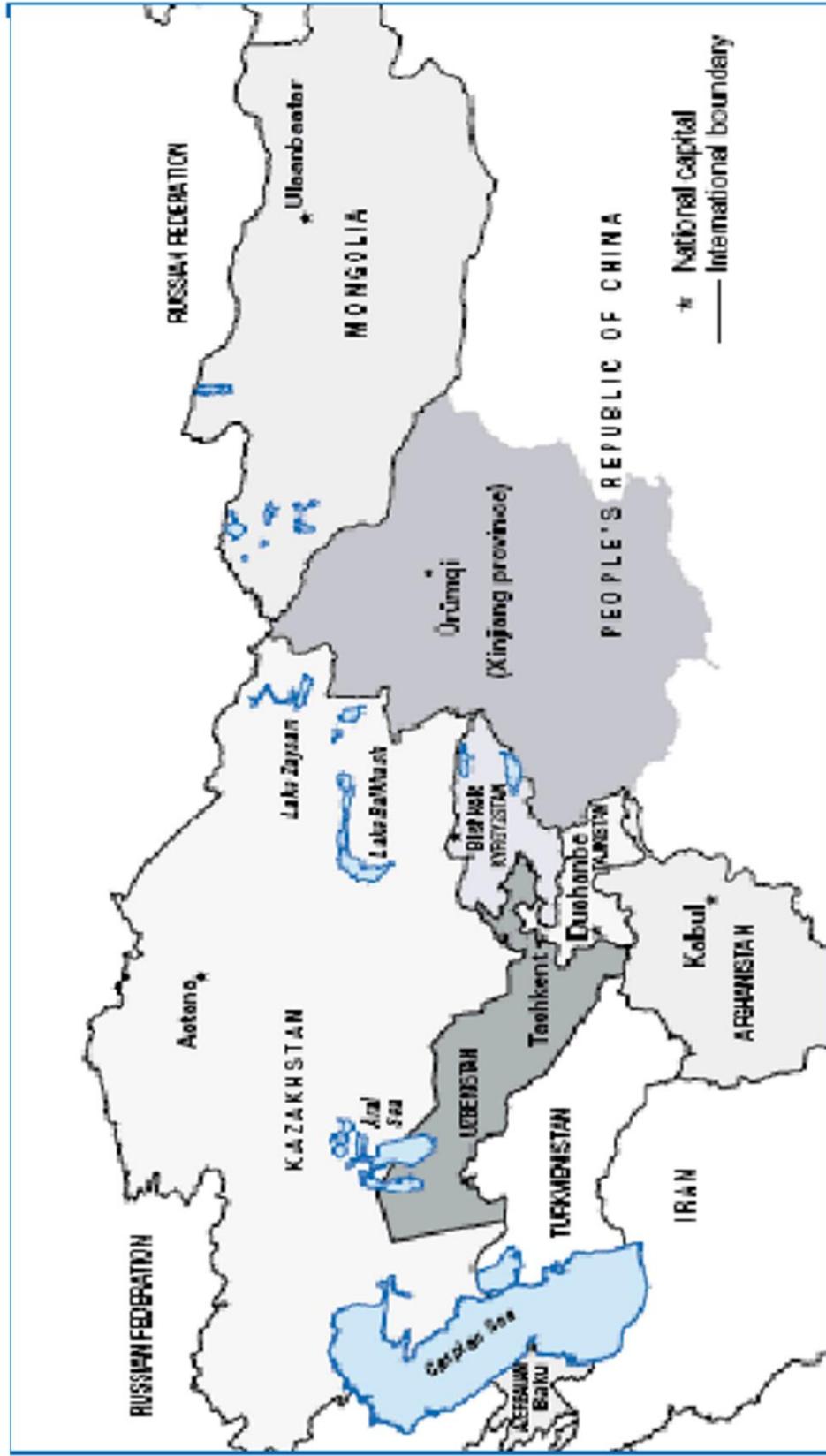
The **last chapter** titled “*Conclusion*” is the closing chapter that provides a broad conclusion of the entire work focusing on the implications of CAREC in the region.

Map-1: Map of Central Asia



Source: www.lib.utexas.com

MAP-2: Central Asian Regional Economic Cooperation (CAREC) Countries



Source: <http://www.imf.org/external/pubs/ft/survey/so/2007/CAR0621A.htm>

CHAPTER 1
INTRODUCTION

1. INTRODUCTION

1.1 Defining Central Asia

Central Asia also addressed as Inner Asia lies in the broader context of the Eurasian region. It extends from the Caspian Sea in the west to Central China in the east, and from southern Russia in the north to northern India in the south. The physical characteristics of Central Asia can be divided into the vast grassy steppes of Kazakhstan in the north and the Aral Sea drainage basin in the south.¹ The region mainly consists of deserts, the important ones being the Karakum and the Kyzylkum lying in Turkmenistan and Uzbekistan respectively. Agriculture is limited along the margins of the two major river systems-Amu Darya and Syr Darya. These two rivers which supply most of the hydro-resources in the region drain into the Aral Sea. Availability of water in the region is inadequate making the distribution of population very uneven. The demography is, thus, very scattered with majority of the Central Asians residing along those areas which are near to the river, while the vast arid expanses of central and western Kazakhstan and western Uzbekistan and Turkmenistan are inhabited by scarce population. During pre-Islamic and early Islamic times, Central Asia included the sedentary Sogdians, Chorasmians and semi-nomadic Scythians and Alans. The roles played by ancient sedentary peoples like the Tajiks, Pashtuns, Pamiris and other Iranian groups in the history of Central Asia have been very crucial. Later on, with the expansion of the Turkic people, Central Asia became the homeland of several Turkic groups like the Uzbeks, Kazakhs, Kyrgyz and Uyghurs (Kaushik, 1971: 81). This is the reason why Central Asia, at times, is also called as Turkistan. The influence of Islam in the region has been pervading with most of the followers belonging to the Sunni branch. Large number of Russians and Ukrainians are also present in the region because of its historical ties with first Russia and then Soviet Union.

The region has once been at the crossroads of civilizations, historically, acting as a medium of connectivity for trade and ideas among the people of West Asia, Europe, East Asia and South Asia. Over the past several millennia, the great Silk Road has brought many traders to Central Asia facilitating the movement of goods, cultures and ideas. The Silk Route system provided a trans-continental bridge facilitating multilateral exchanges between Central Asia,

¹Encyclopedia Britanica Online (2015), "Central Asia" [Online: web] Accessed 2 March, 2015 URL: <http://www.britannica.com/EBchecked/topic/102288/Central-Asia>

China, West Asia and the Indian subcontinent. It was a unique example of intercontinental cooperation and collaboration of trade, commerce, ideas and culture. However, this economic activity languished with the decline of the caravan trade and the growing development and exploration of maritime transportation. The centrality of the location of the region has earned it the title of “Heart of Asia” thereby always making it geo-strategically important for the international powers. Thus, since time immemorial Central Asia has been a battleground of armies and a region of proliferating dynasties. The two important religions, Buddhism and Islam, too spread to East Asia from this region. During the medieval times, scientific development started spreading to West Asia and Europe from Central Asia (Rahul, 1997: 12).

In the modern context, Central Asia mainly consists of the five former Soviet Republics of Kazakhstan in the north, Kyrgyzstan in the north east, Tajikistan in the south east and Turkmenistan and Uzbekistan that lie in the middle reaches and the lower region of the river Amu Darya respectively. Other areas lying in the region include Afghanistan, Mongolia, north-east Iran, northern Pakistan, north-west India and the western part of People’s Republic of China such as Xinjian.²All the five CARs are intrinsically interlinked with each other through land boundaries and are also connected with the countries lying in the wider Central Asian context like China (Xinjiang), Iran, Afghanistan and Russia. The economy of the region is mainly dependent on rich energy resources, mining, light and heavy industries in Kazakhstan and irrigated agriculture further down the south. During the Soviet rule most of the USSR’s cotton, coal and other minerals for industrial use came from Central Asia. As such growing irrigated cotton is still the prevalent occupation in the east and south east while there exists some dry farming of wheat in the far northern provinces of Kazakhstan, where Soviet Virgin and Idle Lands program of the 1950s brought much steppe lands under the cultivation for the first time.³The region started experiencing environmental degradation in the late twentieth century because of the effects of Soviet nuclear weapons testing in some areas, excessive agriculture, overdependence on irrigation.

²Oriental Express Central Asia (2015), “About Central Asia” [Online: web] Accessed on 19 July 2015 URL: <http://www.orexca.com/centralasia.php>

³ Op. cit. 1

1.2 Economic Characteristics of the Region

Although the CARs are landlocked and have relatively small economies, the region has several advantages that can act as major catalyst to promote investment thereby facilitating its integration with the international economic system. Apart from its geo-strategic advantages arising from its favorable location lying between Asia and Europe, Central Asia is enriched with many high priced natural resources like oil, gas, uranium, gold and cotton. The collapse of the Soviet Union brought a paradigm shift for the Central Asian countries which began to make a transition towards market economies. This reform led to the stabilization of economies for some countries which also witnessed considerable economic growth. State-owned enterprises were privatized, FTA was signed with other countries and significant level of macro-economic stability was achieved. Today, Foreign Direct Investment FDI plays a major role in the development of the Central Asian economy and this has been possible with the countries consciously taking steps to adopt a liberal and an investment-friendly regime enhancing regional and bilateral investment flows. Since the late nineties the CARs have been recognized as fast growing economies showing immense potential for development. Presently, all the republics are dependent on agriculture as a major source of occupation but its contribution to the overall GDP in each of the countries is varying. For example, in 2009 the contribution of agriculture in a country's GDP was highest in Kyrgyzstan (29.50%), followed by Tajikistan (22%), Uzbekistan (20%), Turkmenistan (12%) and Kazakhstan (6%). In countries like Kazakhstan, Kyrgyzstan and Tajikistan, the contribution of the service sector is more profound accounting for more than fifty percent of the overall GDP while the industrial sector dominates only in the economies of Turkmenistan and Kazakhstan accounting for 54% and 40% of the total GDP respectively (World Bank, 2012:217). While the rest of the three CARs namely Uzbekistan, Kyrgyzstan and Tajikistan are low income countries, only Kazakhstan and Turkmenistan are middle income countries depending on oil as a major source of income. Most of the Central Asian economies exhibit an export led growth depending heavily on those natural resources like oil whose prices are essentially determined in the international markets (Dowling and Wignaraja, 2006: 138). The characteristics of each of the Central Asian Republics that emerged immediately after the dissolution of the Soviet Union are discussed below:

a. Uzbekistan

Uzbekistan is the only country in Central Asia to be doubly landlocked and is also the most populous country with 29, 324, 920 people located in the heart of the region.⁴ The capital of Uzbekistan is Tashkent and Islam Karimov is the President who was the last Communist Party Chief of the Soviet Uzbekistan. The Uzbeks speak Turkic language and are the largest ethnic group of Central Asia. Uzbekistan is important for the smooth flow of communication and transportation in the region as it borders all the Central Asian states including Afghanistan. Most of the transportation is carried out through the airways making the aviation sector very active. It possesses vast energy reserves mostly in gas but its inability to transport it to its customers has made its economy to remain dependent on cotton cultivation. This is because the roads and rail infrastructure of the country meant to provide transit routes are not well developed. With a GDP of \$ 56.80 billion US,⁵ Uzbekistan has a restrictive trade regime and interventionist policies that have negative effects on the economy.⁶

However, the Uzbek government is gradually taking steps to exploit the vast resources that the country is endowed with. It has so far identified about 187 hydro carbon fields which include 91 gas and gas condensate fields and 96 oil and gas, oil condensate and oil fields. Out of these 58 have already been developed, 88 are being developed, 9 are held in “reserve” and 17 are in geological exploration (Interfax, 15 October 2014). Uzbekistan inherited two old refineries from the erstwhile USSR at Ferghana and Alty-Arik while a newer one has been developed by the government at Bukhara. All the three refineries have a total refining capacity of around 11.1 million tonnes per year (Sharma et al., 2003:2). The natural gas of the country that is rich in sulphur content requires significant processing and is done at the Mubarak processing plant having a capacity of approximately 28.3 BCM per year. Two new plants namely the Shurtan Gas Chemical Complex and Kodzhaabad underground gas storage facility were completed in 1999 at the cost of \$ 1 billion and \$ 72 million respectively (Sharma et al., 2003:2).

⁴World Population Review (2014), “Uzbekistan Population 2014”, 10 July 2015 [Online: web] Accessed 3 March 2015, URL: <http://worldpopulationreview.com/countries/uzbekistan-population/>

⁵World Bank Data (2013), “Uzbekistan”, [Online: web] Accessed 3 March 2015, URL: <http://data.worldbank.org/country/uzbekistan>

⁶United States Department of State Document (2015), “U.S. Bilateral Relations Fact Sheets”, [Online: web] Accessed 5 March 2015, URL: <http://www.state.gov/r/pa/ei/bgn/>

The dominant company in Uzbekistan is Uzbekneftegaz, a state owned company, which plays a major role in the petroleum and oil and natural gas industry of the country. It was founded by the decree of the President of Uzbekistan on 11th December, 1998. It is regulated under President Decree No. UP-2154 and COM Resolution No. 523 (Paswan, 2013:23). It has signed several contracts with other companies in the field of oil and gas exploration and production. It independently performs operations for the extraction of petroleum in certain areas along with participating in joint venture operations dealing with the same. Other agencies of Uzbekneftegaz in the energy sector include UzneftegazPererabotka dealing with oil and gas processing, Uztransgaz and Uznesheftegaz in the areas of oil and gas transportation and pipelines and economic relations respectively (Barry, 2009:191). Very recently it has been designated as a competent body to regulate the oil and gas industry.

FDI in Uzbekistan is mostly concentrated in the areas concerning finance, banking, textile, chemicals, energy, natural resources, electro-technical, automobile production, media, tourism, transport, telecom, construction materials, retail, food processing, real estate and agriculture. The most successful foreign companies in the telecom sector are MTS and VimpleCom of Russia having a seventy four and hundred percent stake in Uzdonrobita and BuztelandUnitel respectively. In the oil and gas sector, Gazprom and Lukoil also from Russia have deals worth more than US \$ 1.5 billion and US \$ 1 billion respectively. The food processing industry has an investment mainly coming from Nestle SA of Switzerland focusing primarily on dairy and mineral water products (Paswan, 2013:23).

b. Kazakhstan

Kazakhstan possesses the largest territory with a huge area of 2.71 million square km bordering the three CARs namely Kyrgyzstan, Turkmenistan and Uzbekistan.⁷It has a GDP of 212.2 billion US \$.⁸ The vast reserves of energy and the presence of several mining industries make it the richest state of Central Asia. It has the second largest oil reserves as well as the second largest oil production among the former Soviet republics after Russia (United States Energy Information Administration Report 2015). The country's estimated total petroleum and

⁷Encyclopedia of the Nations, "Kazakhstan", [Online: web] Accessed 5 March 2015, URL:<http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Kazakhstan.html>

⁸World Bank Data (2015), "Kazakhstan", [Online: web] Accessed 3 March 2015, URL: <http://data.worldbank.org/country/kazakhstan>

other liquids production was 1.70 million barrels per day (bbl/d) in 2014. The major oil fields include the giant Tengiz, Karachaganak, and Kashagan fields⁹. However, because of its lack of access to the sea, transportation of its hydrocarbons to world markets is mainly done through the pipelines. It also serves as a transit point for the transportation of natural gas from Uzbekistan and Turkmenistan. The population in this state is 15.9 million which is very sparse because of its declining trend.¹⁰ Kazakhstan has always played the role of a prominent connector between Europe and China and its economy is growing at a rapid pace. It meets its food security by importing agricultural products from its neighboring countries particularly Kyrgyzstan and Uzbekistan. The abundant supply of fresh fruits and vegetables prompts these countries to export to Kazakhstan. Kazakhstan, because of its geographical location, also provides a passage for Uzbekistan and Kyrgyzstan for exporting their goods to Russia which is also a major receiver of fresh agricultural products from these two countries. Kazakhstan is the only country that can establish straight transit corridors linking Asia and the Pacific with Europe. The capital of the country is Astana and President Nazarbayev was the last Communist Party Chief of Soviet Kazakhstan.

Kazakhstan has a thriving banking sector outperforming several other countries of Central Asia. This is because of the successful economic reforms unleashed by the government immediately after independence that gradually established stable and discipline markets. Today, it has expanded its ambit to establish itself in the other countries of the region. Presently, the banks of Kazakhstan in Central Asia include Nacional'nyi Eksportno-Importnyi Bank in Kyrgyzstan owned by TuranAlem, Kazkommerzbank in Kyrgyzstan and Tajikistan owned by Kazkommerz, ATF Bank in Kyrgyzstan owned by ATF Bank, Finance Credit Bank in Kyrgyzstan owned by the Seminar Alliance Financial Corporation and Halyk Bank in Kyrgyzstan owned by Kaz People's Bank. More than thirty percent of investment in the banking sector of Kyrgyzstan comes from Kazakhstan (Libman, 2009: 100). Kazakhstan also invests in other areas of economies of other countries. For example, the tourism industry of Kyrgyzstan mostly survives on the investments coming from Kazakhstan. Both the countries signed an

⁹United States Energy Information Administration Report (2015), "Kazakhstan: Overview", <http://www.eia.gov/countries/analysisbriefs/Kazakhstan/kazakhstan.pdf>

¹⁰World Population Review (2014), "Kazakhstan Population 2014", <http://worldpopulationreview.com/countries/kazakhstan-population/>

agreement in 2001 to hand over the recreational facilities in the Issyk-Kul region to Kazakhstan (UNDP, 2006:28). Kazakh companies also control other sectors of Kyrgyz economy including mining, construction, media industries and real estate. Kazakh enterprises are stakeholders of the Slate plant, Maize Syrup plant, Kant Plant, Tokmak Brick plant, KadamjaiStibium plant, Tokmak wool processing plant and Kyrgyz energoremont in Bishkek. The state owned company KazTransGaz and KyrgyzGazof Kazakhstan and Kyrgyzstan respectively established a joint stock company called KyrKazGaz in 2004. The company aimed at transporting the gas pipelines to the north of Kyrgyzstan and south of Kazakhstan. Kazakhstan also has investment in other countries like Tajikistan where KazInvestMineral acquired the Andrasman mining complex in 2006 for \$ 3.2 million. Thus, Kazakhstan has been a major source of outward investment while Kyrgyzstan has been a major recipient of it in the region (Paswan, 2013:24).

c. Turkmenistan

Turkmenistan with its 5.17 million people has vast gas reserves which is the fourth largest in the world.¹¹It shares its borders with only Kazakhstan and Uzbekistan and depends on Russia for exports. It has a GDP of only 41.85 billion US \$ which is far lower when compared with other Central Asian states¹².The capital of the state is Ashgabat and because of country's aridness, the population is mostly concentrated in a few oases. The country had a dictatorial regime under SaparmuratNiyazov who died in December 2006 (The Associated Press, 21 December 2006).

Turkmenistan's economy has always attracted foreign investments because of the country's "open door" policy that was adopted since independence (Tsygankov, 2001:92). It created a business environment that led to a huge influx of foreign investment along with facilitating the growth and privatization of its indigenous industries. Today, the government monitors current laws and regulations and also drafts new ones to make the environment more investment-friendly. However, transportation is still in a very poor condition and its relation with its neighbors has improved only recently partly due to the development of international trade routes. Several joint venture companies were established with international cooperation mostly in

¹¹World Population Review (2014), "Turkmenistan Population 2014", [Online: web] Accessed 3 march 2015, URL: <http://worldpopulationreview.com/countries/turkmenistan-population/2015>

¹²World Bank Data (2013), "Turkmenistan", <http://data.worldbank.org/country/turkmenistan>

the field of oil and gas, transportation and agriculture. Most of the investments in these sectors were carried out in 2007. The creation of the Avaza national tourist area and other manufacturing and non-manufacturing facilities are a result of this. Investments in the oil and gas sector led to the manifestation of three onshore Production Sharing Agreements(PSA) namely the Nebitdag Contractual Territory operated by Burren Energy UK/ ENI, the Khazar Project jointly operated by Turkmenebit State Oil Concern and Mitro International of Austria and the Bagtyarlyk Contractual Territory operated by the Chinese National Petroleum Corporation (CNPC). The five PSAs for offshore operations include the Cheleken Contractual Territory operated by Dragon Oil (UAE), Block 1 operated by Petronas of Malaysia, Block 2 and 12 jointly operated by Maersk Oil of Denmark and Wintershall of Germany, Block 23 operated by RWE of Germany and Block 21 operated by Itera of Russia (Paswan, 2013:22).However, FDI inflows in Turkmenistan are only limited to few industries prompting the government to search for parties interested in other areas like infrastructure, communication, food processing, packaging etc.

d. Kyrgyzstan

Kyrgyzstan is the smallest country and borders China, Kazakhstan, Uzbekistan and Tajikistan. It is also the least populous state in Central Asia with 5.62 million people and possesses scarce resources.The GDP of country is 7.226 billion US \$.¹³ Kyrgyzstan was very swift in adopting and implementing liberal policies during its transition period because of which it was considered to be a bastion of democracy during the early nineties. It also acceded to the WTO in 1998 (WTO News 14 October 1998). Although these policies helped the country to restructure itself and reach macro-economic stabilization, the liberal and the reform oriented structures of Kyrgyzstan considerably declined at the turn of the century paving the way for a corrupt and a dictatorial regime. As such the Tulip Revolution of 2005deposed the then President Akayev from power and brought about a coalition rule of his former ministers (Olcott, 2005: 1). After that once again the country was rocked by the ethnic conflicts that took place in Osh in the southern province of the country in 2010.

¹³World Bank Data (2013), “Kyrgyzstan”, [Online: web] Accessed 3 March 2015, URL: <http://data.worldbank.org/country/kyrgyzstan>

In the economic sphere the Government of Kyrgyzstan provides a very conducive and favorable business environment to the foreign investors to invest in the country. As such, the law that governs foreign investment (Law No. 66 on investment of 27th March, 2003) provides equal rights and opportunities to the foreign investors to perform economic activities in Kyrgyzstan. (Jorupbekova, 2010:67). Foreign investors can invest in all economic projects and no restrictions vis-à-vis ownership rights are imposed on its foreign stakeholders. In other words, investors have the right to own hundred percent of the property in all sectors. They can also freely repatriate capital, dividends and other forms of revenue. The main foreign investors are Kazakhstan (19.2%), Germany (17.3%), United Kingdom (14%), Canada (12.4), Turkey (7.7%), United States (5.6%) and Cyprus (5%). The largest industrial investors are Kumtor Operating Company (Canada), Reemstma Kyrgyz (Germany) and Kyrgyz Petroleum Company (Canada). In the financial sector the major investors are Demir Kyrgyz International Bank (Turkey), Amanbank (Russia), the Kyrgyz Investment and Credit Bank (EU) (Paswan, 2013:21). However, in spite of the existence of all these measures, FDI in Kyrgyzstan is still very low and half of the investment is concentrated to a single project i.e. Kumtor gold mining which is a joint venture by the Kyrgyz government and the Cameco Gold Company of Canada. Also, the majority of the FDI going to gold mining have least contribution to the economic development as it neither provides any employment opportunity at the local level nor it is able to help the local companies to learn from the experience of the foreign firms (DikkayaandKeles 2006:148).

e. Tajikistan

Tajikistan is the smallest country of the former USSR and has a population of about 8 million.¹⁴ It borders Kyrgyzstan, Uzbekistan, Afghanistan and China. The Tajiks are of Iranian origin and are the only Persian speakers of the predominantly Turkic people of Central Asia (Rahul, 1997:17). They were also the first people of Central Asia to convert to Islam. The brutal Civil War of 1992-1997 that swept across the country immediately after its independence claimed the lives of more than 1, 50, 000 people. The political situation of the country has since then stabled providing a rare example of “successful rebuilding of a state after collapse”(Matveeva, 2006:13).

¹⁴World Bank Data (2013), “Tajikistan” [Online: web] Accessed 3 March 2015, URL: <http://data.worldbank.org/country/tajikistan>

After that Tajikistan embarked on the journey of creating favorable conditions to attract investments from other countries. As such proper market structures were established to develop commercial banking and finance system. The National Development Strategy was also adopted by the government that would continue till 2015 (Government of Tajikistan, 2007:4). The Tajik government simplified the process of registration of joint venture companies and other enterprises to create an encouraging ambiance in order to inject more FDI into the country's economy. The amount of FDI received by Tajikistan during the period 2007-2009 shows that majority of the investment during this time was made into the sectors concerning energy (US \$ 419 million), civil construction (US \$ 201.4 million), banking services (US \$ 194.4 million) and communication (US \$ 188.9 million). Tajikistan's fixed capital received an investment boost in 2008 resulting in about a sixty percent increase compared to 2007. The amount reached US \$ 760 million which was a contribution of 14.6 % to the GDP (Paswan, 2013:22). Today, foreign companies dominating the Tajik economy are mostly from Russia, China, Kazakhstan, Cyprus, United States, United Kingdom and Canada. These companies are Gazprom and Tethys Petroleum dealing with the exploration and extraction of oil and natural gas, United Energy Systems of Russia focusing on power generation, Zyin Mining exploring gold and silver deposits, Adjind International which is a textile company and Hyatt building chain of hotels. Successful joint venture companies are Sangtuda 1 hydro power plant, Sangtuda 2 hydro power plant, "Penjikeirt-Zeravshan", "Darvez", "Aprelevka", "Javoni", Marmar" and "Obi Zulol".¹⁵In terms of the intra-regional trade, Tajikistan imports mainly from the PRC which mostly includes machinery and manufactured items. It also has strategic significance as it serves as an important transit route for the International Security Assistance Force (ISAF) to transport commercial cargoes to Afghanistan. (ADB-CAREC CPMM Report, 2013:5). However, the transportation sector is not very well developed making the cost of travelling very high. Investment for the improvement of its infrastructure mainly comes from China and also from other external sources particularly in the form of aids (Perret, 2013: 8)

¹⁵Government of Tajikistan (2010), State Committee on Investments and State Property Management of the Republic of Tajikistan, Dushanbe, Republic of Tajikistan "Tajikistan: Investment opportunities" [Online; web] Accessed 5 March 2015, URL: <http://www.gki.tj/en>

1.3 Post Independent Central Asian Republics: New Challenges

Immediately after independence in 1991, the Central Asian Republics (CARs) started encountering several challenges that prompted them to make concerted efforts to come together. They are part of a common geographical whole sharing common concerns. In spite of the presence of similar cultures and social systems, the CARs after independence remained fragmented because of several problems like the presence of ethnic conflicts, emerging security concerns, blockades in developing administration and infrastructure, differing geo-political conceptions about the region and limited and varying degrees of participation of private sectors in the economies that undermined their political and economic efficacy (Byrd et al., 2006:50). The legacy of unnatural borders imposed in the Soviet era and the subsequent independence brought along with it artificially drawn cumbersome borders that created a number of enclaves and alienated the traditional transport routes connecting the remote parts of the Central Asian region. As a result, the rural population living in these areas and who had traditionally been the poorest were at the receiving end (Paswan, 2013:14). Tensions among the Central Asian countries and people arose in the social and economic orbit exacerbated by other factors like landlockedness, over population, poverty, inequality in the distribution of income, a chronic decline in living standards and economic crisis leading to the escalation of violent clashes involving many states of the region. The densely populated Ferghana Valley is one example where the unstable situation poses the risks of becoming a fertile *terra ferma* for future social and unrest. Thus, Central Asia faces formidable challenges that are embedded in a regional context and requires the participation of all the regional states to treat them.

a. Collapse of the Soviet Centralized Economic structure

Central Asia during the Soviet era enjoyed a highly integrated and well-developed economic structure that connected the countries of the region. The Soviet planners created an industrial sector that was highly integrated and regionally specialized. Infrastructures concerning the railways and airways were highly developed cutting across vast geographic expanses and operated on high subsidies and without the consideration of cost. As a result, the volume of both internal and external trade was huge involving long over-land distances. Central Asia exported its goods to the Baltic ports (Hill and Gaddy, 2003: 9). For example aluminum in Tajikistan was exported for the industries in Belarus and the sheep wool of Kyrgyzstan was exported to the

countries of Eastern Europe. However, all the transport routes were oriented towards Soviet Union, Moscow being the main hub (Kontorovich, 1992:178). The Soviets also built several regionally integrated power grids in Central Asia for supplying energy across vast distances. Energy sector, like transport, also enjoyed high subsidies and were made available at nominal prices. Central Asia also experienced an integrated system for the distribution of hydro energy which was used to supply water for irrigation, power production and water consumption. Industrial activities and implementation of the projects related to the development of infrastructures required huge labor force that were relocated in huge numbers, often without their consent, across regions. The administrative systems were also highly centralized. Countries like Tajikistan got embroiled in a brutal civil war while others moved towards an authoritarian regime.

This centralized system and the Soviet era infrastructure collapsed immediately after the fall of the USSR. The initial euphoria that accompanied independence gradually faded away as the economies of the CARs declined with stagnant political orders. Economy declined considerably deliberating a negative impact on the lives of the people in the region. The integrated system of financial transfers collapsed with the end of ruble zone. The inter-enterprise links and the centrally operated day-to-day operations also suffered severely after the break up (Noren and Watson 1992). The worst consequences that the CARs faced were the removal of the subsidies that they had been enjoying in budgets and investment amounting up to thirty percent (Alexashenko, 1993:293). Following the collapse of ex-USSR, several customs and trade barriers were also introduced by the CARs. Increasing intra-regional conflicts, corruption and security issues prompted the CARs to adopt trade and transit barriers that hindered trade. Also, protection of domestic markets from the competition from external completion also hampered internal trade. Thus, internal transit barriers were seen at road check points especially in Kazakhstan and Uzbekistan. For example, according to an EBRD report, a Kyrgyz truck crossing Kazakhstan has to pay \$1,500 in bribes and informal fees (EBRD,2003:77). The highly integrated transport system of the Soviet era also faced serious consequences. Increase in the cost of transportation and reorientation of transport services reduced the frequency of travel. Air transportation collapsed as discarded airplanes piled up on the formerly busy airports. Deterioration in the transport system also deteriorated the economies as the CARs, being landlocked, depended on external links. Integrated power and water distribution also deteriorated significantly affecting

the quality of services. Worse was the psychological impact that affected the lives of the millions of the Central Asian people. The inability of the government to maintain internal security led to war and civil unrest especially in Tajikistan in the initial years after independence. It led to large scale destruction of lives and property leaving millions of refugees and internally displaced people.

b. Islamist Extremism and Terrorism

Religious extremism or radical Islam is one such challenge that requires effective regional engagement. During the Soviet period, the role of Islam in the Central Asian society was hardly visible as it was kept under strict control. Its emergence as an ideology is a relatively new phenomenon came into picture only in the post USSR period. One reason can be attributed to the harsh anti-Islamic practices and environment adopted by the Soviet rulers. The dissidents whose voices were crushed during the Soviet period found an opportunity to express themselves both culturally and religiously in the aftermath of the Soviet dissolution. Thus, Islam survived and came back in post 1990s as part of cultural identity and heritage of Central Asia. Islamic activism during this time also had a nationalist bent as it was influenced by a desire for “cultural rejuvenation and national sovereignty” (Akbarzadeh, 2004:694). This was mainly facilitated by the independent religious leaders who served as unofficial Muslim clergies during the Soviet period. Immediately after the disintegration they started playing a central role in ensuring the dominance of Islam in the cultural continuity of the Central Asians. All these factors led to the growth of numerous Islamic political groupings which began to champion for the Islamization of the state and the implementation of the Islamic law. One such organization formed during this time was the *Islamic Renaissance Party (IRP)* having significant political presence in the countries of Tajikistan and Uzbekistan. In both the countries the party operated in alliance with the secular opposition groups against the local ruling elites who inherited power from the erstwhile USSR. The government forces of all the Central Asian countries banned it and dismantled the party effectively accusing it of espousing fundamentalist (*Wahabi*) views with other opposition groups. However, the party managed to retain its presence only in Tajikistan emerging as a prominent political party after the five years of brutal civil war. The latter part of the nineties witnessed a surge in the radicalization of Islam in Central Asia. During this time, Islamization in Central Asia was also influenced by the developments taking place in the outside

world. Central Asian militants started establishing contacts with the other global jihadist groups particularly the Taliban to topple the ruling regimes prevalent in the region. Today, Central Asia is home to several terrorist organizations including the *Islamic Movement of Uzbekistan (IMU)* which originated in the Uzbek portion of the Ferghana valley in the nineties. In the late nineties it was seen establishing strong organizational ties with the Al Qaeda of Afghanistan. It has carried out several infiltrations into Kyrgyzstan, Tajikistan and Uzbekistan in the nineties and has been labeled as a terrorist organization by the US State Department (Kimmage, 2007:13). In 1999 it carried out series of bombings in Tashkent following which it came to international attention (Akbarzadeh, 2004:698). Even after that it carried out several other armed operations and took many tourists as hostages which eventually prompted the Kyrgyz and Uzbek governments to adopt extensive military response against them. Prior to 2000 majority of the incursions took place along the Tajik-Kyrgyz border. But, in August 2000 the first incursion of IMU was carried out in Uzbekistan raising alarm in Tashkent. The organization has an objective of overthrowing President Karimov and his government officials from power and subsequently establishes an Islamic state in Uzbekistan. It also visualizes the use of force as a necessary and legitimate means in ensuing jihad against Karimov's regime. However, its vision about the final shape of the Islamic state is not clear with ambiguity looming large. Its bases included the countries of Afghanistan and Tajikistan and had also been quite flexible in penetrating the borders of the other CARs. However, the post 9/11 military operation in Afghanistan had a devastating effect on the IMU destroying the traditional base of the organization and compelling them to seek shelter in Pakistan. In this operation carried out in December 2001, the IMU decided to join the Taliban to defend Mazar-e-Sharif that eventually led to the death of nearly 240 IMU fighters which included the organization's military commander Jumabai Namangini (Bensmann, 21 February 2005). Namangini was instrumental in bringing together several Uzbek Islamists in the organization at the inception of the IMU and also led many incursions into Kyrgyzstan. Thus, his death came as a severe blow for the organization eliminating the core figures of IMU's trained fighting force. Although it came as rejoicing news for the Uzbek government which had been the organization's prime target, recent news suggests that there has been an increase in the number of IMU sympathizers in Central Asia vying for an opportunity to resume their armed struggle once again.

Hizbut-Tahrir (HT) is another organization that emerged in 1953 in East Jerusalem. It aims to overthrow the secular regimes throughout the Muslim world and establish a political order based on the Islamic rule of law. It was a Palestinian organization struggling for national liberation which gradually transformed itself into a transnational body with the sole objective of establishing *Khalafator* Islamic rule in the entire Muslim world.¹⁶ Unlike IMU, HT has a strong presence among the general Central Asian masses and its decentralized structure works to its advantage creating difficulties for the Central Asian authorities to target the organization. For example, the organization operates in a group of four to five people in independent cells with no contact with the other cells. There are cell leaders integrating the entire structure who communicate with higher tier but not with parallel cells. (Akbarzadeh, 2004:699). Although it claims to employ non-violent means to bring about the desired changes, it reportedly has thousands of followers and operates through a well organized clandestine cell structure. It is legally headquartered in London with significant presence in the Middle East, North Africa, South East Asia and Central Asia. In Central Asia, HT came out with their first pamphlets in 1996 and, today, it mostly operates in Uzbekistan and is popular among the Uzbeks residing in Kyrgyzstan and Tajikistan (Rashid, 2002:54). The Uzbek government alone holds around seven thousand prisoners associated with HT explaining the imminent threat posed by the organization (ICG, 2003:28). Since, the Central Asians in general have limited knowledge of Islam and its teaching, HT, because of its vast mass appeal, stands a chance in indoctrinating and transforming them into potential Islamists. A number of incidents in Uzbekistan, including a series of bombings and shootouts in Tashkent in 2004 and a popular uprising in Andijon in 2005 established the role played by extremist ideology and violent Islamist groups (Kimmage, 2007:14). Thus, the region has the potential to serve as an effective breeding ground for the extremists and terrorists.

c. Illicit Drug Trafficking

Central Asia also acts as an important corridor for smuggling illegal narcotics from Afghanistan to Europe via Russia. The immediate spillover effect of this rising challenge is felt mostly by Tajikistan that shares a long, porous border with Afghanistan. The “Northern Route”,

¹⁶Global Security (2011), “Hizbut-Tahrir al-Islami (Islamic Party of Liberation) [Online: web], Accessed on 5 March 2015 URL: <http://www.globalsecurity.org/military/world/para/hizb-ut-tahrir.htm>

through Turkmenistan, Uzbekistan and Tajikistan, acts as the main corridor through which majority of the drug trade is carried out. Kyrgyzstan too faces the brunt because of its geographical location and a weak state structure that facilitates the transport of drugs from Afghanistan to Russia and Europe. Detection of smugglers across the borders has become difficult because of lack of proper governance and coordination in border security. Drug abuse in the Central Asian states is subsequently on rise because of the growing presence of illegal narcotics particularly heroin. As a result, the rate of AIDS has also increased with contaminated needles being the major medium of infection. The route to channel drugs also serves as a passage for the extremists to traffic explosives and weapons across territories. As a result the borders of the CARs provide a perfect breeding ground for terrorism and other illegal activities.

d. Ethnic Conflicts and Boundary Disputes

The legacy of ethnic conflicts and boundary disputes in Central Asia dates back to the Soviet era when the administrative territorial delimitation of Central Asia during the twenties created complexities in the political geography of the region. The delimitation ignored historical traditions and ethnic composition dividing the tribal communities along administrative lines. Till the mid 1930s these borders were redrawn several times before the present day CARs came into existence (Abasov, 1999:71). These borders were drawn up rather arbitrarily following neither any natural geographic boundaries nor strict ethnic lines. For example, Ferghana Valley included several numbers of Tajiks, Kyrgyz, Uzbeks and other indigenous groups. This was done by Stalin to prevent the growth of national consciousness among different ethnic groups by virtue of a common identity and also to avoid forming a homogenous nation for fear that they would fuel separatism.

Independence of the CARs was accompanied with several tensions that segregated these groups along the lines of identity. The growth of ethno-centric nationalism and aspirations among the people generated conflicting territorial claims leading to violent inter-ethnic conflicts. Although, Central Asia has been witnessing these eruptions even before independence, it escalated all the more after the 1990. The conflicts of 1986-1991 claimed the lives of hundreds in every state shaking the very foundation of the society. In 2010, Kyrgyzstan faced violent ethnic conflicts between the ethnic Uzbek and Kyrgyz in the cities of Osh and Jalalabad killing and displacing thousands of people. While reasons like economic obstacles, poor standard of living

and increasing unemployment has been considered as a contributing factor, collective mobilization of people along ethnic lines in the social arena to gain political benefits have also played an important role in the rise of the inter-ethnic conflicts (Asankanov, 1996:119)

Conflicting territorial claims is a major issue in Central Asia creating animosities among different groups in the region. The problem of border disputes also increases because of other serious factors like cross-border terrorism that has created tensions across borders. For example, relations between Uzbekistan and Tajikistan started worsening since 2000 when the IMU militants intruded southern Uzbekistan through the Uzbek-Tajik border. Tajikistan was accused of its inability to control extremism operating in its territory. As a retaliatory measure, Tashkent unilaterally implanted landmines along the conflict areas taking a toll on the lives of the people living in the border areas. Uzbekistan also imposed a visa regime complicating the movement of the people between the two nations (Juraev, 2012: 2)

e. Political Instability

Political conditions in Central Asia following the dissolution of USSR were very volatile. It was assumed that because of such circumstances the post-Soviet states in the region might fall into the hands of non-democratic regimes. The political transition of these countries after independence was not quite smooth giving rise to precarious conditions. Uzbekistan in the later phase of the decade witnessed a slow degradation of the democratic tendencies prevalent in the region. This was because Islam Karimov, the First Secretary of the Uzbekistan Communist Party, who was initially supporting the democratization of the country, adopted the road of establishing an authoritarian rule. Political opponents and religious leaders were persecuted. Independent media, foreign and international NGOs were expelled from the country. Although people are demanding reforms but the harsh policies adopted by the current regime are suppressing the voices of discontentment. Reformist forces intended to bring a pluralist form of government are confronted with suppression from the present rulers. Coming to Tajikistan that has some of the poorest communities of Central Asia was plagued by the brutal civil war from 1992-1997. Following the end of the war, efforts to build peace were made leading to the conclusion of several positive power-sharing agreements. But with an authoritarian leadership, the country again slid into corruption and narco-trafficking. Turkmenistan after independence demonstrated the typical features of iron curtain regime. Immediately after coming to power, the First

Secretary of the Communist Party, Saparmurat Niyazov established a totalitarian regime with the help of the power structures of the country which were meant to maintain the domestic security. As such, the army, police and the special forces crushed all the democratic reforms, imprisoned all public figures and civil society activists and controlled the mass media and the judiciary system.

Political upheavals in several post Soviet states of Georgia, Ukraine and Kyrgyzstan during the years 2003-2005 further revealed the instability of governance of these states. (Horvath, 2011:14) However, post-revolution changes failed to bring about any major impact, that they desired to bring, on the system of flawed governance. The post-Soviet states continue to have clan-ridden, quasi-democratic and dictatorial regimes legalized by stage managed elections. Kyrgyzstan's progress towards democracy in the initial years of its independence was stalled after a while due to its poor economic conditions. Scarcity of economic resources facilitated the top elites of the former Communist regime to strengthen their position and establish governance that became criminalized and corrupt in nature. The resentment among the Kyrgyz towards the prevailing government became evident when President Akaev was finally ousted from power in 2005 by a popular uprising. Existence of a weak economy, political mismanagement and widespread corruption deteriorated the authority of the state. Instability in the long run can be dangerous for the Central Asian states as they have been in their nascent stage of development. (Madi, 2004:260) A potential for renewed conflicts along ethnic or regional lines and the spill-over refugee flows that they will generate into the neighboring countries, can have devastating effects on them.

f. Problems of Water Distribution

Water is another major source of conflict existing in Central Asia since the dissolution of the former Soviet Union. Kyrgyzstan and Tajikistan are upstream countries with abundant flow of water running through them. Other 3 CARs- Uzbekistan, Kazakhstan and Turkmenistan are dependent on these 2 countries. Today, pressures on river waters are mounting on these countries especially in Kyrgyzstan, Tajikistan and Uzbekistan as population has increased manifold in the region coupled with the extensive depletion of arable lands due to agricultural overuse. Also, weaker economies and conflicts along border and regional lines are preventing them to come together in search for a mutually acceptable solution to the region's water needs.

g. Geographical Constraints

The CARs are essentially landlocked in nature and this geographical remoteness of the region acts as a significant barrier in developing vibrant regional trade. These small landlocked economies are ridden with obstacles like difficult geographical contours and lack of direct access to the sea that creates hindrances for proper facilitation of trade. For example, all the capital cities of Kazakhstan (Astana), Kyrgyzstan (Bishkek), Tajikistan (Dushanbe) and Uzbekistan (Tashkent) lie at a distance of more than 4,000 kms from the nearest port. (Paswan, 2013:14) Accessibility to most of the foreign markets is done through the international transport corridors which link the CARs with their neighboring countries. These predicaments exacerbate transportation costs as a number of international borders needs to be crossed to reach major international sea ports. In other words, the merchandise trade of the CARs has to pass through great physical distances before reaching major international trade routes and markets. Transit rents are collected by the neighboring states and lack of harmonized transit and trade policies thereby raises trade costs. Also, the existing routes to transport oil and gas are oriented towards the European part of former USSR and development of alternative regional transport communications become imperative for the newly independent nations who consider it important to develop new communications with the east and south. Thus, investment in and development of transport infrastructure in the region becomes important which has the potential for long term economic consequences for the region. The geographical constraint along with the absence of a common market and proper transportation networks is also the reason for the low level of intra-regional trade in Central Asia.

Russia is still the largest trading partner of the CARs and accounts for the major part of the export and import flows from the region. Europe is also a major source of exports and imports and significant trade also takes place with the PRC, Iran, Turkey and the Middle East. But intra- regional trade is very limited and its share in the exports and imports are also very different (Parkash, 2006:6).

1.4 Regionalism in Central Asia during the Soviet period

Regions are defined as subunits that acquire the status of actors if they manage to secede or are granted some recognized role within a federal polity. They are considered as supra units

composed of several sovereign nation states sharing a common political culture, legal system, constitutional status and often party system. Regional cooperation has emerged as one of the basic tenets of the economic policies in the twentieth century. Rather than ethnicity, culture and race, today regional identity is more based on shared economic goals and aspirations (Mukherjee, 2006:62). This gives rise to regional cooperation that today includes a range of issues from anti-terrorist fronts to economic cooperation and from strategic considerations to military or logistic maneuvers.

The term regionalism has also often been analyzed in terms of social cohesiveness like race, ethnicity, language, religion, culture, history and consciousness of a common heritage; economic cohesiveness that includes trade patterns and economic complementarities; political cohesiveness such as regime type and ideology and organizational cohesiveness like existence of formal institutions (Hurrell, 1995:335). There are several definitions to explain the concept of regionalism. Anthony Payne defines it as “a state led or states led project designed to recognize a particular regional space along defined economic and political line” (Payne and Gamble, 1996:2). On the other hand, Grugel and Hout claim that regionalism “is a states led project which has as its aim that of reorganizing partial geo economic spaces” (Grugel and Hout, 1999:8). Regionalism, today, has emerged as a global phenomenon surpassing national borders. With its development, regional cooperation is gradually operating in the best interests of the countries. Intense regional cooperation among countries leads to greater political understanding and economic affluence. It helps in establishing stable relations among countries through reconciliation, good neighborliness and friendly political relations. It also helps to achieve national integration in concert with others. Thus, it has emerged as a key factor for establishing political stability, security and economic prosperity.

Today economic development has emerged as a key issue for most of the countries addressing which becomes essential if they are to make faster progress towards achieving economic prosperity. In this regard, regional economic cooperation serves as an effective approach as it helps in establishing ties with the economic partners in a region. Particular areas like trade, energy and transport are among those where regional cooperation is mostly needed. Regional cooperation, thus, becomes essential as it increases economic growth by integrating regional markets and providing investment in the region that will generate the much needed jobs

for the people. Regional cooperation often helps the small countries in particular to overcome the limitations that arise from small domestic markets. Cooperating with neighboring countries integrates markets that enable them to benefit from stronger competition and greater domestic and foreign investment. Regional cooperation expands markets for goods and services that result in achieving higher economic growth and improved welfare. Thus, an integrated market for the free flow of trade and investment is pertinent to secure a region wide economic growth. Countries that are unable to attract large amount of foreign investments either because of small economies or because of the lack of confidence among the investors vis-à-vis their investment opportunities can also gain significantly by participating in regional markets. Regional integration can help these countries to attract direct foreign investment that would enhance production efficiency based on functional specialization and economies of scale (Paswan, 2013:14). Henceforth, it has been seen that most of the ongoing regional integration agreements are related to trade and economic issues. There are different ways of achieving regional economic integration varying from forming free trade areas to establishing common markets to strengthening customs, economic or monetary unions. However, the process to achieve this is a gradual and evolving one starting from giving trade preferences to achieving comprehensive economic integration. Peter Smith points out that several indicators need to be looked at while analyzing the achievements of regional economic integration. These include the range of issues included or scope, the level of harmonization of policies or depth, the extent of formal institutional building or institutions and centralization which means the degree to which effective authority is centralized(Smith, 1992:7). Extensive regional cooperation also helps in the infrastructural development which is necessary for developing the economies of a particular region. Today, the emergence of globalization has made the production and trading of goods and services more global and regional. This makes cooperation in boosting infrastructural connectivity all the more vital as a well laid infrastructure will increase cross-border flows of goods, services and people. Thus, existence of a proper infrastructure is an initial and indispensable requirement for increasing economic growth.

Regional cooperation also becomes a necessity in dealing with numerous global and regional challenges. There are certain issues that are neglected at the global level but are dealt with utmost sincerity at the regional level. This is primarily because such issues are harder to ignore at the regional level as many regional actors get immediately affected. Providing and

protection of regional public goods are such arenas where regional cooperation mechanisms have been successful. Securing regional public goods like protection of environment, water management and migration can be effectively realized only within a cooperative framework where countries become aware of their gains that may come by adopting a regionally cooperative approach. Regional cooperation also becomes important in the wake of external challenges and for coordinating regional positions in any negotiating forums. Thus, the multidimensional nature of the process of regional cooperation makes it an evolving phenomenon where the constituent states interact in different arenas that include not just economic cooperation but also several other issues including foreign policy, security issues, environmental damages, social sectors etc. However, regional cooperation can only become a reality in the presence of a strong support among the countries of the region for the development of economic ties.

The idea of regionalism in Central Asia emerged only after the advent of the Russians in the late nineteenth century. Prior to that, the sense of regional identity or regional consciousness was absent among the Central Asian people. Though there was a certain level of cultural commonality, the region was mainly fragmented into three kingdoms and some part was in the Semirechye oblast (Province) of Russia. (Patnaik, 2013:3) A kind of regional coherence was provided to Central Asia after the coming of Russians. A sort of regional picture emerged when they created the region called Turkistan and united it under its direct and semi-direct rule. The Russians united the region and subsequently linked the different parts of the region to one metropolitan center. The 1917 Bolshevik Revolution and the subsequent establishment of the Soviet rule led to a strong integration of the Central Asian region. The region gradually became important for the economic prosperity of the Soviet Union. This was because the region was characterized by vast areas of fertile soil, long pasture lands, rich water and hydropower resources, hydrocarbons and various useful minerals.

The Soviets first reorganized the region into five different republics and then created territorial-production complexes in the region thereby making these Republics strongly linked to each other. They integrated the region on a strong economic basis focusing on the economic relations of each areas on the basis of which territorial production complexes were built. The first instance of regionalization of Central Asia was seen in 1920 when GOELRO Plan for electrification of the regions under the Soviet domination was adopted. The Plan was aimed at

developing the regions under Soviet Union which also included Central Asia. It comprised of several measures like long term forecasting, creation of economic zones, development of regions and specialization of their economy (Patnaik, 2013:4). All developments during this period were oriented towards creating a higher level of regional unity based on economic linkages. As such the integrated transport distribution systems of gas pipelines, water distribution, energy and transport contributed to the progress of each of the Republics. The Soviets established cotton, ore-processing and non-ferrous metal industries, chemical industries, light manufacturing and food industries thereby making the region important in the former Soviet Union's national economic structure. The Soviets regarded Central Asia as a single unified region and the Soviet planning system coordinated the management of the inter-republican distribution of resources. Water, energy and food were considered as a common pool for the whole of Central Asia and the Soviet system of distribution through its regional approach benefited all the Republics. For example, dams and reservoirs were created in the upstream republics to supply water for agriculture to the downstream countries for whom irrigation was a priority and oil and gas industries were developed in the downstream countries to supply energy to the upstream countries in winter. Today, when concerns seem to loom large over the lack of economic development of the region, former Soviet Union provided unique example of blending regional interdependencies with progress. The region achieved huge successes in industrial development during that period. In the late 1920s and early 1930s, the GDP of the region increased fivefold than what it had been in 1913 (Roudik, 2007: 167). Several other positive measures were also adopted during this period including education, technological training, encouragements of arts and organizational entertainments. As a result, the people of Central Asia who had no education prior to the advent of the Soviets attained high levels of literacy and skills during this period. The Soviets, thus, followed the policy of "integrate and rule" rather than "divide and rule" that benefited each and every republics of Central Asia and eventually helped in achieving interdependence of the region. (Wegerich, 2008:82)

However, apart from the positive nature of the Soviet rule, this very system also created a nature of dependency on the part of the Central Asian countries. The economies of these republics were primarily utilized only for the production of raw materials thereby making them highly dependent on inter-republican trade for accumulating revenue and processed goods. The Soviet system did not permit them to use their rich reserves of natural resources for their own

direct benefit. Moscow controlled the mechanisms of resource allocation thereby creating a dependency syndrome for the Central Asian countries (Akiner, 1995:258). The economic policies adopted by the Soviet Union towards these countries created a centralized economic structure that did not allow the local managers to take any independent decisions. All economic decisions were made by Moscow which had to be followed very strictly. The Soviet industrial policies led to the creation of major industrial complexes to be controlled by the center while leaving very few minor activities either under dual or solely under the republican control (Mohan, 2008:197). They also transformed the social structure of the Central Asian society by policies of preferences and nepotism that bred corruption. Abusing the office, splurging funds for non-productive purposes and inefficiency became very common that gradually began to eat up the “vitals of the socio economic fabric” (Warikoo, 2000: 73). Thus, the lacuna that existed in the nature of the Soviet rule led to the emergence of several problems because of which the system entirely collapsed following the fall of the Soviet Union. In fact the Central Asian republics that emerged as separate entities after the disintegration of the Soviet Union started encountering problems immediately because of their past Soviet legacies.

1.5 Importance of Regional Cooperation in Central Asia

Here comes the significance of regional cooperation as the countries try to find out ways to address these challenges within a cooperative framework. The complex set of inter-related problems which the Central Asian countries face requires regional cooperation as the newly independent countries cannot and are not in a position to address their plight in a unilateral action. Cooperation especially in the economic field is necessary to lift up their economies in order to bring about economic and social benefits. Central Asia is endowed with vast oil and natural resources waiting to be explored. Central Asia's major sources of export, i.e. the energy resources create huge scope for regional cooperation. Trade and investments will receive a major boost if the countries of the region enter into mutual agreements through regional institutions. Since, the intra-regional trade is limited only in few products; cooperation among nations create the opportunity to set up joint ventures so that instead of exporting and importing the same product, one country may decide to set up joint ventures in the partner country to buy back the same in the home country. Also their commodity-oriented growth makes the economy vulnerable as the oil prices are highly unstable in the global commodity market. CARs also lack

a region wide FTA and a single trade and economic agreement involving all the republics. Economic cooperation in return would, thus, increase the standard of living of the Central Asians trying to come out from the clutches of poverty. All these require pooling of resources that can only be done at the regional level.

Today, regional economic cooperation has become a common practice for countries in the world trying to increase their economic growth and development. The variants in economic cooperation are numerous. It can either be in the form of a simple bilateral agreement between two countries on trade and tariffs or a complete integration with single currencies, labor markets and economic policies. The Central Asians are physically isolated from the global markets and possess relatively small domestic markets to carry out trade. Also, their national borders create constraints for the development of cross-border trade, movement of capital, labor and knowledge. Economic activities among the countries slow down because of these barriers resulting in the loss of economic and social benefits (Linn and Pidufala, 2008:4). Hence, regional cooperation is particularly important for these countries having shared borders as it would create larger markets for producers and consumers and reduce barriers to trade, labor and capital bringing about economic growth in the participating countries. Landlockedness makes cooperation more essential as the CARs are surrounded with neighbors with whom they must cooperate if they are to bring economic growth in their respective countries. Unleashing the dynamism of development, thus, requires cooperation among the neighbors to facilitate increase flow of goods, services and investment. It follows that the Central Asian countries because of their landlocked geographical location require greater cooperation at the regional level to improve investment, trade and economic development. Today, regional traffic in Central Asia is overwhelmingly carried by rail and in the absence of convenient routes to go from one part of the country to another, rail lines linking two regions of a country have to cross borders that are now international. Thus, connectivity with the world market can only be promoted if the CARs come together fostering close ties with one another. The importance of regional cooperation becomes all the more imperative for the countries of this region whose relations with one another often get strained in the wake of border and inter-ethnic tensions. The disputed issues are often sought to be settled even by pressurizing the neighbors economically through sanctions like closing of borders, putting visa restrictions to prevent trans-boundary migration, cutting of energy supplies etc. All these obstacles can be overcome through regional cooperation where organizations

catering to the interests of this region can help to provide a framework for building mutual trust to start dialogue for negotiations. They can also help establish proper rules for engagement and for sharing costs and benefits (Linn and Pidufala,2008:4). The Central Asian region will benefit more from the presence of regional organizations that will help them to attract financial resources to support investment in regional infrastructure. In turn, trade and investment will be promoted enabling them to closely integrate themselves with the international economic order and achieve sustainable economic development.Addressing the obstacles pertaining to the development of trade and transportation in Central Asia could generate a ten percent increase in trade values. (Byrd et al, 2006: 12).

The presence of so many regional organizations in Central Asia is due to the intensification of global interest and international activity within the region. International players are concerned about the instability in the region heightened by the Soviet created state boundaries, mixed ethnic composition and the threats from religious extremism and cross-border terrorism. Securing the energy supply in and around the region is vital for the international players who have significant stakes in the energy resources of the region. Thus, inevitably, different regional organizations are seen to be present in Central Asia patronized by powerful external countries. The CARs welcome the presence of so many regional organizations as they seek to evade the domination of the former hegemon of the region, Russia in the region.

CHAPTER II

REGIONAL ECONOMIC COOPERATION IN

CENTRAL ASIA

2. REGIONAL ECONOMIC COOPERATION IN CENTRAL ASIA

The disintegration of the Soviet Union and the subsequent independence of its 15 successor states in 1991 brought an end to the Cold War period while also changing the geopolitical map of the world. The five Soviet Central Asian Republics of Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan also got their sudden independence. Sovereignty was practically thrust upon them at a time when they did not even possess the requisite state machineries to ensure their survival. The unified space which these countries enjoyed during the Soviet period also came to a sudden end. They were left on their own to tackle with the problems that subsequently unfolded in the region. The major challenge that emerged following the independent existence of the Central Asian Republics came from the economic collapse of the post-Soviet space. The Central Asian economies were devastated following the disintegration of the Soviet Union which also had serious social and political repercussions. They were economically distraught by the disintegration of the Soviet economic complex. For example, hyperinflation was common in Central Asia during the 1990s with Kazakhstan recording 2,169% in 1993. The Consumer Price Index (CPI) in the aftermath of the Soviet collapse provided a very dismal picture of the declining living standards. During the period between 1993 and 1995, CPI in the region rose astronomically with Turkmenistan experiencing a 3,102 % increase in 1993 followed by Kazakhstan with 1,892 % in 1994 thereby bringing down a large number of people into poverty (Akbarzadeh, 2004:693). Also, the newly independent countries started facing other challenges including nation building, unemployment, political instability, ethnic tensions, development of skilled human resources and other issues related to security concerns. The slow pace of recovery after the economic slowdown heightened concerns among the ruling elites. Thus, restructuring the economies of the different republics became imperative for the regional leaders as they tried to raise the living standards of the people and contain the political unrest that was gradually gaining prominence. Also, Russia's decision to push the newly formed countries out of the Ruble zone in 1993 and Moscow's centralized political and economic structure caused havoc for them. (Syroezhkin, 1995:54) Majority of the personnel working in the region's administrative structure were Slavic and Central Asia in 1990s witnessed a significant decline in their numbers. Thus, in their absence the Central Asian states started witnessing a labor vacuum and often had to rely on the goodwill of the Russian embassies abroad to promote

their interests. In order to bridge this lacuna, they started sending their potential diplomats to foreign institutes for specialist training (Bregel, 1978:198).

Apart from these issues, the unique geographical location of the CARs created constraints for the newly independent states to generate economic opportunities in their respective territories. The CARs even after nearly two decades of independence are still struggling to systematize themselves to promote economic growth in the region. These countries share common characteristics like difficult terrain, lack of direct access to the sea, underdeveloped transport infrastructure and a large commodity oriented structure of exports(Byrd et al, 2006:3). As a result, economic prosperity becomes difficult to be achieved because of high transportation costs, reduced competition and lower investment. Landlockedness increases the trade costs as a number of borders have to be crossed to transport goods to major international sea ports. In this process, the neighboring countries collect transit rents and lack of harmonized trade and transit policies increases trade costs. All these factors generated opportunities for regional cooperation as the CARs started to find out ways to address these challenges within a cooperative framework. Also, the growing realization that only an effective and a more meaningful regional cooperation could prevent the reassertion of Russian hegemony in the region prompted the Central Asian states to go ahead with the process. Thus, efforts were made to strengthen regional cooperation in Central Asia that led to the establishment of numerous regional organizations in the region.

The first instance of regional cooperation in Central Asia came into the picture when the leaders of the newly independent republics gathered in Ashkabad and decided to seek membership of the Commonwealth of Independent States (CIS). It was the first organization that came up in Central Asia during the post-Soviet period. In the same meeting NursultanNazarbayev, the President of Kazakhstan placed a proposal for the creation of what he called an Eurasian Union, based loosely on the European Community. Regional cooperation became the order of the day for these countries as they strived to overcome their differences and employed the channels of cooperation for ensuring that the conflicts pertaining to the region get resolved in a peaceful manner. As a result, further statements of cooperation in the economic field, in the resolution of the Tajik conflict and in protecting the Aral Sea were made at a summit in Tashkent in January 1993. An Economic Union Treaty was also adopted in the same year to foster a free trade area, a customs union with reduced internal tariffs, a common external tariff

and a system of payments and settlements. The treaty was strengthened by a series of implementing agreements on free trade (April 1994), payments (October 1994), Customs (January 1995), legal harmonization (January 1996), Customs Classification Lists (February 1996) and railway tariffs (October 1996)(Sakwa and Webber 1999:379). In early 1994, Kazakhstan, Kyrgyzstan and Uzbekistan signed an agreement to create a common economic space that would allow free movement of goods, services, labor and capital, development of coordination in customs, taxation and monetary policy. Later on, during that period, agreements were also signed regarding the creation of a Central Asian Bank for Cooperation and Development and sharing common information policies.

2.1.Commonwealth of Independent States (CIS)

The early 1990s witnessed a rise in the number of regional and sub-regional groupings involving the Central Asian states. As mentioned earlier, one of the first initiatives of the post-Soviet period was the establishment of the CIS in December, 1991 (Bohr, 2004:489). It was aimed at creating a loose international alliance from the single state Soviet model that hitherto existed. The creation of the organization was endorsed in the Ashkabad declaration signed by the five CARs and the subsequent Almaty Declaration formally established the CIS by extending the membership to eleven former Soviet Union countries except Georgia and the Baltic states. Today, it includes the countries of Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Azerbaijan became a member of the CIS towards the end of 1993. Prior to that it participated in the CIS negotiations as an Observer state and Georgia was extended the membership immediately after the civil war (Libman, 2011:6). The organization basically came into effect on the initiative of Russia and served as an effective mechanism for the former Soviet Republics to settle their differences with Moscow that cropped up after the breakup. The declarations in the initial period focused on substantial cooperation and integration of countries within the CIS framework. However, during this time it was not entirely clear whether CIS was designed as a permanent institution or a temporary solution to reduce the burdens of the collapse of USSR. This became evident from the Ashkabad and Almaty declarations which emphasized on the sovereignty of the former Soviet Republics and restricted mutual interventions in the domestic policies rather than

cooperation. Also, the Belovezh Agreement¹⁷ where the goals set up for the CIS were much more in resonance with finding temporary solutions like coordination of economic reforms, introduction of national currencies in accordance with the interest of the partners, coordination of foreign policy and other economic matters like the common economic space, coordination in the customs policy, transportation and communication policy, organized crimes and other issues dealing with economic security. Gradually CIS evolved into a formal organization establishing several bodies during 1992-1993 apart from the Council of the Heads of State and Council of the Heads of Government that was formed in the initial period (Libman, 2011:13). It also expanded and systematically organized its membership. For example, distinction between the membership and the participation of countries in the CIS was laid down by a ruling of the CIS Economic Court in 1994. (Danilenko, 1999:895) By the mid-nineties CIS was successful in expanding its ambit to include most of the former Soviet Union Republics excepting the Baltic ones. It was also involved in many peace keeping operations in Abkhazia, Tajikistan, Transdnestria and South Ossetia (Peace Operations 2011)¹⁸. Although its statements are of declaratory nature, but its summits and ministerial meetings serves as important venues for political networking. This became evident during the time when Russia through a peacekeeping mandate used the organization to legitimize its peacekeeping operations in Tajikistan, Abkhazia and Georgia.

Today, it unites the twelve successor states apart from the Baltics and undertakes decisions on its own. The organization achieved significant success preferably in the field of security and economy. The Collective Security Treaty (CST) that was originally signed by six countries in 1992 provided the basis for the formation of the Anti-Terrorism Rapid Action Force that was later established in Kant, Kyrgyzstan and operates within the CIS Collective Security Treaty Pact including Russia, Kyrgyzstan and Tajikistan (Akbarzadeh,2004:700). The main purpose of the CST was to create a new tool of security coordination among the member states as the earlier objective of the CIS to create the United Armed Forces under a joint command was not realized. The individual states continued to develop their national armies independently from each other generating the necessity to establish CST. But after several reforms CST was

¹⁷Belovezh agreement is referred to the Minsk Agreement. It is its informal reference as it is based on the location of Viskuly in the Belovezh forest region, However, the agreement was officially considered to be signed in Minsk, and not in Viskuly.

¹⁸Peace Operations (2011), "Russia- Peace Operations", [Online: web] Accessed 8 March 2015, URL: http://www.geneva-academy.ch/RULAC/peace_operations.php?id_state=184

separated from CIS and, today, it exists as an independent organization. In the economic sphere, the Economic Union treaty was signed among the members of the CIS. This treaty brought a significant shift in CIS's approach towards the concept of regionalism to be practiced in Central Asia. This treaty was modeled in accordance with the experiments of the European Union providing a new approach and new framework to the concept of regional integration in Central Asia. It basically followed the patterns of regional integration observed by the multiple regional organizations around the world. Also under this treaty, the CIS members signed other additional treaties in the spheres of Payment Union, Free Trade Area, Inter-governmental bank and Currency Committee. However, none of these agreements were implemented. For example, the limited free trade area was very volatile that became evident during the 1998 crisis when many CIS countries increased the protectionist barriers to block the channels of transmission of the crisis from Russia(Obydenkova, 2010:43). In December 1994, Belarus, Russia and Kazakhstan announced the intention to form a Customs Union where they also invited other CIS member states to join. On 15th July 1994, the CIS Customs Union formally came into effect after the three countries signed an agreement to comply with the provisions of the CIS Customs Union. Later on, Kyrgyzstan and Tajikistan joined the group in December 1995 and in February 1999 respectively (Gleason, 2001:1086). Like many other agreements of the CIS, Customs Union was also not properly implemented and in 1999 it ceased to exist as it failed to achieve the objective of the tariff harmonization. One reason for the failure of this Union can be attributed to Kyrgyzstan's WTO accession that brought significant obligations for the country to fulfill (Libman, 2011:10). In 2000, the Business Center of Economic Cooperation of the CIS was established to consult and provide information services to private business entities to facilitate the CIS in its endeavor to integrate Central Asia economically. This particular agency of the CIS, apart from consulting the governments, focuses primarily on the services offered to the private business groups.

Although the Minsk Agreement established the institutional design of the CIS, the organization assumed its present shape through the CIS articles that have been gradually incorporated with time. It has three highest bodies namely the Council of Heads of State (CHS), the Council of Heads of Governments (CHG), and the Council of the Ministers of Foreign Affairs (CMFA) (LaruelleandPeyrouse, 2012: 9). While the key decisions are undertaken by the CHS, CHG, also based on similar principles as CHS, concentrates on a gamut of affairs ranging

from economic issues, social policies and regulating the CIS agencies. These two are the only institutions of the CIS which can pass binding decisions on the member states. The CMFA is the main executive body of the CIS that acts on behalf of the CHS and CHG when they are not in session. It basically monitors whether the decisions of the CHS and CHG are being implemented along with performing a host of other issues like facilitating information exchange between countries, consults the agenda of the CHS and CHG meetings and coordinates the decisions of the CIS countries when dealing with third parties and other international organizations.

CIS also has other organs responsible for its smooth functioning like the Council of Permanent Representative (CPR), Council of the Ministers of Defence (CMD), Council of Border Guard Commanders (CBGC) etc. Another two important institutions of the Commonwealth are the CIS Inter-Parliamentary Assembly (IPA) and the CIS Economic Court. The IPA operates on the basis of consensus and includes the Parliament of the member states. IPA prepares model acts which can subsequently be implemented by the member states on a voluntary basis. However, at the same time, it is also a weak institution as it has no legal power and the member states are not bound to follow the suggestions on a mandatory basis. It has merely become a tool for the dissemination of best practices of the CIS. The Economic Court mainly looks into the economic disputes bothering the nation states and are also not legally binding making its impact limited on ground (Danilenko, 1999:899).

Yet, CIS has failed to prevent the economic disintegration of the region. In spite of its existence, the common ruble zone collapsed in 1993 thereby failing to preserve the economic unity of the Soviet era. Also, from the late nineties a variety of alternative reforms to redesign the structures and functions of the organization were suggested by the CIS member states which were only partially implemented making the organization moderate in nature. This was mainly because of the lack of consensus in the decision making process and the existing contradictions among Russia, Belarus and Kazakhstan that created obstacles in the implementation of significant reforms. The CIS also failed in addressing the tensions that arose among the post-Soviet countries during the twenty-first century. For example, Putin's accession to power worsened the relations between Russia and Belarus. Russia's relations with Georgia and Ukraine in their post-revolution period also became problematic with Georgia threatening to leave the group in the near future. Finally, the five days war between Russia and Georgia in 2008 clearly

portrayed the incapability of the organization to prevent confrontation among its participants (Libman, 2011:9). Today, CIS stands as a loose alliance of the post-Soviet countries conducting more or less regular meetings of their leadership and united by few infrastructural projects and humanitarian cooperation. Since then several efforts have been made to form workable regional groups to foster closer economic ties and address other major issues pertaining to the region. CARs also established diplomatic ties and diplomatic relations with most countries.

2.2 Economic Cooperation Organization (ECO)

Looking into another organization called ECO, the successor organization of the Regional Cooperation for Development, was established in 1985 and later on expanded in 1992 to include the countries of Azerbaijan, Afghanistan and the five Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan. (Schweickert et al.,2012: 15). Later on, 28th November which was the date of the organization's expansion to its present strength has been designated as the ECO Day. It is an inter-governmental regional organization that was originally established as a trilateral one by Iran, Turkey and Pakistan to promote sustainable economic development, technical and cultural cooperation among member states. The expansion of the membership from three to ten members broadened the role of ECO. Today, the members of ECO are Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. The aims and objectives of the organization are similar to those of its predecessor Regional Cooperation for Development (RCD) that existed from 1964 to 1979. The fundamental Charter of the organization is the Treaty of Izmir that was signed in 1977 to be adopted as the legal framework of RCD. Afterwards, at the Ministerial Meeting held in June 1990, the treaty was modified to give a legal justification for the organization's transition from RCD. Following this event, ECO was formally launched in 1999.¹⁹

Economic Cooperation Organization invests in the field of human resources, economic research, transport and communication, agriculture, trade and investment, minerals and environment, industry, tourism. Some of its objectives are:

¹⁹Economic Cooperation Organization (2011), "Economic Cooperation Organization: Sustainable socio-economic development for people of the region" [Online: Web] Accessed on 21 March 2015 URL: <http://www.ecosecretariat.org/in2.htm>

- Promoting intra-regional trade by removing trade barriers particularly in the ECO region;
- Developing infrastructures vis-à-vis transport and communication for linking the member countries with the outside world;
- Liberalizing and privatizing the economies;
- Mobilizing and utilizing the resources of the ECO region;
- Promoting regional cooperation for bringing peace and stability in the region;
- Promoting sustainable economic development among the member countries;
- Cooperating with other organizations at both regional and international level.

The highest decision making body of the organization is the **Council of Ministers (COM)** consisting of the Foreign Ministers of the member countries. It meets once in a year, the agenda of which includes the formulation of plans and projects in the concerned areas of investment of the organization. Some of the functions of the COM are²⁰:

- Appointment of the Secretary General and his Deputies;
- Approving strategies, policies and other programs of ECO;
- Approving the annual budget and auditing the reports of the organization;
- Preparing the draft of the agenda and other blue prints for the Summit Meetings;
- Briefing matters on the implementation of the ECO programs and projects to the summit.

Regional Planning Council (RPC) which consists of the Heads of the Planning Commission also meets once in a year. Its main task is to formulate policies to complying with the objectives mentioned in the Treaty of Izmir. Some of its functions are²¹:

- Reviewing the priorities of the organization mentioned in the Economic Cooperation Strategy;
- Reviewing the progress of the programs and projects approved by ECO;
- Reviewing and evaluating the work of the Secretariat and providing advice to the COM;
- Preparing the organization's Annual Calendar of Events;
- Proposing the COM for the establishment of the ad-hoc technical committees;
- Preparing Annual Economic Report of the ECO region.

²⁰ Ibid.

²¹ Ibid.

The **Council of Permanent Representatives (CPR)** is represented by the Ambassadors from the member countries. The council meets when necessary and is endorsed with the following functions²²:

- It is responsible for implementing the decisions of the COM;
- Reporting the Council of Ministers on issues and matters related to policy formulations;
- It prepares the budget and audit reports of the organization and send them to the COM;
- Advising Regional Planning Council on the economic functions of the Secretariat;
- Reviewing the reports of the Secretariat.

The Secretariat consists of six Directorates under the supervision of the Secretary General and his Deputies. There are two Specialized Agencies and six Regional Institutes operating under the supervision of Secretariat. Article IX of the Treaty of Izmir states that the Secretariat will initiate, coordinate and monitor the activities of ECO in accordance with the directives of the organization. Some of the duties undertaken by the Secretariat are²³:

- It takes into its custody all documents and archives of ECO;
- It assists all the organs of ECO in carrying out their work;
- It maintains contact with other regional institutions.
- It acts as a medium of communication among the members;
- It helps in the preparation of reports and documents of the organization;
- It is the only agency to provide information to ECO about regional and global affairs.
- It establishes and operates a documentation system at par with international standards;
- It has to carry out duties and functions that may be assigned to it by the COM and CPR;
- It prepares the Annual Report on performance of the organization.

The regional institutions and specialized agencies working under the umbrella of the Secretariat are ECO Chamber of Commerce and Industry, ECO College of Insurance, ECO Reinsurance Company, ECO Trade and Development bank, ECO Science Foundation and ECO

²² Ibid.

²³ Ibid.

Educational Institute, ECO Consultancy and Engineering Company and ECO Cultural Institute.²⁴

The organization's emphasis on promoting transport connectivity can be exhibited from the initiatives that it has undertaken to achieve the same. On 17 July 2003, ECO Trade Agreement (ECOTA) was signed in Islamabad to boost regional trade both within and outside the ECO region. The agreement is aimed at removing the trade barriers and establishing a Free Trade Area in the region by 2015. Pakistan is the coordinating country for ECOTA. Although Pakistan, Afghanistan, Turkey, Iran, Tajikistan and Turkey have ratified the agreement, Turkmenistan, Uzbekistan and Azerbaijan are yet to do that and formally join the league. The agreement calls for the creation of a "positive list" that would include all the items to be traded within the ECO region. The member countries will be obliged to neither block nor increase duty on it. Under the agreement, member states are also required to adopt measures for the removal of non-tariff barriers on exports and imports of goods among. A "sensitive list" is also mentioned in the agreement that would include those locally produced items on which the member states feel the need to impose tariffs for the protection of local industries and "negative list" in the agreement would include those items which will not be subjected to trading at all (Khan, 19 April 2013). In the year 2009, ECO initiated the Islamabad-Tehran-Istanbul container train with the aim of promoting regional connectivity among the member states. This was the outcome of a trilateral Ministerial Meeting that was held on 1 March 2009 in Tehran. The participating members were Iran, Turkey and Pakistan. The meeting discussed several other issues like the functioning of the ECO freight train running between Islamabad, Tehran and Istanbul and upgradation of the rail route around Van Lake and Quetta-Taftan zone. The Quetta-Taftan segment is considered very crucial and its upgradation is likely to ease passenger traffic on the route bypassing Islamabad, Istanbul via Tehran. Several other transportation projects which are in place under the aegis of ECO are the establishment of the railway segment Kerman-Zahidan that made the commencement of a railway connection between Islamabad and Istanbul possible, electrification of the railway on the Tehran-Tabriz segment, enhancement of the line capacity on the Quetta-Sibi section etc (Tehran Times 16 August 2009). Again in 2010, ECO with the help of its member countries and in collaboration with the International Road Transport Union (IRU) and the

²⁴Ministry of Foreign Affairs, Kingdom of Thailand (2010), "Economic Cooperation Organization (ECO)" Accessed on 21 March 2015. URL: <http://sameaf.mfa.go.th/en/organization/detail.php?ID=4492>

national Members Associations in the ECO region organized “The Silk Road Truck Caravan 2010” to enhance the connectivity of the road transport encompassing Afghanistan, Azerbaijan, Iran, Pakistan, Tajikistan, Turkey and Turkmenistan. The objective was to boost the inter-regional economic and trade cooperation with the outside world as development of the road transport is a primary condition for the landlocked economies in order to benefit positively from globalization. ECO with the help of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) has been involved in modernizing the border crossing facilities that lie within the ECO member countries. TOBB has invested more than 200 million USD for the modernization of more than six border crossing gates in Turkey²⁵.

However, the organization is also ridden with several disadvantages that limit the success of ECO. The promotion of trade among the ECO members has been very slow and its success has also been limited in other areas of cooperation. The volume of intra-ECO trade is also very low accounting for less than five percent of member states’ total trade (Tang, 2000: 369). Also, most of the ECO projects fail either during implementation or during the ratification process. Several factors are to be blamed for the organization’s weak record in ratifying or implementing its own regulations and action plans. Firstly, the different levels of economic development of the member states make them difficult to agree on a mutual economic interest. Secondly, implementation of plans becomes difficult because of the weak organizational structure. ECO has also not come up with established mechanisms to monitor and keep a record of the status of implementation. Moreover, relationships within ECO have always been characterized by geopolitical rivalry between some of its member states particularly Turkey and Iran. There is ambiguity over the success of ECOTA as two members of the treaty namely Turkey and Iran are unable to come to a consensus on the listing of items which are to be considered for duty reduction. While Turkey, for its customs cooperation agreement with EU, is reluctant to give concessions on manufactured products, Iran is a protectionist country in that regard. Thus, the organization merely remained of a declaratory nature failing significantly in the realms of economy, trade and security.

²⁵Transportweekly News (2010), “ECO-IRU Silk Road Truck Caravan 2010: mission accomplished!”, *Transportweekly*, 25 September 2010. [Online: Web] Accessed on 27 July 2014. URL: <http://www.transportweekly.com/pages/en/news/articles/76593/>

2.3 Central Asian Cooperation Organization (CACO) and its merger with Eurasian Economic Community (EurasEC)

In 1994, Uzbekistan, Kazakhstan and Kyrgyzstan established the Central Asian Union (CAU) with Tajikistan joining later. The main purpose was to form a “common economic area” for the free circulation of goods, labor and capital and establishing common policies on prices, credit, taxes and hard currency. In 1998, the CAU was renamed as the Central Asian Economic Union (CAEU) and in 2001 it was rechristened once again as the Central Asian Cooperation Organization (CACO). However, the organization was unable to achieve much with significant failures in developing an effective structure to coordinate policies in regional trade and security. Furthermore, the existence of protectionism and lack of coordinated customs, taxation and anti-dumping policies acted as constraints in the growth of intra-regional trade of the region. The market formed by the organization was too small and intra-regional trade in Central Asia decreased while the region’s total trade with the extra-regional states increased. Trade data revealed that while the total export from the five Central Asian Republics amounted to 13.78 billion US \$ in 1996, 1.5 times increase from 1994, intra-regional trade during the same period witnessed a huge decline of 2 billion US \$ from 2.1 billion US \$ (Rumer, 1996: 67). The organization was also not been able to create a system of payments or no mechanism for the resolution of the existing disputes between the countries. The failure of these organizations prompted the regional leaders to step up cooperation by joining or forming other regional structures that mostly included external actors. Finally in November 2005 in St. Petersburg, the leaders of CACO decided to include CACO in the EurasEC(Rakhimov, 2010:99).The main reason for this decision was to increase effectiveness. Both the organizations have similar purposes to achieve same objectives. Thus, merging CACO with EurasEC seemed a viable option.

The Eurasian Economic Community (EurasEC), a treaty based organization, came into existence in 2000. It initially included the countries of Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. Uzbekistan later on joined the group in 2006 after the Andijan conflict and the consequent deterioration of its relations with the EU and United States (Shepherd, 24 November 2008).The EurasEC aimed to erase the failures of the CIS, to form a true common market, common labor, free inter-community trade, trade policy harmonization, face the challenges of

globalization and to resume the cooperation processes within the CIS. Regional cooperation has been the main focus of the organization with trade and infrastructure as the principle functional areas. It also differed from the previous other organizations in many ways. Unlike the CIS which had its genesis directly in the collapse of the USSR, EurasEC was established as a proper regional organization created by independent states. From the very beginning EurasEC clearly focused on the economic sphere. Unlike CIS which also had a strong political-military objective to fulfill, the key element of interaction in the EurasEC is promoting economic growth (Libman and Vinokurov, 2012: 198). Military cooperation among the EurasEC countries is done through the Organization of the CST (Libman, 2011:10). It had greater enforcement powers and the member states were forced to abide by its rules failing which they could be excluded from the group. The arrangements included a weighted voting and finance scheme where Russia would exercise 40% of the voting rights and will be responsible for meeting 40% of the organization's operating expenses (Gleason, 2001:1079). Thus, EurasEC was capable of solving one key problem hindering the integration of the former Soviet Republics i.e. the extreme economic disparity faced by the member countries with the hegemonic leadership of Russia. EurasEC was also formed at a time when the economies of the post-Soviet nations were experiencing economic growth at the turn of the twentieth century. The countries of the region began to interact at the micro level facilitating increased business and migration. EurasEC began to gain more impetus as an international institution. In 2008 it established the Eurasian Business Council to facilitate and coordinate interactions between business groups and companies of different countries on a global scale. It was also formed to provide expert opinion on the international agreements signed within the EurasEC and the EurasEC Customs Union.²⁶ However, it seemed to provide only horizontal exchange of information between countries rather than a vertical one between the business groups and the EurasEC countries. In 2005, EurasEC joined the Organization of Central Asian Cooperation that was created way back in the early nineties as a regional institution by the post Soviet states. (Tanrisever, 2013:200) In 2006, the Eurasian Development Bank (EDB) was founded by Russia and Kazakhstan in Almaty under the aegis of EurasEC with the aim to support EurasEC's regional cooperation objectives with infrastructural investments funded by

²⁶ UNIDO (2010), UNIO Project to enhance the industrial integration of EurAsEC countries, "Eurasian Business Council non-profit partnership for promotion of trade and economic cooperation", [Online:web] Accessed 7 March 2015. URL: www.unido.ru/eurasecproject/?q=en/node/74

EDB. Later on it was joined by other countries namely Belarus, Armenia and Tajikistan.²⁷ EDB is one of the most successful regional initiatives in the post-Soviet space aimed at intensified regional economic integration. It has emerged as a functioning and rapidly growing organization. Its main focus is to finance the specific projects implemented on the territory of the members of the EurasEC. In 2004, the Eurasian Group on Combating Money Laundering and Terrorism Financing was established by the EurasEC members and China to improve the coordination of efforts of the member countries of the region.²⁸ EurasEC later on, also established a joint geopolitical stance by preparing a Concept of International Affairs which is meant to showcase the mutual interests of the Presidents of the member states (Matveeva, 2007: 15).

Coming to the organizational structure of EurasEC, the *Inter-Governmental Council* is the highest decision making body of the organization which includes the ex-officio heads of the state and the heads of the governments of the member countries. The Council meets once and twice in a year at the “heads of the state” and “heads of the government” level respectively (Libman, 2011:10). It looks at the pace of the development of the organization and its decisions are binding on all the member states. The working institution of the EurasEC is the Integration Committee which includes ex-officio the deputy Prime Minister of the EurasEC countries. It gathers at least four times a year and works on a wide range of issues like preparing the agenda for the Inter-Governmental Council of the EurasEC, framing new proposals for developing and enhancing the role of EurasEC and implementing the decisions of the Inter-Governmental Council (Eurasian Economic Community, 2011:6). The members of the *Permanent Representative Committee* are appointed by the member countries of the EurasEC to ensure the smooth functioning of the EurasEC during the time when the Integration Committee and the Inter-Governmental Council are not in session.²⁹ The *Secretariat* is the executive institution of the EurasEC located in Almaty and Moscow. It is headed by the Secretary General. The EurasEC Customs Union has a separate Secretariat focusing exclusively on the custom regulations and trade policies in the region.

²⁷Eurasian Development Bank (2012), Our History [Online: web] Accessed on 7 March 2015 URL:

<http://eabr.org/e/about/history/>

²⁸Government of the Republic of Serbia website(2011), Ministry of Finance, “Eurasian Group on Money Laundering and Combating Terrorism Financing” [Online: Web] Accessed on 7 March 2015 URL:

[http://www.apml.gov.rs/eng195/saradnja/Eurasian-Group-\(EAG\).html](http://www.apml.gov.rs/eng195/saradnja/Eurasian-Group-(EAG).html)

²⁹Government of Armenia website (2011), Ministry of Foreign Affairs of the Republic of Armenia, “International organizations: Eurasian Economic Community” [Online: Web] Accessed on 7 March 2015 URL: <http://www.mfa.am/en/international-organisations/EurAsEC/>

The other two important institutions of the organization are the *Court of the Community* and the *Inter-Parliamentary Assembly* of the EurasEC. The Court of the Community is located at Minsk and resolves the economic disputes that arise between the member states. Its decisions are based on the existing EurasEC institutions and treaties which enable it to provide uniform interpretation of the EurasEC law. The decisions are taken considering a two-third majority rule which is consequently binding on all the member countries. The Inter-Parliamentary Assembly offers recommendations in the areas of regional integration and facilitates the cooperation between the Parliaments of the member states. (Libman, 2011: 16).

However overtime, EurasEC has not been able to develop into a strong organization promoting regional cooperation. The organization has achieved very little in boosting regional trade and infrastructure. Although it operates at the summit level and in principle has the right to enforce agreement, however, no enforcement mechanisms have been applied so far. Uzbekistan's closed borders with its neighbors remain one of the main obstacles to regional trade. EurasEC had very little success in generating regional infrastructure or in addressing key regional issues like water sharing dispute. Also it does not have its own significant budgetary resources to support its investment (Linn and Pidufala, 2008:8). The Customs Union of the organization established in 2007 by Russia, Belarus and Kazakhstan also pose substantial challenge to EurasEC trying to establish itself as a successful regional organization. Its formation created deep unresolved conflicts between Russia and Belarus over the tariffs for oil and oil refinery products. Although the Customs Union has officially started in 2010, only Russia and Kazakhstan have proceeded at the moment.³⁰

2.4 Shanghai Cooperation Organization (SCO)

The Shanghai Cooperation Organization (SCO) that has its genesis in the Shanghai 5 is probably a more successful regional organization that was formally established on 15th June, 2001 by China, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan and Uzbekistan. Its working languages are Chinese and Russian (Mukherjee, 2006:70). The Shanghai 5 or Shanghai Forum that was initially formed in 1996 acted as a Confidence Building Measure (CBM) by Russia, China,

³⁰Ministry of Foreign Affairs, Republic of Kazakhstan (2015), "The Customs Union and the Common Economic Space of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation", [Online: Web] Accessed on 10 May 2015. URL: <http://www.mfa.kz/index.php/en/foreign-policy/integration-processes/customs-union>

Tajikistan, Kyrgyzstan and Kazakhstan. Gradually it expanded its ambit to include several other objectives including combating separatist and terrorist activities. Its geographical size was also widened incorporating Uzbekistan in June 2001 following which it was renamed as SCO (Akbarzadeh,2004:698). The main aim of the organization, also enunciated in the “Shanghai Convention to Combat Terrorism, Separatism and Extremism” signed at the inception, is to combat militant Islamists, safeguard peace and security and maintain stability in Central Asia (Rakhimov, 2010:99).Shanghai Convention lays a solid legal foundation for the security cooperation of SCO by clearly outlining the principles, modalities and directions of its intensive fight against the three evil forces. The member states are strictly required to follow the SCO Charter as well as the treaty for maintaining long term neighborly relations, friendship and cooperation among the member states. They participate in military cooperation, intelligence sharing and counter terrorism drills in order to combat the “three evil forces” of separatism, extremism and terrorism. Solid foundations have been laid by them for the promotion of trade, economic growth, culture and developments in other fields. Thus, it can be argued that SCO was among those first international organizations which advocated a strict fight against these three evil forces. As such, immediately after its formation, successive meetings reiterated the need to establish an anti-terrorist network and finally in June 2002 the organization approved the opening of the anti-terrorist office in Bishkek (Wilson, 2004:50). It is headquartered in Tashkent and enables the member states to counter the challenges emanating from terrorism. Several other anti-terrorism exercises have been conducted among the member states to respond to this threat effectively. The role of China in this organization cannot be overlooked as the chunk of administrative expenses as well as the majority of the contribution to the SCO Development Fund comes from Beijing (Matveeva, 2007:16). It also hosts the headquarters. In fact, the first anti-terrorist military exercise held by SCO in August 2003 was an important event in this regard where China played an important role in organizing the exercise. Following the event, the international observers perceived China as flexing its muscles in the region. Beijing believes that SCO being a multinational regional body has the potential to provide indigenous solutions to indigenous problems. Till date, SCO has conducted more than ten joint military exercises aimed at combating major threats like terrorism, trans-national crime and drug smuggling in Central Asia. While the first one, as mentioned above, was held in 2003 with the first phase taking place in Kazakhstan and the second one in China, in 2005, again, joint military exercise on a larger scale was held between China and Russia called the Peace Mission 2005 that was started in

August 19th, 2005. Then, in April 2006 a meeting was held among the Defense Ministers of SCO where it was agreed to hold the third round of joint military exercises. Following this in 2007 “Peace Mission 2007” took place in Chelyabinsk which is in Russia and close to the Ural mountain ranges and the other CARs in which more than four thousand Chinese soldiers participated. Other joint military exercises were the Peace Mission 2010 also known as “HepingShiming” and the “Tianshan-2-2011” military exercise. While the former aimed at improving the level of joint anti-terrorist combat readiness of the Law Enforcement Security Departments, the latter that was held in Kashgar in Xinjiang Uygur Autonomous Region of China May 6th, 2011 focused on improving the participation of special services and law enforcement agencies of the SCO member states (Hass andPutten, 2007: 43).

The organization had also been a platform for China to contain United States’ presence in the region in the wake of US operations against the Taliban. While United States’ presence to remove Taliban from Central Asia’s backyard was welcomed, its continued presence in the region was considered as unnecessary and displaying hegemonism. During this period Beijing was seen energizing the organization by attracting new members to offset the growing influence of the United States in the region. Finally, in 2005 United States’ was given a timeline by SCO to remove her military bases from Central Asia (Hass andPutten, 2007:39) Apart from security, the organization aims to cooperate in other areas like economy, cultural contacts and humanitarian concerns. Over the years, it has also emerged as a tool for promoting a Russia-China alliance in the region. The organization has conducted several peace mission exercises like the “VostokAnti Terror’, a joint exercise under the SCO aegis, which was hosted by Uzbekistan in 2006. It involved the Special Forces and other agencies to counter a group of terrorists who attempted to attack the state facilities (Matveeva, 2007:16). In October 2007, an agreement was signed between SCO and CSTO in Dushanbe to widen its cooperation in the sphere of security, crime and drug trafficking. In areas particularly drug trafficking, Central Asia stands in a very volatile platform as this threat poses significant security risks with every instability hitting in its adjacent areas particularly Afghanistan. SCO realizes this and has extended its joint response to tackle the menace. Joint anti-drug trafficking exercises and military cooperation have been carried out annually since 2003 to include the relevant agencies of the member states. The members also approved the implementation of the strategy for countering narcotics on the eve of the tenth anniversary of the SCO on 14-15 June, 2011. The threats emanating from Afghanistan are

factored by the member states of SCO that has led to the intensification of their focus on that country. The success of SCO can only be effectively sustained provided there is peace in Afghanistan. The geographical and historical proximity of the country with the SCO member states makes it imperative for the organization to take note of the situation prevailing in Afghanistan. These concerns were clearly demonstrated on the eve of the tenth anniversary observed in the SCO summit in Astana, Kazakhstan on 14th-15th June, 2011. Again on 30th March, 2012 in the Fifth Vice-Ministerial Consultations on Regional Security, Afghanistan time and again came up in the discussion and was assigned a prominent place in the regional security cooperation framework of SCO. In the meeting the member states paid special attention to the situation in Afghanistan and pledged to continue with their efforts to assist the Afghans in their quest for peace (Boland, 2011: 12).

Although the organization started with addressing the regional security concerns like cross-border drug trafficking, terrorism and crime, overtime, it has also made a foray into the regional economic sphere. The SCO member states signed a Framework Agreement on 23rd September, 2003 to boost economic cooperation (Mukherjee, 2006:63). The organization has helped to consolidate trade relations within the group and establish several new road, rail links and energy projects. In the Moscow Summit of SCO held in October, 2005, the member states stated the intention to prioritize joint energy projects in the oil and gas sectors, joint use of water resources and explore new hydrocarbon reserves (Mukherjee, 2006:64). Through SCO, both Russia and China have been investing in such infrastructural projects of Kazakhstan, Kyrgyzstan and Tajikistan where the western investors and donor agencies have shied away from. A Business Council has been established by the organization for this purpose and China's Export and Import Bank manages China's 900 million \$ soft loans via SCOChina has invested more than 55 billion US \$ into infrastructural building, economic projects and educational programs in Central Asia (Chung, 2004: 994) Thus, SCO has emerged as a recognized and an influential multilateral institution that aims at confronting contemporary challenges, threats and promoting peace and economic growth in the region. By tackling other issues like drug trafficking and cross-border organized crimes, it has further enhanced its capacity to become a guarantor of regional peace and security.

However, SCO has not been able to achieve significant progress in the areas of regional economic cooperation. There are several factors to explain this. Firstly, the leading two member countries, China and Russia, perceive the key regional economic development challenges in different ways. Secondly, the organization has not been able to resolve conflicts among its members like border closures or regional water management conflicts. Thirdly, most of the Chinese investment in the region takes place at bilateral levels. In spite of the formation of the Interbank Consortium in 2009, effective financial coordination mechanism has not developed to support the infrastructure investment in the region. Finally, the Secretariat of SCO, based in Beijing, has a limited mandate and technical capacity to develop, implement and monitor effective economic cooperation strategies for Central Asia (Linn, 2012: 107).

Another major challenge that exists is the dominance of China within the organization. Since majority of the projects of SCO are being funded by China, the participation of other countries like Russia and Kazakhstan gets reduced. These countries also have a good potential for investment and could, thus, play a more active role in SCO. It is, thus, necessary for SCO to include new members and establish close relations with other regional and international organizations in order to boost multilateral cooperation (Rakhimov, 2010:104). SCO basically acts as a vehicle to extend Chinese influence beyond its western borders in Central Asia. SCO is important for China to address the security threats emanating from its restive province Xinjiang where separatist movement has become stronger (Chung, 2004:1000). It seeks to address the three threats of “terrorism, extremism and separatism” through SCO. China plans to open up its domestic economy through SCO by promoting trade and investment between Central Asia and western China.

2.5 Extra-Regional Players and Other Forums

Immediately after independence Central Asia once again emerged as a zone of geo-strategic importance because of its proximity to several great players on the Eurasian landmass. Once again it gained significance because of its huge reserves of oil, gas and technological infrastructure left behind by the USSR. Today, external players like United States, Russia, China, EU, Japan, Saudi Arabia, Turkey, Iran, Israel, Pakistan and India are all trying to access the flow of oil and gas reserves to further their respective interests. Control over these energy resources and export routes out of the Eurasian hinterland is quickly becoming one of the central issues in

the politics of the twenty-first century. Today, apart from establishing a political and economic presence, these countries have also become major sources of trade and investment particularly in Kazakhstan's oil and gas sector. China has been successful in carving out a prominent niche in this region. Apart from the economic benefits that it gets, China considers the zone critical to the stability of its Xinjiang Autonomous Region, a restive province of China where the indigenous Turkic-Muslim Uyghurs culturally affiliated to the Central Asian states continue to demand secession from the Chinese control. China has also established strong economic connections with the CARs by investing in areas related to tourism, educational exchanges, military training programs and transportation infrastructure. Apart from the established Baku-Ceyhan oil pipeline, it is also building several others to connect Kazakhstan's oil fields to China displaying the increased flow of people and goods from east to west (Matveeva, 2007: 14)The role of China is growing at a fast pace especially in the sectors of trade and investment exemplifying the importance that it assigns to the region. Apart from being the corridor to Xinjiang, Central Asia is an important source of energy supply for China to keep its flourishing economy running. United States' interest in the region revitalized only after the 9/11 terrorist attack. Prior to that, its commitment mainly involved the preservation of the independence and the economic viability of the region by strengthening bilateral and multilateral cooperation with the states. America's interest also revolved around the Russian dominance and China's foray in the region. Security factor in America's policy Central Asia emerged following the attack on the World Trade Center. Toppling the Taliban regime in Afghanistan became America's priority. They provided military bases to America in its fight against the Taliban. As such bases were provided by Kyrgyzstan and Uzbekistan at Manas and Kanshi-Khanabad respectively. Religious and cultural realms are particularly explored by countries like Iran, Turkey and other Muslim states of the Arab world. They help the CARs to build mosques, make the materials of instruction on Islam available and provide educational opportunities to students both in the realms of secular and religious education.

Central Asian region also has the presence of several other groups promoting cooperation. These are:

a. Collective Security Treaty Organization (CSTO)

The Collective Security Treaty Organization (CSTO) is a treaty based organization including Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Armenia.³¹ It was originally established as part of the CIS Security Treaty or Tashkent Treaty in 1992. Initially it included the six countries of Russia, Kazakhstan, Armenia, Tajikistan, Kyrgyzstan and Uzbekistan. Georgia and Azerbaijan joined reluctantly in 1994 only to withdraw again in 1999 along with Uzbekistan. In 2002, the treaty was transformed into an organization through a Charter signed by the five founding members. In 1999 Uzbekistan opted out and again in June, 2006 it joined the organization³². It was formed with the objective of providing collective security and territorial protection to the member states; provide military help in the wake of an aggression towards one of its members and to fight against other threats like terrorism.³³

The organizational structure consists of the *Permanent Council of Collective Security* which is assigned with the responsibility of taking decisions and coordination among member countries. It comprises of the heads of the state represented by a General Secretary. They carry out their functions through three bodies which implement decisions according to their areas of expertise. *CSTO United Staffs* is the permanent body of the CSTO and of the Council of Ministers of Defence (Lauruelle and Peyrouse, 2012:10). Other organs include the Council of Ministers of Foreign Affairs, the Council of Ministers of Defence, Techno Military Cooperation and the Committee of Secretaries of Security Councils.³⁴

The CSTO under its aegis includes several structures and committees dealing with anti-terrorism, drug trafficking and addressing conventional security threats. It is through CSTO that the Central Asian member states purchase military equipments from Russia at its domestic rate. This provision has helped in the development of a common armament markets where the Central Asian states buy military equipments and ammunitions from Russia in large

³¹Global Security (2015), "Organization for Democracy and Economic Development-GUAM" [Online; web] Accessed on 10 July 2015 URL: <http://www.globalsecurity.org/military/world/int/guam.htm>

³²Radio Free Europe Radio Liberty (2012), Uzbekistan suspends Membership in CSTO [Online; Web] Accessed on 19 May 2015 URL: <http://www.rferl.org/content/uzbekistan-csto-suspends-membership/24629244.html>.

³³ Collective Security Treaty Organization (CSTO) website (2014), "Basic Facts" [Online; web] Accessed on 25 June 2015 URL: http://www.odkb.gov.ru/start/index_aengl.htm

³⁴ Collective Security Treaty Organization (CSTO) website (2014), "Charter of the Collective Security Treaty Organization", 7 October 2002 [Online; web] Accessed on 25 June 2015. URL: http://www.odkbcto.org/documents/detail.php?ELEMENT_ID=1896

numbers. Alternative partnerships with other countries have not stalled Central Asia's growing military relationship with Russia which continues to be the dominant supplier of military weapons to the republics. Russia's military participation especially with Kazakhstan and Kyrgyzstan have again been revived as several Russo-Kazakh and Russo-Kyrgyz joint venture industrial complexes are seen operating in various military sectors producing and manufacturing defense systems and cartridge cases for infantry weapons (Peyrouse, 2011: 22). The organization was promoted to a regional one by Moscow who tried to establish a cooperative structure in dealing with the issue of Caspian Security rates. A CSTO Joint Military exercise on the Caspian shore near the Kazakh port city of Aktau was held in August, 2006 engaging 2,500 troops from Russia, Kazakhstan, Kyrgyzstan and Tajikistan. This was done to provide the ground for the formation of a CASFOR Joint Operational Group (Matveeva, 2007:16). Joint military exercises are carried out annually by the member states in order to combat terrorist attacks, simulate anti-narcotics operations and strengthen interaction between border guards and military units. Other areas addressed in the military exercises are arms trafficking, illegal immigration and cyber threats. A 16,000 strong CSTO Rapid Reaction Force (RRF) constituting mainly Russians along with Kazakh, Kyrgyz and Tajiks was created in 2009 within the CSTO framework to secure the borders from incursions by the terrorist groups (Mowchan, 2009:1). Since then, the organization through Russia and Kazakhstan has further strengthened its collective air defence, collective rapid reaction forces and cyber security.

However, this multilateral treaty organization remained an empty vessel as it failed in the operational level. A major obstacle to CSTO lies in its obligation to share information with other members. Lack of trust within the group holds back the states to share information related to intelligence (Matveeva, 2007:16). Its credibility as a successful security organization was also questioned during the Osh riots in June 2010 that rocked the southern province of Kyrgyzstan. The inter-ethnic riots paralyzed the political and security institutions of Kyrgyzstan forcing the then interim president Roza Otunbayeva to seek help from an external power especially Russia. But Moscow refused to intervene citing legal paralysis in the CSTO mandate which only calls for military action in case of an attack from a third party or any foreign forces. In case of domestic conflicts or internal stability provision of military involvement is not guaranteed in the mandate (Elder, 15 June 2010). Thus, the crisis in Kyrgyzstan highlighted the serious dearth of proper regional mechanisms in cases of domestic crises.

b. The Organization for Democracy and Economic Development-GUAM

GUAM was the outcome of the 1996 talks that was held in Vienna to amend the Conventional Forces in Europe (CFE) Treaty. It was formally established in 1997 with the initiative of Ukraine and including the four countries of Georgia, Ukraine, Azerbaijan and Moldova. With Uzbekistan joining it in 1999 the organization was renamed as GUUAM. It is believed that the grouping came into existence in order to counter the dominance of Russia which wanted to station its weapons in or near the territories of these five states (Kuzio, 17 July 2002).

Based on establishing economic, political and strategic alliance, GUUAM mainly focuses on economic and energy cooperation, military cooperation, territorial integrity and strengthening independence and sovereignty among the member states. Central Asia in spite of being energy rich has to face the trouble of distribution as most of the routes are oriented towards Russia. Moscow's centrality in the transmission of energy resources poses economic as well as strategic problems for the four states who are threatened by their former hegemon to either suspend the supplies or redirect the export routes. All these countries are politically highly instable facing extremist or secessionist movements against the government. The threats become more intensive as political chaos in one country is likely to generate a domino effect in the other. As such the GUUAM countries have consciously sought financial and political support of the western nations to help them develop new energy transport routes and reduce the dependency on Russia in foreign and domestic policies. The military dimension of GUUAM seeks to develop a workable alternative to the Russian dominated security organization, the CIS (Valasiek, 2000: 2)

GUUAM in the initial years focused on enhancing economic cooperation in the region by developing a Europe-Caucasus-Asia transport corridor. Gradually, it became a forum for discussing issues at multifarious levels ranging from security problems, elimination of threats and conflict resolution. Mechanisms to foster cooperation intensified after the inclusion of Uzbekistan in 2000. Regular summits by the Heads of the State were held once in a year, Ministers for Foreign Affairs held meetings twice in a year and regular sessions on a quarterly basis were held by the Committee of National Coordinators (CNC). Cooperation in the field of production, energy, economy, finance, fiscal services, education, culture, commerce, transport,

international credit, science and technology and other areas were established. Direct contacts were made between different state bodies and departments of the respective agencies of the GUUAM group member states.³⁵ GUUAM although consisting of only five countries have divergent interests. While Azerbaijan and Georgia supports the creation of military units mainly to protect the oil pipelines from Azerbaijan, Uzbekistan seeks military help to fight against its domestic insurgency movements. Thus, difference in the security interests of the member states limits the military efforts of GUUAM (Valasiek, 2000:2).

However, again in 2002 Uzbekistan suspended its membership following the September, 2001 terrorist attack in United States. The terrorist attack prompted the United States to establish a security base in Afghanistan's backyard and Uzbekistan's importance as a military station naturally grew after that. As a result, Uzbekistan and United States forged a bilateral security relationship with each other. United States assisted Tashkent with US \$ 8 billion assistance. Uzbekistan's interest in GUUAM's security aspect declined and it questioned the organization's credibility to be a viable mechanism for fostering security cooperation (Kuzio, 17 July 2002).

In 2006, the organization changed its name to the Organization for Democracy and Economic Development-GUAM. In the following summit held in Kiev, the heads of the states of the GUAM members signed an organizational agreement containing the founding documents for new international and regional principles established by GUAM. In 2007, an agreement was signed in Baku by the member countries on the multimodal cargo shipment by two or more kinds of transport. The third GUAM-Japan meeting within the framework of the third Summit of the Organization for Democracy and Economic Development – GUAM was held in Georgia in 2008. The meeting focused on energy, transit and transportation, environmental protection, trade and investment, and tourism as well as peaceful resolution of conflicts on the basis of the UN Security Council resolutions.³⁶In the economic field GUUAM has failed to create a viable Free Trade Zone (Valasiek, 2000:3). In spite having a security component GUUAM has never been able to establish and implement any functional

³⁵Global Security (2015), "Organization for Democracy and Economic Development-GUAM" [Online; web] Accessed on 10 July 2015 URL: <http://www.globalsecurity.org/military/world/int/guam.htm>

³⁶ Ibid.

mechanisms to address the issues of security in the region. Several initiatives discussed by the members never became a reality in GUUAM (Kuzio, 17 July 2002).

c. NATO Partnership for Peace (PfP) Programme

In 1992, the five CARs joined NATO's Council of North Atlantic Cooperation in 1992 that was rechristened as the Euro-Atlantic Partnership Council (EAPC) in 1997.³⁷ A definite structure called the Partnership for Peace (PfP) was created by the Council in 1994 for the promotion of dialogue between the former Soviet republics and NATO. While Kyrgyzstan and Turkmenistan joined it in 1994, Kazakhstan and Uzbekistan are members since 1995 and Tajikistan became a part in 2002 (Pekkanen et al., 2014:92). Flexibility of the programme enables the member countries to build relationships with NATO on bilateral terms. The members choose their own priority areas for cooperation that comply with their own ambitions and abilities. It focuses on a wide array of arenas including policies and planning in defense, civil-military relations, joint military exercises and cooperation, defense reform, mitigation of disasters, education and training, civil emergency planning and cooperation in scientific and environmental issues.

Today, among the five CARs, only Kazakhstan has been successful in deepening its cooperation with NATO. It has developed its Individual Partnership Action Plans (IPAP) to bolster cooperation with NATO nations through different mechanisms. The program has also helped Kazakhstan to attain western standards vis-à-vis its armed forces. Kazakhstan's army, Kazbrig, has participated in several peacekeeping operations including Iraq from 2003 to 2008 under the UN mandate (Boonstra, 2007:4).

d. United Nations Development Program (UNDP)

The United Nations Development Program (UNDP) is a strong advocate of regional cooperation in Central Asia. This approach arises from the belief that since most of the problems pertaining to the Central Asian region are common in nature, they have to be solved jointly. The Regional Human Development Report published by UNDP argues for a strong regional cooperation on the basis of economic and social rationality. It states that the countries can

³⁷ North Atlantic Treaty Organization (NATO) website (2014), "The Partnership for Peace programme" [Online: web] Accessed on 27 June 2015 URL: http://www.nato.int/cps/en/natolive/topics_50349.htm

achieve considerable economic and social gains from regional cooperation as a good number of international financial powers are behind it. It also identifies a number of areas where regional cooperation would bring significant benefits for the Central Asian states. The countries can cooperate on the joint use of regional energy and water resources and strengthen themselves to tackle natural disasters and prevent any conflicts. The UNDP has estimated that effective cooperation among the regional states could possibly double their regional GDP over ten years (Linn, 2012: 103). Its Technical Assistance to the CIS' Indicative Program (TACISIP) considers regional cooperation to be one of the most useful mechanisms in dealing with the problems related to terrorism, drugs, energy, water and environmental hazards. As such, the program aims to build a comprehensive regional group based on the compatibility of reforms legal processes in each country(Matveeva, 2007:9).

e. European Union (EU)

The role of EU in the region has also expanded reaching both politically and economically to the Central Asian states. It is promoting the Transport Corridor Europe-Caucasus-Asia (TRACECA) which is a transit corridor and pipelines for oil export routes from the Caspian Sea to Georgia, the Black Sea, Turkey and Ukraine. The east-west corridor aims to link the EU to the South Caucasus and Central Asia via the Black Sea and Caspian Sea (Tsereteli, 2013:19). TRACECA, through technological aid and infrastructural rehabilitation projects, envisions boosting trade and transit from east to west. During the period from 1993 to 2002 TRACECA was endowed with a budget of US\$ 150 million. Since, its inception it has financed around 62 projects in the realm of technical assistance and investment. So far, it has provided financial assistance for the modernization of several ports of Ilyichevsk, Poti, Batumi, Turkmenbashi, Baku, Aktau and in railways including the Beineu-Aktau railway. It has also organized the boat-railway link between Varna-Batumi and Baku-Aktau region (Lauruelle and Peyrouse 2012: 28). The EU provides support to TRACECA as it aims to rebuild sea, road and railway links in the region. The EU plays a major role through its technical assistance in CIS and TRACECA programs.

However, TRACECA's failures have also been highlighted as it has not been successful in generating trade flows between Central Asia and South Caucasus. The relevance of TRACECA's projects are contested as according to the EDB, company tariffs via Russian

railway are 1.7 times and 1.2 times lesser than those of TRACECA in the case of cereal, cotton and oil and non-ferrous metal respectively. The volume of trade through the TRACECA corridors also suggests the inability of the routes to operate at its maximum capacity. For example, goods via TRACECA routes are mainly oil products and cotton from Kazakhstan, Turkmenistan and Uzbekistan respectively without anything from China. The current trade data also gives a very dismal picture. While transport route like the Batumi-Poti-Ilyichevsk ferry line transports only one million tons per year, the Baku-Turkmenbashi line only two million tons and the Kungrad-Aktau line is still very marginal (Vinokurov et al., 2009: 82).

Another programme that is operational between the EU and the Central Asian countries is the Interstate Oil and Gas Transportation to Europe (INOGATE) that includes the countries of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Located in Kiev, it is coordinated through the Technical Secretariat and deals with energy cooperation with the objectives of creating energy markets based on the principles of EU internal energy market and converging interests. Enhancement of energy security is the main aim which is addressed by diversifying the supply of energy, looking into the issues of energy demand and its transit, attracting investment in region-based energy projects and supporting sustainable energy development (Lauruelle and Peyrouse, 2012:15).

Apart from TRACECA, EU's involvement in the region is through two other programmes run by the regional United Nations Development Programme (UNDP) offices: *Border Management in Central Asia (BOMCA)* and *Central Asia Drug Action Programme (CADAP)*. BOMCA aims to improve the capacity of border services, customs and immigration services and control centers and mobile units to enable the CARs to fight effectively against cross-border terrorism, drug trafficking, human trafficking and illegal supply of weapons. Central Asian states are provided with modern equipment for border posts, new infrastructure and accessibility to training programmes for specialized officers (Gavrilis, 2009:2). CADAP is located in Bishkek and focuses more on drug trafficking which it seeks to address by securitizing borders and sharing information and intelligence. CADAP has supplied services and resources like detection equipments, training designed for anti-drug agencies, dog brigades and legal assistance to the airports and border posts in Central Asia. In the 2001-

2010 budget for Central Asia, CADAP was endowed with more than US\$20 million (Lauruelle and Peyrouse, 2012:16).

f. Organization of Security and Cooperation in Europe (OSCE)

The states of Central Asia became members of OSCE by default when the membership was offered to them by virtue of being former constituent parts of USSR. The organization unites fifty seven states including US, Canada, and states of EU, CIS and South East Europe. It is mostly financed by the EU where its institutions are located and the decisions are taken by building consensus among its members. The initial approach of the organization as a medium to carry out security dialogue between the East and West expanded to embrace a more “human dimension” following the fall of Communism. As a result, since the early 1990s the organization started setting its foot in the Central Asian region providing the newly independent republics with diverse OSCE assistance in the field of electoral monitoring, economic development, protection of minority rights, border management, environment and small arms control. It also participates actively in matters related to conflict resolution and human rights monitoring. The states of Central Asia also host OSCE field missions which operate with the consent of the national governments. In 2010, Kazakhstan became the first Central Asian state to chair the organization (BBC News 21 January 2011).

However, later on the organization was criticized by the Central Asian states for its interference with the politics of the region. The dissatisfaction got reflected in a statement made by Nazarbayev, the President of Kazakhstan. He announced that “Kazakhstan is no longer a state that can be ordered about and told what to do. We know what we have to do. We should not run after foreign recommendations with our pants down.” (Matveeva, 2007: 12). In Uzbekistan, the OSCE Center was downgraded to an OSCE Project Coordinator’s Office in July 2006. In Turkmenistan, the OSCE center faced allegations from the government authorities that its Human Division Officer, Benjamin Moreau, was engaged in illegal activities. The operations of the OSCE office in Kyrgyzstan are also being limited to purely economic and social

projects.³⁸The OSCE is mostly a vehicle of stronger and western countries while the Central Asians are only passive recipients of its assistance.

g. The Conference on Interaction and Confidence-Building Measures in Asia (CICA)

In the 47th session of the UN General Assembly in 1992, President Nazarbayev of Kazakhstan stated his vision to create a regional body in Asia in lines with the OSCE. Hence CICA was initiated and a framework was convened for the first time within the CICA framework in 1999 by the Ministers of Foreign Affairs. It consists of twenty members including the five CARs excluding Turkmenistan and Afghanistan. The first formal meeting was held in 2002, where the CICA charter also known as the Almaty Act, was adopted.

The organization is based on the principle of sovereignty, economic, social and cultural cooperation and non-interference in domestic affairs. The main objectives of the organization include cooperation in the areas of peace, security and stability in Asia by developing a conducive environment through multilateral approaches and Confidence Building Measures (CBM). CICA calls for addressing the challenges like eradication of terrorist activities; combating illicit drug production and trafficking; cooperation on environment-related issues, promotion of trade and economic cooperation, prevention and elimination of proliferation of the Weapons of Mass Destruction (WMD), development of measures to address the issues on human rights etc. It works through the CICA Heads of State and Government which is its decision making body at the apex, Foreign Affairs Ministers, Senior Officials and the Secretariat which is located in Almaty.³⁹

h. Organization of Islamic Cooperation (OIC)

The five Central Asian countries and Afghanistan are also members of the OIC seeking to build up economic and commercial cooperation for establishing a Common Islamic Market. The main organs of the OIC include the Islamic Summit consisting of the heads of the state and government, the Council of Ministers of Foreign Affairs and the General Secretariat. The

³⁸Kosyrev, Dmitry (2005) 'OSCE in Kyrgyzstan: assistance or the limitation of sovereignty?' RIA Novosti [Online: Web] Accessed on 10 May 2015. URL: <http://www.globalsecurity.org/military/library/news/2005/04/mil-050412-rianovosti03.htm>

³⁹The Conference on Interaction and Confidence-Building Measures in Asia (CICA) (2010), "Evolution of CICA Process" [online: web] Accessed on 18 June 2015 URL: http://www.s-cica.org/page.php?page_id=141&lang=1&parent_id=133

countries of Central Asia and Afghanistan are also de-facto members of the Statistical, Economic, Social Research and Training Centre for Islamic Countries (SESRIC); the Research Centre for Islamic History, Art and Culture (IRCICA); the Islamic University of Technology (IUT); the Islamic Centre for the Development of Trade (ICDT); the International Islamic Fiqh Academy (IIFA); and the Islamic Solidarity Fund (ISF) and its waqf. Kazakhstan in recent times has beefed up its cooperation with OIC in order to assert Central Asian interest more firmly within the organization. Apart from economic and cultural linkages, cooperation in the field of security has also gained prominence with time owing to the prevalence of a gamut of internal and regional conflicts affecting the Muslim countries (Weitz, 2013:38)

i. The International Fund for Saving the Aral Sea (IFAS)

Conservation and distribution of water remains a major challenge for the CARs which, once again, necessitate them to stand in a common platform. IFAS was, thus, created in 1993 by the heads of the five CARs in order to attract funds for Aral Sea-related projects. It was the first post-Soviet intra-Central Asia regional institution created to cooperate for the rational use, protection and control of trans-boundary waters. IFAS conducts its operation divided through three main bodies. These are the Executive Committee, the Interstate Commission for Water Coordination (ICWC) and the Interstate Commission for Sustainable Development (ICSD) (Lauruelle and Peyrouse, 2012: 8).

j. Central Asian Nuclear Weapon Free Zone (CANWFZ)

CANWFZ was signed by the heads of the five Central Asian states in 2006 but came into force in 2009. Its importance lies in the fact that it is the first denuclearized zone in the northern hemisphere to be successfully implemented. The success should partly be attributed to the people of the region who are largely anti-nuclear in their belief. Prevalence of political will among the member states have also been seen that made denuclearization of Central Asia a success story. The member states are strictly committed to not to produce, acquire, test, stock or possess nuclear arms. Countries have to undertake the responsibility of resolving the ecological consequences of nuclear infrastructure of the Soviet regime, thus, giving CANWFZ an environmental dimension. Kazakhstan and Uzbekistan possessed maximum nuclear infrastructure

of the Soviet era and have also received significant subsidies from the international community to dismantle it (UNODA, 2009:1).

k. Special Program for the Economies of Central Asia (SPECA)

SPECA an informal regional program involving several countries and multilateral institutions like the United Nations Economic Cooperation for Europe (UNECE) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) is another organization that gives advisory support and promotes and monitors the UN conventions applicable in the region. It was created in 1998 as a special UN programme aimed to promote regional cooperation in Azerbaijan, Afghanistan and the five Central Asian countries. Its economic forums are organized on an annual basis (Lauruelle and Peyrouse 2012:19). In 2004, a Governing Council was created to revitalize SPECA. The council includes deputy Prime Ministers and the coordination committees of each member state. Six different projects have been identified by the council and working groups have been formed for its promotion. These are transport, water and energy, statistics, trade, gender and economy totaling 28 in numbers. However, it functions at senior official level and has limited financial resources (Linn and Pidufala, 2008:8). One major constraint affecting the functioning of SPECA lies in the lack of engagement on the part of the Central Asian governments in translating the objectives into actions. In other words, in most of the cases either heads of the state signing the treaties have not ratified it in their respective parliaments or the countries ratifying them have not translated them into decrees.

l. United Nations Office on Drugs and Crime (UNODC)

UNODC has a budget allocation of around US \$ 70 million and works in partnership with the five Central Asian countries along with Afghanistan. Its projects are aimed to tackle the threats that emerge from the trafficking of drugs in the region. Its basic functions include monitoring of borders, exchanging information, supporting regional projects etc (UNODC, 2015:16). One successful initiative of UNODC has been the creation of “Rainbow Strategy” for addressing the negative consequences drugs in health, social and security areas. The objectives of the strategy is to make the Afghan provinces free of opium production, cooperating in the different anti-drug

operations at borders, managing and securing borders through intelligence cooperation, acting against the trafficking of precursor chemicals and forging security in the Caspian Sea region.

UNODC finances The Central Asia Regional Information and Coordination Center (CARICC) that was launched in 2005. Headquartered in Bishkek, it coordinates the activities of member states against trans-border criminality related to drug trafficking. CARICC relies on information sharing with other regional security organizations the SCO and CSTO.⁴⁰

m. The European Bank for Reconstruction and Development (EBRD)

The five Central Asian states joined EBRD in 1992. It is an international financial institution supporting projects in Central Asia. It helps the CARs in their transition towards adopting open market economies (Lauruelle and Peyrouse, 2012: 19).

n. The Islamic Development Bank (IDB)

The IDB is a specialized institution which although operating separately reflects the development priorities of the OIC. It is composed of 56 member countries including the five CARs and Afghanistan.⁴¹ It mainly promotes South-South economic cooperation through multilateral engagement. It also seeks to achieve social progress in the member states in accordance with Sharia law (IDB, 2013:1). IDB's participation is mainly in equity capital, providing economic assistance to the member states for economic and social development, granting of loans for projects and enterprises, promotion of trade, provision of technical assistance and training facilities to the member states.

o. Dushanbe 4

Dushanbe 4 is a new regional initiative endorsed by Tajikistan to address the security challenges which continues to loom large over the region. Its creation highlights the urgency of the member states to resolve some of the pressing issues that poses a threat to their security. This

⁴⁰ United Nations Office on Drugs and Crime (UNODC) website (2015) "Rainbow Strategy" for Afghanistan' [Online: web] Accessed on 19 June 2015 URL: <http://www.unodc.org/unodc/en/frontpage/rainbow-strategy-forafghanistan-.html>

⁴¹ Islamic Development Bank (IDB) website (2015), "About IDB" [Online: web] Accessed on 1 July 2015. URL: <http://www.isdb.org/irj/portal/anonymous?NavigationTarget=navurl://24de0d5f10da906da85e96ac356b7af0>

new regional format consisting of the Tajikistan, Pakistan, Afghanistan and Russia focuses on economic, security and energy cooperation. The first meeting of this quartet was held in 2009 in Dushanbe in Tajikistan. The group has since then met in 2010 and 2011 at Sochi (Russia) and Dushanbe respectively (Sharma, 2015:247).

The four members are ridden with several problems that have not been resolved till now. The threats originating from drug trafficking, terrorism and extremism and obstacles related to energy distribution created geo-political compulsions that necessitated these countries to create the group. The security scenario of Afghanistan after the withdrawal of the ISA forces has been a matter of concern for these countries that became evident in the discussion of the meetings held so far. Tajikistan which shares the longest boundary with Afghanistan has faced the perennial problem of drug trafficking owing to its physical proximity with the latter. Central Asian countries especially Tajikistan serves as a major transit point for the trafficking of drugs to the international markets. Today, Russia has emerged as the worst sufferer from this narcotic trade as it has emerged as the main destination of the opium trafficked from Afghanistan. Drug trafficking has its concomitant problem of terrorist activities addressing which poses a challenging task for these states. Eliminating this nexus between the two is important yet difficult for these countries to achieve. The Central Asian states have been facing profound security threats from the rise of Taliban in Afghanistan. Secular identity of the CARs has been directly threatened by the radical ideology of the Talibans (Warikoo, 2011:3). The increasing number of terrorist activities in Tajikistan, in recent times, creates apprehension about the spread of extremism from Afghanistan. There has also been frequent eruption of violence in the region by different fugitive groups suggesting the connection between the local extremist groups and forces from outside the border. The escape of twenty five Islamic militants from the Tajik prison in August 2010 reinforces this threat (The Hindu, 23 August 2010).

Energy security and its hassle free distribution is another area where the Central Asians are concerned of. Dushanbe 4 has also assigned adequate importance that has been reflected in their different meetings. The Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000) have received special attention in the meetings. This project will facilitate Tajikistan to export electricity to Pakistan and Afghanistan. These two countries face electricity shortages in the summer months that will be successfully addressed after the completion of this

project. On the other hand, Tajikistan will profit from the revenue earned by selling power to its neighbors. The importance of this project in facilitating cooperation between Central and South Asia has been highlighted in the group. In the 2011 summit, the group extended support to other energy related projects like Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. Countries like Tajikistan and Afghanistan have huge hydro-electricity potential waiting to be tapped. As such Russia has been seen investing in several hydropower projects of Tajikistan. The decision to build the Salang Tunnel in Afghanistan in the 2010 summit meeting at Sochi also highlighted the need for the development of the hydro-electricity of the region (Sharma, 2015: 250). However, the quartet is still in its nascent stage and requires acquiring more maturity in order to evolve into a successful regional format. Although the initiative had a promising start, certain developments have raised doubts over the format's continuity. The next annual meeting that was supposed to be held in 2012 in Islamabad was cancelled, putting a question mark over the future of the quadrilateral dialogue.

The Central Asian countries are also members of other international institutions like the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD), the International Fund Corporation (IFC), the Multilateral Investment Guarantee Agency, the Multilateral Investment Guarantee Agency (MIGA), the International Centre for Settlement of Investment Disputes (ICSID), the International Development Association (IDA). Other agencies like the Japanese Bank for International Cooperation (JBIC), the United States Agency for International Development (USAID) and Islamic Development Bank (ISDB) provide support in the transportation sector along with the World Bank is also active mainly in facilitating trade and transport development in the region (Parkash, 2006:54).

The CARs also realize the importance of developing close relations with other countries. Since they inherited a transport connectivity that was oriented towards the erstwhile Soviet Union, building new and alternative transport connections become very important to them as they wanted to escape the dominance of Russia in the region. Thus, several new communications emerged to the east and the south linking the region with its neighboring countries like China, Iran, Pakistan and Turkey. In this regard, numerous developments took place immediately after independence. In May 1996, Tejen-Serakhs-Meshked-Bandar Abbas rail link was completed. It connected the railway systems of Central Asia with Iranian ports on Persian Gulf and passed

through Turkey and Europe. In December 2005, the construction of a 988 km Kazakhstan-China oil pipeline from Atasu in West Kazakhstan to the Chinese border town Alashankou was completed that enabled Kazakhstan to export up to 10 million barrel oil a year.

Although Central Asia witnessed a tumultuous growth of regional organizations and forums in the years following the collapse of the former Soviet Union, regional cooperation had not been quite successful generating a declining hope within the region. There are several factors that need to be analyzed to understand the hindrances that exist for an effective regional cooperation in Central Asia. The governments have been reluctant to achieve the same. Regional cooperation can be successful if the governments engage in coordinated efforts enabling them to provide the necessary public infrastructure that supports integration. This is done by formulating such kinds of national policies that remove the barriers to regional integration. However, it has rarely been seen that the governments coming together to work and execute regional projects undertaken for the region. There is also distrust among the governments which is increased by security fears. They are also reluctant in bringing about proper domestic reforms and introducing the forms and methods of international economic regulations in the absence of which creating economic interdependencies become difficult.

Presence of weak institutional framework of regional organizations is another obstacle in achieving regional cooperation. Most of the organizations have little funding and are characterized by inconsistent engagements by key countries and national leaders. Others predicaments like lack of ownership, lack of political commitment by leaders, lack of funding mechanisms, lack of transparency, lack of engagement by private sectors and civil society, corruption, weak governance and institutional structures and lack of clear agenda and monitoring process are other obstacles that affect the regional cooperation in Central Asia.

CHAPTER III

CENTRAL ASIAN REGIONAL ECONOMIC COOPERATION (CAREC) AND ITS ROLE

3. CENTRAL ASIAN REGIONAL ECONOMIC COOPERATION (CAREC) AND ITS ROLE

3.1 CAREC in brief

Central Asia has the presence of several other economic entities lying outside the conventional regional framework to promote economic development in the region. CAREC is one such program that has come up in recent years to boost economic growth in Central Asia. It is supported by the Asian Development Bank (ADB) to encourage economic cooperation in the region. The main focus of this program is to integrate Central Asia through trade and developing infrastructure particularly in the transport and energy sector. The countries within the program have strategic geographical location, and abundant natural resources tied together with common history, trade, commerce, cultural exchanges and a strong urge for cooperation. However their landlockedness, generates the reason for regional economic cooperation. CAREC aims to help the landlocked countries of the region to reach out to the global markets by promoting trade and connectivity. Hence, linking the land borders will create the opportunity to benefit from the inter-continental trade. Thus, driven by this need, the countries under the CAREC have been able to gather substantial amount of resources over time. The program has so far focused its strategies on key issues which are also its priority sectors- transport, energy, trade facilitation and trade policy. Due emphasis has been given on both the hard and soft aspects of the mechanisms of regional cooperation like developing physical infrastructure and formulating policies respectively.

Founded in 1997, CAREC is a partnership of eight countries consisting of Afghanistan, Azerbaijan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan along with six multilateral institutions namely the ADB, EBRD, IMF, IDB, UNDP and World Bank. Recently, Pakistan and Turkmenistan, joined CAREC in 2010 thereby expanding the geographical ambit of the program (ADB News, 2 November 2010) The countries under the CAREC cover a huge area of 9 million square k.m. The participation of China in CAREC is done through Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region.⁴²It has contributed to this program by giving financial and technical support to the CAREC Corridor

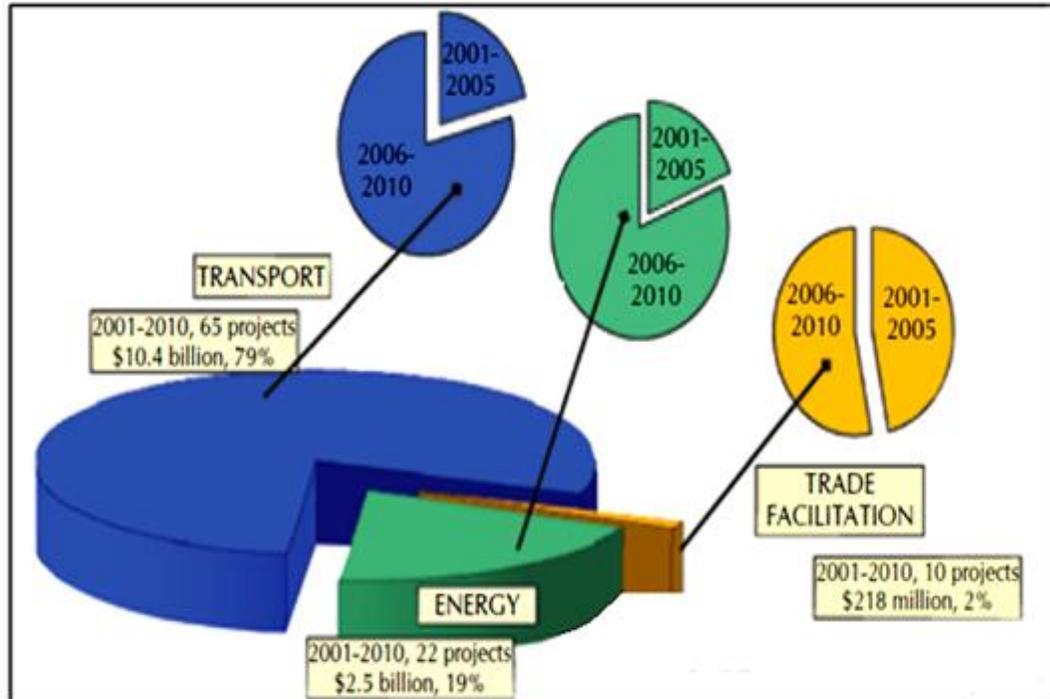
⁴²Asian Development Bank (2010), 9th Ministerial Conference on Central Asia Regional Economic Cooperation-Haruhiko Kuroda [Online: Web] Accessed on 19 May 2015. URL: <http://www.adb.org/news/speeches/9th-ministerial-conference-central-asia-regional-economic-cooperation>

projects including building of roads and railways connecting PRC, Kyrgyzstan and Uzbekistan with the China-Russia-Mongolia passage. China has provided large scale technical assistance in the field of agriculture, environment and capacity building along with sponsoring the CAREC Business Development Forum, symposiums and training sessions(ADB, 2012:24). All these partners work together to promote economic development, trade and commerce throughout the Central Asian region. Regional cooperation is a medium, for them, to achieve their respective national development objectives.

CAREC is not a treaty based organization but an informal program or forum that operates at the ministerial level. It is essentially a project-based and an activity-driven program which is neither governed by any Charter nor any inter-governmental agreement(ADB, 2012:24). Although it functions in an advisory capacity but the inclusion of several international financial institutions particularly the ADB makes it an effective one. It also operates in partnership with other regional cooperation organizations and institutions. These participants help in funding the initiatives of the program. In the initial years, the program focused on building confidence and credibility through a flexible and institutional framework. It provided consultations and studies on the benefits of regional cooperation. Gradually, it progressed to adopt a more result oriented approach by focusing on particular sectors. This steady shift took place, particularly, after the adoption of the CAP in 2006 (CAREC, 2006: 110). The initial investment of CAREC was in transport sector but later it expanded its ambit to adopt diverse strategies for tackling trade, trade policies and energy challenges. Over, the years, CAREC has upgraded key regional links, modernized trade infrastructure and systems, and boosted energy supply and cooperation. It has delivered fruitful results under a strong leadership and support from relevant government agencies and multilateral institutions. The member countries have been provided with several personnel training sessions under the program. Each year a report on the Development Effectiveness Review of the program is formulated by the CAREC Secretariat which analyzes and assesses the overall progress achieved by the program within a period of twelve months. This shows that CAREC takes into cognizance the importance of monitoring and assessing progress and results achieved in particular projects. During the period of 2001-2010, the organization formulated more than hundred projects worth over \$ 15 billion in core areas of transportation, energy cooperation, trade facilitation and trade policy. The program's investment in developing regional infrastructure from 2001 to 2014 totaled around 24.6 billion \$ covering

around 158 projects. It has also invested around 160 \$ million in its support for the technical assistance program and promotion of capacity building measures ((CAREC, 2014:9).

Figure-1: CAREC Investment Loans and Grants by Sector and Date (2001-2010)



Source: CAREC Project Portfolio, 2010

Figure-1 above shows the total amount of investment that is US \$ 13.118 billion made by CAREC in different sectors from 2001 to 2010. The area of transportation has received the largest share of investment allocation amounting up to \$ 10.4 billion which is around seventy nine percent of the total investment whereas the energy and trade facilitation sectors received only \$ 2.5 billion and 218 million respectively which were only nineteen percent and two percent of the total amount. During this period majority of the projects undertaken by CAREC were related to the transportation sector. CAREC financed sixty five projects in the area of transportation alone while only twenty two projects and ten projects catered to the energy and trade facilitation sectors respectively. However, a close look at the diagram reveals that the amount of investment in every sector witnessed an upsurge only after 2006 when the CAP was approved by the CAREC ministers

Thus, with time CAREC has evolved into a comprehensive regional economic organization focusing on practical and result based regional projects that are significant to boost

trade and sustainable development in the Central Asian region. It is also unique among regional organizations in the view that apart from fostering cooperation among participating countries, it has also been a mechanism for expediting coordination among multilateral institutions. It has been providing a platform for dialogue and coordination in the successful planning and implementation of projects. This has been largely possible with the help of the six multilateral institutions which has been brought under a common framework by CAREC. The success of CAREC in translating its goals, vision and strategy into an operational sector oriented action plan has attracted multilateral institutions to support the program through financial and technical assistance. Thus, CAREC has been greatly successful in boosting regional cooperation, integration and sustainable economic development.

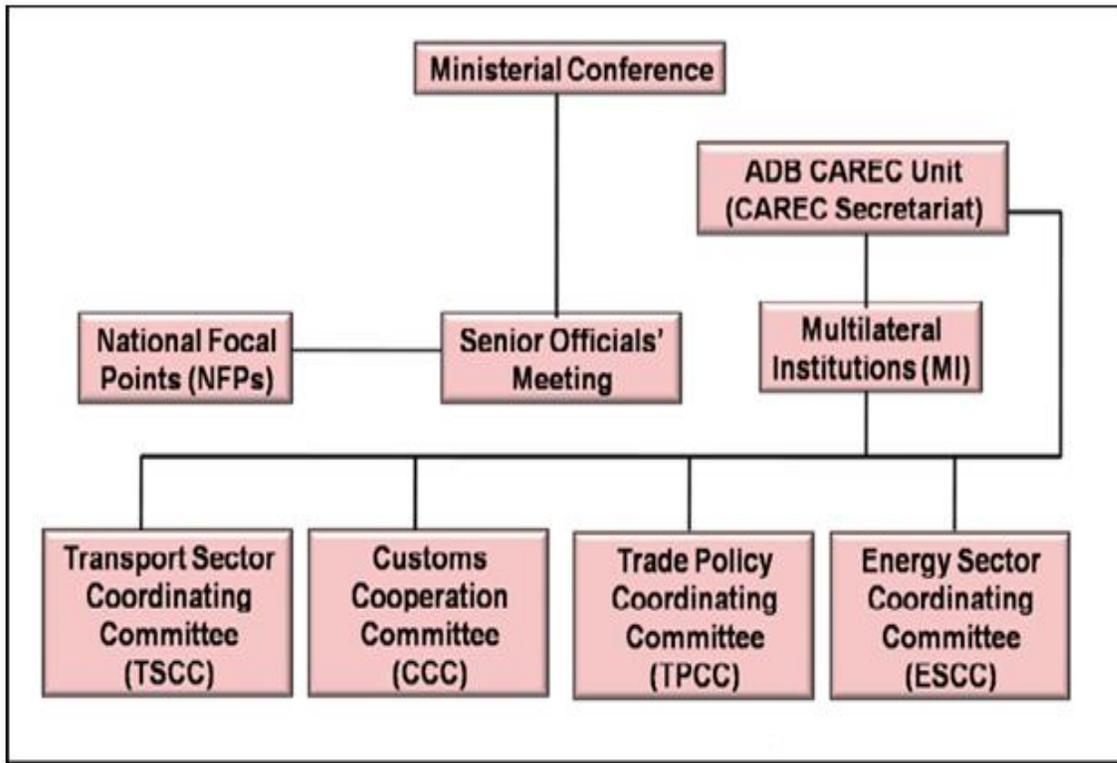
The first annual ministerial conference of the program was convened in 2002 and in 2010 it celebrated its tenth anniversary of existence as a regional forum for Central Asia. Moving towards the fulfillment of its vision of *Good Neighbors, Good Partners and Good Prospects*, the CAREC has been significantly successful in achieving its goal of development through regional cooperation during the period of 2001-2010. The program, since its inception has been operating in different phases. While Phase I, i.e. from 1997-1998 mainly focused on the identification of infrastructural needs and policy issues hindering cross-border trade, Phase II that started from 1999 and continued till 2010 concentrated on assessing projects selected as priority in Phase I in the field of transport, trade, power and policy reforms and action-oriented policies were adopted to remove economic barriers in these areas (Fujimura, 2004:13). The development of the CAP, a Regional Transport and Trade Facilitation Strategy, an active Electricity Regulators' Forum and the implementation of a number of cross border infrastructural projects showcase the objectives achieved by CAREC in a relatively short period of time. These projects have been mainly funded by the multilateral organizations participating in CAREC.

3.2. Organizational Structure of CAREC

The organizational structure of CAREC is built in a way to facilitate the activity driven nature of the program. The organizational structure of CAREC fosters effective coordination among different government agencies of the member states in order to generate dialogue and build consensus among the participating stakeholders. The organization is framed in such a way

that identification and prioritization of initiatives catering to economic cooperation among the member countries becomes easy.

Figure-2: CAREC Institutional Arrangements



Source: CAREC Secretariat

Figure-2 above depicts the institutional arrangement of CAREC in a diagrammatic form. CAREC is basically a three-tier system starting from the ministerial level, senior officials and coordinating committees. The ministers organize the Ministerial Conference that provides a strategic direction and overall guidance for the program. The 1st Ministerial Conference was held in 2002 in Manila, Philippines. The conference provides guidance and makes policies in the areas of new regional programs, projects and activities involving the member countries. The ministerial level mechanism also looks into the implementation of the approved projects along with supervising and overseeing its work.

The *Senior officials' meeting* is held twice in a year where the progress of all projects under the CAREC are being assessed. The 1st CAREC Senior Officials' Meeting was held in Manila in 2001. The policy decisions that are taken at the ministerial level are ensured to be

implemented at the Senior Official's Meetings. Other works of the senior officials include reviewing operational issues and making recommendations to the next ministerial conference. There are around sixty coordinating committees which oversees the planning, preparation and implementation of CAREC projects. These are established on an ad-hoc basis to coordinate activities of the different sectors. Each CAREC priority sector consists of a committee comprising of representatives from CAREC member countries and the multilateral partners. The reports of these sector committees are then sent to the CAREC Senior Officials Meetings and ministerial conferences. Then comes the National Focal Point (NFP) whose task is mainly to ensure coordination among the concerned agencies and the participating stakeholders in the processes of regional economic cooperation. It is established in the respective member countries which appoint a senior government official to be its CAREC NFP. They are also responsible to coordinate between their governments and the CAREC Secretariat⁴³.

3.3. Important developments

CAREC has several successful mechanisms in place that have acted as a catalyst in its endeavor to develop cooperation in the Central Asian region.

a. Comprehensive Action Plan (CAP)

The nature of the challenges faced by the Central Asian countries is such that mutual trust and cooperation among the neighbors becomes very crucial for the maintenance of regional stability. The CARs are very much intricately interconnected by virtue of their boundaries that make problems pertaining to a particular country trans-national in nature. This regional characteristic of Central Asia has been taken into cognizance by CAREC which believes that apart from being good neighbors the CARs must aim to become good partners in their objective to gain good opportunities. CAP was, thus, established to strengthen this very principle of the CAREC Program through several initiatives like promoting partnership with other regional institutions like the SCO and EurasEC. Initially, the initiative was discussed between ADB and the Kyrgyz government in a national workshop conducted by CAREC to get feedback from the CAREC members about the goals, objectives, priority investments, expected results and

⁴³CAREC website (2013), "Central Asian Regional Economic Cooperation" Accessed on 10 May, 2015. URL: <http://www.carecprogram.org/>

performance indicators regarding the implementation of CAP. The workshop was attended by the senior government officials of the CAREC countries representing the priority sectors of transport, trade and energy. Information on the different initiatives of regional cooperation, different priority sectors and proposals for CAP was discussed. In the same workshop, separate meetings were held between the ADB and the Kyrgyz government to discuss about the expansion of CAREC to include other areas like agriculture, environment, tourism, and other areas related to human development within its ambit. The decision for the implementation of CAP was taken at the 4th Ministerial Conference held in Bishkek. The member countries agreed to its necessity as being an essential tool for charting the future course of action. It was also agreed there that the CAREC countries must come up with guidance and suggestion in the formulation of CAP. Again at the 5th Ministerial Conference that was held in Urumqi in PRC in October, 2006, CAP was endorsed by the CAREC member countries⁴⁴.

CAP is a strategic framework, accessed for a medium term period, listing out the outcomes and outcomes that are to be achieved from regional cooperation in Central Asia. In CAP, emphasis has been given on the creation of knowledge that is being done with the help of the multilateral institutions which will promote research related to the region. Generation of human resource is another area of focus by CAP. This has been done by training the officers from the middle and senior level with the aim to form a cadre trained in the processes of regional cooperation. Under the plan, an independent CAREC Institute has been established to coordinate the research, training and dialogue activities with the help of several eminent persons from the world who are appointed for advice and supervision. In order to promote the outreach of the research work, an official CAREC website, Policy Research briefs and CAREC newsletter have been created. CAP also takes into account Central Asia's unique geographical location as a strategic link between Europe and Asia. Henceforth, focus has been given on adopting regional based programs complementing with the priorities of the countries through public-private partnerships (PPPs). These programs will be conducted in the areas of transport, trade and energy sectors. In the transportation sector CAP incorporates the objectives like building new networks along the east-west and north-south corridors and strengthening regional and international

⁴⁴Asian Development Bank (ADB) News Release (2006), "ADB Seeks Kyrgyz Government Inputs to Comprehensive Action Plan" [Online: web] Accessed on 9 May 2015 URL: <http://www.adb.org/news/adb-seeks-kyrgyz-government-inputs-carecs-comprehensive-action-plan>

linkages and linkages between two neighboring countries and adopting cross-border transport agreements involving all CAREC members. Trade sector strategies include building infrastructural facilities at border crossing points and at border area free trade zones⁴⁵and encouraging the CAREC members to sign bilateral agreements while strategies in the energy sectors are creation of infrastructures for uninterrupted supply of energy, coming up with policy, regulatory and institutional measures for increasing energy efficiency.

Participation of governments of the member countries are also very essential as it is through them that an investment friendly environment will be created in the region. Transportation and trade can only become hassle-free with the implementation of comfortable rules for the easy entry and exit of vehicles for the transit. Transport agencies in both the countries organize the service markets and regulate the movement of trucks. They are also responsible for the implementation of the transport treaties and for granting permits and licenses to the trucks moving along the international transport corridors. Institutional reforms like adoption of bilateral protocols for cross border transportation services are also necessary. All these are the functions of the governments of the participating countries. Thus, adopting institutional reforms and customs modernization also finds a place (Arvis et al., 2011: 257)

At the same time, governments are also responsible for monitoring the flow of goods in order to protect the domestic markets. This is done by the customs agencies which monitors that the goods are not illegally leaked into the transit countries to evade the duties for import. These agencies located at the borders process the goods to be exported and imported and collect duties and taxes for the same.

Earlier, although CAREC realized the importance of private participation in the regional programs, adequate steps were not taken to encourage and attract them. This problem that was ignored earlier has been addressed in the CAP. Steps have been taken to improve the business climate of Central Asia and also enabling the business institutions to have easy access to the markets. For example, adoption of measures to promote border trade, reduction of trade taxes and encouragement in WTO accession. CAP has clearly defined the needs of the business communities like providing with logistical requirements in order to enable them to avail better

⁴⁵ Border area free trade zone is a particular kind of special economic zone located in the border areas where goods are exchanged without the intervention of customs authorities.

trade opportunities. It has also clearly mentioned that the primary focus of CAREC is to develop the Eurasian connectivity while exploring the opportunities of connecting South Asia through Afghanistan. (CAREC, 2006: 87)

b. Transport Sector Coordinating Committee (TSCC)

The inaugural meeting of The Transport Sector Coordinating Committee (TSCC) was convened on 30 June to 01 July 2004 in Almaty, Kazakhstan. TSCC is one of the several sector committees formed under the organizational framework of the CAREC Program. The inaugural meeting was attended by the officials of the member countries in the transportation department. These countries were Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Representatives of participating multilateral institutions like the ADB, EBRD and IDB were also present in the meeting. The meeting discussed the progress achieved by CAREC in the development of the transport infrastructure to boost regional cooperation. Other agendas included the identification of strategic priorities of the transport sector and the consensus on the establishment of a regional transport sector road map at the upcoming Senior Officials' Meeting scheduled for September 2004.⁴⁶

Accordingly, in 2005 the CAREC countries agreed to develop a Regional Transport Sector Map for the period of 2005-2010 with the goal of developing an integrated and efficient transport system (ADB 2006:2). This sector road map aims to address the key issues related to poorly equipped border posts, poor infrastructure maintenance due to insufficient funding, absence of transport connectivity, limited institutional and human resource capacity in transport sector and a host of other issues. The aim was to achieve the objective of developing an integrated and efficient transport system more effectively.

Since its establishment the TSCC has so far conducted about thirteen meetings periodically discussing about a gamut of issues. The last meeting was held in the capital city of Kyrgyzstan, Bishkek, from 14 to 15 May 2014 that was attended by the representatives from CAREC member countries. The 13th CAREC TSCC Meeting reviewed the progress of the CAREC Transport and Trade Facilitation Strategy (TTFS) 2020 and discussed other issues.

⁴⁶CAREC website (2009), "The Sixth Transport Sector Coordinating Committee Meeting", Urumqi [Online Web] Accessed on 19 May 2015. URL: <http://www.carecprogram.org/index.php?page=6th-transport-sector-coordinating-committee-meeting-august-2006>

Progress in the field of trade facilitation and cross border transport facilitation was also updated and action plans for implementing the CAREC TTFS 2020 were presented by the representatives of the CAREC member states and other partners⁴⁷.

c. CAREC Transport and Trade Facilitation Strategy (TTFS)

The CAREC TTFS adopted in 2007 at the Sixth Ministerial Conference in Dushanbe, Tajikistan have also been very successful (CAREC, 2008:1).The strategy for the action plan was framed in the Seventh Conference in Baku which aimed at establishing competitive transport corridors in order to facilitate efficient movement of people and goods across borders. It was adopted by the CAREC member states with the objective of reducing the border crossing time. The strategy focused on developing the transport and trade networks in a sustainable, safe and user-friendly manner. This will decrease the freight cost and increase the share of both intra and inter-regional trade. It identified six transport corridors traversing Central Asia east to west and north to south and connecting with Eurasian transport arteries. It will link the different regions of the world lying on the opposite sides of Central Asia. These corridors Europe and Asia would benefit all the countries of the entire Eurasian continent to get access to the external markets for the import and export of goods. These corridors have, thus, been strategically identified to promote both inter-regional and intra-regional connectivity. TTFS also recognized the key border crossing points at each corridor and noted the infrastructural bottlenecks, investment requirements and logistic arrangements that exist in them. The National Transport and Trade Facilitation Committee is responsible for managing the program and the corridors running through each country (Arvis et al., 2011: 189).

In 2013, a mid-term review of the CAREC TTFS was conducted. It showed that the strategy has been partially completed. According to the 2012 data, 51% of the total sections of road have been completed, 44% are ongoing and the rest of the 5 % are in its planning stage. Construction of the railways is also being carried out impressively. While 44% of the total has been completed, 34 % are ongoing and the remaining 22% are in the planning stage. (Asia Plus, 8 February 2013). A dominant component of TTFS was the establishment of a Corridor Monitoring Programme that measured the time and cost of transit based on regular vehicle surveys. It helped CAREC to assess and to have a clear picture of where and whether the

⁴⁷ Ibid.

investments and procedural improvements along the corridors are actually leading to any progress in bringing down the transport and transit barriers and where further actions were needed (Linn, 2012: 110).

d. Trade Policy Coordinating Committee (TPCC)

The TPCC is also noteworthy as it serves as a center for gaining knowledge about trade issues. The committee has conducted study tours in Georgia and Kapchagai, Kazakhstan focusing on developing integrated trade facilitation measures and increasing solar energy respectively. Organizations like UNESCAP, United Nations Energy Commission and the United Nations Development Program participated in the program (CAREC DEfR, 2013: 28) So far, the area of transport, transit and trade facilitation has been the strongest area of engagement of CAREC.

e. CAREC Performance Monitoring and Measurement Report (CPMM)

In 2008 CAREC decided to come out with the CAREC CPMM Report to monitor and evaluate the implementation of the CAREC TTFS. CPMM Report has been crucial as it has successfully captured data on the time and cost of moving goods along the six CAREC corridors that link member countries to each other and to other global markets. It has helped CAREC to identify the bottlenecks especially at Border Crossing Points (BCPs) and have supported the institution in bringing about policy reforms particularly when they are aimed in providing concrete, actionable solutions to improve the operational efficiency of the corridors thereby facilitating trade flows in the region. Following the endorsement of CAREC 2020, renewed emphasis is given on improving the infrastructures in transportation especially in railways and logistics. The year 2013 marked the fifth anniversary of conducting CAREC CPMM Report. The results of the report were intriguing as it expanded its ambit to include new corridor extensions and alignments introduced afterwards. It also highlighted the current and ongoing challenges faced by the CAREC countries in the field of transportation. For example, the data of the report showed that although the time taken to cross borders between members of Custom Union shortened significantly, crossing borders of neighboring non-Customs Union economies became lengthy (ADB-CAREC CPMMR, 2013: 4).

f. Wuhan Plan

The Wuhan Action Plan was created in October 2012 with the participation of Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan with the aim of investing in the development of regional transport infrastructure. The plan identified 68 regional transport projects in order to increase the efficiency of these six trade corridors across the Central Asian region. The projects were worth US \$ 23 billion (Perret, 2013:3). The Wuhan Action Plan is an attachment of the CAREC Strategic Framework 2020 that has been documented in order to implement the vision and action of CAREC 2020 effectively. It was endorsed in the 11th CAREC Ministerial Conference held in Wuhan, PRC in October 2012. It is mainly a summary of priority actions that the CAREC countries will undertake to implement CAREC 2020 which is a 10-year strategic framework for the CAREC program, endorsed at the 10th CAREC Ministerial Conference held in Baku, Azerbaijan in November 2011.

The main objective of the plan is to guide CAREC in its next phase of operation. The member countries aim to review and update the action plan through its sector coordinating committees, the Senior Officials' Meeting and the Ministerial Conference. Role of CAREC Institute has been emphasized in the Wuhan Action Plan to achieve the strategic objectives of CAREC 2020. The need to establish a physical base of the CAREC Institute in the region by 2014 was also recognized. Kazakhstan, China and Azerbaijan offered to host the headquarters of the Institute. This is a notable development as moving the physical base of CAREC Institute to the region showcased the desire of the CAREC countries to play an important role in managing certain facets of the Program. Focus has also been given in the areas of transport facilitation covering the six CAREC corridors. This will be done with the help of the development partners who will participate in systematic capacity building and engaging in dialogues with the transport facilitation bodies of the neighboring countries. Apart from the member countries, participating multilateral institutions and the donor agencies also committed in supporting and implementing the Wuhan Action Plan (CAREC, 2012:1-2).

g. Establishment of the CAREC Institute

In 2006, the program also established the CAREC Institute whose physical base was later launched at Urumqi, Xinjiang Uygur Autonomous Region in 2014. It acts as a hub for communicating and sharing knowledge and experiences. The idea was conceived at the 10th Ministerial Conference where the importance of the role of sharing knowledge was highlighted for furthering economic cooperation. It was in this conference that CAREC Institute was identified as one of the seven operational priorities of CAREC for expanding trade and improving competitiveness in the CAREC region. The Institute provides strategic and technical advice to the CAREC partners to ensure that the investments achieve the best possible result⁴⁸. In the Wuhan Action Plan, too, the institute was placed as an important component of the program.

Since its inception it has been providing with web based information and products and is supporting training sessions at different CAREC events. It undertakes research activities in multi-sectoral, regional and general issues concerning economic integration. Since 2006 CAREC Institute has been focusing on the areas of knowledge sharing and capacity buildings have also received special attention in the CAREC program. This is because, the institute provides capacity-building services by sharing knowledge through regional learning programs, seminars, and Workshops. Particular needs of the priority sectors of the program are being addressed and the Institute is playing a key role in training senior officials, conducting foundational studies and issue oriented research and in the development of knowledge products. The Institute's position as being the knowledge hub for economic cooperation is strengthened with the Five Year Strategic Knowledge Framework that it has adopted to guide its operation.

In December 2013, the session on “Regional Cooperation and Trade in Central Asia: Integrating in the Global Economy” that was organized at the Bali Trade and Development Symposium had been very important as it introduced CAREC to a wider audience. The symposium was in parallel with the 9th WTO Ministerial Conference. Capacity building and knowledge sharing activities were organized in the symposium in partnership with the ADB Institute, the CFCFA, Shanghai Customs College, the UNESCAP, the World Customs Organization the government ministries of the member states and the customs

⁴⁸ Op cit No. 43

administration.⁴⁹ In 2014, the CAREC members decided to physically establish CAREC Institute in Urumqi, Xinjiang Uygur Autonomous Region of China. They came into this conclusion following the National Focal Points (NFP) meeting that was held on 9th and 10th April, 2014, in Kuala Lumpur, Malaysia. Necessary steps were then taken by China to move ahead with the initiative(CAREC Reference Document, 2014: 2).

The 2010 CAREC Institute Performance Assessment Review recommended that the CAREC Institutes should conduct capacity building and analytical work that are more directly relevant to priority sector requirements. This will be done by the sector coordinating committees to achieve the objectives of trade expansion. Unlike in trade policy where the expansion of trade will be principally driven by the national policies, in the energy sector the role of the CAREC framework itself can be considered important as it can provide the necessary analytical and advisory inputs and share knowledge and improve capacity-building through partnerships with the multilateral institutions and the CAREC Institute respectively.

A proper conducive environment is also necessary for the proper facilitation of trade. Adopting trade policies like reduced tariff and non tariff barriers, harmonized standards and rules especially in the field of product safety and improved customs procedures are imperative for the promotion of trade. Thus, in the area of trade policy, CAREC has initiated and implemented several agreements to boost cross-border trade. Measures for custom reforms and modernization in trading practices have also been adopted by the program. Frequent studies on trade policy reforms are being undertaken for the promotion of knowledge sharing and capacity-building initiatives to help the CAREC members in their accession to the WTO. In the area of energy, CAREC takes into cognizance the abundance of energy resources that prevail in the Central Asian region and the subsequent potential of trade in this area. Successful energy trade can help the CAREC countries to overcome the uneven distribution of resources that they encounter. As such, the program is implementing suitable regional projects and initiatives in order to come up with reliable, secure and stable energy supplies to achieve the same. Thus, all these strategies of cooperation are necessary to augment inter-connectivity in infrastructures including transport, energy, trade and investment, tourism etc

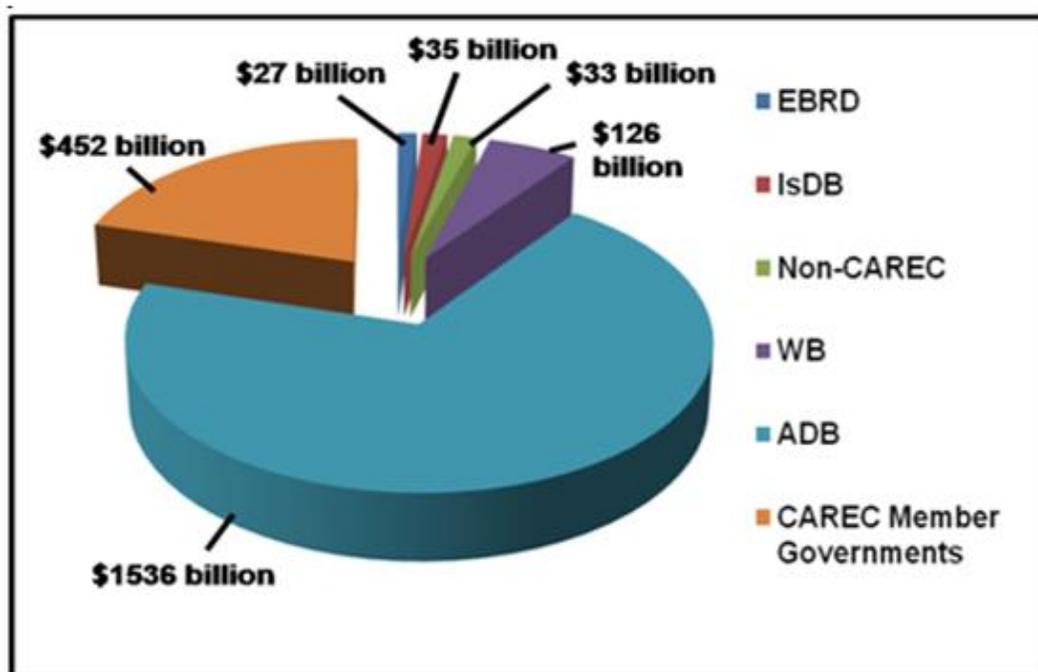
⁴⁹International Trade Center (2013), Statement at the session on Regional Cooperation and Trade in Central Asia: Integrating into the Global Economy [Online: Web] Accessed on 8 May 2015 URL: <http://www.intracen.org/news/Statement-at-the-session-on-Regional-Cooperation-and-Trade-in-Central-Asia-Integrating-into-the-Global-Economy/>

3.4. Role of Asian Development Bank (ADB) in CAREC

ADB was established in 1966 aiming to fight against poverty in Asia. To achieve this, ADB provides loans, policy dialogue, equity investments, grants and technical assistance. Although CAREC is primarily promoted and assisted by the Asian Development Bank (ADB), It works through the Board of Governors which is the main decision making body of the institution. It consists of twelve members out of which eight are elected by the members from the Asian-Pacific region and four from outside the region. It also has several other departments and offices in different countries to conduct the day to day business.

Apart from ADB there are also several other multilateral institutions that play an important role in CAREC.

Figure 3: Financing of CAREC Programs (2011)



Source: CAREC Portfolio, 2011a

Figure-3 below shows the total amount of investment made by the different participating institutions of CAREC in financing the initiatives of the program in 2011. The total amount of investment made in 2011 was \$ 2209 billion out of which the largest share of contribution comes

from the ADB (\$1, 536 million). The contribution coming from the member countries of CAREC is also very significant amounting to \$ 452 million. Other financial institutions like the World Bank, IDB and EBRD donated \$ 126 million, \$ 35 million and \$ 27 million respectively and the rest i.e. \$ 33 million came from the financial institutions that are not members of CAREC.

ADB has been assisting its member countries for over two decades to explore the benefits and reduce the costs of globalization through regional cooperation and integration. Construction of regional transport and economic corridors is considered as an effective means to improve trade and ADB has been playing a significant role to help Central Asia to achieve the same. It has created, consolidated and spread knowledge and information about regional cooperation thereby acting as a catalyst for the facilitation of regional cooperation among many countries. So far, it has been successful in mobilizing more than 35 \$ billion from its own resources and partners for investment and provide technical assistance for projects and programs aimed at promoting regional cooperation (ADB, 2012:5).It has helped the regional organizations to strengthen its institutional capacity which is prerequisite for effective management of regional cooperation.

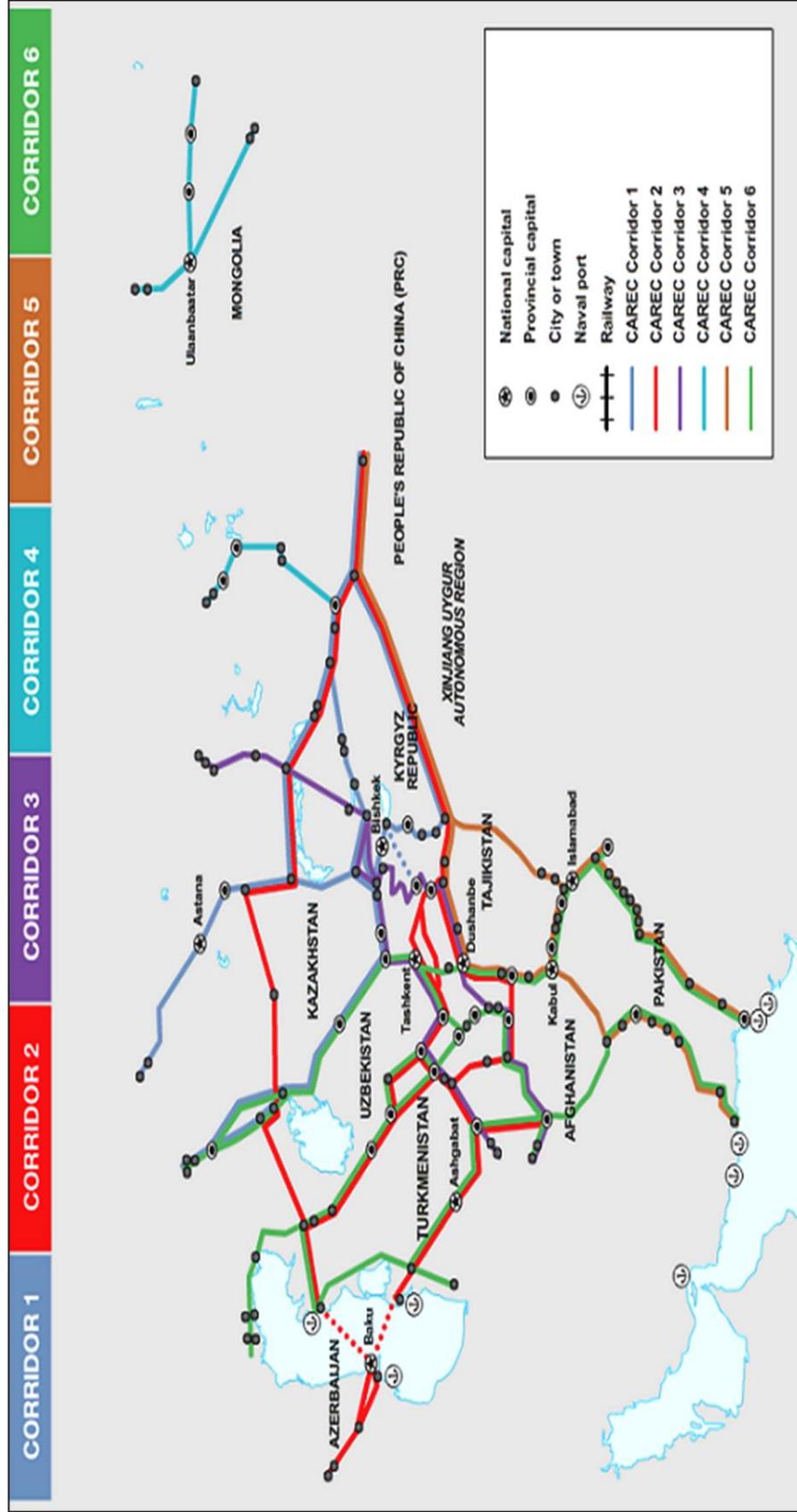
ADB is Asia's largest multilateral institution promoting regional development and is endowed with the unique characteristics and advantages of promoting regional economic cooperation (ADB 2012,:1).The ADB which is in a good position to assist the regional infrastructural projects plays an important role in making CAREC a strong force to integrate Central Asia. It plays a leading role in the regional transport sector along with financing for rehabilitating infrastructure, providing assistance for institutional reforms, facilitating cross border agreement and promoting the private sector to aid and support in the transition from centrally planned to market economy. The ADB aims to achieve high quality regional services by developing the East West and North South transport corridors by using the existing infrastructure to link the state capitals, local production centers, markets and granaries, ports and regional and international markets. It also seeks to improve border controls that would reduce delays and transport costs caused by Customs, visa and other services.

Since 1997 ADB has been promoting CAREC's program objectives of improving trade and cooperation with large markets, reducing transportation costs and improving supplies of

energy. The benefits of these kinds of cross-border projects can only be enjoyed successfully if the countries involved in it achieve consensus on policy actions and financial contribution easily. The presence of ADB in these projects comes as an advantage as its long standing connections with countries like China and its wide geographical scope has enabled to bring the member countries together and implement the projects successfully (Parkash, 2006:37). In November 2008 the Implementation Action Plan was endorsed by ADB covering a ten year period of 2008-2017 under CAREC TTFS. Under this plan, identification of six CAREC corridors has been done and emphasis has been laid on its development with the aim to establish important connections with the rapidly growing markets of the world around the CAREC region(UNESCAP, 2010:39). These corridors are:

- Europe to East Asia or Corridor I
- Mediterranean to East Asia or Corridor II
- Russia to Middle East and South Asia or Corridor III
- Russia to East Asia or Corridor IV
- East Asia to Middle East and South Asia or Corridor V
- Europe to Middle East and South Asia or Corridor V

MAP-3: Map of six CAREC economic corridors



Source: <http://www.carecprogram.org/index.php?page=carec-corridors>

Map 3 above displays the six CAREC corridors. Corridor 1 is a very crucial one serving as a strategic connection between Asia and Europe. It links the Russian Federation with China through Kazakhstan and Kyrgyzstan. It comprises of 15,600 km of roads and 12,000 km of rail networks. A very important project that has been implemented within this corridor since 2009 is linking Western Europe with western China. The project is building 8,445 km long road that will cost \$ 5.5 billion. It has the presence of the largest railway and majority of the trucking terminals. The corridor serves transportation through both roads and railways. In fact the traffic of cargoes between Xinjiang Uygur Autonomous Region (XUAR) of China and Kazakhstan has witnessed a steady growth which depicts the potential and the importance of this corridor to bolster intra-regional trade. Corridor 1 serves as an important transit route for cargo surpassing the countries of China, Kazakhstan, Russia and Europe.

However, it is also ridden with several problems. For example, the Customs Union between Russia, Belarus and Kazakhstan has created an unfavorable trading environment. Checking at the border points has been more stringent leading to long queues of trucks (ADB-CAREC CPMMR, 2013: 13). Corridor II comprises 9,900 km of roads and 9,700 km of railways passing through Azerbaijan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan to China. Corridor III runs from the west and south Siberian region of Russia through Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan to the Middle East and South Asia. Cutting across the rich and fertile Ferghana Valley, it plays an important role in the export and import of agricultural products among the CAREC countries. Corridor IV which is a Trans-Mongolian corridor serves as a trade route from the Russian Federation through Mongolia to PRC and comprises 2400 km of roads and 1,100 km of railways. Along with serving as the main route for the transportation of Mongolian goods, this particular corridor also serves as a transit for transporting to and from Russia and the north eastern provinces of China (ADB-CAREC CPMMR, 2013:2) While Corridor V runs from the China through the Kyrgyzstan to Uzbekistan and Afghanistan and to the Middle East and South Asia, Corridor VI runs from Russian Federation to Kazakhstan, Uzbekistan, Tajikistan, Afghanistan and to the Middle East and South Asia. The former consists of 5,700 km of roads and 2000 km of railways while the latter consist of 10,600 km of roads and 7,200 km of railways respectively(ADB, 2012:50).Corridor V has been extended recently to also include Pakistan. The process of expansion is still ongoing with CAREC providing technical assistance to develop it. Corridor 6 is a north-south corridor where

all four countries (Afghanistan, Kazakhstan, Tajikistan, and Uzbekistan) are important transit points. This corridor is also expanding to boost future trade flows. CAREC Corridor 6 includes three routes linking Europe and Russia with the Arabian Sea port of Karachi and Gwadar or Bandar Abbas in the Persian Gulf. Afghanistan, Tajikistan, and Turkmenistan signed a rail agreement on 20 March 2013 to build a new 400 km railway that will connect Pyandzh in Tajikistan to Andkhoy in Afghanistan to Atamarat-Ymannaze in Turkmenistan (ADB-CAREC CPMR, 2013:36). Apart from its role in the transport sector, ADB also provides technological, coordinating and administrative support to all CAREC bodies.

The other regional transport corridors that have been improved with the assistance of ADB are the Almaty-Astana Road, Almaty-Bishkek Road, Bishkek-Osh Road, Xinjiang-Kyrgyz Republic-Uzbekistan transport corridor, Dushanbe-Kyrgyz border road and Chengeldy-Khodjadavlet railway line in Uzbekistan (Parkash, 2006:8). During 2006-2008, ADB proposed six projects worth \$150 million in the road and railway sectors of Kyrgyzstan, Tajikistan and Uzbekistan. The major projects that will be supported by ADB in the road sector are the Dushanbe-Kyrgyz Corridor Project, Phase III; Regional Transport Corridors Road Maintenance and Safety Project; Regional Road Project in Uzbekistan and Bishkek-Torugant road rehabilitation project. In the railway sector, a Regional Railway Development Project (Uzbekistan-Afghanistan railway link) and a Regional Traffic Enhancement Project are included. ADB also provides technical assistance for studies in developing and improving transport corridors to strengthen transport and economic links among the CAREC countries. In 2013, ADB provided technical assistance to about 15 new projects worth \$ 15.8 billion.

The Central and South Asia Transport and Trade Forum involving Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan is also supported by ADB. This organization seeks to facilitate movements of goods and vehicles along the road corridors connecting Tajikistan, Turkmenistan and Uzbekistan with sea ports in the Arabian Sea and Persian Gulf via Afghanistan (Rani, 2009: 92). ADB is also involved in a mega road project connecting Western Europe with the Russian Federation. ADB is one of the key leaders to this project which is costing more than \$ 5 billion. ADB has been involved in the project from the very beginning of the construction introducing new technology and helping the Ministry of Transport and Communication to conduct business properly. Kazakhstan is an important corridor in this road

way and ADB is constructing dry ports and free economic zones to make it a thriving economic corridor.

3.5. Role of Other Institutions in CAREC

Apart from ADB there are also several other multilateral institutions participating in CAREC like the World Bank, EBRD, IMF, IDB and UNDP. Outside these participating institutions, there are a number of others like the JBIC, the USAID and EU that provides continuous support to CAREC for the development of infrastructural facilities like roads, railways, airlines and ports. In the transport sector, apart from ADB, the other main donors financing the development of transport infrastructure in the region are EBRD, IDB and JBIC.

The World Bank is active in the areas of trade and trade facilitation along with being involved in other areas including transportation, water and energy. Its program titled “Enhancing Central Asia Regional Power Trade and Cooperation” analyzes data on energy related issues and consults with several bodies like energy ministries, dispatch centers, grid operators etc. It is also working on providing a knowledge platform and systems supporting decision-making to manage energy-water linkages(Bredesen et al., 2014: 6).

The UNDP also plays an important role in the promotion of trade coming out with periodic reports on it. For example, the ADB and UNDP, in 2005, came out with an assessment on trade opportunities and constraints that exist in the region. They found out that the average cost and time taken to ship goods to and from Western Europe from and to Central Asia and within Central Asia were about twice those expected with normal transport conditions. The main reasons for this escalated time and costs were delays and costs at border crossings and infrastructural bottlenecks like poor logistics, policy barriers and illicit fees. The report also suggested that significant gains in trade can be expected from systematic improvements in these areas. The UNDP has also come out with other reports where it identified several other areas where regional cooperation could generate momentous profit. Proper facilitation of trade in areas like energy and water resources and improved preparedness for natural disasters and prevention of conflict can help the countries of Central Asia to double their regional GDP in the coming years(Linn, 2012:99).The second phase of the Silk Road Regional Program has already been launched with the participation of five countries namely China, Kazakhstan, Kyrgyzstan,

Tajikistan and Uzbekistan. This program of the UNDP was independently started outside the CAREC but with the support of six multilateral institutions participating in CAREC.

The EBRD provides advisory services on trade and finance to the small banks of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. With the assistance from the Swiss and German governments, EBRD also provides trade instruments and short term advances to these banks for the proper facilitation of trade.

CAREC is also forming partnership with other main regional cooperation organizations of Central Asia including SCO in transport, CACO in water energy, EurasEC in trade and TRACECA in transit facilitation.

3.6. CAREC's Future Course of Action: CAREC 2020 and its Framework

CAREC Strategic Framework 2011-2020 was approved by the Program in November 2011. The framework recognizes the strategic objectives and priority areas of the program and accordingly made an ambitious blueprint for its future development in the coming decade. It will guide the members of CAREC in their continued endeavor to build and develop infrastructural facilities related to trade and other commercial activities along the CAREC corridors. It recognizes the progress made by CAREC in its early years to build confidence and credibility among the CAREC members. Simultaneously it also took stock of the existing challenges faced by the program and promises to address them. The Senior Officials' Meeting held in Manila in April 2010 can be called significant in this regard as the meeting served two important purposes. Firstly, decision was taken to commemorate the 10th anniversary of CAREC's existence as an institution for promoting regional cooperation. Secondly, in this meeting, a study was done for the stocktaking of achievements made under the CAREC Program during 2001–2010 along with establishing the strategic framework from 2011–2020 also known as CAREC 2020(Qian, Ying et al.,2010:1).

CAREC 2020 takes note of the lessons learnt by the Program in its first decade of cooperation and plans to implement them as CAREC moves on to the next decade. CAREC 2020 recognizes the need for stronger institutional mechanisms and effective business processes at both national and regional levels(CAREC, 2012: 9). In other words, the national policies and the developmental goals of the member countries should correspond and also complement the

regional initiatives of CAREC. This will in turn allow the member countries to have a strong ownership in the CAREC Program and direct them to play a greater role in CAREC's institutional framework. This can only be feasible if there exist a consistent and active participation of government officials within the sector committees in particular and across CAREC activities in general. Also the projects to be implemented in the next decade must be crafted out carefully to reveal a proper balance between hard infrastructure and soft infrastructure. This requires a concrete investment planning and financial support. Thus, CAREC 2020 will witness a surge in funding requirements for the implementation of projects in the coming decade. The financial expenditure is expected to exceed than what the CAREC governments and the multilateral institutions are able to provide now. As such, CAREC 2020 focuses on the mobilization of resources from other development partners including bilateral aid agencies. The strategy will also focus on the efforts to ensure timely implementation of projects in the MTPP. The need to promote public-private partnerships (PPPs) is recognized in CAREC 2020. PPP is essential to harness private capital into critical investment projects. However, promoting PPP would require the member countries of CAREC to first overcome national policy and institutional constraints in order to enable the private sector to make investment decisions based on clear perception of risks and benefits. The CAREC framework through a sub-regional project development facility aims to mitigate some of the institutional impediments that are hindering the growth of PPP.

Unlike the CAP, CAREC 2020 takes into cognizance the importance of the second-tier sectors along with laying continued emphasis on the upcoming issues affecting core area activities. These include equal distribution of regional public goods like communicable disease control, disaster risk management, agriculture, climate change adaptation, climate change proofing, mitigation, improving sector-driven capacity building and generating research products. Addressing these challenges would be seen in light of the social impacts of trade increase and improved competitiveness. CAREC Program plans to strengthen cooperation in these areas in the next decade. Addressing these challenges would require increased regional participation putting greater focus and synergy with the core areas as well. So far, knowledge building and information exchange have been the dominant mode of cooperation in addressing the issues related to the second-tier areas. However, in the coming decade CAREC 2020 plans to bring in the CAREC Institute in conducting analytical work to determine how special initiatives

in the second-tier sectors would also enhance initiatives in the core areas. This in turn might help the CAREC members to initiate cooperative activities or special projects in a second-tier areas based on a set of mutually agreed principles and criteria. Considering the complex nature of the issues pertaining to the second-tier areas, senior officials of the CAREC countries will be required to perform a more active role in promoting cross-sector linkages between the core and second-tier areas.

As earlier, expansion of trade and competitiveness among the CAREC countries continue to remain even in CAREC 2020. CAREC 2020 seeks to expand trade through transport connectivity, facilitation of cross-border movement of goods and people, trade openness, and energy trade. Improvements in these core areas will accelerate market-driven economic cooperation which in turn will increase trade. CAREC framework for the next decade plans to increase energy trade through more extensive energy cooperation among the member countries that, in return, will ensure reliable, secure and stable energy supplies to the CAREC countries. CAREC 2020 plans to improve competitiveness through transport connectivity, development of economic corridors, and energy sector cooperation. Development of economic corridors will lead to the diversification of the region's industries and, therefore, make them competitive through technology, logistics, and other business support services.

Coming to the four core areas, CAREC 2020 strategic framework will try to achieve its objectives in these sectors in the following ways:

a. Transport

The main objective of the development of the transport sector is to tap the vast potential of continental trade that pertains to the Eurasian landmass. CAREC 2020 aims to continue with the improvements, restructure and modernization in road transport corridor infrastructure and railways. Exploration in the field of technology to promote higher intermodal traffic and optimize modal choice for freight traffic will also be done. CAREC realizes the role of transport in establishing linkages with regional production networks. Thus, along with the development of transport routes, importance will also be given to those products where CAREC countries enjoy a comparative advantage. This will increase trade and enhance products' competitiveness. The TTFS under CAREC 2020 deals with the extension of corridors to connect sea ports, explore

alternative routes along the existing corridors, increase interconnectivity and geographical coverage of rail networks that are ideal for long distance freights (CAREC, 2012: 23).

b. Trade Facilitation

A major hindrance in the development of trade for the landlocked countries is the high cost and the longer duration of time taken to move goods and people across the borders. Hence, improvement of cross-border facilitation issues is also necessary along with the development of physical connectivity to assess markets lying outside the region. For example, going by the assessment of CAREC's CPMM Report a 20-ton truck takes more than $\frac{3}{4}$ of the total stopping time or 25 hours to complete a 500 kilometer journey and the majority of the halts occur at border-crossing points. CAREC 2020 along with promoting inter-continental trade also plans to expand trade with other regional partners and beyond and, therefore, understands the importance of transport and trade facilitation measures like the exchange of traffic rights, simplification of cross-border procedures and documentation, visa requirements, and adequate and efficient border facilities in realizing the same.

c. Trade Policy

Trade policies are measures adopted to promote trade openness between and among countries. Openness in trade include both trade in goods as well as trade in services. Considering the CAREC countries, trade policy is a priority for them especially for those that have not yet acceded to the WTO. Member countries of CAREC possess trade regimes that are not suitable to promote openness in trade. As such, critical issues have been identified in the areas concerning trade that require policy action preferably at the national level. These policies should be aimed at reducing trade barriers especially in border and transit trade, creating conducive environment for international trade, reducing trade taxes and promoting regional trade integration.

Although some progresses have been achieved in the reduction of tariff and non-tariff barriers, institutional impediments to trade still remain. CAREC presently focuses more on reducing institutional impediments to trade as that has emerged as an important area of trade policy.

d. Energy

CAREC 2020 in the coming years plans to exploit the large energy potential that exist from the various sources of power generation. CAREC has formulated the Regional Power Master Plan and other energy cooperation schemes to ensure a reliable, secure, and stable energy supplies. The CAREC Energy Action Plan Framework focuses on ensuring a balance between energy demand–supply and reducing infrastructure constraints including efficient use of energy resources such as renewable energy, demand-side management, and power trade opportunities. For this, certain infrastructural facilities need to be in place like the existence of an integrated planning of a regional transmission system, establishing the foundations for energy security through regional cooperation in resource development, including renewable energy and the management of energy and water. The Energy Work Plan of 2013-2015 was adopted in 2012 along the sidelines of CAREC 2020. The initiatives to be implemented under this plan include(CAREC 2014:11):

- Development of the Central Asia-South Asia energy corridor
- Resolving supplies of regional energy and trade issues
- Management connectivity between energy and water efficiently
- Mobilizing funds for building energy assets
- Implementing priority projects in the energy sector
- Ensuring capacity building and knowledge management efficiently

The 2010CAREC Institute Performance Assessment Review recommended that the CAREC Institutes should conduct capacity building and analytical work that are more directly relevant to priority sector requirements. This will be done by the sector coordinating committees to achieve the objectives of trade expansion. Unlike in trade policy where the expansion of trade will be principally driven by the national policies, in the energy sector the role of the CAREC framework itself can be considered important as it can provide the necessary analytical and advisory inputs and share knowledge and improve capacity-building through partnerships with the multilateral institutions and the CAREC Institute respectively.

Thus, the CAREC Strategic Framework 2011-2020 promises to address some of the issues like increasing ownership of the member countries, better synergy between regional and

national plans, a stronger CAREC Institute and a renewed effort to engage multilateral institutions, private sectors and other donor partners to mobilize resources. However, CAREC 2020 is silent on some key issues like dealing with regional tensions in Central Asia and how CAREC's Secretariat can truly become a regional entity located in Central Asia and managed solely by the Central Asians.

CHAPTER IV

ACHIEVEMENTS OF CAREC

4. ACHIEVEMENTS OF CAREC

The coordination effort of CAREC to pool resources and expertise has strengthened over the years. The participating multilateral institutions of CAREC met at the EBRD headquarters in October 2004 and came up with their role in the program (ADB, 2005: 5). Today, the ADB is taking the lead in transport and trade facilitation, the IMF in trade policy, the World Bank in water strategy and the EBRD in private sector initiatives. Also the participation of Russia and Afghanistan that was decided in the meeting of the Senior Officials of CAREC countries in 2005 has widened the geographical scope of the program. CAREC has formed partnership with other key regional cooperation organizations. These organizations participate with CAREC in the development of the regional infrastructure. For example, SCO participates in transport, CACO in water energy, the EurasEC in trade and TRACECA in transit facilitation (CAREC, 2005:2).The efficiency of CAREC lies in its way of functioning.

Figure-4: CAREC Projects Funding Sources (2001-11)

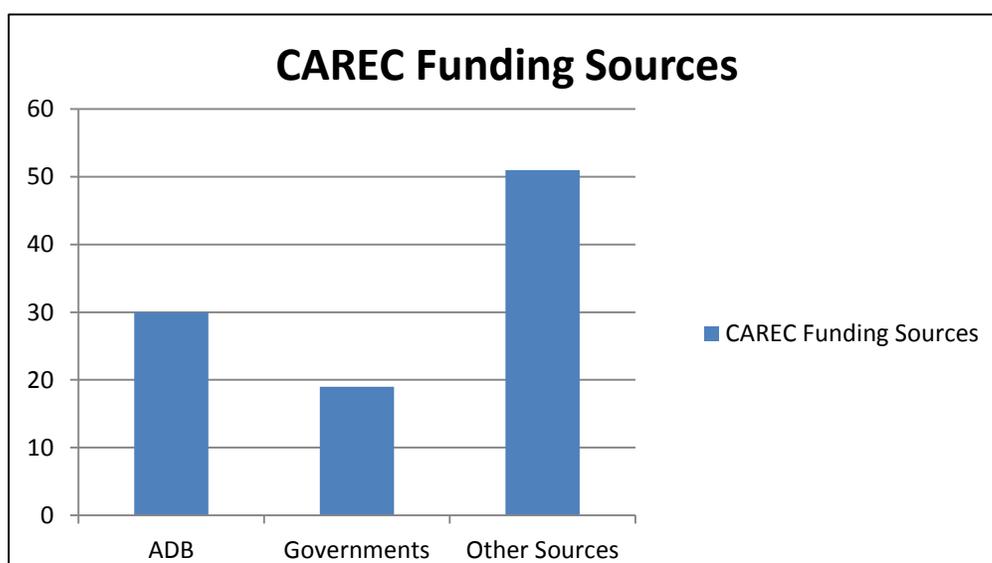


Figure 4 depicts the funding sources of CAREC projects from 2001 to 2011. While 30% of the total amount came from the Asian Development Bank, governments of the member countries have donated 19 % and rest of the 51% came from different sources which include several other international multilateral institutions.

To boost the trans-Eurasian trade in the region, CAREC has focused on four key sectors and significant achievements have come along its way that have partially reduced the obstacles in facilitating regional cooperation.

4.1. Transport

At present, the majority of the regional traffic in Central Asia is carried out by rail(Otsuka, 2001: 43). The roads serve only twenty two percent of the transportation. Because of the CAR's Soviet legacy, all the present railway networks of Central Asia are oriented towards north. Consequently, maximum of the freight movements from the CARs to Russia cross Kazakhstan(Parkash, 2006:6). Because of the geographical position, tariffs on the intra-regional routes are also higher. Although high priority has been assigned to the development of the transport sector, the inability of the countries to provide successful institutional solutions and adopt favorable policies to exploit the opportunities of transit traffic away from the routes of the bygone Soviet era pose difficulties in mobility. This is because developing transport infrastructure in Central Asia, ridden with difficult mountainous terrain, is a gigantic task that comes with huge human resources and infrastructural cost. Further, difficult physical terrain necessitates frequent rehabilitation or improvement which is also a costly affair. The land locked countries are,thus, plagued with high transit fees, high costs of freight shipping services, road tolls, restrictions of entry of transport vehicles into each other's territory particularly during border tensions. In case of transportation through railways, certain routes are important for intra-regional movements (Parkash 2006: 10). These include:

- Railways connecting Kazakhstan, Uzbekistan and Turkmenistan through Kyrgyzstan and Tajikistan that connects maximum parts of Central Asia with the sea ports on the Persian Gulf, the Mediterranean Sea and the Black Sea along with providing transit through East Asia and Southern and Central Europe.
- Railways connecting the main industrial centers of north Kazakhstan with the northern border of Russia also provide transit services between East Asia and North and Central Europe along the northern Trans Asian railway.

- The Kazakh railway via Kzyl-Orda and Aralsk that has traditionally connected Uzbekistan and Kyrgyzstan with the European part of Russia and Northern Europe, now, also connects the Caspian Sea port of Aktau.

The road networks in Central Asia are also used to transport goods from Europe and other countries like China and United Arab Emirates (UAE) through the Iranian port of Bandar Abbas. The north-south road through eastern Kazakhstan via Almaty and Aktagay is a crucial corridor as it serves as an important link between Kyrgyzstan and eastern Siberia. The same north-south road that moves through Kyrgyzstan and Tajikistan connect them with Kazakhstan and Xinjiang to Afghanistan and ports in Iran and Pakistan (Parkash, 2006:12). However, the condition of the medium is very poor especially in Kazakhstan and Tajikistan requiring either rehabilitation or major repairs.

There are several challenges pertaining to the region that acts as barriers for the effective development of the transportation networks. The intricate nature of the border demarcations has created major difficulties in some areas because of the imposition of the new border control mechanisms. Also, the conditions of the road network are in dire condition. For example, roads of Kazakhstan and Tajikistan are in the requirement of major repairs or rehabilitation. Each year more than 1,500 km of existing roads deteriorate in the region raising the urgent need for rehabilitation and up gradation. This is mainly because of the overloading of vehicles and lack of proper maintenance because of the scarcity of funds which are much below the annual requirements. The volume of freight and passenger traffic has been increasing over 10 % every year in most countries of the region and the roads that are in existence were not built to support the increasing number of trucks of recent times. Developing regional rail transport is also a major challenge because of the existence of several border problems. One of them is the lack of the development of proper border control measures. This is because border controls are not based on international conventions due to which ambiguity prevails in the understanding between traders and controlling authorities. Inefficient border control measures leads to several problems like excessive documentation, lengthy custom procedures at the origin and destination, extra transit fees, frequent corruption related to unauthorized payments, non-transparency due to complex administrative procedures and lack of coordination of border agencies both within and between neighboring countries. There is no track sharing agreements because of which efficient operation

of railways by a single operator through two or more than two countries becomes impossible. As a result border crossing becomes time consuming and costly. Customs inspections are also frequent hassles at borders or within transit countries which increases costing(Parkash, 2006:26). Of late, terrorist activities originating in many of the CARs have created further impediments for the intra-regional trade as stricter immigration rules and procedures are being imposed by the countries to tackle the security threats. As a result, procurement of visas for the drivers to cross borders is also becoming very difficult. Problems of delayed documentation in railway arise because of the lack of uniform customs and border control measures which are in accordance with the internationally recognized best practices.

At present, there are several regional transport agreements that are currently in place. They involve the countries of Central Asia and can provide a strong framework for cooperation. Some of them include the Economic Cooperation Transit Framework Agreement (1998), the Agreement on TRACECA, , the agreements under the aegis of CIS, the United Nations Economic Commission for Europe's Agreements and Conventions relating International Road Transport(Parkash, 2006:33).

CAREC realizes the importance of developing the region's transport sector in order to link Central Asia more closely with its neighboring countries and achieve rapid growth. The program has, thus, primarily focused on regional infrastructural investments for the improvement of geographical connectivity. More than three quarters of the approved investments in CAREC cater to the transport sector. CAREC realizes that the most important area for economic cooperation lies in improving the transportation links connecting the neighboring countries of Central Asia. This is because strong regional transport connectivity would increase international trade to a great level. As such road, railways and border crossing points across the CAREC countries are being developed and maintained. Progress has been achieved in building and developing cross-border physical connectivity especially in the road and rail corridors. Priority has also been assigned to the rehabilitation and improvements of the existing transport networks.

According to the 2011 data, 4000kms of roads and 2,240 km of railways have been improved. Afghanistan, Kyrgyzstan and Tajikistan signed the Transport Facilitation Agreement and a Regional Power Master Plan which enabled CAREC to increase its capacity for power generation and interconnections. In 2012, over seventy five percent of the total amounts invested

by CAREC went to the transport sector catering mostly to the construction of roads and railways that form part of CAREC corridors (ADB, 2012:25). CAREC has constructed and rehabilitated around 7,672 km of roads and railways thereby connecting several communities along these routes with the global markets promoting large scale economic development and returns. The six CAREC Corridor routes have witnessed an investment of more than \$ 19.6 billion catering to around 107 transport related projects from 2001 to 2014. By 2013 it was successful in completing more than 4, 970 km of roads along with constructing and rehabilitating 2,190 km of railway tracts (CAREC, 2014:6). The total length of the road built and improved in that year surpassed the annual target and “the cumulative length in good condition exceeded the goal of 24,000 km” (CAREC DEfR, 2013:20). Sector specific developments have been analyzed below to broaden the understanding of CAREC’s success in the transportation infrastructural development.

a. Development of Railways

The member countries have taken significant steps to develop the railways bypassing their territory. Between 2012 and 2013, it was seen that the border crossing time was shortened by almost an hour. Kazakhstan which is perhaps the only country among the CARs to have the opportunity to establish straight transit corridors, by virtue of being located at the center of the Eurasia, linking Europe with Asia and Pacific has also participated actively. It has recently come up with its plan to construct the country’s first high-speed line, a 1,100 km line linking Astana with Almaty, and has signed a contract with the French consulting engineering firm Systra to oversee the design and construction of the work. A 900 km railway line is also in progress that will connect Kazakhstan and Iran via Turkmenistan. Construction of another 400 km railway line is going on that will link Tajikistan and Turkmenistan to Afghanistan. The main purpose of this railway is to develop Afghanistan’s accessibility to the Central Asian markets and will also Tajikistan and Turkmenistan directly separated by Uzbekistan’s Surkhandarya region.

CAREC is also taking steps to connect Afghanistan with the international markets. As such, CAREC is building the first railway in Afghanistan which is a 75 km single line track between Hairatan and Mazar-e-Sharif (ADB, 2014: 1). It is in its first phase and is a part of a broader rail network connecting the cities of Herat, Tajikistan and Pakistan enhancing Corridors 3 and 6. The project aims to provide transshipment facilities, railway station, thus, “connecting

the ring road with the airport to Uzbekistan which leads to markets in Asia and Europe” (CAREC DEfR, 2013: 26). It is being built to develop alternative trade routes connecting Afghanistan thereby bringing in opportunities for business, tourism and other socio-economic activities. It has been awarded as the Exceptional International Development Project by the United States. The implementation of this project increased the job opportunities by 10 % and freight volume from 4,500 to 6,500 tons per day thereby decreasing the cost by 0.08 \$ per ton/km and reducing the transport time by half (CAREC DEfR, 2013: 19).

Building transport and energy networks is very significant for Afghanistan as that would help the country to establish external linkages which in turn would develop trade and increase private sector investments in the region. Afghanistan which has been a war torn city requires reliable transport and energy connectivity in order to help the people of the country live in better ways.

b. Development of Roadways

According to 2012 data, about 3,970 km of roads along the six corridors had been constructed. The Tajikistan’s Dushanbe– Kyrgyz Border Road Rehabilitation was in its second phase where construction of 3,400 km of roads was still ongoing (Perret, 2013:2). In the same year, the construction of the longest tunnel called the Shahrison Tunnel (52 km) in Tajikistan was completed by the China Road and Bridge Corporation. This tunnel aimed at reducing the transportation cost thereby increasing Dushanbe’s trade with Uzbekistan, China, Iran and Pakistan (Perret, 2013: 2).

The main aim of rebuilding and upgrading roads is to improve the living standards of the people and CAREC has been successful in achieving that. The Third Road Rehabilitation project that connects Corridors 1, 2 and 3 had reduced the distance between Bishkek and Osh resulting in the doubling of the number of households using it. CAREC has rebuilt and upgraded 94 km of road of the Azerbaijan Highway Project between Ganja and Gazakh which is a part of Corridor II. The Azerbaijan Highway Project is under the Road Network Development program initiated by CAREC. The project has improved the bypass road in Ganja “which is a part of the primary east-west highway from the capital Baku to the border of Georgia and a main route between the Caspian and the Black Sea” (ADB Project Completion Report, 2013:8). This

program has reduced the traffic time and has helped the traffic volume to increase three times. It has also improved the International Roughness Index.⁵⁰ The transport cost has also come down to 25-30% as freight charges and fares have been decreased. Presence of several amenities like smooth public transport system made the rural areas more accessible thus helping the local businesses around the areas to flourish by 30%. Around fourteen thousand people benefited from the improvement of local roads along the Shamkir-Gazakh section of this highway. Tajikistan's Road Rehabilitation Project connecting Corridors 3 and 5 have also increased the rate of travel and freight traffic by twenty-five to thirty percent.⁵¹ CAREC TTFS has identified several developments in the transport sector. The value of inter-regional trade has increased five times from the 2005 baseline of 7.9 billion. Because of the good conditions of roads, the speed along the CAREC corridors has increased at a rate of 30% (30 km per hour). The time taken and the cost incurred to clear a Border Check Post have now come down to 35 % and 20 % respectively⁵². The action plan of the TTFS progressed significantly in 2013. About 80 % of the Corridor roads targeted in the TTFS (2008-2017) were achieved by 2013. About 1,312 km of roads were built and upgraded in the same year crossing the 1,200 km target for the year (CAREC DEfR, 2013: 34). The additional road length built in 2013 was the Bishkek-Torugart road section in the Kyrgyzstan Republic, the East-West Highway in Azerbaijan, the West Regional Road in Mongolia and the Aktau-Beyneu Road in Kazakhstan (CAREC Reference Document, 2013:2). In the areas of railways, about 3,226km which is about 85% of the targeted 3,800 km was completed. Construction of the Atamyrat-Ymamanzar-Akina railway was initiated. Another major roadway which is the Kyrgyz roadway running from Taraz to Talas to Suusamyr is being rehabilitated. The rehabilitation program is co-financed by the Islamic Development Bank and the Saudi Fund for Development where each of them is contribution USD 10 million for the reconstruction (Perret, 2013:3). CAREC has also rehabilitated the main route between the northwest and southeast of Uzbekistan

The North South Corridor Project that has also been initiated by CAREC to boost development in Afghanistan. The project installed cross-border facilities in Spin Boldak and Hairatan and rehabilitated the roads connecting Mazar-e-Sharif, Dar-i-Suf and the Bamyan-

⁵⁰The International Roughness Index (IRI) is the roughness index most commonly obtained from measured longitudinal road profiles. It is calculated using a quarter-car vehicle math model, whose response is accumulated to yield a roughness index with units of slope (in/mi, m/km, etc.).

⁵¹CAREC (2014), "CAREC in Tajikistan: Building a Global Future", Asian Development Bank: Philippines, p. 9.

⁵²Op cit No. 46.

Yakawlang areas. It reduced the time of the travel and transport cost by 75% and 40% respectively. The volume of the traffic has been increased four times while the cost of operating vehicles dropped by 45%. Unlike in the past, the rural areas of Afghanistan, now, are linked with the markets even during the winters (CAREC DEfR, 2013: 13). By 2015, Kazakhstan also plans to build a network of highways in the north-south and east-west direction to facilitate continental and trans-continental transit. This ambitious plan will be conducted under the Transport Strategy of the Republic of Kazakhstan (Perret, 2013:2).

ADB takes the lead in coordinating transport sector activities in CAREC. The Sector Coordinating Committee of ADB focuses on improving the regional transport network and setting the framework for addressing the sector policy issues. The other countries and multilateral institutions have also made major investments in the transport sector. These include⁵³:

1. the Southern Transport Corridor Road Rehabilitation Project in Kyrgyzstan co-financed by ADB (\$ 32 million), OPEC (\$ 4 million) and a separate grant from China (\$ 7.3 million);
2. the Hacıqadol-Kurdamir section of the highway from Baku, Azerbaijan to the Georgia border financed by EBRD (\$ 41 million);
3. the Sumgayit-Zarat section of the highway from Baku to the Russian border financed by EBRD (\$ 41 million);
4. the Central North-South road Corridor in Mongolia co financed by ADB (\$37.1 million) PRC (\$1.5 million grant) and Republic of Korea (\$ 23.9 million).

These initiatives of ADB have increased travel and accessibility of the business groups. For example, the Southern Transport Road Rehabilitation Project of Kyrgyzstan, mentioned above, has reduced the time travelled by 25 %. Costs in operating buses and other vehicles have also declined thereby bringing down the fares.

⁵³ Op.cit.3. p. 9

c. Development of Airports

Development of air transport is very crucial for Central Asia which faces the geographical constraints of being land locked and inaccessibility to warm seas. Air transport increases connectivity among places and people thereby promoting regional economic growth. In the era of globalization, the contribution of airport is significant as it helps to conduct a wide variety of economic activities in a simplistic manner. Integration with the global market becomes easier with air transport as airports connect important regions and cities. It helps in moving goods as well as people in a more convenient and less time consuming manner.

In the aviation industry, CAREC's thrust is on equipping the airports with state of the art infrastructure. Construction of a new international airport began in 2013 in Ashgabat, the capital of Turkmenistan. Built with the help of the Turkish contractor Polimeks, this airport will have the capacity to accommodate 1,600 passengers per hour. Construction of another international airport complex in Turkmenabat has started in 2013 by Altkom, a Ukrainian firm. A new terminal in Dushanbe International Airport in Tajikistan is being built by the French company Vinci at an estimated cost of USD 51.1 million. The International Air Transport Association (IATA) has formed partnership with several CARs like Kazakhstan's Ministry of Transport in order to ensure that the CAR's rules vis-a-vis airways comply with ICAO requirements by 2020. As a result, Kazakhstan's Almaty International Airport set has framed a 20 year master plan to accommodate future growth in terms of passengers, cargo and aircraft movements (Perret, 2013:4).

d. Development of Ports

The role of port in today's era has increased and expanded to become a major platform for logistics. It is often considered as a wheel of economy if it functions in an efficient way. The role of port becomes all the more important especially in case of foreign trade as it is the backbone of international trade of a country. A seaport is the mandatory transit point for allowing the export and import of goods. The demand of trade also increases with the help of ports which provides the provision of other services thereby adding value to the products being transported. The role of ports in every country has increased all the more with the advent of

globalization. With an increase in the movement of goods and services, ports serve as an alternative transport mechanism providing the cheapest mode of transportation.

CAR's proximity to the Caspian Sea has necessitated the member states of CAREC to develop the water-based transport of Central Asia. As such, the Caspian Sea port of Turkmenbashi in Turkmenistan is undergoing a makeover to accommodate the increasing traffic demands. The makeover includes renovation of an oil terminal, provision of dry cargo vessels, new docks etc. At present, the infrastructural facilities in the port are not sufficient enough to cope up with the increasing volume of cargo passing through it. The only international sea port of Kazakhstan, Aktau, is being expanded towards the north. The project is being carried out in four stages to increase the port's capacity to transship bulk oil and cargoes. The first and second stages have already been completed. The project is being financed by the Development Bank of Kazakhstan with an estimated cost of USD 283.6 million (Perret, 2013: 4). Also the Baku Port in Azerbaijan which lies in CAREC Corridor 2 is being developed to provide more facilities and liberalize the custom procedures in order to strengthen trade among the neighbors.

4.2. Energy

Apart from its central location, Central Asia's rich endowment of fossil fuel and water resources also makes it a geo-strategic zone of importance. It is one of the world's most important energy hubs and unblocking these resources are very essential to ensure continuous distribution and overcome seasonal variation in supplies.

Kazakhstan is the largest producer of oil in the Caspian region. In 2006, Kazakhstan produced about 66.1 million tons of oil which was 7 percent higher than the previous year. Most of the production is centered on the eastern edge of the Caspian from the Aktau to Atyrau and at the Russian border near Orenburg further north. A separate group of fields are also there in central Kazakhstan which is the South Turgay and Kumkol fields. But the three largest fields of Kazakhstan from where most of the production comes from are Tengiz, Kashagan and Karachaganak. Tengiz is currently the single largest oil producing field in Kazakhstan and is among the top ten producing oil fields in the world. While Tengiz is located in the north-western part of Kazakhstan, Kashagan is located in the off shore area near Tengiz and Karachaganak is located near the Russian border. However, Kazakhstan's refinery supply and oil distribution is

mainly concentrated in the north- south region creating regional imbalances. Kazakhstan's export of crude oil is higher than exporting products as the former is more profitable than the latter. Initially oil products were transported by rail to the Baltic ports but now, they are moved through the Georgian ports. Kazakhstan has modernized its energy sector. It has constructed a new oil terminal at Kuryk near Aktau. The main aim is to accommodate the demands of transshipment of oil and reduce the need for new oil berths in Aktau. The south Turgay field has also expanded in order to connect it with the market more effectively (Karatayev and Clarke, 2014).

Although Turkmenistan's oil sector underwent changes in 2000, foreign investment in the sector was stalled by the absence of proper laws. The country has also been involved in several disputes in the past. Turkmenistan and south Caspian Sea joint venture oil exploration came to a halt because of a dispute with the Turkmenistan government. It has also been engaged in disputes with Azerbaijan regarding the Caspian Sea reserves. Export of crude oil from Turkmenistan mainly takes place in countries of Iran, Azerbaijan and Russia. Uzbekistan's majority of the oil production is centered in the Bukhara region. Recently Ferghana Valley which is shared with Kyrgyzstan and Tajikistan has also been identified as added areas of exploration. However, its share in the export of oil is not sufficient.

The CAREC energy projects include investment projects to rehabilitate and expand energy infrastructure in the region. The program has so far been successful in mobilizing around 4.6 million \$ since 2001 for 36 projects mainly aimed at expanding bilateral electricity trade and improvement of the regional power network. In terms of providing technical assistance, more than 51. 82 million \$ has been pumped into the region since 2001. The CAREC Energy Action Plan was approved in 2009 and helps in exploiting the energy potentials of the region by emphasizing the needs to expand the transmission infrastructure in order to meet power needs. In 2013, Uzbekistan supplied 1296 gigawatt of power to Kabul, Afghanistan thereby supplying continuous electricity to about 5 million people. Again in the summer of 2013, Tajikistan supplied 939 gigawatt of electricity to Afghanistan through the 220 kilovolt transmission line that was constructed under the Regional Power Transmission Interconnection Project by ADB. So far, CAREC has successfully constructed about 2,322 km of transmission lines across Central Asia (CAREC, 2014: 11). CAREC has also supported in the development of Tajikistan's energy sector. Tajikistan's energy export is crucial for developing its industry and building foreign

currency reserves. CAREC's energy projects in the country include the transformation of the outdated transmission facilities built during the Soviet era and building of new cross border power transmission lines for the import of seasonal electricity surplus from the neighboring countries.

The North South Transmission Line Project in Kazakhstan will strengthen the exchange of powers between the power systems of northern Kazakhstan, Russia and Central Asia. The project will also alleviate shortages of electricity during winter in Southern Kazakhstan. The project is being implemented in three phases. The first phase which has already been completed was funded by EBRD (\$ 89 million). The 220 KV Batkan (Kyrgyzstan)-Kanibodom (Tajikistan) transmission line was a CAREC project that was funded by Tajikistan (\$ 9 million). It was built to transmit electricity imports from Kyrgyzstan to north Tajikistan. Significant progress has been achieved in implementing the Energy Work Plan of 2013-2015. The ADB and the World Bank is funding two complementary projects along the Central Asia-South Asia Energy Corridor to boost energy trade and cooperation. The USAID under its Regional Energy Security, Efficiency and Trade Program is organizing seminars and offering a full university level curriculum on the design and operation of power markets in order to address the constraints to promote electricity trade(CAREC, 2012:11).

Apart from this, the Talimarjan Power Plant which is being built by the state run power utility of Uzbekistan, Uzbekenergo, is also supported by CAREC. CAREC is funding this project which is being built 440 km south west of Tashkent and will be Central Asia's first 929 megawatt combined cycle gas turbine power plant. The Nurek Hydroelectric power plant that has been built in Tajikistan receives water from Tajikistan's largest reservoir. The output is distributed throughout Tajikistan and its neighboring countries to meet the energy needs. In Uzbekistan, the talimarjan Power Plant is being built with CAREC's help which will be the first 800 mega watt combined cycle gas turbine power plant.

Thus, cooperation in the field of energy has helped the Central Asian households to increase their productivity for income generation. According to the 2011 data, a total of 1,150 kilometers of power transmission lines have been completed whereby boosting energy trade in Central Asia.

4.3. Trade Facilitation

One of the main aims of CAREC in bringing about reforms in the area of trade facilitation is to promote competition among the Central Asian countries that would eventually reduce trade costs and save time. Adoption of proper border management measures constitutes another major component in trade facilitation reforms as the traders in the Central Asian countries have to meet numerous cumbersome regulatory requirements in doing business. They have to obtain permits every time they cross borders and fulfill several complicated formalities at the different border control agencies. Removing these obstacles both at and beyond the borders are a necessity to boost trade and CAREC aims to achieve this through their policies in the areas of trade facilitation.

The DEfR Report of 2013 showed that while the trade of CAREC countries with extra-regional countries is at levels equivalent to about two-third of their GDP, intra-regional trade under the CAREC improved only as a proportion of total CAREC trade(CAREC DEfR2013:20). CAREC's trade facilitation program has taken several initiatives like adopting information technology for automated customs services and data exchanges, joint customs control and single window practices, risk management and post clearance audit, regional transit development etc. To promote trade, the CAREC member countries are acceding to and aligning their custom codes with the Revised Kyoto Convention (CAREC Reference Document, 2014: 8). The new regional projects of CAREC that are aimed to provide technical assistance are now focusing on modernizing sanitary and phyto-sanitary measures, border infrastructure, custom reforms and customs transit. It is also providing assistance to the member countries which are acceding to WTO and complying with its commitments. Other measures like establishment of national single window system, introduction of automation and encouragement of private sectors to participate in CAREC through organizations like the CAREC Federation of Carrier and Forwarder Associations (CFCFA) are being implemented to boost trade.

Adoption of these trade facilitation measures has increased business and environment in the region. Border crossing has become easier as the time taken has been reduced to below 8 hours on an average from almost more than 9 hours in 2010. Average costs incurred for clearance at the border crossing has been reduced by almost 16 %.

CFCFA was established in 2009 with 14 member associations from the 8 original CAREC member countries. The federation has a constitution with a set of officers who were elected in 2010. A series of events were sponsored by CFCFA in Chongqing, PRC, in February 2011 bringing together over 200 people. It also provided an opportunity for PRC transport operators and freight forwarders to meet and network with their CAREC counterparts. The CFCFA provides periodic assessment on corridor performance measurement and monitoring results. In August 2011 three working groups were created at the CFCFA annual meeting held in Issyk-Kul, Kyrgyz Republic to identify priority projects and implement it by 2011–2012(CAREC Brief, 2012:2).

Under the recently endorsed CAREC Transport and Trade Facilitation Strategy 2020, CAREC is trying to simplify border management by bringing in automated procedures to provide information on time. Custom Codes according to the World Customs Organization's Revised Kyoto Convention are being incorporated to promote good practice. Improving infrastructure at the border crossing points along with establishing effective risk management systems have received attention under this strategy. Under the Regional Improvement of Border Services (RIBS) project, CAREC has launched several projects at the border that has reduced time and cost as well as customs violation while moving goods. RIBS has been very successful for CAREC countries helping them to develop single window facilities and improve infrastructure at the border points.⁵⁴

The EBRD provides advisory services on trade and finance to the small banks of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. It also provides loan guarantees to these banks to facilitate trade. The problems of trade facilitation are being introduced

4.4. Trade Policy

CAREC countries are mostly land locked nations having abundant natural resources. Sustainable economic growth can only be achieved by them provided they interact efficiently with the world markets. However, the region is plagued with several constraints that limit the intra-regional trade performance. To start with, most of the Central Asian countries have

⁵⁴ Single Window facilities will allow traders to launch information for just one time via a single portal to fulfill all import and export related regulatory reporting requirements

commodity based economies that forces the governments to adopt protectionist policies to reduce dependencies on commodity trade with other countries. As a result, most of the policies that are in place in most of the CARs are trade restrictive in nature. For example, the Russian financial crisis of 1999 prompted Kazakhstan to impose a 200% tariff on selected goods coming from Kyrgyzstan and Uzbekistan. This was because Kazakhstan felt threatened that the devaluation of the Russian currency, Ruble would flood the Kazakh territory with a sudden influx of cheap Russian goods. Also, the PRC's imposition of import quotas on the CARs restricts trade between PRC's Xinjiang region and Central Asia. Other barriers to trade are high transit fees, inflated costs of customs clearance due to corrupt border practices etc. Non tariff barriers like border transaction costs are so high that at times they reach 7-10 percent of the value of goods being transported. Recently, the borders have been further tightened to restrict the inflow of low quality consumption goods from PRC that reach the Central Asian territory through Kazakhstan and Kyrgyzstan (Fujimura, 2004: 10).

In this sphere, the Senior Officials Meeting (SOM) in April 2004 called for the creation of a TPCC that was strongly supported by IMF(CAREC, 2005:3).Henceforth, CAREC TPCC that was established in 2004 witnessed significant progress since 2013 with major achievements being in the field of:

- Capacity-building and knowledge-sharing Program
- WTO Accession Knowledge Sharing Program
- TPSAP initiated by the member countries of CAREC

The realm of providing technical assistance is looked after by the TPCC. It helps in taking strategic decisions on all issues catering to this field along with coordinating different sectors and its activities. Some of its works are promoting capacity building activities, identifying pilot projects in trade policies that will promote development and sector-wide implications and coordination of activities of the different projects in the areas of trade policy. Coordination of the activities is ensured by reporting and recommending on a regular basis to the CAREC Senior Official's Meeting which consequently informs the CAREC Ministerial Conference. It comprises of senior government officials from the concerned ministries in all CAREC countries. It coordinates with the NFP, at the national level, and the CAREC Secretariat,

at the international level to promote effective coordination among the different agencies. It meets twice in a year “where the host country for each committee meeting acts as the official chair of that meeting.”⁵⁵

The evolution of TPCC since its inception has been gradually displaying progress that has been achieved due to a time bound and short term action plan. As such, the TPCC was first assigned with the responsibility of updating the TPSAP of 2008 which covered the period of 2013-2017 which was subsequently approved in the 12th Ministerial Conference held in Astana, Kazakhstan on 24 October 2013 (CAREC Reference Document, 2014:3). TPSAP seeks to bolster trade among the CAREC countries by dismantling policy barriers and achieve WTO membership for the CAREC members. The investment climate across Central Asia is improved as the action plan seeks to national trade regimes are simplified and liberalized within a reasonable time period. TPSAP aims to address the diverse economic policies of the Central Asian countries through several initiatives like uniform value added and excise taxes on domestic as well as imported goods, reducing tariffs and eradicating quantitative restrictions on exports and imports(CAREC, 2014: 11).

The implementation of the TPSAP of 2008 was the responsibility of the TPCC and hence, the monitoring of the activities under the TPSAP continued till the 18th TPCC meeting. In the following meeting the Trade Liberalization Index (TLI) and the Institutional Quality Index (IQI) were reported.⁵⁶ While the TLI prior to 2012 showed an increase due to the openness and simplification of the countries’ trade regimes, years after 2012 witnessed a declining tendency. As a result, the target set by the previous TPSAP could not be achieved. In fact, the target in trade liberalization exceeded in 2012 in the countries of Afghanistan, Azerbaijan, Kazakhstan and Kyrgyzstan.The IQI varied from countries to countries displaying disparity in the institutional quality between member countries. Contrary to the previous one, the TPSAP of 2013-2014 is more extensive building on and encompassing the agendas of the previous TPSAP along with expanding into new areas to enable the CAREC countries to integrate with the global environment. These areas include:

⁵⁵opcit, No. 41.

⁵⁶ IQI aims to monitor improvements in trade policy environments

- Expansion of trade in services
- Reduction and rationalization of non-tariff measures especially in the field of sanitary and phyto-sanitary and technical barriers to trade

While the problems in the areas included in the previous TPSAP were easier to address simply by policy changes, successful implementation of TPSAP of 2013-2017 is challenging as the new areas are complex and difficult to address than the former. CAREC through the IMF and ADB have successfully roped in the WTO for its expertise in trade policy and trade liberalization reforms. As such the WTO Accession Knowledge Sharing Program was established and sponsored jointly by the ADB and IMF to support liberalization in trade. Overtime it has been strengthened and enhanced to make the WTO accession and the capacity development program of the TPCC smooth. WTO has even promised to assist the member countries both during accession as well as in the post-accession period especially in the preparation of documents and negotiations in times of market accession. This is because, reports on institutional environment shows that while domestic environment for trade among the CAREC countries has improved considerably, significant variations exist in their institutional quality. As a result, the Institute for Training and Technical Cooperation of WTO is collaborating with the ADB and IMF to enable the CAREC countries to gain all these capacity development products both as a group and as an individual country. The government officials of the member states are also being helped by CAREC to generate skills and remain informed about the internationally best practices in trade policies. As a result, CAREC members are exchanging training and information to improve the domestic environment for the implementation of policies that aims to increase volumes in inter and intra-regional trade.

4.5. CAREC's role in improving the lives of the people

The six land transport corridors which are the backbone of the CAREC Program have illuminated the lives of the people living in the region. It has increased mobility among goods and people. Its investment in trade and energy has provided monetary gains for the members thereby improving the living standards across the region. Accessibility to basic amenities has become easier for those living in the remote parts. For example, the Korla-Kuqa Expressway that lies in CAREC Corridor 5 has played an important role in connecting the rural roads with

schools, hospitals and markets. In Kyrgyzstan, the opening of the 77km road from Osh in 2009 has improved the accessibility to medical and health services for the people living along the southern Transport Corridor. In Mongolia where CAREC Corridor 4 traverses, accessibility to essential social services across vast distances has become easier due to a decrease in transport cost and faster travel times. CAREC has also taken steps to provide social protection and prevent communicable diseases in the region (ADB, 2011: 54). Today, accessibility to job opportunities, markets and social services have improved for the local communities.

In 2010 ADB approved a project related to the development of rural roads in Yunnan, PRC. It was incorporated in the Yunnan Integrated Road Network Development Project (YIRNDP) and had an expenditure of \$1.5 million. The project covered around 650km of rural roads. This project improved the lives of the people, especially women, in the area. They were made the legitimate stakeholders and were encouraged to participate in the maintenance program of the roads. The rural communities in the Yunnan province always faced day-to-day difficulties because of poor transportation and high costs of goods and services. Livelihood in the region has been severely impaired as purchase and sell of agricultural products are also very high. Conditions ameliorated after the inception of the projects as connectivity improved and the implementation of the project required labor force that was hired from the local areas. Particularly, women groups living along the roads are involved in maintaining the rural roads on a contractual basis. They basically perform the tasks of clearing the drainage system, landslides and cutting the vegetation, repairing road surface and avoiding further serious damage. The project has been successful as the conditions of the roads have improved along with benefiting the local communities. Women, mainly, have been able to improve their livelihoods with the income from the project. Maintenance workers and other community members are provided with training economic activities (Yang and Dissel, 2011: 13).

4.6. Challenges

However, lacuna still exists that prevents CAREC to achieve the fullest outcome in the sector concerning trade policy. The member countries need to work more closely and bond intricately to make implement trade policies more successfully. This can only be achieved with their fullest participation in the field of sharing information necessary to assess progress in the implementation of the TPSAP. Until then, policies formulated in the TPSAP will be a mere

rhetoric. The trade policy sector progress reports to the CAREC Senior Officials' Meetings has been reiterating this each time they meet requesting the CAREC Senior Officials to facilitate improved coordination among the countries. Similarly, in the expansion of trade in services, it is important for the Central Asian economies to start stock-taking of the extent to which they are engaged in trade in services. Thus, CAREC has displayed effective cooperation in key areas of trade, transport, trade facilitation, and energy. The developments of different sectoral strategies are really one of its kind initiatives adopted by CAREC that has shown good track record of investment.

However, like all the other regional organizations existing in the region, CAREC is also subject to several constraints. One important challenge being the low level of partnership and cooperation among the Central Asian states at the regional level due to the lack of a unified communication space. The people of Central Asia possess multiple identities along ethnic, linguistic, religious and cultural lines and assertion of one political order in the entire region becomes difficult to be achieved because of the presence of these interrelated identities that has divided the people of Central Asia at various levels. Like all other regional organizations CAREC too faces the constraints of these ethnic, linguistic and religious contradictions that undermine the efforts of cooperation. Also, CAREC faces the constraints of equally distributing the gains of regional cooperation both within and between the countries. CAREC also needs heavy amount of funding to maintain the transport and other trade facilitation infrastructure of the landlocked CAREC countries.

Although significant contribution has been made in terms of its impact on the lives of the people, CAREC still needs to achieve more in this direction. People of the CAREC countries still lives on less than\$2 a day. Participation of the labor force in the CAREC economy has improved but at a minimum rate. CAREC has been extremely successful in improving transportconnectivity, however, much has to be done for the development of soft infrastructure like improving the custom systems, reducing bureaucratic redtapism, eliminating corruption at borders, establishing proper legal frameworks etc.

CHAPTER V
CONCLUSION

5. CONCLUSION

The collapse of the former Soviet Union prompted the CARs to search for partners at both bilateral and multilateral level. Independence brought with it numerous challenges which these countries had to face. Their complex set of overlapping problems created the dangers of escalation of violent conflicts involving several states of the region. As a result these countries were seen joining several international and regional organizations along with establishing diplomatic relations with most of the countries of the world. Numerous regional organizations were also established in the region in an effort to strengthen regional integration in the post cold war period.

Historically, acting as a land bridge between Europe and Asia, Central Asia again started generating interest from outside the region. The huge energy reserves as well as several other factors attracted the international players vying for power, position and influence in the region. Russia's role, the successor of the Soviet Union, diminished in the region till the ascendance of Vladimir Putin to power. This was because after disintegration Russia itself was plunged into such deep economic, political and social crisis. However, Russia's influence in the region is again on the ascendance. Today, Russia's exertion of influence in Central Asia arises from its claim of the region to be a part of its historical, economic and regional interests. China's role in the region is also important as the country has significant stakes in ensuring Central Asia to be a peaceful region. Central Asia borders the restive XUAR of China where the ethnic Uyghur population is demanding sovereignty and China is trying hard to crush the dissent. Any instance of instability in bordering Central Asia also creates the potential of escalating problem in Xinjiang. Apart from this, Central Asia is also a major source of energy supply for the fast growing and energy demanding Chinese economy. As such China is the net importer of the Central Asian oil and, now, also intends to make its foray into the vast petroleum resources of Central Asia. Common culture and religion also plays dominant role in Central Asia's relations with the external players. Evidently, Turkish presence in the region can be attributed to the common Turkic heritage of Central Asia. Iran's affinity with the Tajik people rests in its lingual and cultural ties with Tajikistan. Central Asia also has good relations with the Middle East and other Islamic countries because of its Islamic tradition. Today, NATO also depends on Central Asia as a medium of transit of non-lethal military supplies to Afghanistan. Thus, one of the

reasons for the sudden growth of regional institutions in the post-1990s can also be attributed to the increased presence of the external players. Regional organizations and the process of regional cooperation give countries the chance to maneuver economically and politically at the regional level consequently using the organizations as a clout to extend their influence. Regional organizations are, thus, arenas of power play where countries engage in diplomatic bargaining with others.

For the five CARs, regional organizations and the presence of other actors have not necessarily acted as a bane, rather this pragmatic shift in the late 1990s generated opportunities for the Central Asian countries to interact with numerous players at both bilateral and multilateral level. Unlike in the past when the Central Asian countries were only depended on the Soviets, post-Cold War period changed the scenario as the CARs because of the presence of numerous actors could interact and maneuver according to their interests. This became evident after the break-up of the former Soviet Union when the newly independent CARs were seen to be recovering from the economic recession during the transitional phase. Although, the immediate disintegration brought disastrous economic consequences for the CARs due to the rupture of the long established intensive economic links between them and the Soviets, the CARs sprang back at the turn of the twentieth century emerging as one of the dynamic economic regions of the world. This became possible because of the CARs establishing growing trade links with each other, with big powers and with the other institutions of the world. But in the realm of security, the Central Asian countries do have the influence of at least one dominant power. Inter-state security cooperation in the region is facilitated by an externally powerful state which is otherwise driven by the pursuit of power and security. For example, the CIS, CSTO and their initiatives in the security dimension have mostly been the brain child of Moscow always willing to make military and financial contributions in the region in order to ensure the domestic political survival of the Russian ruling elites of Central Asia. SCO has always been interpreted as a balancing mechanism initiated by China and Russia to counter the American dominance in Central Asia at the strategic level. There are also other forms of regional organizations existing in Central Asia catering to numerous areas. In spite of their existence regional cooperation in Central Asia has rather been very limited in nature.

CAREC is a unique regional organization initiated by ADB that has been formed in the region to generate affluence by increasing transport and trade communication among the countries of Central Asia. The members of the organization are working together to create a regionally cohesive and a globally linked Asia in order to advance economic growth and reduce poverty. Central Asia's strategic location as the land bridge between Asia and Europe has the immense possibilities to offer transport and trade connectivity to the economies of Russia, Caucasus, Europe, Middle East, East Asia and South East Asia. Thus, improving trade across borders at low cost and with minimum hassles would also create jobs and CAREC aims to realize this by developing the six transport corridors existing in the region and also expanding the energy sector crucial for the industrial development of the Central Asian economies. The transport projects undertaken by CAREC involve the building of roadways and railways encompassing the four geographical directions from east and west to north and south.

The prospects for expansion of trade in the Central Asian region also depend heavily on the adoption of successful policies to promote trade and expand the market in the region. Thus, in this regard, CAREC has also adapted several trade facilitating policies to link the Central Asian markets both within the region and beyond. These policies and other bilateral agreements are being adopted by the organization in ways that would fit effortlessly within regional cooperation framework. CAREC has, thus, with time, emerged as an effective medium to foster regional collaboration in Central Asia. A number of factors including the organization's structural framework along with the interplay of several other reasons have contributed to its development. CAREC is an association consisting of countries and several multilateral institutions which have come together to promote economic trade in the region. It is an action oriented organization emerged as a result of a pragmatic alliance with a clear long term focus and a vision of enhancing regional cooperation. The different organs like the technical committees and the senior officials meetings work together through mutual understanding and cooperation thereby generating fruitful discussions and agreements in the ministerial conferences. Unlike other organizations, the progress of CAREC is monitored and evaluated periodically. The regional initiatives of CAREC takes into account those plans of the countries related to the development of national infrastructure. This requires coordination between the participant countries which is realized through their technical ministries within the CAREC. One of the most important strengths of CAREC is probably the capacity to mobilize resources on a large scale.

The presence of several multilateral institutions and the inflow of coordinated investment with their help have enabled to create a good action plan with clear results.

The creation of CAREC Institute has made the organization all the more strong as through this, CAREC, now, provides technical training and also disseminate knowledge. CAREC Institute was established as a hub for providing virtual information. Knowledge and training in the areas of trade, transport and energy is provided by the institute. Overtime it has become as an important medium to analyze the strategic and sectoral projects of CAREC. The organization has maintained its transparency by reporting its work via its official website where all the key documents of CAREC sponsored events are available. Today, it is perhaps the most effective regional organization successful in developing the infrastructural networks in Central Asia.

CAREC's geographical scope and main sources of funding from ADB and China makes it principally an Asian organization. CAREC has also been successful in bringing together a large number of countries and multilateral institutions which hitherto have been reluctant in cooperating with each other. CAREC has adopted a focused and result-driven approach in financing infrastructural development and expanding competitiveness in the areas of transport, trade policy, energy, economic corridor development and trade facilitation. It has been successful in effectively coordinating between multilateral institutions due to which it has been able to pool in resources extensively. Today, CAREC's role has been all the more enhanced with the revival of trade and transport connectivity across the region. Opening up of the western borders of China, changes in the patterns of the regional economy and the causatum of the financial crisis of 2008 that hit the world globally has again led to the re-emergence of trade in the Central Asian region. The CAREC economies have continued to provide emphasis on connectivity which is an absolute imperative for them if they are to expand market, enhance the CAREC membership and promote linkages with their rapidly growing neighboring economies. Inter and intra-regional trade can only progress with infrastructural improvements supported by trade facilitation measures. CAREC has successfully addressed these issues by focusing on the border areas, economic corridors and policies that restrict trade. Thus, with time CAREC countries have shown positive results like export diversification, structural changes, industrial up gradation etc. Investment in infrastructure has also increased in the CAREC countries that has helped them to transform into land linked ones. The CAREC Program for the past ten years have also provided a

platform for dialogue and financial and technical support on issues related to communicable diseases, ill effects of greater mobility of population and climate changes in the region.

Thus, CAREC's success has generated an inclusive growth in the region encircling economic, social and institutional amplitudes. CAREC has enabled the poor and low income households to benefit economically from this process of growth. Their opportunity in terms of accessing employment opportunities and a healthy livelihood has increased. CAREC has also made investment in the sectors of education, social protection, health and human resource and development. It's target in reducing the social evils prevalent in the CAREC region like gender inequality, poor status of women and social inequalities have brought most of the people into the growth process. Economic acceleration in the region has been possible by CAREC because of removing the constraints of economic growth and strengthening institutional capabilities to achieve the same.

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