Executive summary

Increased cooperation among the Central Asian republics stands to produce big gains for the people of the region. The benefits from reducing trade costs, increasing remittances from migrant workers, and more efficient use of water and energy resources could generate a regional economy twice as large and well off 10 years from now. The price of non-cooperation could also be large, a heavy toll extracted from the spread of disease, lost economic opportunities, natural disasters and environmental destruction, as well as conflict and insecurity. Both costs and benefits will be felt most among the region’s poorer populations.

Cooperation would ease the barriers posed by the new borders between the republics and allow people to connect throughout the region and beyond with trade and investment; linked infrastructure; shared water and energy; common environmental, health and disaster protection; and a free flow of ideas and knowledge.

Central Asia faces real opportunities. It is today surrounded by some of the most dynamic of the world’s economies. The people of the region enjoy commonalities of history, culture and language. Conflict among the new nations has been avoided. New avenues for trade and access to world markets and knowledge are opening up. Regional organizations have been created and are gaining in strength. And the region’s neighbours and the international community have increasingly recognized that they share a strong interest in a stable and prosperous Central Asia.

Big challenges also lie ahead. Central Asia is burdened by its landlocked location, by vulnerable infrastructure, by severe poverty in many areas, by institutional weaknesses, and by political barriers to cooperation. In two countries, the process of market reforms has yet to take hold and effective cooperation with their neighbours remains an elusive promise.
Central Asia is a pivotal region that for centuries served as a bridge between Europe and East Asia, and between North and South Asia. For many centuries, it also functioned as a hub for the religious, scientific and cultural development of the Islamic world. From the 16th century onwards, however, Central Asia became marginalized, ending up as a relatively poor, landlocked fringe, first of Tsarist Russia and then of the Soviet Union. During 70 years of Soviet rule, when the Central Asian republics were largely shut off from the rest of the world, their economies became closely linked with the rest of the union. Living standards improved as a result of heavy investments in physical infrastructure and human capital.

In 1991, the disintegration of the Soviet Union produced five new countries in Central Asia—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan—with a total population of 57 million people. New borders carved up the region like a jigsaw puzzle. They interrupted trade and other human links, and weakened critical but vulnerable region-wide water and energy systems. The severing of supply connections for industry and agriculture, the flight of many skilled Russians, the drying up of subsidies from Moscow, and the disappearance of the central administrative apparatus of the Soviet Union led to a dramatic economic collapse. This brought about a significant increase in poverty, severely weakening the region's human development and human security.

However, the break up of the Soviet Union also led to the opening of Central Asia's previously closed borders with China, Iran and eventually Afghanistan. This holds the potential for reviving the historic trade routes through Central Asia, for sending the region's rich energy resources to world markets, and for establishing dynamic trade and communication links between the region and the rest of the world. Capturing these possibilities to their fullest extent will require countries to work together cooperatively towards a common future.

Today, the Central Asian republics vary widely in terms of their geography and population size, natural resource endowments, human development, political orientation, and readiness to cooperate and integrate with each other and with the rest of the world. Nonetheless, they share many challenges and opportunities, in part because of their common history under the Soviet regime; their important cross-border trade, water, energy and environmental links; and their shared perceptions and realities of internal and external threats to human and national security.

In many important respects, the people of Central Asia and their governments have been remarkably successful in meeting the very difficult problems they faced after the Soviet collapse. They have managed to establish national identities and institutions largely from scratch. Despite the potential for tensions over shared scarce resources, there has been no cross-border violent conflict among the countries or with their neighbors. Some have made significant progress in creating new market-based institutions and linking up with world markets. All the countries are well on their way to economic recovery after the severe dislocation and deep recession in the early years after independence. They have established regional institutions that can form the basis for improved regional cooperation and integration in the future. While there was reason for deep concern about the long-term future of the region in the late 1990s, there is justified hope today that Central Asian countries can thrive and achieve rapid advances in human development and human security for their people.

At the same time, recent surveys and case studies reveal that people in all the countries of Central Asia share frustrations and hardships from the borders that were drawn during Soviet times, but that only became divisive after independence. The borders split family and friendship networks, especially in border communities. They disrupt trade and investment not just for big businesses, but especially for small businesses, including the informal merchants known as shuttle traders. They separate farmers from their traditional lands and water sources. They create opportunities and excuses for harassment and extortion by border guards and customs officials, whether people want to cross for business or family reasons, or to migrate in search of better jobs. When administered unfairly, inefficiently and corruptly, borders are costly diversions of resources that drain opportunities for growth and prosperity. They have become potent symbols of the failure of the new states to provide for their citizens in a human and humane manner.

Since the borders between Central Asian states and their neighbours are here to stay, the countries in the region, their neighbours and their international partners now face the challenge of creating 'borders with a human face'; that is, borders that ease the flow of people and goods, rather than hampering it with time-consuming and unpredictable red tape and expensive official fees. People should not feel exploited or
Some regional agencies have had specialized functions, such as coordinating regional water use. Others have encompassed much larger regional groupings, such as the Economic Cooperation Organization (ECO, which includes Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan). Central Asian countries and Azerbaijan, China and Mongolia, together with the multilateral institutions led by the Asian Development Bank, have formed the Central Asia Regional Economic Cooperation programme (CAREC). Most external aid donors and partners now have assistance strategies that support regional cooperation.

Much remains to be done, however, to reduce cross-border barriers, to facilitate the best use of regional resources and to ensure that the people of Central Asia benefit from improved links among their countries, with their neighbours and with the rest of the world. The following pages summarize some of the most important issues at stake and this report’s main recommendations for national authorities, regional institutions and the international community, encompassing both the neighboring countries, and bilateral and multilateral partners.

Regional cooperation in trade and investment

Like other countries, the Central Asian republics have to promote trade and integrate into the global economy if they want to achieve international competitiveness, sustain economic growth, and advance human development and human security. At this time, trade within Central Asia, and with its neighbours and the rest of the world, is obstructed by numerous barriers—complex and opaque trade policies, high costs from border delays, visa requirements, bribes, detours when crossing borders and clearing customs, poor transport and transit conditions, and many hindrances to effective business, trade and transit behind borders.

Several factors fuel these problems. Current regional and bilateral trade agreements are overlapping, complex and mostly ineffective, and may actually harm rather than facilitate trade, since they are confusing for customs officials and create opportunities for corruption. In part due to the lack of regional cooperation, the Central Asian transport links with the rest of the world, and especially with the non-CIS countries, remain underdeveloped. Limited financial resources are spent on building roads and railway lines that bypass borders, which would be avoidable if cross-border transit were allowed and facilitated. Existing roads and railway services are in poor condition due to a

The Central Asian republics have to promote trade and integrate into the global economy if they want to advance human development and human security
lack of maintenance funds and weak institutional capacity. International transit agreements are not fully implemented, while national transit systems are not integrated. Air transport is underdeveloped within the region and with the rest of the world. Finally, shuttle traders (many of whom are poor women) face pervasive restrictions and obstacles at and behind the borders, even though their activities create employment and lower prices, especially for poorer people.

Lowering these manifold barriers and facilitating trade will help the countries of Central Asia expand trade beyond the current low levels, boost economic growth and employment, reduce poverty and improve governance by narrowing the scope for corruption. Slashing trade costs by 50 per cent would increase gross domestic product (GDP) by an estimated 20 per cent in Kazakhstan and 55 per cent in Kyrgyzstan over 10 years. The poor will benefit most from the facilitation of trade.

However, it is not enough for trade costs to be reduced. Businesses must be able to respond by producing and investing more at home. This depends on the business climate and the quality of financial services in each country. These behind-the-border conditions are generally very poor in Central Asia. Improvements therefore are needed not only in trade policy, transport and transit, but also in the business and investment climate and financial sector of each republic. Experience further shows that reforms in trade, transit and the business climate in turn require measures to combat corruption, improve the civil service, and enhance the transparency and accountability of government—in other words, far-reaching steps to achieve good governance.

**Recommendations**

**For the national governments in Central Asia:**

- **Give priority in trade policy to accession to the World Trade Organization (WTO) and to non-discriminatory multilateral trade liberalization, including through easing restrictions on shuttle trade.**

  WTO accession is the best way to assure a competitive trade policy and domestic business environment. It should replace the ‘spaghetti bowl’ of regional and bilateral preferential trade agreements. Creation of a Central Asian common market could be a long-term goal, but it should be consistent with WTO rules and avoid the risk of trade diversion by adopting the trade policies of the member country with the lowest WTO-bound tariffs.

- **Focus regional cooperation to achieve competitiveness on improving transport links and trade facilitation, and on creating ‘borders with a human face.’**

Regional cooperation for competitiveness should focus on reducing transport costs, and facilitating trade and transit both at and behind the borders. In practice, this means simplifying and harmonizing visa regimes, and customs and border crossing rules and procedures; improving the professionalism and honesty at customs, police and border protection services; and facilitating rather than interfering with shuttle trade. These measures would go a long way to create ‘borders with a human face.’

- **Create an efficient transport infrastructure and improve transport services for lower-cost intra-regional and international access.**

  The Central Asian republics should avoid building new roads and railway links specifically designed to bypass borders. Instead, countries should use limited financial resources to rehabilitate and maintain existing transport networks, and develop key missing regional network links to connect with the rest of the world. Legal and regulatory frameworks should be improved for the transport sector to permit private carriers, enhance competition and remove barriers to entry, while maintaining system safety—in accordance with international conventions on transport and transit. They should support the development of a simplified and effectively managed regional transit system for road transport, as well as regional and international airline connections.

- **Reform the behind-the-border business environment and financial sector to assure that private sector firms, including medium, small and micro-enterprises, can respond effectively to the new opportunities and challenges from a more liberal and lower-cost trading environment.**

  Private firms of all sizes, domestic and foreign, need a secure and predictable business environment for opening, operating and closing firms, free from arbitrary restrictions and corrupt interventions, inspections and taxation. A sound and efficient court system that adjudicates disputes fairly and protects property rights is a necessary complement. While these basic elements of good governance do not come about overnight and may take years to completely develop, a start needs to be made in order to eventually secure the full range of benefits from regional cooperation.

**For regional organizations:**

- **Give one of the regional organizations of Central Asia clear lead responsibility for the regional trade agenda.**
The multiple trade policy, transport and trade initiatives in different regional organizations should be concentrated and rationalized in one regional organization, possibly CACO. This organization would support individual Central Asian countries in their efforts to join the WTO. It would also establish benchmarks and monitor progress in trade liberalization, trade facilitation, transport cost reduction and regional transport service improvements, as well as in governance, business climate and financial sector reforms.

Develop and implement a comprehensive regional transport infrastructure and trade facilitation programme.

Such a programme would be designed to coordinate national road and rail transport infrastructure projects. It would focus on improving the region’s transport links with other parts of the world; upgrading and integrating the region’s air transport infrastructure; minimizing new transport infrastructure projects primarily aimed at avoiding transit through neighbouring countries; allocating adequate funds to the rehabilitation and maintenance of key existing transport networks; and supporting the development of comprehensive measures for trade facilitation and transit improvements.

Support regional forums for business communities at which regional organizations and their member governments can receive suggestions and feedback on the design and implementation of trade and related policies, and where businesses can develop regional contacts and integrated networks for providing better business opportunities and addressing common problems.

Such regional networks are key to fostering a vibrant regional market and offering vital feedback to governments on how their policies are perceived by the business community.

For the international community:

Encourage the governments of Central Asia with technical and financial support to pursue the regional competitiveness agenda in their bilateral policy dialogues and through CAREC.

Central Asia’s neighbours and international donors should support WTO accession and regional transit improvements with project finance for transport investments, and behind-the-border and good governance reforms. CAREC can play a special coordinating role.

Commission analytical work that demonstrates the benefits of improved regional co-

operation to achieve competitiveness, that helps predict the winners and losers of reform, and that assists in building region-wide constituencies for reform.

International support for research, including in-depth surveys, case studies and sector-specific analysis, is needed to document for policy makers what is lost from the lack of cooperation and complementary reforms. It can also help define differing national interests across countries and internally diverging interests within each country that hinder reform. The research can assist in determining how particular vulnerable groups can best be protected from transition costs that in the short term may cause significant social disruptions.

Regional cooperation on water, energy and the environment

Water, energy and environmental resources are critical for human development and human security. In Central Asia, they are closely linked, through both geography and the vast infrastructure systems put in place during Soviet days. The republics are tightly interconnected with each other in managing these resources, even as each country has very different endowments and priorities.

At the core of the region’s natural resource challenge lies the management of regional water resources, which requires a careful balance between irrigation, human consumption, the generation of electricity and the protection of fragile natural environments. Given the diverse national interests, the post-independence years have seen a serious weakening of the longstanding Soviet water and energy exchange arrangement among the republics. Kyrgyzstan and Tajikistan, the upstream countries along the two main rivers of the region—the Amu Darya and the Syr Darya—prefer to maximize the use of the water for generating electricity for export and to meet domestic energy demand, especially in the winter. The downstream countries, Kazakhstan, Turkmenistan and Uzbekistan, prefer to have maximum access to water for irrigation during the summer months, while also avoiding the floods caused by winter water releases. There are disagreements about payment for water resources and the maintenance of infrastructure. Each of the countries has an interest in self-sufficiency in water and energy resources, minimizing dependence on neighbours by investing in costly water or power projects on their own territories.

Regional approaches to the water-energy nexus in Central Asia would bring large benefits in
Currently available estimates indicate that the annual net benefits to Central Asia from cooperation in water sharing and conservation amount to about five per cent of GDP.

Given the fragility of the regional water and energy infrastructure, non-cooperation carries grave risks and costs. According to some estimates, the region loses $1.7 billion per year, or three per cent of GDP, from poor water management that lowers agricultural yields. The poor use of water resources throughout the region has contributed to major environmental and social problems, especially for the Aral region. The revival of agricultural production in northern Afghanistan and the resulting increase in water use will likely add to the scarcity of water in the Amu Darya river basin. At the same time, China’s increased upstream use of the waters of the Irtys and Ili rivers will create pressures on downstream water availability in Kazakhstan. There are also a number of water management ‘hot spots’ associated with potentially catastrophic risks of regional significance—one is the naturally dammed Lake Sarez in Tajikistan. A dam breakage could lead to devastating floods threatening millions of people throughout the Amu Darya basin.

In the energy sector, as for water, all the Central Asian countries would benefit from measures to use energy resources more efficiently. Kyrgyzstan and Tajikistan have large unused hydropower potential and a long-term potential for electricity exports. But huge investments would be required, with uncertain market prospects as well as political and security risks. For oil and gas, the other main energy resources in the region, access to world markets is heavily dependent on transit routes through neighbouring countries. Traditionally, the pipeline infrastructure has mainly led through Russia, which has effectively controlled off-take and price, and has an interest in maintaining this position. Alternative transit routes include China, which is now investing in joint production and transport ventures in Kazakhstan, and Afghanistan and Iran, although both pose geopolitical and security concerns.

On the environment, Central Asia struggles with the devastating environmental legacy of the Soviet period, including dangerous deposits of radioactive tailings from abandoned uranium mines and the lethal remnants of biological and nuclear tests. But serious risks also come from today’s poor environmental policies and weak institutional capacity, both at the country and regional levels. Many problems have regional spillover effects, often related to the big rivers connecting the countries. Whether the issue is waterborne pollution from industry, the loss of biodiversity or soil erosion, these problems require regional solutions. To varying degrees, the big regional seas—the Aral Sea and the Caspian Sea—are suffering serious environmental damage that is not only of regional but also of global significance.

It is not possible to make a comprehensive estimate of the benefits from cooperation and costs of non-cooperation in the water, energy and environmental areas, although these are likely to be large. Currently available estimates indicate that the annual net benefits to Central Asia from cooperation in water sharing and conservation amount to about five per cent of GDP. Benefits are likely to be double that percentage for the smaller and poorer countries. And these are clearly only a fraction of the benefits that could be reaped if Central Asian countries were to cooperate fully and effectively on water, energy and the environment. Further research needs to be devoted to a more systematic quantification of these potential gains.

Central Asia countries have gone some way already to cooperate in managing their shared natural resources. They have avoided outright cross-border conflicts, and engaged in continued dialogue, water-sharing agreements and cooperative initiatives. To varying degrees, they have welcomed the engagement of international donors and institutions. Currently, it appears that Kazakhstan, Kyrgyzstan and Tajikistan broadly have a common vision for regional solutions to water, energy and environmental problems, and are likely to look for common approaches. In addition, there is likely to be a continued focus on bilateral agreements on the most pressing cross-border issues, as reflected in the improved bilateral relations between Central Asian countries and their neighbours on several important water and energy issues.

**Recommendations**

*For the national governments in Central Asia:*

- Improve the national management of natural water, energy and environmental resources, and address priority risks from potentially catastrophic ‘hot spots’.

Many of the regional problems in natural resource availability would be much reduced if national policies encouraged a more efficient use of these resources. Efficient pricing, effective maintenance of infrastructure and improved national institutions...
are essential for better national natural resource management. Given the interconnectedness of natural resource systems in Central Asia, region-wide commitment to better national resource use could have region-wide benefits. Specifically, cooperative solutions will help mitigate the potentially serious and even catastrophic risks posed by major ‘hot spots’, such as the possible breakage of the Lake Sarez dam, or potential landslides at the uranium tailing sites in Kyrgyzstan and Tajikistan.

Seek region-wide cooperative solutions to water and energy problems, but if these do not materialize, pursue bilateral or trilateral solutions as a way forward.

Given the interconnected systems of water and energy production, transmission and use in the region, region-wide agreements—if sustained and implemented—would be best. But since this may in practice be difficult to achieve, individual countries should be ready to explore less than universal agreements. For example, it may be possible to have separate agreements covering the watersheds of the Amu Darya and the Syr Darya river basins, and bilateral solutions may be best for many of the ‘hot spots’, or to deal with conflicts over access to natural resources among cross-border communities. However, since compromises may be easier to reach where more than one issue is being addressed at any given time—since one party may be able to offset a loss in one area by a gain in another—it is advisable to continue to pursue the option of region-wide agreements and institutions, building on past initiatives.

Strengthen environmental institutions nationally and regionally, and sign on to and implement global environmental conventions.

Given the weak environmental institutions in Central Asia, efforts to strengthen them and to give greater attention to global environmental conventions are a high priority. The region’s environmental ministers and their agencies have made some progress in recent years, but they need the support of national leaders and the international community to be truly effective.

Support civil society in its work on water, energy and environmental issues on a national and regional basis. Help assist communities to solve cross-border problems and avoid conflict—‘borders with a human face’ are also needed in natural resource access and management.

Civil society representatives first flagged many of the natural resource management and conservation issues before and after independence. Their role in identifying important problems and solutions has been reduced since the early 1990s, as economic recession caused the focus to shift to economic, social and poverty issues, and as many Central Asian countries began to place restraints on the freedom of civil society to engage in analysis and advocacy of critical issues. The tendency of governments to centralize authority and financial resources in the capitals has left local authorities and community leaders poorly placed to solve local border conflicts over natural resource access. Giving civil society, local leaders and communities more leeway in dealing with these issues, both nationally and across borders, would provide much better feedback for governments, and likely lead to more effective solutions and reduced conflict potential.

For regional organizations:

Develop clear, focused mandates and long-term visions for the regional organizations dealing with natural resource challenges, including major regional ‘hot spots’.

Regional organizations currently have vague and overlapping mandates in terms of natural resource management, and have not been given clear visions of how they should support regional cooperation. CACO’s planned Water and Energy Consortium could be an important step forward, but appears not to have yet received the full support from CACO member governments. Regional organizations should also develop a well-defined division of labour and adopt action plans for dealing with the various regional ‘hot spots’. Where necessary and appropriate, bilateral or trilateral approaches should be supported.

Draw on and support the networks of academic institutions and civil society organizations that deal with natural resource management issues.

As at the national level, regional networks of academic and non-governmental organizations (NGO) can be very helpful in identifying environmental problems and solutions, and ensuring a feedback loop on the work of official regional bodies.

For the international community:

Develop a clear regional perspective and help build regional institutional capacities when supporting national programmes and projects involving water, energy and environmental resources.

Given the weak environmental institutions in Central Asia, efforts to strengthen them are a high priority.
Central Asia is particularly prone to natural disasters, including major earthquakes, landslides and floods, on a scale that could affect millions of people.

The international community has had a far-reaching engagement in many aspects of the natural resource management challenge in Central Asia. Important opportunities for supporting regional cooperation in this area could come from brokering closer cooperation among international organizations, taking a regional perspective even when dealing with national programmes, and supporting regional initiatives and institutions, including CACO’s Water and Energy Consortium, if it receives the full backing of Central Asian partners. CAREC could serve as a focal point for bringing together international donors and regional organizations. The international financial institutions can play an important role in assessing the financial viability of various regional investments, and can help organize public-private partnerships as well as regional cooperative solutions among partner governments.

Support the adoption of global environmental conventions, and the governmental and non-governmental capacity to monitor their implementation. Help finance and organize research on long-term regional water, energy and environmental issues (including those related to glaciers, river flows and climate change).

Much remains to be done to better understand the regional challenges and risks of natural resource management in Central Asia. In some instances, lessons could be learned from watersheds and regional environmental initiatives in other parts of the world; Central Asia in turn has knowledge to share with other regions. Since the Central Asian experience undoubtedly has implications for global natural resource balances, the international community should be aware of and engaged in the full spectrum of water, energy and environmental issues.

Regional solutions for threats from national disasters, drugs, crime and terrorism

Because of its seismic and geographic conditions, Central Asia is particularly prone to natural disasters, including major earthquakes, landslides and floods, on a scale that could affect millions of people over large swaths of the region. A major earthquake could kill tens of thousands of people, as has happened in the past. Millions of people are at risk from post-quake dam breakages. In Tajikistan, an estimated 70 per cent of GDP could be lost as a result of natural catastrophes.

Other threats are man-made, coming from the impact of illicit drugs, crime and terrorism. Since the 1990s, Central Asia has been at the centre of drug transit routes and has suffered from the resulting increases in disease, crime and corruption. Hundreds of thousands of people are addicted to drugs and the number is growing. The region is caught between a major hub of production (Afghanistan) and major hubs of consumption (Europe, Russia and China). While efforts to control trafficking can go some way to restrict or redirect the flow of drugs, experience shows that trafficking will continue despite such efforts, especially in environments where states are weak and governance is poor.

Central Asia also has been burdened with threats from terrorism—both home-grown and imported from neighbouring countries—which thrives on poor governance, political repression and drug money. The Afghan war largely eliminated Taliban support for extremist militant groups after 2001, and as a result the external terrorism threat in Central Asia appears to have been significantly reduced. However, some popular support for radical movements remains, and governments have been increasingly concerned about threats to national security and political stability.

Whether natural or man-made, real or perceived, all of these threats transcend the borders of each Central Asian country and involve neighbours beyond the region. A regional perspective is critical to understanding them and informing the search for solutions. These are areas where regional cooperation is relatively free of conflicts among national interests, and where progress can reinforce trust and the readiness for eventual cooperation in other fields. To varying degrees, the Central Asian governments, their neighbours and the international community have been engaged in addressing these risks on the national and regional levels.

In the case of natural disasters, national and regional institutions exist for natural disaster preparedness and response, but they lack adequate capacity and budgets for comprehensive and effective risk assessment, prevention, preparedness and response. Examples from elsewhere in the world show that risks can be substantially reduced through proper preparedness and early warning systems; through insurance mechanisms that not only help to respond financially after a disaster strikes, but also provide effective incentives for better construction standards and location decisions; and through coordinated regional responses. Community and civil society involvement is critical. For their part, international donors have been generous with emergency humanitarian assistance in the region once disaster strikes, but they have focused much less on supporting prevention and preparedness.
Regional and national efforts have also tackled the interconnected problems of illicit drug trafficking, crime and terrorism, although for drug trafficking, efforts have been hampered by limited cooperation among agencies across borders and within countries, and by the fundamental dilemma that trafficking will continue as long as supply and demand in the big hubs are not dealt with. The threats to national security from external and domestic radical opposition groups, however, have become a major preoccupation for the leaders of the region and their neighbours, and have been the focal point of discussions at various regional summit meetings, including the 2005 SCO summit.

These issues have a number of implications in terms of human security. First, a comprehensive understanding of the relationship between drugs, crime and terrorism must inform effective security policies. Second, the drug-crime-terror nexus requires that governments, law enforcement and security agencies in the region work together under an umbrella of national, regional and international interagency cooperation. Third, it is necessary to tackle the root causes of criminal and terrorist activities, including poverty, inadequate and inefficient governance, and the breakdown in social contracts between state and society.

Measures for better law enforcement and control of security threats should not lead to general repression of political life. Rather, they need to be reinforced with heightened respect for human rights, empowerment of communities and the strengthening of good governance. This requires a comprehensive human development and human security strategy, combining security measures and control of illegal activities with developmental measures and good governance reforms. The risk here is that if the governments of the region take a narrow view of their security challenges and do not effectively address some of the key developmental and political issues that could lead to grievances and need to be resolved in the long term, then stability will be further threatened.

**Recommendations**

**For the national governments in Central Asia:**

Develop comprehensive, development-oriented strategies for addressing the underlying socioeconomic risks and challenges of natural disasters and man-made threats in cooperation with regional neighbours.

This would include joining and implementing the relevant international conventions on disaster preparedness, drug control and anti-terrorism, and modernizing national legislation in all three areas. For natural disasters, governments should improve land use and building code regulations and enforcement, introduce insurance schemes, and develop disaster preparedness and training programmes. For anti-drug and anti-terrorism initiatives, it is important to combine control-oriented actions with developmental programmes that create jobs, especially for young people; public health and education programmes; and efforts to reduce corruption.

- **Strengthen the capacity of natural disaster preparedness and response agencies, the police, and security and border control forces; ensure cross-agency coordination and information sharing; and maintain a balance between enforcement and development approaches.**

This requires high-level attention by leaders and adequate financial resources, and steps to ensure that corruption does not undermine the quality of implementation. It is important to modernize border management for effective control of drug flows and cross-border criminal and terrorist activities, while maintaining ‘borders with a human face’ for ordinary people, trade and commerce. It also helps to systematically involve local communities and civil society organizations in disaster preparedness and response initiatives as well as anti-drug campaigns, and in the design and implementation of anti-terrorism programmes. This will make it easier to protect human rights and limit repressive responses in the fight against drugs and terrorism, which will minimize costs to human security and reduce the long-term risk of alienating people.

**For regional organizations:**

Make disaster preparedness and response, and anti-drug and anti-terrorism programmes high priorities, and clarify the mandates of regional organizations in these areas.

Recent CACO and SCO summits have made declarations and taken steps to combat drugs and terrorism, but need to do so also for natural disasters, and need to follow up effectively. A clearer delineation of mandates would help avoid duplicate efforts.

- **Develop regional risk assessment and planning capacities, early warning systems (especially for natural disaster ‘hot spots’), and systematic links among relevant national and regional agencies.**

One important priority is to strengthen information collection and sharing systems at the regional level and international interagency cooperation. This requires high-level attention by leaders and adequate financial resources, and steps to ensure that corruption does not undermine the quality of implementation. It is important to modernize border management for effective control of drug flows and cross-border criminal and terrorist activities, while maintaining ‘borders with a human face’ for ordinary people, trade and commerce.
Migration, health, education, communication and gender issues involve key challenges and opportunities for human development and human security.

Regional organizations are by necessity the creations of their members. To be effective, they need to reflect the priorities and values of their members, including when it comes to striking a balance between control-oriented versus developmental approaches to dealing with national security issues. However, regional organizations can provide an opportunity to foster debate on alternatives and bring in experiences from the rest of the world on disaster prevention and preparedness, as well as on drug trafficking, crime and terrorism.

For the international community:

Focus more donor attention on regional natural disaster preparedness and prevention, and support comprehensive and coordinated regional approaches to anti-drug and anti-terrorism programmes with adequate and sustained funding.

An important element of international engagement to stem drug trafficking is to focus attention on controlling production and consumption outside Central Asia, while also setting realistic goals for what drug interdiction programmes can achieve along the drug-trafficking routes. Donors can play a significant role in emphasizing the need for development and good governance programmes that are community based and deal with conflict prevention, drug control and natural disaster prevention. These should involve civil society, support management of ‘borders with a human face’ and encourage respect for human rights. Better regional coordination among donors would enhance their effectiveness. Donor funding for research, training and information management involving regional experts and institutions is critical.

Regional cooperation in meeting social development challenges

Migration, health, education, communication and gender issues involve key challenges and opportunities for human development and human security. Working on all of these fronts will be essential for progress towards achieving the MDGs in Central Asia. Regional implications are most obvious in the case of migration and communicable disease, but they are found as well in other areas. Regional cooperation can help manage the points of interconnection, and encourage regional benchmarking, monitoring, information exchange and the sharing of best practices. The MDGs provide an excellent framework for a regional approach, but major improvements in statistics are needed for reliable assessment of trends and policies nationally and regionally.

The numbers of migrants from and in Central Asia are large, as people from the countries with fewer economic opportunities (Kyrgyzstan, Tajikistan and Uzbekistan) seek jobs and better lives in those countries with better-off economies (especially Russia and more recently Kazakhstan). Taking the midpoints of reasonable but uncertain estimates of the number of migrants, some 1.5 million migrant workers from Central Asia may be working in Russia. Their remittances form a vital economic lifeline—remittances in Tajikistan make up about 20 per cent of GDP. Despite their significant contributions, however, migrants face very serious problems in crossing borders, in sending remittances home and in their working conditions. No regional framework or forum exists for consistently addressing these issues.

In health and education, the deterioration in social indicators and services since 1991 has been dramatic. Countries have faced common challenges, but chosen different responses, which presents an opportunity to learn from each other in terms of what works and what does not. In health, the greatest regional challenge comes from rising HIV/AIDS and tuberculosis rates, which are reaching epidemic proportions, with evident cross-border links. Increasingly prevalent intravenous drug addiction significantly adds to the risk of infection. An estimated 50,000 people are already HIV positive, and if current trends continue, the cost of HIV/AIDS treatment and prevention could top $1 billion between 2004 and 2007. With the severe acute respiratory syndrome (SARS) epidemic of 2001 and 2002, and the avian flu risk in 2005, both originating in East and South-East Asia, new epidemic threats have appeared. Fortunately, governments and regional organizations have now recognized the serious risks posed by communicable diseases and have started to take action at the national and regional levels.

Educational issues are mostly national in nature, but there are also important regional connections.
Border communities would benefit from access to educational facilities in neighbouring countries, and minority populations from textbooks and trained teachers in their own languages, which could be supported by neighbours. Student exchanges at the tertiary level and recognition of diplomas from neighbouring countries would nurture a competitive, flexible workforce across the region. Maintaining Russian as a second language and lingua franca for cross-border communication by government, business, academia and civil society would help economic and intellectual integration to flourish, even as over time English as a language for global communication is likely to play an increasing role.

Women in Central Asia have faced particular challenges during the transition from the Soviet system, a process that has stripped many of the economic and social gains they had made in previous decades, especially in rural areas. Women have lost jobs and support for child rearing. The resumption of traditional cultural practices in many parts of the region is curtailing women’s rights. Statistics disaggregated by gender are extremely limited, which masks the extent of many problems, including such practices as human trafficking, bride snatching and the denial of property rights. Countries in the region have signed on to global conventions on women’s rights and empowerment, and civil society groups have been active in trying to strengthen women’s position in Central Asia, but much remains to be done in reversing the tide of discrimination, including through networking and the regional exchange of information.

Governments and civil society organizations have begun implementing regional projects to address social development issues. Russia and Tajikistan recently struck an agreement on the treatment of Tajik migrant workers in Russia; national governments, CACO and the international donor community are sponsoring a regional HIV/AIDS project; various regional networks have formed to improve education and expand Internet connectivity; and many gender-oriented civil society organizations work together across borders on joint advocacy and action. Building on these and many other examples of successful regional cooperation is an excellent place to start considering how to improve regional cooperation and integration in the social sphere. While most governments appear to recognize the importance of a well-educated population and healthy workforce, Turkmenistan’s isolation and apparent destruction of its social service system is a national tragedy and potentially a problem of regional significance.

**Recommendations**

**For the national governments in Central Asia:**

Ensure ‘borders with a human face’ for migrants, students, NGO network representatives and citizens of border communities seeking access to health and education services across borders.

People should be able to cross borders without undue hassle or loss of time, and migrants should be able to transfer their earnings home securely and at a reasonable cost. National authorities also need to help ensure that their nationals working abroad have legal protections and access to advice and information about how to protect their rights under the laws of the host country. They need to address human trafficking, which now affects a growing number of Central Asian women. The local authorities in border communities should be encouraged to work together to provide access to social services across borders in cases of emergency, for isolated communities or where this provides substantial mutual benefits.

**Strengthen national legal norms in line with international conventions and join regional efforts in the fight for better social conditions region-wide.**

National legislation can be strengthened, among other ways, with laws that assure equal rights for women, diploma recognition across borders, and consistency between drug enforcement and the fight against HIV/AIDS. Governments should also join in regional monitoring and benchmarking of progress in the social sectors, using the MDGs as a key tool. There are useful opportunities to share experiences and best practices in reform programmes, innovative practices and appropriate financing strategies. Governments should also strengthen the collection of national statistics for the main health, education and gender parameters, following international standards so as to permit reliable analysis of major trends and issues, and comparison of progress across countries.

**Support regional information exchange and networking among medical professionals, educators, scientists and journalists on an individual and institutional basis.**

Central Asia has a history of tight networks in academia, the media, civil society, and arts and culture. Building on this history, governments can foster the continuation and strengthening of these links in the interest of building a modern knowledge society in the region. Some fundamental ingredients include supporting the growth of information and Internet technology, and maintaining Russian as a second language as a language for global communication is likely to play an increasing role.

Governments and civil society organizations have begun implementing regional projects to address social development issues.

People should be able to cross borders without undue hassle or loss of time and migrants should be able to transfer their earnings home securely and at a reasonable cost.
for cross-border communication. National governments should also encourage local authorities in border regions to work with their cross-border counterparts to facilitate social sector connections.

For regional organizations:

Define clear mandates for regional institutions on major social sector cooperation activities.

No major regional institution has systematically addressed fostering cooperation in the major social sectors. CACO, the SCO and CAREC appear to be best suited for these responsibilities.

Lead or support region-wide initiatives in the social sectors, including regional programmes on HIV/AIDS and TB, the harmonization and simplification of visa and passport requirements, the treatment of migrants abroad, the facilitation of remittance flows, diploma recognition and Russian as a second language.

A wide range of regional programmes could help develop and reinforce consistent national approaches and diffuse best practices. The challenge for the regional agencies will be to focus on a few critical areas in line with their mandates, administrative capacities, financial resources and political support from the member countries.

Take on benchmarking and monitoring activities, and exchanging experiences and best practices as important roles.

Benchmarks could usefully draw upon the MDGs, which UNDP and others are already monitoring in the region. This also requires upgrading regional social statistics.

For the international community:

Develop regional strategies for the support of improved national and regional social policies and programmes, and for strengthening the capacity of regional organizations to help address region-wide social sector issues.

This would include support for regional monitoring and benchmarking, and the improvement of regional statistics. It would also involve financial and technical assistance, especially in the poorest countries, for government agencies, the media and civil society organizations, so they can network across the region, as well as develop and implement multi-country programmes and strategies.

Focus priority attention, financing and advocacy on those social development issues of regional significance that are important but often neglected by the national governments and regional organizations in Central Asia.

These would include migrant, minority and women’s rights, health and education; combating communicable diseases, especially HIV/AIDS and TB; regional media and civil society networking; and expedited access to the Internet.

Political and institutional constraints to regional cooperation

The dissolution of the Soviet Union led to the establishment of political regimes that had a great and understandable interest in preventing chaos and civil strife. They acted quickly to establish a national sense of identity among their diverse populations, create national symbols and institutions along with a clear sense of sovereignty, and protect the sanctity of new borders. The leaders of the new republics generally succeeded in these goals. They avoided cross-border violent conflict and, with the exception of Tajikistan, the civil strife that had been widely feared.

These leaders, having emerged mostly from the ruling elites of the Soviet days, also created, to varying degrees, a political structure in which they and their governments retained almost exclusive power over the political levers throughout their societies, balancing the competing claims of various powerful elites and interest groups. These factions generally secured their influence and wealth through control of various key public and private assets, such as energy, water, industry, agriculture or banks. Weak public administrations, often linked closely to the special interest groups, were unable to stop or reinforced these trends. At the same time, small and medium enterprises, shuttle traders, small farmers and farm employees suffered from restrictive and often corrupt administrative practices. They found little recourse to justice except through the avenues of patronage and protection obtained by either clan affiliation or purchase.

This confluence of political, institutional and economic developments, particularly in the post-independence environment of economic recession, explains to a significant extent why regional cooperation in the early years after independence remained weak despite many statements at the top to the contrary. Leaders aimed to reinforce their control over national territory and were reluctant to share any elements of sovereignty. National elites and interest groups sought to protect their assets by limiting any external competition and maximizing the rents
that could be extracted in the short term. The middle- and lower-level public servants tried to guard their livelihoods by petty and not-so-petty corruption at the borders, on the roads, and in the tax and license offices.

Compared with the early years of independence, today the fear of state disintegration, ethnic separatism and inter-state conflict has declined in Central Asia. This has allowed the countries’ leaders to pursue regional interests. Economic recovery has made it possible to move beyond economic crisis management. Internet communication has helped build cross-border connections. External partners have become more directly engaged in supporting regional institutions and cooperation, recognizing they have a common interest in a prosperous and stable Central Asia. The growing sense of shared security interests and the utility of the SCO in addressing these have opened up a basis for greater trust and cooperation in other areas, including economic cooperation as an important ingredient in fostering better regional development, security and stability.

But obstacles to further economic reform and regional cooperation and integration remain embedded in highly centralized presidential institutions, in powerful business interests linked to governments, and in the middle and lower levels of the public administrations and security services. The formal governmental institutions and widespread informal networks and interest groups benefit from the status quo, at least in the short term. In the long term, there is a risk of a vicious cycle, in which poor governance, limited opportunities and a lack of accountability lead to popular resentment and opposition that is crushed by the government. Worse governance and more resentment inevitably follow.

Such a cycle, once unleashed, creates risks of political and economic instability in the country and the region, and undermines the basis for regional cooperation on key economic issues. Governance problems, especially corruption, lead to an inability to manage borders and cross-border transactions in an efficient, humane and predictable manner. They also result in declining state resources, falling foreign direct investment (FDI) outside of the extractive sectors, increasing social inequality, blocked reforms and rising discontent. In the spring of 2005, the collapse of the Kyrgyz regime and the violence in Uzbekistan in different ways demonstrated the potential fallout.

It is impossible to predict how political developments in the region will unfold, but the Kyrgyz upheaval and the violence in Uzbekistan provide a warning signal to Central Asian governments. How they interpret and react to this will determine the future of the region and the human development and human security of the people who live there. Three scenarios are broadly possible. Under the first option, leaders clamp down further on political and economic freedoms to achieve short-term stability, but likely with a high risk of instability in the medium to long term. The second option combines strict political controls with economic freedoms, but it is doubtful that this option can be implemented. The third option entails at least gradual liberalization in both the political and economic spheres, and should open the door to lasting political and economic stability. Greater regional cooperation could provide a significant boost to the hopes for political and economic success under this scenario. However, it would also require convinced and courageous leaders willing to take some risks of short-term instability and prepared to take on the special interests opposed to any political and economic liberalization. Central Asia’s neighbours and the international community could help support this outcome.

In light of the political, economic and institutional realities in Central Asia, we should expect only limited region-wide cooperation in the short to medium term. The most likely evolution is bilateral or trilateral cooperation among Kazakhstan, Kyrgyzstan and Tajikistan. This is especially likely in the areas in which these states agree and see common interests—namely, cross-border trade, transport and transit, water and energy, resolution of border disputes and inter-ethnic conflict prevention. Turkmenistan and Uzbekistan are much less likely to engage in regional cooperation in the short term, since the dominant political institutions and interests will not clearly gain from open trade and liberalized economies. However, as they see their neighbours make progress, and as they seek to decrease risks from poverty and internal instability, they too may eventually select regional cooperation and integration as the preferred path.

**Recommendations**

Political and institutional processes are difficult to change unless leaders, the political interests of the elite or strong popular pressure from below create a momentum for change. Some of the elements of these changes can be identified in recommendations that are easy to propose, but difficult to implement.

**For the national governments in Central Asia:**

*Liberalize the political and economic systems currently in place, with greater transparency*

Governance problems, especially corruption, lead to an inability to manage borders and cross-border transactions in an efficient, humane and predictable manner.
For regional cooperation and integration, a high priority is reform of police and border guard services to eliminate major barriers to investment, trade and transit and accountability for the national executive branches.

This is a prerequisite for establishing more effective states and for fostering regional economic cooperation and integration. Unless change is to come from below, this requires leaders willing to take a long-term view and ready to take on vested interests, including those supporting the regime and possibly losing from such reforms.

Introduce the essential elements of good governance as a prerequisite both for each country’s own development, but also as a means for supporting key elements of the regional cooperation and integration agenda. Good governance reforms would include reform of the civil service as a way to improve the quality and effectiveness of state institutions, and address some of the corruption and governance problems that stand in the way of effective cooperation. For regional cooperation and integration, a high priority is reform of police and border guard services to eliminate major barriers to investment, trade and transit. Since these security services are the everyday face of a government, abuses shape the perception that the government is illegitimate, and feed social discontent and political instability. More generally, broad anti-corruption programmes need to be pursued, led from the top levels of governments. These should target branches of the public service of particular concern for the victims of corruption—the agencies of state revenues, including the tax and customs agencies; the judiciary, courts and procurators; and the police and border guards.

Participate in regional cooperation and regional organizations as a way to reinforce economic reforms and political commitment to anti-corruption programmes and good governance, and to reap the economic and social benefits from integration, which in turn will provide the political momentum for further domestic reforms.

Participation in regional cooperation and membership in strong regional organizations, or aspiration to such membership, can provide a firm anchor for political, economic and governance reform, including reform in support of regional cooperation and integration.

For regional organizations:

Reinforce national reforms and promote regional cooperation and integration by establishing peer reviews of key areas of reform, with agreed benchmarking and conflict resolution mechanisms where appropriate.

This reinforcement has been seen as a major factor in the European Union (EU) accession process, which demonstrated the discipline and commitment mechanism that membership in such a body offers, along with the rewards in terms of better economic performance and political stability. Of course, the peer pressure of a regional organization can also work in the opposite direction, if the members, in particular the stronger members, cooperate in preventing political and economic reforms.

Support regional civil society networks, including chambers of commerce and industry, associations of farmers and trade unions, and networks of NGOs dealing with key issues such as the environment, gender, human rights, disaster prevention, etc.

Such regional civil society networks could play a significant role in monitoring progress, and providing essential feedback on national reform and regional cooperation. They could also act as powerful reinforcements of reform momentum at the national level to the extent they reinforce national civil society networks.

For the international community:

Support national reforms towards accountable and transparent government, and against corruption, by offering analytically based advice, and technical and financial assistance.

Such support will have to be tailored based on government receptiveness and demand. Reforms of this kind are difficult under the best of circumstances, requiring time to take root and show effect. Progress in one area may be subverted by the lack of progress in others. So patience and a measure of humility are needed on the side of the external partners.

Help develop regional cooperation among governments and support regional institutions in devising region-wide programmes at the national and community level, including targeted programmes of conflict resolution, border management and development of civil society networks.

Progress in these areas will contribute directly and indirectly to better human development and human security. To be effective, however, the international community—encompassing the immediate regional neighbours, bilateral partners and donors, and the multilateral agencies—must not only have common objectives, but also work in tandem. This is a difficult challenge in the context of geopolitical rivalries and deep differences in...
political systems and perceptions among Central Asia’s various international partners.

**Regional cooperation in Central Asia in a broader international framework**

Central Asia is heavily dependent on its immediate neighbours and the international community for access to the rest of the world, for security, and for support for its economic and social development. In turn, Central Asia’s neighbours and other key international partners share a common interest in seeing Central Asia develop into a stable, prosperous region, in which countries and communities live peacefully alongside each other, respect their common borders, and maximize the gains from cooperation and integration for the benefit of themselves and the rest of the world. This shared interest is grounded on the negative side in the fear of weak or failed states providing havens for terrorists, traffickers of drugs and humans, criminals and despots. On the positive side, it is grounded in the wish to see secure access to the region’s ample energy resources; to protect the region’s agricultural, water and environmental base, which has global significance; to provide for secure transit from east to west and north to south across the increasingly integrating Eurasian super-continent; and to help reverse the poverty and deprivation that have gripped the people of Central Asia following their independence.

In the early years after independence, Central Asia’s neighbours and the international community paid scant attention to the region. This changed after the terrorist attacks on the United States on 11 September 2001. With its proximity to Afghanistan, its exposure to terrorist threats, and as a staging site for military action against the Taliban, Central Asia was thrust under the spotlight of international attention. This was reinforced by Russia’s re-emerging interest and China’s newly found interest in their Central Asian neighbours.

External engagement has varied widely since then, with the neighbours involved mostly in assuring mutual access to energy resources and markets, and in dealing with shared security threats from terrorism and drugs. International donors have focused on assisting with a broader agenda of transition reforms, the building of market institutions, and the provision of social and physical infrastructure. The EU and the United States in particular have been engaged in support for regional security-related initiatives, including the fight against drug trafficking. The recent commitment by China of a $900 million financial package of support for economic development in Central Asia also shows that some of the neighbours may well become increasingly engaged as donors.

However, the ability and willingness of the international community to influence the events in Central Asia have been limited. While their involvement has helped the economic and social revival of the region, this was ultimately due more to the economic upswings in China and Russia, to the energy and raw materials price and export boom, and to the built-in forces of recovery after the severe recession of the 1990s. More importantly, it does not appear that enough has been done by the neighbours and the international community to turn around the weak government structures and poor governance of most of the Central Asian countries. International support has been too little and too diffuse. It has had too limited leverage in a context where the leaders and elites of Central Asia have shown scant interest in, or indeed outright resistance to, improved governance and serious political reforms, and where the immediate neighbours similarly lack interest in changing the quality of governance in the region.

External partners face five main challenges today. First, there is the scale of engagement. Shortfalls are currently expected in the attainment of the MDGs, especially for the poorer countries. There are great needs for improvement in the regional transport, water and energy infrastructure, and to control the many threats to human security. Substantial financial support from the neighbours and the international community, especially for the poorer countries, will be essential for working on these issues. In particular, countries pursuing systematic and credible economic reforms and willing to actively support regional cooperation and integration deserve increased support over the limited levels currently provided.

The second challenge relates to the focus of external engagement in terms of the choice between regional initiatives and nationally focused programmes. While donors have taken more of a regional perspective in recent years, support for regional cooperation and regional integration has not yet been sufficient.

A third challenge relates to how donors can support countries in improving the quality of governance, given that poor governance obstructs not only effective national policymaking and implementation, but also regional cooperation and integration. While some bilateral and multilateral donors have provided assistance for strengthening good governance, overall the neighbours have not shown much interest in this issue, nor have the international donors devoted much of their diplomatic and financial resources.
The final challenge is that of assuring strong and effective regional organizations in Central Asia that can develop and carry forward a regional cooperation and integration agenda that truly supports human development and human security.

The fourth challenge relates to the coordination of regional assistance programmes. There are many examples of effective cooperation among individual donors on particular projects, and the multilateral institutions have come together for regular consultations under CAREC. However, much of this cooperation remains ad hoc. Coordination could be organized more systematically at the sectoral or thematic level in an overall framework of regional cooperation, using one of the existing regional organizations.

The final challenge is that of assuring strong and effective regional organizations in Central Asia that can develop and carry forward a regional cooperation and integration agenda that truly supports human development and human security. CACO and the SCO have emerged as the principal regional organizations, and while they have advanced in their ability to address regional issues, there remains a need to clarify and align their mandates to avoid duplication and confusion. Further institutional strengthening and closer cooperation between CACO, the SCO and the international donor community, drawing especially on the support of CAREC, would be an additional agenda.

Recommendations

Our recommendations respond to the five challenges listed above.

International partners and neighbours should maintain, and if possible expand, their engagement, including their financial assistance, in supporting the human development and human security of people in Central Asia.

All partners should expand their support for regional cooperation and integration as part of explicit regional strategies to assist the countries of Central Asia, their governments, their private sectors and their civil society to promote the improvement of regional social and physical infrastructure, policy reforms that permit better integration and responses to common threats, and regional communication and knowledge networks.

All partners should assist Central Asian countries in improving their institutions and policies for good governance and reduced corruption, including through the increased transparency and accountability of state institutions.

All partners should work together and with the authorities in Central Asia to improve the coordination of their assistance programmes. One way to do this would be to strengthen the role of CAREC as a coordination mechanism in support of the key regional organizations, CACO and the SCO.

The members of CACO and the SCO should consider clarifying, streamlining and in certain areas expanding their currently overlapping mandates. They should also consider strengthening the institutional infrastructure, and perhaps align their members and countries in observer status to assure that all relevant regional players are represented.

A key objective of this report is to promote regional cooperation and integration in Central Asia based on the recognition of the benefits from cooperation, on growing mutual trust across borders and on implementation of some of the report’s recommendations. A UN Special Envoy and Representative of the UN Secretary-General can help achieve this goal through high-level dialogue with all partners in the region. To be effective, the Special Envoy would have to enjoy a high level of credibility in the Central Asian countries as well as the respect of the boarder international community. Therefore our final recommendation is:

Appoint a high-level UN Special Envoy and Representative of the UN Secretary-General for Central Asia with the mandate to follow up on the key recommendations of this report in high-level dialogue with national authorities, regional institutions and the broader international community.

Summary of overall findings and implications

This report draws together evidence on how people in Central Asia are affected by the lack of regional cooperation and integration, on the benefits from cooperation, and on what is already being done to promote cooperation and the lessons learned. Where possible, we have tried to quantify the impacts, in terms of the economic losses and gains, and the number of people involved. For many issues, it is analytically difficult or impossible to make these estimates, partly because little analytical work has been done on Central Asia. But we have been able to glean some insights.
These start with the fact that the number of people affected by regional threats and risks is large. Secondly, in terms of gains from cooperation and losses from non-cooperation, the greatest measured aggregate economic benefits come from the reduction in trade costs, and the most profound losses from civil war. Important gains can also be reaped from improvements in water use policy and control of flooding, and from negotiating better cotton prices in international trade forums. Some of the economic costs the region faces are very steep, including for HIV/AIDS treatment and from natural disasters.

Regional cooperation can help limit these costs and increase the benefits, although not all risks, costs and benefits are evenly spread across countries. Generally, small (and in this case, poor) countries tend to benefit more from regional cooperation than large countries, especially in relation to their GDP. This helps explain why small countries such as Kyrgyzstan and Tajikistan are especially interested in regional cooperation and integration, while the larger countries tend to focus more on national and regional security. Some countries are more prone to natural disaster risks, while the prospect of violence and civil war may not loom equally everywhere.

The task still remains of measuring the benefits of regional cooperation that would come, for example, from fostering a better regional investment climate, developing the region’s energy resources, better managing regional environmental assets and risks, or collaborating on education and knowledge sharing. However, hazarding a guess at how much higher the regional GDP could be after 10 years with a comprehensive approach to regional cooperation and integration, compared with the status quo of limited efforts, we have concluded that it could soar by between 50 per cent and 100 per cent. In the smaller countries, the increase would likely be at the higher end of the range, in the larger countries at the lower end. These are likely to be conservative numbers—by considering major risks averted (such as civil wars and natural disasters), or the development of a highly dynamic regional economy that is fully integrated with its neighbours and the world economy, the cumulative and compounded gains from cooperation could be even greater.

Our estimates also show that the benefits from regional cooperation are likely to be distributed in a way that the poor benefit on average more than the better off. But this fact by itself is not likely to translate into political commitment for domestic reforms or strong regional cooperation. The leading political and economic interests in Central Asia are more likely to align themselves with the better-off elites, and those who control the flow of legal and illegal rents that currently are so pervasive in Central Asia. The political push for change, open borders and regional cooperation will likely have to come either from the top leadership, or from the enlightened self-interest of the elites as they recognize that in the longer term, they will also benefit substantially from a more competitive, vibrant and rapidly growing regional economy, one based on integration and cooperation. The drive for change could also come from those who feel most oppressed by the closed borders and corrupt officials—the people in the border communities, who, according to surveys, are the most negatively affected, and most prone to turn to radical and potentially violent responses.

A special area for cooperation is national and regional security—impetus on this issue has been gathering recently in Central Asia. From the perspective of building links and developing trust, this is a good thing. But there are risks as well when governments perceive their countries’ stability and their own survival threatened not just by radical and terrorist forces, but by the growth of civil society and political opposition. Following the ‘color’ revolutions in Georgia and Ukraine in 2004 and the political events in Kyrgyzstan and Uzbekistan in the first half of 2005, governments have clamped down on these perceived and real political threats. While this may help maintain short-term stability, it will not help to build the kind of transparent, accountable and honest government structures that are essential in the longer term for a stable, peaceful, integrated and cooperative region.

In this report, we conclude that the most likely trajectory in terms of cooperation and regional integration in Central Asia over the coming years could follow one of three possibilities: a status quo scenario, which perpetuates the current relatively low-key approaches; a cluster scenario, where some countries in the region cooperate and integrate, but others more or less isolate themselves from their neighbours; and a scenario of proactive cooperation, with much more open borders, stronger regional institutions, and a broad-gauged scope of cooperation that is also intensive in some areas.

The status quo has high costs of forgone benefits and risks, which appear to be appreciated at least by some of the countries in the region. Indeed, extrapolating from the growing cooperation among Kazakhstan, Kyrgyzstan and Tajikistan, we conclude that the cluster scenario is the most likely to develop in the near term. If Uzbekistan and especially Turkmenistan remain
on a more isolationist trajectory, they risk being left behind by the other three in terms of economic growth and human development. This could lead to more economic, social and political instability for these countries; but—because of the demonstrated success of the integration process for the other countries—it could also convince the laggards to join their neighbours, thus spurring momentum for the proactive cooperation scenario.

Considering the great benefits that Central Asia can derive from greater cooperation and integration, the following eight overall recommendations reflect the key messages of this report for all partners in striving for human development and human security for the people in the region.

**Overall recommendations**

• Focus on regional cooperation in Central Asia with the overarching goal of creating ‘borders with a human face’.

• Promote regional cooperation especially in trade and transit, water and energy management, and disaster preparedness.

• But also proceed in other areas as far as possible, including environmental protection, migration, education, health, anti-drug trafficking and regional security.

• Promote domestic policy and good governance reforms as essential complements to regional cooperation in achieving the goals of human development and human security, with regional benchmarking against the MDGs.

• Aim for maximum benefit to the people in Central Asia by having all countries participate in regional cooperation and national reforms. If some countries do not participate, the others should push ahead and cooperate with each other.

• Encourage and allow all actors (government, business, academia, civil society and individual people) to travel, work and network across borders.

• Streamline and strengthen key regional institutions with clear and effective mandates to support regional cooperation across the spectrum of relevant cross-border issues.

• Central Asia’s neighbours and the international community should do more to encourage regional cooperation and integration in a mutually supportive and coordinated manner.

Today, the prize of successful regional cooperation and integration is huge: The nearly 60 million people of Central Asia are too many and too precious to be left isolated, landlocked and impoverished. The role of Central Asia at the core of the Eurasian continent is too significant and the resources—human, energy and environment—too important for the world to neglect them.

The time is now for the leadership of the region to open up their countries politically and economically. The time is also now for big neighbours and the wider international community to offer Central Asia the kind of anchor that the EU has given to its neighbours in providing access to markets, finance and knowledge, and in bolstering expectations of good governance and respect for human rights. Under these conditions, Central Asian countries, individually and cooperating in regional unison and mutual support, will be prepared to achieve the levels of human development and human security that the people of the region deserve.