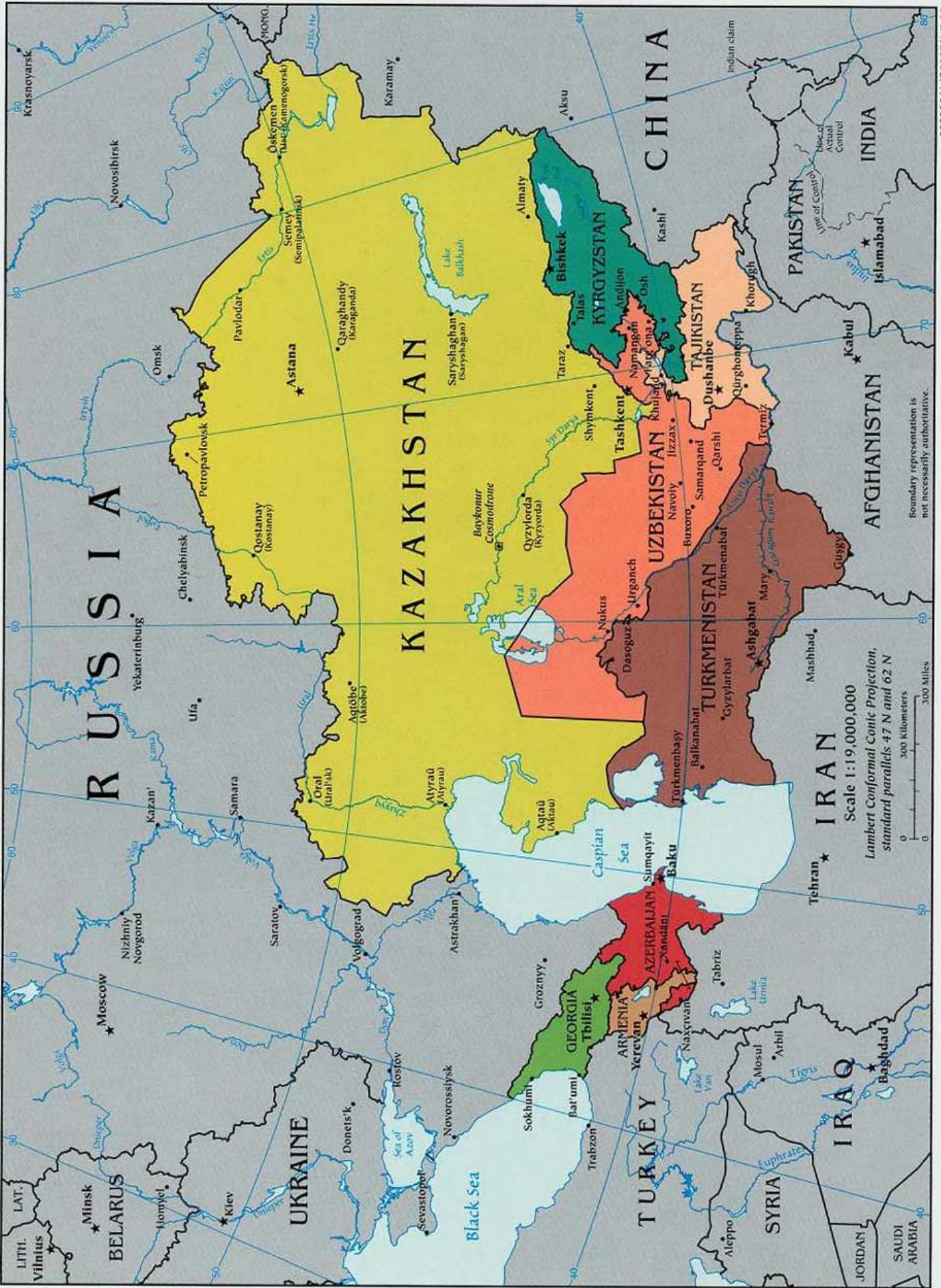


Barriers to Cross Border Economic Cooperation – What Can Be Done?

Pal Dunay,
George C. Marshall Center,
Garmisch-Partenkirchen,
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THE CAUCASUS AND CENTRAL ASIA



Some Basic Data on Central Asian Countries

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Territory (km²)	2,724,900	199,951	143,100	488,100	447,400
Population (millions)	18.36	5.728	8.331	5.291	29.5
GDP (billion USD)	458.2	20.3	24.0	88.78	188.3
GDP per capita (PPP) (USD)	25,900 (2)	3,400 (11)	2,800 (12)	16,500 (5)	6,100 (9)
Rank in corruption index (Transparency International of 168 countries)	123–129	123–129	136–138	154-157	153

Why Does Central Asia Matter?

- At its own right:
 - Nearly 4 million square km.
 - Large reserves of energy bearers (4-5 % of world's oil reserves).
 - Potential source of some instability: presence of Islam and some limited potential to radicalization.
 - Population surplus ...
 - Some limited rivalry in the region.

Why Does Central Asia Matter (2)

- The Great Game the Central Asians believe.
- Due to its surroundings:
 - Neighbourhood of Russia (Kazakhstan) and China (Kazakhstan, Kyrgyzstan, Tajikistan)
 - Neighbourhood of Afghanistan (Tajikistan, Turkmenistan, Uzbekistan)
 - Transit route: Silk road, plan to build highway between Almaty (Kabul) and Karachi, pipeline to South Asia (TAPI) ...

Why Does Central Asia Matter Less than It Did?

- Quarter of a century after independence Central Asia lost the two appeals it had:
 - rich natural resource base – largely sold out;
 - the importance that stems from the vicinity of Afghanistan.
- No change to higher value added production,
- Poor, corrupt and often badly governed.

Why Does Central Asia Matter Less than It Did? (2)

- A region of policy-takers or exceptionally reckless policy-makers...
- Self-isolation: Visa obligation in Kazakhstan and Kyrgyzstan for Turkmen, in Tajikistan for Turkmen and Uzbek, in Turkmenistan for citizens every other CA states (Tajiks on arrival), Uzbekistan for Tajiks and Turkmen.
- Initiatives are either ending up in blind alley or external...

Small Markets, Small GDPs, Large Corruption

- In the former Soviet area the five states with the highest per capita GDP are natural resource and energy bearer exporters.
- Very little change of economic structure: Low value added production. No change in the economic structure.
- Labour force is losing competitiveness.

Central Asia's Third Chance

- China has become a net capital exporter in 2014.
- The low labour costs in Central Asia and the vicinity of China make capital investment to Central Asia beneficial. (E.g. Sewing factories in Kyrgyzstan.)
- Absence of qualified labour is a mounting problem.
- EaEU or OBOR?

Infrastructure Develops...

- ... slowly.
- Extra-regional resources serve as the basis.
- No involvement in the development of local labour is a problem.
- Pipelines, highways, rail-tracks.
- Help the trade of an extra-regional player.
- Chokepoint Afghanistan: TAPI, Casa-1000.

Uzbekistan at a Crossroads

- The only country that neighbours every other.
- “New” leader, some opening.
- Lesson: You never know how a number two will act when he/she becomes number one.
- A ray of hope.

No regional cooperation unless boosted externally

- The Central Asian nations were looking for their identity that resulted in separation and isolation from their neighbours.
- Cooperation has been externally induced and this is the best hope for future cooperation.
- A region that contributes little, absorbs much and threatens with potential instability.