

# **CENTRAL ASIA: Shared Commitment for Shared Prosperity<sup>1</sup>**

**By Haruhiko Kuroda**

MANILA—Central Asia is at a turning point. Its leaders agree regional cooperation and integration are critical to prosperity. Its governments are making progress toward establishing a policy environment that will encourage investment and enable private sector growth. Its economies are exhibiting historic strength.

It is time for the region to agree on and then take the next steps toward integration. And it is in the clear interest of the international community to help move the agenda forward.

In recent years Azerbaijan, China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan have studied opportunities for closer cooperation in three broad areas central to each of their economies: transport, trade, and energy. Working with six multilateral institutions they have developed a comprehensive plan for regional cooperation over the coming years.

Progress in each of these key areas will be crucial to boosting trade in the region and opening doors to global markets. During Soviet times all roads led literally and figuratively to Moscow. Today, Central Asia's roads are being rehabilitated and linked to wider markets and wider opportunities through Afghanistan to the south, into China to the east, and toward Europe to the west.

Earlier this year, the region adopted a five-year transport roadmap that seeks to develop an integrated transport system. The multilateral institutions supporting the integration drive have committed more than \$1 billion to support transport projects during the next two years.

Already roads are being rebuilt in the Kyrgyz Republic that will link China in the east and Uzbekistan in the west. Traffic is increasing on upgraded roads from Almaty, the Kazakh business capital, through Bishkek and south to Osh, both in the Kyrgyz Republic. Roads linking the Kyrgyz network through Dushanbe, the Tajik capital, with Afghanistan and eventually the warm-water ports of Pakistan are being developed.

Filling these roads with prosperity-creating commerce will require reduced barriers to trade and a freer flow of people, products, and ideas across national borders. Central Asia's policymakers and institutions must address the corruption and bureaucratic obstacles that bear some responsibility for unduly high transport costs. Better cooperation among customs and other border authorities on the basis of agreed standards and policies rooted in openness is enormously important.

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This trade facilitation work is gathering speed. In 2005, bilateral transit and cooperation agreements were signed between Kyrgyz Republic and Tajikistan, Azerbaijan and China, and Uzbekistan and China. In a positive sign of things to come, Kazakh and Kyrgyz authorities are now pilot testing joint customs control at the Kordai-Akzhol border crossing.

Greater trade—and the wider opportunities it brings—are essential to making progress on the region’s huge economic and social challenges. Large income gaps exist in every economy and living standards remain desperately low for millions, especially in rural areas.

Even in the stronger Central Asian economies, growth concentrated in a few largely commodity-based industries means greater vulnerability to external shocks and fewer opportunities for the poor. Private investment in areas beyond natural resources will remain limited if entrepreneurs perceive that investments are too risky and if they cannot move their goods across the region and to export markets. It is vital for the region’s policymakers to critically reassess inward-looking policies that impede mutually advantageous trade with one another and with the region’s larger neighbors.

Action on these issues will find broad support among the region’s many external partners, whether it is advice with respect to WTO membership, financial assistance for cross-border infrastructure, identification of win-win solutions to reduce existing obstacles to trade, or assembling the public-private partnerships that can help bring good ideas to fruition.

Much has been accomplished in Central Asia; but much more needs to be done. The business environment has improved, but still there are serious problems. Truckers and traders face closed roads and border restrictions on a daily basis. Small business owners are struggling to stay competitive in new market economies. Something as simple as obtaining a tourist visa is time consuming and expensive. Farmers and villagers urgently need solutions to disputes that restrict the flow of water and energy across national boundaries. These issues must be dealt with if the region as a whole, its countries and its people are to capture the opportunities at hand.

The effort will be rewarded. Our research suggests that if the global economic environment remains relatively stable, accelerated transport, trade, and transit improvements together with accompanying policy and regulatory reforms could lead to a doubling of per-capita income in Central Asia by 2015, and, as a result, poverty could fall from more than 40% today, to 25% or less.

Regional cooperation is essential to achieve more robust, market-driven and widely shared economic development—and the greater real independence that comes with it. It is not an option, but a necessity.

The future belongs to those who can forge a common vision for greater and more broadly shared prosperity. The potential is enormous. The need is urgent. With sound policies, political will, and a measure of trust, there is every reason to believe Central Asia's best times lie ahead.

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