

CENTRAL ASIA: A GEOGRAPHICAL AND HISTORICAL PERSPECTIVE

A. The Region

1. Central Asia extends nearly 4,500 kilometers from east to west, and occupies a land area about the size of Europe exclusive of the former Soviet Union. The combined population of Kazakhstan, the Kyrgyz Republic, Tajikistan, Uzbekistan, and Xinjiang, PRC is about 66.9 million. This means that the region is sparsely settled, with a population density of about 13.0 per square kilometer (see Table 1).

Table 1: Central Asia—Population, Land Area, and Borders

	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan	Xinjiang PRC
Total Area ('000 sq. km.)	2,717.3	198.5	143.1	447.4	1,647.0
Population (million)	15.7 (1998)	4.7 (1998)	6.2 (1998)	23.6 (1997)	17.5 (1998)
Land Boundaries	PRC, Kyrgyz Republic, Russia, Turkmenistan, Uzbekistan	PRC, Kazakhstan, Tajikistan, Uzbekistan	Afghanistan, Kyrgyz Republic, PRC, Uzbekistan	Afghanistan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Turkmenistan	Kazakhstan, Kyrgyz Republic, Tajikistan, Mongolia, Pakistan, India, Afghanistan, Russia
Coastline	Landlocked ^a	Landlocked	Landlocked	Landlocked, one of the double landlocked countries in the world	Xinjiang is landlocked. Urumqi is the most distant large city from a seaport in the world

^a Kazakhstan does border the Caspian Sea, but this is an inland body of water with limited transportation value.

2. The single most salient geographic characteristic of the region is its remoteness—the four Central Asian republics and Xinjiang, PRC are all landlocked. Uzbekistan has the distinction of being one of the only double landlocked countries in the world: the country and all of its immediate neighbors are landlocked. Urumqi, the capital of Xinjiang PRC, is farther from a seaport than any other large city in the world. International trade in the region therefore involves the shipment of goods over long distances through neighboring countries.

3. The harsh geography of the region poses substantial barriers to transportation and communication. The terrain varies from the second-lowest point on earth, in the

Turpan basin (154 meters below sea level), to mountain peaks that rise to over 7,400 meters, just a few kilometers away on the Kyrgyz Republic-PRC border. Inhospitable deserts cover much of western Uzbekistan and Kazakhstan. The Taklamakan Desert in the Tarim River basin of southern Xinjiang, PRC was particularly dangerous to ancient travelers and poses significant barriers to modern development. The dry grass plains of Kazakhstan rise abruptly to the high mountains and mountain valleys of the Kyrgyz Republic and the Tianshan Mountains. This rugged terrain has constrained travel to only a few corridors and passes.

B. The Silk Road

4. Historical trade patterns in the region are the result of both topography and politics. Because Central Asia has some of the highest mountain ranges and severest deserts in the world, overland traders had limited corridors to travel. Population centers, including Samarkand, Bukhara, Osh, Tashkent, and Kashgar, grew around the oases along these corridors. Together, these corridors and oases formed the legendary “Silk Road”, a loose network of trade routes linking China to the Mediterranean Sea and Europe, and southern Asia to central Siberia.

5. As early as 3000 BC, trade in metals, gems, semi-precious stones, and even building materials flourished along the western portion of this Silk Road. Trade in jade opened routes between Iran and China as early as 2000 BC, and by 1000 BC a network of trade routes linked western Asia and China over a distance of nearly 8,300 kilometers. These trading routes grew in importance until the 1400s AD, especially under Tamerlane of Samarkand, who imposed control and management of the Silk Road throughout the region. The Silk Road was also significant in the exchange of ideas and technologies. Writing, the wheel, printing, paper, weaving, agriculture, and the art of horseback riding were all passed westward along the Silk Road, as were weapons technology, engineering, astronomy, and medicine.

6. The discovery of a sea route between Asia and Europe in the late 15th century, coupled with political instability in the areas along the Silk Road following the demise of the Mongol dynasty, led Europeans to abandon the expensive and risky transcontinental overland trade through Central Asia in favor of the less expensive sea trade. This left the landlocked region even further isolated, a condition that persists to this day.

C. Modern Land Bridges

7. In more recent times, the area has been crossed by so-called continental land bridges. The first of these was the Trans-Siberian Railroad, built between 1891 and 1904, which connects St. Petersburg and Moscow to the Pacific port city of Vladivostok. This 5,800 km. railroad is still the longest single line of track in the world. One section of the Trans-Siberian Railroad crosses Mongolia and connects with a rail line in the PRC that reaches Beijing.

8. Additional railroads constructed to meet the Soviet Union’s strategic needs for minerals and raw materials linked Moscow and eastern parts of the Soviet Union with the “Middle Asian” countries.¹ These lines eventually extended from Rotterdam in Western Europe, through the Kazakhstan-PRC border crossing at Druzba, to Xian and Lianyungang in the PRC. The lines became known as the second continental land bridge.

¹ The area now known as Central Asia was generally referred to as “Middle Asia” in the Soviet Union. Middle Asia did not include Kazakhstan, however, because it was viewed more as an integral part of Russia.

9. A third continental land bridge refers to the rail linkages from Istanbul to Tashkent, via Iran and Turkmenistan. This rail line enters Tajikistan and the Kyrgyz Republic, but does not extend through either of these territories to reach the PRC. The completion of this southern land bridge would make it an alternative to northern routes especially through the Russian Federation.

**CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
LENDING AND TECHNICAL ASSISTANCE PIPELINE, 2001-2003**

I. Lending Pipeline

Year	Sector	Project Name	Projects Division	Total Project Cost (\$million)
2001	Transport	Improvement of Rail Transit Route via Northern Tajikistan	IETC	80.0 ^a
2002	Energy	Power System Rehabilitation in the Central Asian Republics	IEEN	60.0 ^b
2002	Transport	Multi-modal South Kyrgyzstan Transport Corridor, Phase I	IETC	110.0
2002	Energy	Improvement and Renovation of Gas Pipeline, Uzbekistan to Almaty	IEEN	40.0
2003	Transport	Regional Railway Cooperation and Telecommunications Improvement Project	IETC	80.0
2003	Transport	Almaty-Horgos Road Rehabilitation	IETC	130.0

^a Project preparatory TA expected to be completed in early 2001.

^b Project preparatory regional TA expected to be completed in August 2001.

**CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
LENDING AND TECHNICAL ASSISTANCE PIPELINE, 2001-2003**

II. Technical Assistance Pipeline^a

Year	Sector	Project Name	Projects Division	Total Project Cost (\$ 000)
2001	Multi-sector	Regional Economic Cooperation in Central Asia (Phase II, Year 3)	PED	1,350.0
2001	Transport	Multi-modal South Kyrgyzstan Transport Corridor, Phase I	IETC	750.0 ^b
2001	Energy	Power System Rehabilitation in the Central Asian Republics	IEEN	996.0 ^c
2001	Energy	Improvement and Renovation of Gas Pipeline, Uzbekistan to Almaty	IEEN	600.0 ^d
2001	Education	Subregional Cooperation in Managing Education Reform	AEEH	750.0
2002	Multi-sector	Regional Economic Cooperation in Central Asia (Phase II, Year 4)	PED	1,000.0
2002	Transport	Regional Railway Cooperation and Telecommunications Improvement Project	IETC	600.0
2002	Transport	Almaty-Horgos Road Rehabilitation-Kazakhstan	IETC	650.0
2002	Agriculture/ Finance	Rural Finance	AEAR	600.0
2003	Multi-sector	Regional Economic Cooperation in Central Asia (Phase III)	PED	1,000.0
2003	Transport	Multi-modal South Kyrgyzstan Transport Corridor, Phase 2	IETC	1,200.0
2003	Energy	Power System Rehabilitation in the Central Asian Republics, Phase 2	IETC	800.0

^a Includes both firm and standby projects.

^b Project identification study completed in August 2000.

^c Project identification study expected to be completed in late 2000.

^d Pre-feasibility study expected to be completed in early 2001.

**CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
LENDING AND TECHNICAL ASSISTANCE PIPELINE, 2001-2003**

III. Economic and Sector Work^a

Year	Focus
2001	The Role of and Importance of Regional Cooperation for Azerbaijan
2001	The Role of and Importance of Regional Cooperation for Turkmenistan
2001	Poverty Reduction and Economic Cooperation in Central Asia
2001	Impact on Central Asian Regional Program of PRC's Shift in Development Focus Towards its Western Provinces
2001	A Comparative Study on Regional Economic Cooperation in Central Asia: Experiences, Lessons Learned and Policy Adjustment
2002	Investment Promotion in Central Asia—Strategies and Tactics
2002	Encouraging Market-Oriented Organization of Transportation in Central Asia
2002	Patterns of Energy Use in Central Asia: Sustainability and Environmental Impact
2002	Strategic Review of ADB's Priorities and Programs to Encourage Economic Cooperation in Central Asia
2003	Encouraging Private Sector and NGO Involvement in Energy and Transport Projects in Central Asia
2003	Regional Banking Needs
2003	Participatory Design of Water Resource Management Projects in Central Asia

^a Some of these studies will be funded under the umbrella TA, Regional Economic Cooperation in Central Asia.

PUBLICATIONS AND REPORTS

ADB Publications

Regional Economic Cooperation in Central Asia, July 1998.

First Workshop on Economic Cooperation in Central Asia—Challenges and Opportunities in Transportation, 1999.

Second Workshop on Economic Cooperation in Central Asia—Challenges and Opportunities in Energy, 1999.

Trade Cooperation between Kazakhstan and the Kyrgyz Republic, May 1999 (in English and Russian).

Forthcoming ADB Publications

Reweaving the Silk Road--Encouraging Economic Cooperation in Central Asia: The Role of the Asian Development Bank (English, Russian and Chinese).

Cross-Border Trade Cooperation between Kazakhstan and the People's Republic of China. (English, Russian and Chinese).

Other Publications

Dorian, James P, Utkur Tojiev Abbasovich, Mikhail S. Tonkopy, Obozov Alaibek Jumabekovich, and Qui Daxiong, "Energy in central Asia and northwest China: major trends and opportunities for regional cooperation," *Energy Policy*, 27(1999) pp. 281-297.

Reports in Progress (Expected date of completion in parenthesis)

"Regional Economic Cooperation in Central Asia: Phase II (T.A. No. 5818-REG)—Transport Sector Study" (October 2000)

"Regional Economic Cooperation in Central Asia: Phase II (T.A. No. 5818-REG)—Tajikistan" (November 2000)

"Regional Economic Cooperation in Central Asia: Phase II (T.A. No. 5818-REG)—PRC Trade with Central Asia" (December 2000)

"Regional Economic Cooperation in Central Asia: Phase II (T.A. No. 5818-REG)—Electric Energy Study" (October 2000)

"Regional Economic Cooperation in Central Asia: Phase II (T.A. No. 5818-REG)—Regional Trade Analysis in Central Asia" (December 2000)

"Regional Cooperation in Central Asia and the International Community"

WORKSHOPS/CONFERENCES UNDER THE ADB'S CENTRAL ASIAN INITIATIVE**Completed**

First Workshop on Economic Cooperation in Central Asia: Challenges and Opportunities in Transportation, 5-6 February 1998, ADB Headquarters, Manila, Philippines.

Second Workshop on Economic Cooperation in Central Asia: Challenges and Opportunities in Energy, 3-5 March 1998, ADB Headquarters, Manila, Philippines.

Workshop on Cross-border Trade Cooperation between Kazakhstan and the People's Republic of China I, 30 March 1998, Urumqi, Xinjiang, PRC.

Workshop on Cross-border Trade Cooperation between Kazakhstan and the People's Republic of China II, 1-2 April 1998, Almaty, Kazakhstan.

Kazakhstan-Kyrgyz Republic Trade Cooperation Workshop, 14 August 1998, Bishkek, Kyrgyz Republic.

Trade Policy in Central Asia, 14-15 December 1999, Almaty, Kazakhstan.

Country Trade Workshops: 3 April 2000, Astana, Kazakhstan; 6 April 2000, Bishkek, Kyrgyz Republic; 16 May 2000, Tashkent, Uzbekistan.

Country Transport Workshops: 10 July 2000, Astana, Kazakhstan; 13 July 2000, Issyk Kul, Kyrgyz Republic; 17 July 2000, Tashkent, Uzbekistan; 20 July 2000, Dushanbe, Tajikistan.

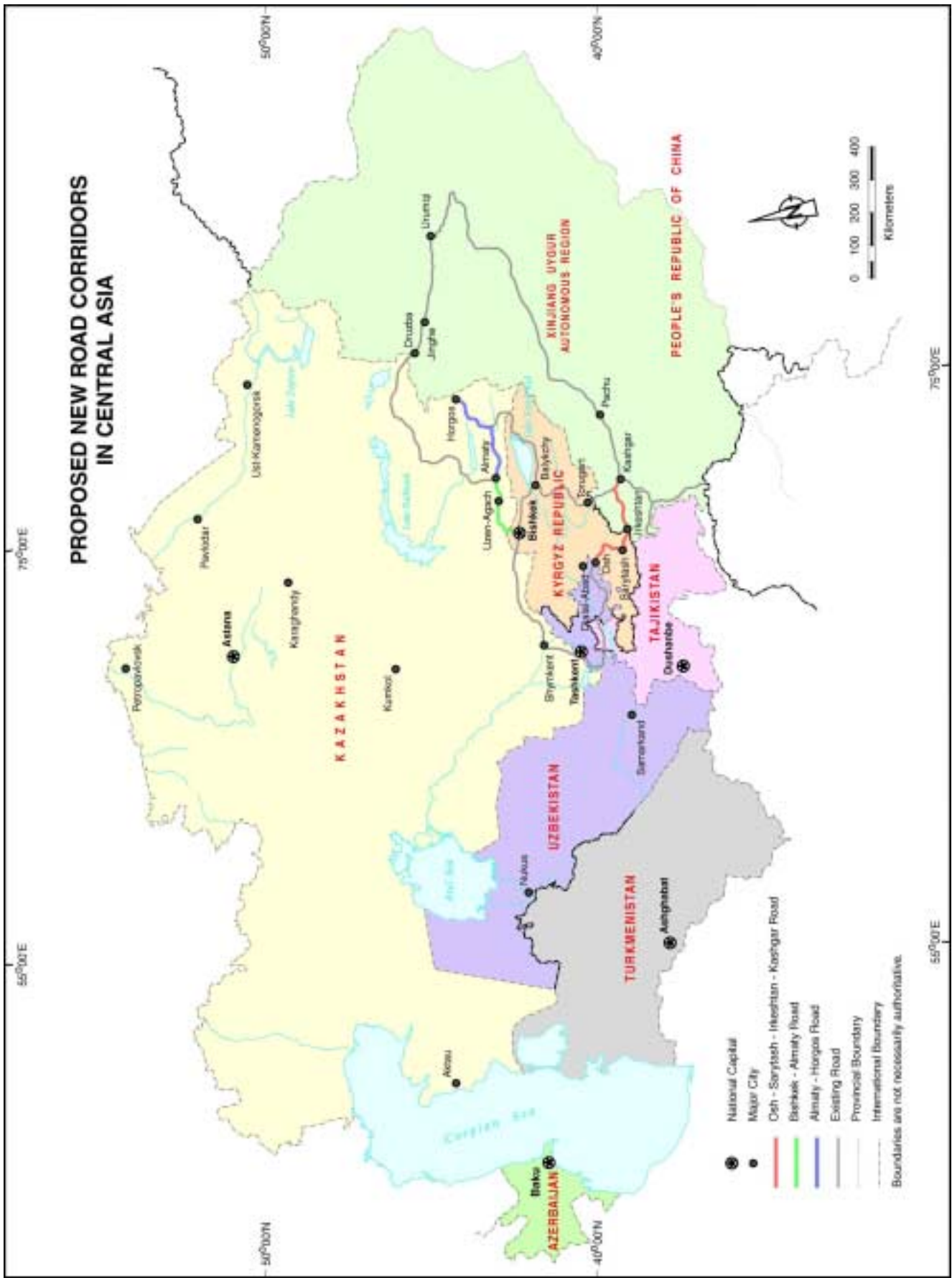
Country Energy Workshops: 7 August 2000, Tashkent, Uzbekistan; 11 August 2000, Dushanbe, Tajikistan; 14 August 2000, Bishkek, Kyrgyz Republic; 17 August 2000, Astana, Kazakhstan.

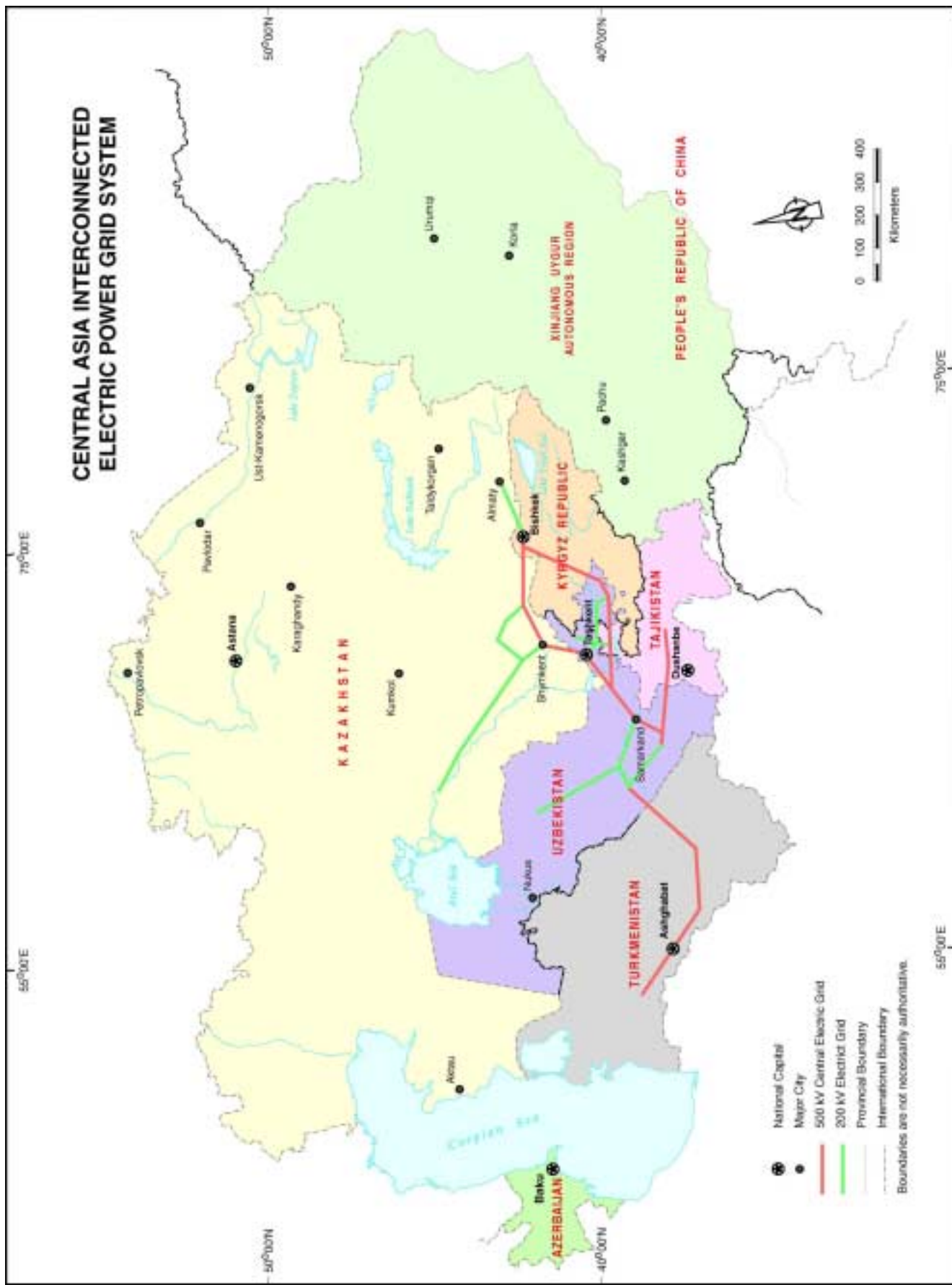
Conference on Central Asian Regional Cooperation in Transportation, 26-27 September 2000, Almaty, Kazakhstan.

Forthcoming Conferences

Conference on Trade and Investment in Central Asia, March 2001, Urumqi, PRC.

Regional Energy Conference (tentatively planned for 2001).





PROJECT PROFILE				
1. Project Name: Regional Railway Improvement (Improvement of Rail Transit Route via Northern Tajikistan)			2. Sector/Subsector: Transport and Communications/Railways	
3. Poverty Classification: ^{a *} ODI			4. Crosscutting Operational Priority: ^{b*} RC	
5. Rationale and Objectives: The northern line from Bekabad to Kambadam carries most of the traffic and generates over 70 percent of the revenue for the Tajik Railway. This route provides international service for Tajikistan's two main exports (aluminum ingots and cotton). In addition it provides transit between two parts of Uzbekistan (Fergana Valley is an important traffic base for the region), as well as access to the Kyrgyz Republic. Reliable rail access is dependent upon improvement of this 106 km northern line.			6. Beneficiary Participation/Consultation Needs: Beneficiary governments will be consulted.	
7. Scope: The objective of the Project is to facilitate economic growth in the region by providing economic and efficient railway transportation. This will be achieved through improvements in infrastructure and changes in the policy environment to facilitate commercial operation of the railway. The scope of the Project will include: (i) capacity improvements, including electrification of the 106 km northern section from Bekabad to Kambadam, (ii) reforms and restructuring initiatives to improve operational efficiency, and (iii) institutional support for commercializing operation and corporatizing.				
8. Estimated Cost and Financing Plan (\$ m) Loan Project cost :				Remarks: Estimated Cost – based on preliminary cost estimates Cofinancing – nonconcessional cofinancing from IDB is envisaged.
Financing (Source)	FC	LC	Total	
Bank	40.0	0.0	40.0	
Cofinancing	20.0	0.0	20.0	
Borrower	10.0	10.0	20.0	
Total	70.0	10.0	80.0	
9. Estimated Benefits and Beneficiary Groups: The Project will remove existing bottlenecks in transportation between regions of neighboring countries and benefit rail users, both passengers and shippers of goods. Economic transportation will benefit less developed regions and help provide employment, raise incomes of people and improve living standards. Regional cooperation will be enhanced.				
10. Executing Agency: Tajik Railway			11. Project Implementation Period: Start: 2001 End: 2005	
12. Environment Category: B			13. Processing Year: 2001	

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PROJECT PROFILE																								
1. Project Name: Power System Rehabilitation in the Central Asian Republics Location: Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.			2. Sector/Subsector: Energy/Power																					
3. Poverty Classification: ^c * ODI			4. Crosscutting Operational Priority: ^d * RC																					
5. Rationale and Objectives: Persistent electricity shortages in some areas provide evidence that the interconnected power grid in Central Asia requires rehabilitation and expansion and that the policy environment requires improvement. Investments are necessary to (i) increase reliability of service; (ii) increase capacity; and (iii) serve remote or under-served areas. Policy improvements would support the basis for increased electricity trade, energy specialization (in electricity generation), and lower energy costs.			6. Beneficiary Participation/Consultation Needs: Beneficiary participation in the project formulation and design will be encouraged through the use of social analysis using participatory approach.																					
7. Scope: This Project would include a structured, phased program building new high-voltage transmission lines in areas of limited service; commissioning new electrical generating capacities where appropriate; improving operating efficiencies at switching stations and control capability. The investment program would follow and support cross-border agreements on electricity trade to improve and increase the regional market.																								
8. Estimated Cost and Financing Plan (\$ m) \$60 million for initial phase investments. Financing Plan to be determined during project design. Loan Project cost :				Remarks:																				
<table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Cofinancing</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Borrower</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Total</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	Bank	0.0	0.0	0.0	Cofinancing	0.0	0.0	0.0	Borrower	0.0	0.0	0.0	Total	0.0	0.0	0.0
Financing (Source)	FC	LC	Total																					
Bank	0.0	0.0	0.0																					
Cofinancing	0.0	0.0	0.0																					
Borrower	0.0	0.0	0.0																					
Total	0.0	0.0	0.0																					
9. Estimated Benefits and Beneficiary Groups: Electricity consumers, both residential and industrial would benefit from improved reliability and capacity of power service. Renovating and expanding Central Asia's interconnected power grid and improving the policy environment could alleviate chronic power shortages in southern Kazakhstan. Activities to reorient power tariffs towards market-based needs could include introduction of "life line" tariffs to reduce living costs for poor households.																								
10. Executing Agency: Implementing agencies would include the Kazakhstan Ministry of Energy and Natural Resources and the State Committee for Privatization; the Kyrgyz Republic's Kyrgyzenergo; the Uzbekistan Ministry of Power.			11. Project Implementation Period: Start: 2002 End: 2005																					
12. Environment Category: B			13. Processing Year: 2002																					

^c CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^d ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PROJECT PROFILE																								
1. Project Name: Multi-modal South Kyrgyzstan Transport Corridor Location: The Kyrgyz Republic, Uzbekistan, and Xinjiang PRC Between Andijan (Uzbekistan)-Osh-Sarytash (the Kyrgyz Republic)-Kashgar (Xinjiang Uygur Autonomous Region, PRC)			2. Sector/Subsector: Transportation: Roads and Railways.																					
3. Poverty Classification: ^e * ODI			4. Crosscutting Operational Priority: ^f * RC																					
5. Rationale and Objectives: The project would (i) improve road transportation between Andijan and the Ferghana Valley generally and the Kashgar area of Xinjiang PRC and (ii) provide for transshipment of rail cargo from the Uzbek railways, across the highway in the Kyrgyz Republic to the PRC railway. Construction will ensure the use of the highway in winter and protect against landslides. Investments in the rail lines would be made to ensure transshipment capacity. Training in maintenance will be included to ensure year-round access. Development of this corridor will create new trade and cooperation opportunities between the Kyrgyz Republic and Xinjiang PRC, and also have a positive effect on the Ferghana Valley region of Uzbekistan and Tajikistan. The investments would take place within the scope of inter-country agreements to ensure easement of border restrictions to trade, transit, and travel.			6. Beneficiary Participation/Consultation Needs: Beneficiary participation in the project formulation and design will be encouraged through the use of social analysis using participatory approach.																					
7. Scope: The Project would include surfacing, widening, re-surfacing, and rehabilitating an existing gravel road on both sides of the Kyrgyz-Uzbek border; building and upgrading customs and immigration facilities. Investments may be needed in the rail lines to allow for rail-to-road shipments. Actions would be undertaken to support regular contact between immigration, road and customs authorities on both sides of the borders to ensure quick problem resolution and speedy transit. It may be necessary to develop new communications systems for the border posts. Cross-border agreements would be developed and signed by concerned governments.																								
8. Estimated Cost and Financing Plan (\$ m) US\$110 million, with 90 percent going toward capital improvements. The bulk of the expenditures would be undertaken on roads within the Kyrgyz Republic. Financing Plan to be determined during project design. Loan Project cost :			Remarks:																					
<table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Cofinancing</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Borrower</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Total</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	Bank	0.0	0.0	0.0	Cofinancing	0.0	0.0	0.0	Borrower	0.0	0.0	0.0	Total	0.0	0.0	0.0
Financing (Source)	FC	LC			Total																			
Bank	0.0	0.0			0.0																			
Cofinancing	0.0	0.0			0.0																			
Borrower	0.0	0.0	0.0																					
Total	0.0	0.0	0.0																					
9. Estimated Benefits and Beneficiary Groups: Trade would increase between the three countries with new trade opportunities for microenterprises of the Ferghana Valley and better opportunities for the sale of perishable goods to the PRC. Employment opportunities and new businesses will be created as the corridor through this remote area is developed.																								
10. Executing Agency: The implementing agencies are expected to be the PRC, Kyrgyz, and Uzbek Ministries of Transportation, and custom agencies on both sides of the border. Design would be carried out by regional transport design institutes in a cooperative effort.			11. Project Implementation Period: Start: 2002 End: 2005																					
12. Environment Category: B			13. Processing Year: 2002																					

^e CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^f ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.