CAREC Think Tanks Network

Research Grants Program 2019

Preliminary Findings

27 August 2019

Under the CAREC Think Tanks Network (CTTN), the CAREC Institute has launched the Research Grants Program in May 2019 to support scholars and researchers from members of the CTTN to produce targeted knowledge products which would add to the body of knowledge on regional cooperation in CAREC.

Scholars from member think tanks were encouraged to research CAREC integration topics and undertake comparative analysis between (sub) regions to draw lessons for promoting and deepening regional integration among CAREC member countries particularly as anticipated in the CAREC 2030 strategy and stated operational priorities - (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; (v) human development - including, where possible, a history of policy interventions and adjustments that have shown limited results, but have the possibility of policy changes, innovations, reversals, and readjustments. A research proposal that had clear cross-border dimension and overt policy prescriptions to promote regional integration, and which showcased comparative perspectives on regional integration efforts to provide policy lessons was given an advantage.

The 2019 research grants have been awarded to five researchers who presented their preliminary findings during the August 2019 Think Tanks Forum in Xian, the PRC. The synopsis of their preliminary findings are summarized here. The final body of research will be presented by the CAREC Institute by the end of 2019.

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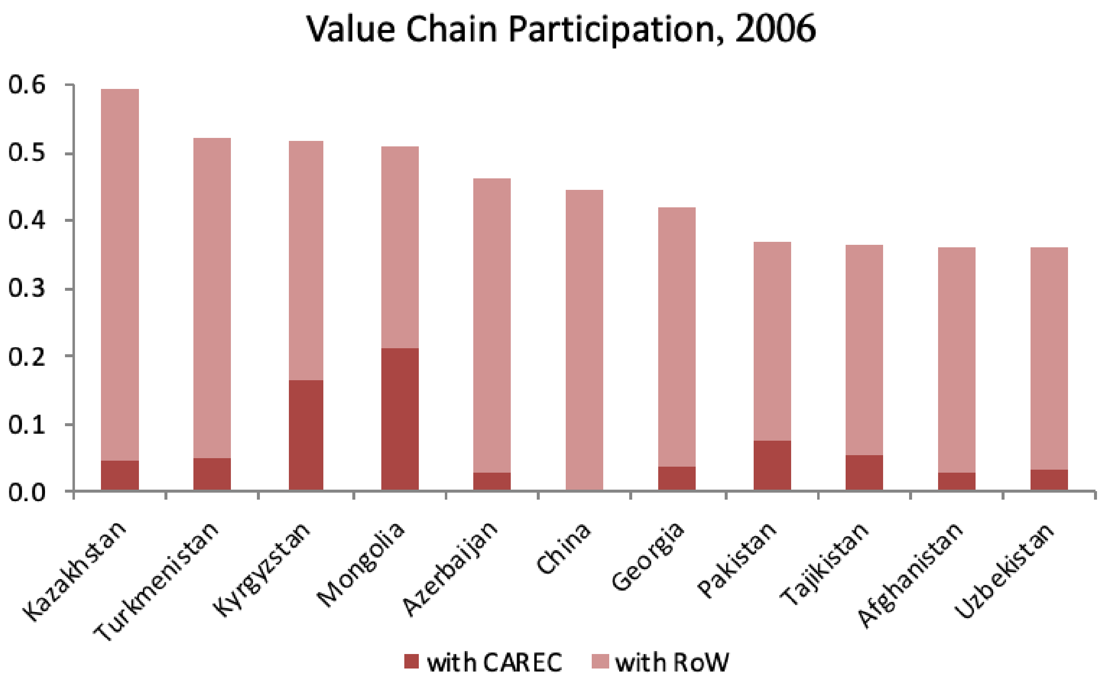
Assessing Participation of CAREC Countries in Global and Regional Value Chains

By Yaroslava Babych, Davit Keshelava, Giorgi Mzhavanadze at ISET Policy Institute of Georgia

The study researched how integrated the CAREC countries were in one another's value chain production processes (RVC) as compared with their participation in the global value chains (GVC), and how these trends may or may not have changed over time.

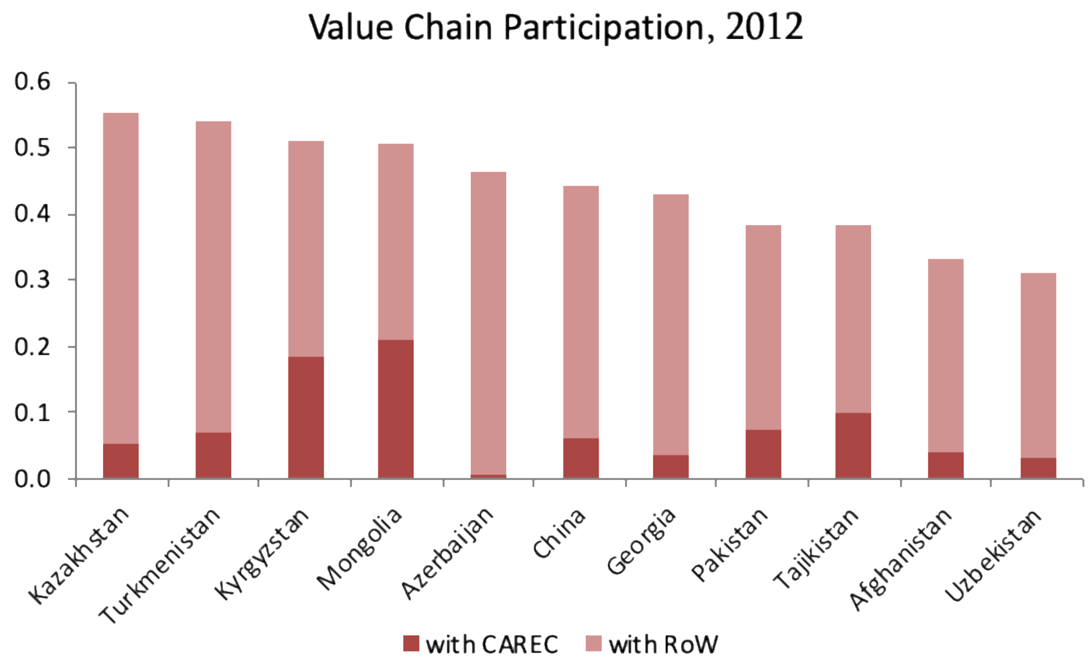
The researchers have designed the value chain participation index and graphed CAREC countries at three crucial junctures: 2006 (before the global financial crisis of 2008), 2012 (the year after the global financial crisis but before the oil price collapse and regional currency crisis in the ECA region countries), 2015 (the year of regional growth and demand slow down driven by low oil prices, political instability in parts of the region, trade wars between US and China and the move towards higher protectionism on the global scale).



The research demonstrated that CAREC countries are not well integrated into production processes of the CAREC region. The countries which are most integrated into the CAREC RVC are Mongolia and Kyrgyzstan (18.9% and 15.2% RVC participation index respectively), followed by Pakistan and Tajikistan (8.8% and 6%) in 2015.

Additionally, CAREC countries are not integrated enough into GVC, given their size. The average GVC participation index for CAREC countries is 40.1% in 2015. Georgia, for example, has GVC index of 40%, while OECD countries with similar population size (e.g. Lithuania, Latvia, Estonia, Finland, Norway), all have GVC index over 50% according to the OECD data.

The financial crisis of 2008 likely forced many countries to look for fresh opportunities in their own neighborhood rather than rely mostly on global trade networks. In 2015, however, both RVC and GVC participation was on decline in nearly all countries. This can be explained by the global growth slowdown and regional economic and currency crisis affecting both oil-exporting and oil-importing groups of countries.



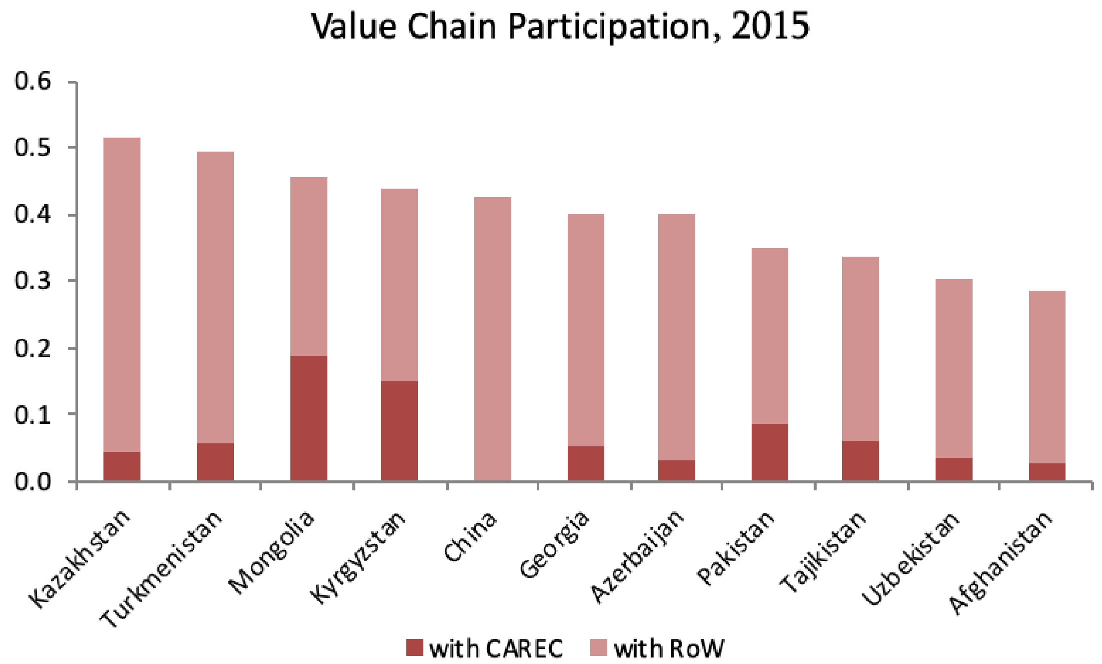


Table 1 demonstrates that the CAREC RVC participation has been increasing for nearly all CAREC countries from 2006 to 2012, but then in 2015 there has been a retreat both in RVC and GVC participation.

Table 1: GVC and RVC Participation Indices of CAREC Countries

Country	2006			2012			2015		
	RVC	GVC	RVC/GVC	RVC	GVC	RVC/GVC	RVC	GVC	RVC/GVC
Kazakhstan	4.69%	59.44%	**7.89%**	5.23%	55.25%	**9.46%**	4.53%	51.60%	**8.78%**
Turkmenistan	4.93%	52.10%	**9.47%**	6.86%	53.89%	**12.73%**	5.81%	49.60%	**11.72%**
Kyrgyzstan	16.38%	51.85%	**31.60%**	18.27%	50.89%	**35.91%**	15.17%	44.03%	**34.44%**
Mongolia	21.08%	50.76%	**41.52%**	21.05%	50.52%	**41.67%**	18.92%	45.62%	**41.47%**
Azerbaijan	2.85%	46.29%	**6.17%**	0.33%	46.62%	**0.70%**	3.27%	39.96%	**8.19%**
China	0.24%	44.47%	**0.53%**	6.21%	44.41%	**13.98%**	0.25%	42.73%	**0.59%**
Georgia	3.87%	41.80%	**9.25%**	3.47%	43.07%	**8.05%**	5.13%	40.01%	**12.83%**
Pakistan	7.38%	37.02%	**19.94%**	7.37%	38.48%	**19.16%**	8.81%	35.04%	**25.15%**
Tajikistan	5.22%	36.53%	**14.30%**	10.01%	38.27%	**26.16%**	6.00%	33.77%	**17.75%**
Afghanistan	2.74%	36.00%	**7.62%**	3.73%	33.43%	**11.17%**	2.75%	28.54%	**9.65%**
Uzbekistan	3.25%	35.89%	**9.05%**	3.09%	30.99%	**9.96%**	3.33%	30.39%	**10.96%**
Average for CAREC	6.60%	44.74%	**14.30%**	7.78%	44.17%	**17.18%**	6.73%	40.12%	**16.50%**

The study further constructed the bilateral value chain participation index for Georgia and its top VC partner countries (abbreviated as CVC) demonstrated in Table 2. Russia is the top VC partner country for Georgia, although it is not the topmost country in terms of the total volume of trade (in 2015 the top trade partner country for Georgia, based on gross trade flows was Turkey).

Between 2006 and 2012 Georgia's CVC (bilateral VC participation index) with Russia was growing, both forward and backward linkages were growing, even though Russia has imposed trade restrictions on a number of Georgian exports, including wine, mineral water, etc. As painful as this measure was for Georgia at the time, it did not affect much the value chain participation index with Russia.

Another finding suggests that with Turkey, another large and economically powerful neighbor, Georgia does not enjoy nearly as much integration as with the EU countries like Germany and Italy. The explanation may be that Turkey and Georgia are both integrated with the EU countries through primary product exports (e.g. hazelnuts which are then exported to Italy for confectionaries) and their natural resources and capacities are mostly related to substitutes rather than complements in production.

Notably, among the top 10 VC partner countries of Georgia (Table 2), there is only one CAREC member – Azerbaijan. The rest are EU countries, USA, and larger neighboring countries like Turkey, Russia, and Ukraine.

A closer look at industries which are important for value-added trade in Georgia reveals the following insights: Italy is more important than Russia as a destination country for wholesale retail value-added trade (i.e. Italy imports more Georgia's value-added products using them in exports), even though Russia remains important overall as a value-added destination country. Forward linkages with Russia are maintained via metals, petroleum, motor fuel, and mining products. As far as backward linkages, Georgia relies mostly on Russia for imports of chemicals, basic metals, and even office machinery, computers, and equipment. Turkey and Azerbaijan are also very significant source countries for VC participation, especially as it relates to wholesale products, land and water transportation services, etc.

Table 2: Bilateral Value Chain (CVC) Participation Indices for Georgia and top VC partner countries

Country	2006			2012			2015		
	CVC	Forward	Backward	CVC	Forward	Backward	CVC	Forward	Backward
Russia	**6.59%**	**3.79%**	**2.81%**	**8.42%**	**3.83%**	**4.59%**	**7.80%**	**3.64%**	**4.16%**
Germany	**4.76%**	**3.47%**	**1.28%**	**4.96%**	**3.28%**	**1.68%**	**3.83%**	**2.73%**	**1.10%**
Italy	**3.55%**	**3.03%**	**0.52%**	**3.37%**	**2.72%**	**0.65%**	**3.08%**	**2.58%**	**0.50%**
France	**3.44%**	**3.07%**	**0.37%**	**3.12%**	**2.65%**	**0.46%**	**2.94%**	**2.59%**	**0.34%**
Turkey	**3.05%**	**1.46%**	**1.59%**	**3.46%**	**1.43%**	**2.02%**	**2.93%**	**1.31%**	**1.62%**
Azerbaijan	**1.91%**	**0.32%**	**1.59%**	**3.54%**	**0.30%**	**3.24%**	**2.80%**	**0.26%**	**2.54%**
Ukraine	**1.49%**	**0.71%**	**0.78%**	**1.78%**	**0.80%**	**0.97%**	**1.53%**	**0.74%**	**0.78%**
USA	**1.49%**	**0.65%**	**0.84%**	**1.64%**	**0.60%**	**1.04%**	**1.34%**	**0.53%**	**0.80%**
Netherlands	**1.39%**	**1.15%**	**0.24%**	**1.38%**	**1.07%**	**0.31%**	**1.26%**	**1.01%**	**0.25%**
UK	**1.42%**	**0.81%**	**0.61%**	**1.36%**	**0.74%**	**0.62%**	**1.12%**	**0.59%**	**0.53%**
China	0.84%	0.57%	0.27%	1.25%	0.75%	0.50%	1.07%	0.61%	0.46%
Iran	0.82%	0.52%	0.30%	0.89%	0.45%	0.43%	0.98%	0.59%	0.39%
Belgium	1.01%	0.83%	0.18%	0.94%	0.72%	0.23%	0.85%	0.67%	0.17%
Spain	0.76%	0.59%	0.17%	0.73%	0.50%	0.23%	0.65%	0.48%	0.17%
South Korea	0.48%	0.40%	0.08%	0.64%	0.53%	0.11%	0.59%	0.51%	0.09%
Japan	0.73%	0.47%	0.26%	0.72%	0.40%	0.32%	0.57%	0.37%	0.20%
Singapore	0.56%	0.52%	0.04%	0.57%	0.51%	0.06%	0.56%	0.51%	0.05%
Kazakhstan	0.54%	0.33%	0.22%	0.64%	0.33%	0.30%	0.53%	0.29%	0.24%
Switzerland	0.46%	0.20%	0.26%	0.63%	0.19%	0.44%	0.52%	0.16%	0.36%
Austria	0.49%	0.32%	0.17%	0.52%	0.30%	0.22%	0.44%	0.26%	0.18%
Other	12.71%	8.48%	4.23%	13.96%	8.36%	5.59%	11.93%	7.47%	4.46%

The preliminary results of the research present low levels of regional cooperation among the CAREC countries. At the same time, these patterns help identify opportunities.

The research is planned to expand into identifying forward and backward linkages between Georgia and other CAREC countries at the industry level. This exercise will reveal the opportunities for further trade cooperation. The authors will also look into the industry by industry VC participation index for CAREC countries. This would reveal how particular industries in CAREC countries are integrated at the regional level and in global value chains. **This exercise will be instrumental in understanding which industries may have the highest potential for intra-regional integration.**

The Impact of Sanitary, Phytosanitary, and Quality-related Standards on the Trade Flow between CAREC Countries and Georgia

By Phatima Mamardashvili, Ia Katsia, Salome Deisadze, Daviti Zhorzholiani
ISET Policy Institute of Georgia

The policy paper explored the impact of Georgia's food safety, veterinary, and phytosanitary regulations and standards on the country's agricultural trade with the CAREC countries. The study revealed **Georgia's major CAREC trade partners, by the volume of exports and imports, to be Azerbaijan, Kazakhstan, and the People's Republic of China.**

Based on the statistical analyses of 2014-18 years, this research has revealed the **major export-import agricultural commodities between Georgia and the selected countries to be wine, live animals, and wheat.** During the analyses, the study focused on these products and assessed the effect of the Sanitary Phytosanitary and Quality-related Standards (SPSQ) regulation on the trade of each respective product.

According to the research, at this stage, there are no limiting SPSQ regulations for wheat and live animals in Georgia. However, the upcoming regulation on wheat might tighten and improve the quality of imported wheat, and hinder unregulated trade. As for the export of live animals, only one restriction was introduced on the export of live animals under 140 kg in January 2019, otherwise, there are currently no additional SPSQ regulations which hinder animal trade.

For the wine trade, the study analyzed the effect of stricter regulations and standards on wine exports, as perceived by the exporters. The research defined four different indices, namely: quality standards; phytosanitary; labeling, marketing and packing requirements; and border quarantine measures (Table 3). **It was found that quality standards are the most problematic to deal with and the most restrictive for trade.** The research showed a negative effect of regulations on the wine trade, indicating a need for assisting the wine exporters to improve quality of the final product. Moreover, the research has also identified the need to target higher income counties. The current export is largely oriented towards the lower income counties and sale of relatively low cost wines.

As part of its obligations under the Association Agreement with the EU (including the Deep and Comprehensive Free Trade Area (DCFTA)), Georgia has to ensure a high level of food safety and animal and plant health within the country, and has to harmonize its food safety legislation with the EU standards. **The DCFTA will therefore have consequences not only on Georgia's trade with the EU, but also with the CAREC region.** The increased stringency on SPSQ standards might affect agricultural trade in the coming years. **Thus, government agencies and sectoral associations are expected to tailor their policies to develop capacities to comply with the requirements to reduce the possible negative effects of the regulations.**

Table 3: Disaggregated Indices for SPS and Quality-related Measures

Year	Quality Standards[1]	Phytosanitary	Labeling, Marketing and Packing Requirements	Border Quarantine Measures
2018	7.00	6.33	6.67	6.33
2017	7.00	6.33	6.67	6.33
2016	6.33	6.33	6.33	6.33
2015	6.33	6.33	6.00	6.00
2014	5.67	6.00	5.67	6.00

[1] The wine bottle, laboratory analyses of the sample, blind degustation, and evaluation of wine.

Analysis of Cooperation in the Tourism Sector between Uzbekistan and Kyrgyzstan: a Study of Cross-border Value Chains

By Rosa Alieva, Westminster International university in Uzbekistan

The research looked into the question of building improved regional value chains to deliver a better cross-border tourism experience between Uzbekistan and Kyrgyzstan. It employed the case study, secondary data analysis, and key informant interview methods.

Both Kyrgyzstan and Uzbekistan have opened up to tourism recently and are occupying 115th rank (and beyond) in the Travel & Tourism Competitiveness Index of 2017[2]. In Kyrgyzstan, tourism contributed 4.6% to the national GDP and employed 3.7% of the total working population in 2016. During 2016 - 2019, Uzbekistan initiated major reforms in the tourism sector by introducing e-visa and visa free regimes for a limited period of stay for over 72 countries. Kyrgyz citizens were granted a visa free regime for up to 60 days. Kyrgyzstan liberalized its visa regime for citizens of 45 countries. Other important steps in tourism promotion included destination promotion, differentiation of tourism packages, cooperation agreements, free exchange of foreign currency, and transport connectivity improvements.

In 2017, majority of inbound tourists visiting Kyrgyzstan were from Kazakhstan (55%), Russia (14.2%), and Uzbekistan (14%), according to the World Travel and Tourism Council. In Uzbekistan, top visitors in 2018 were from Kazakhstan (61%), Kyrgyzstan (8%), and Russia (4%). The top outbound departures included the same countries.

The study looked into the following cross-border value chain elements: accommodation, border, entertainment, cooperation, legislation, marketing, partnership, and transport.

Findings and Policy Recommendations

1) **Upgrade of border posts**. The study recommended to modernize border posts to fit the current flow of tourists. It found tourists and general public experiencing difficulties in crossing the border between Uzbekistan and Kyrgyzstan, including inferior physical conditions, not tourist-friendly atmosphere, and a tax on private transport. On the contrary, an alternative border crossing via Kazakhstan was reported more comfortable.
2) **Passport registration hurdle in Kyrgyzstan**. The citizens of Uzbekistan are required to register their passports with the local authorities in Kyrgyzstan if their stay exceeds five days. Most of the hotels and tour companies provide the passport registration service. However, registration is an issue for tourists travelling independently. The procedure takes from one to three days on average. The registration system is not convenient as it requires a visit to the local government office to receive the registration stamp, and proves discouraging for tourists.
3) **Irregularities in visa regimes**. Despite the Silk Visa arrangement between Uzbekistan and Kazakhstan which became effective in 2019, and which Kyrgyzstan, Tajikistan and Azerbaijan also considered joining, the visa regime is inconsistent towards CAREC and even Commonwealth of Independent State (CIS) countries, which makes movement across Central Asian borders difficult for tourists, especially under the cross-border Silk Road tour packages.

[2] Among CAREC countries, the PRC ranks 15, Georgia 70, Azerbaijan 71, Kazakhstan 81.

4) **Transport and road deficiencies**. The study found poor quality of roads and poor connectivity as one of the main deficiencies of the tourism value chain between Uzbekistan and Kyrgyzstan. Not all major destinations are connected through rail, air, or road. Transport availability is not clear. Thus, connectivity requires major improvements.
5) **A unified system of booking**. A unified system would allow visibility of available accommodation and service providers. It was reported that international platforms could not be used due to a language barrier.
6) **Joint Silk Road marketing and combined tour packaging**. Cultural, historical, culinary, and mountain tourism were recommended to be packaged jointly (among CAREC countries) to diversify tourist experience and achieve cost efficiency. Positive experiences exist when Kyrgyzstan, Uzbekistan, and Kazakhstan all participated in joint promotion, however a holistic Silk Road branding and consistent positioning is missing.
7) **Specialization**. Training, staff development, and elimination of a language barrier was assessed as necessary in restaurants, hotels, entertainment complexes, and security services. It was also recommended to exercise exchange of tourism specialists and students across CAREC to facilitate knowledge sharing.

Opportunities and Challenges for Agri-Food Trade between Kyrgyzstan and Pakistan

By Dr. Zehra Waheed, Lahore University of Management Sciences, and Roman Mogilevskii, Zalina Enikeeva, Mariia Iamshchikova of the University of Central Asia

Through the secondary data analysis and individual interviews, the group of researchers has attempted to assess opportunities and barriers which affect agricultural trade between Kyrgyzstan and Pakistan and has investigated the means to make better use of existing trade agreements including the Quadrilateral Transit Trade Agreement (QTTA) originally between Pakistan, Kyrgyzstan, Kazakhstan, and the People's Republic of China (PRC).

The preliminary findings conclude that lack of market information, a policy not directly promoting regional trade, unpredictability, poor ease of doing business, lack of incentives for traders, suspended and dysfunctional transit agreements, and high cost at border crossings (including informal payments) constitute some of the major impediments to trade.

Export Portfolios

In 2018, Pakistan's total exports to Kazakhstan stood at $36.8 million, followed by Tajikistan at $6.6 million, Uzbekistan at $3.4 million, Turkmenistan at $3.3 million, and finally Kyrgyzstan at $0.5 million.

Within agricultural products, Pakistan primarily exports vegetables and rice to Central Asia. While Kyrgyzstan's primary agricultural export portfolio includes cotton, tobacco, meat, vegetables, tuber, dried apples, shelled kidney beans, and butter, its exports to Pakistan consist of cow meat, dairy products, and oil.

The study found that, according to the market demand, Kyrgyzstan's export to Pakistan could expand to include potato, powdered milk, livestock, and honey. And Pakistani exports to Kyrgyzstan could expand to include mango, orange, basmati rice, and early spring vegetables.

Transit Routes

Trade among Pakistan and Central Asian countries has historically occurred via Afghanistan which is a volatile transit route due to high security risks. Additionally, the Afghanistan-Pakistan Transit Trade Agreement (APTTA) signed in 2010 could not be renewed or renegotiated after 2017 due to disagreements about access to the Indian market for the Afghan exports. This disagreement also limited Pakistan's access to Turkmenistan and Iran across Afghanistan.

Between Pakistan and Kyrgyzstan, the Afghanistan transit route also includes passage through Tajikistan or Uzbekistan until they reach their destination markets.

Another route for Pakistani exports involves Iran, from where the cargo is sent to Kyrgyzstan via Afghanistan or Turkmenistan and then via Tajikistan or Uzbekistan.

One more route for Pakistani exports includes the one through the port of Karachi (in Pakistan), from where cargo can be transported to Shanghai in the PRC later to be loaded on trains and taken to Urumqi (PRC). The cargo is thereby unloaded onto trucks in Urumqi (mostly Kyrgyz trucks) to proceed to Kyrgyzstan.

The paper argues that the best route lies through the PRC via the Karakorum Highway, however this route does not work due to challenges articulated below.

Transit Challenges

a) Turkmenistan requires a visa at $500 (annual, multi entry).
b) The Kyrgyz drivers reported extreme difficulties in getting the PRC visa. Reportedly, it takes three months to make an appointment at the RPC consulate in Kyrgyzstan, the annual multi-entry visa costs $500, and unexplained rejections are frequent.
c) The PRC often rejected cargo without explanations, the study found. Certain interlocutors requested the PRC customs officers to specify requirements for the special permission which often remained unclear.
d) Responses by the PRC officials could be delayed as long as a year or longer.
e) The Kazakh-Uzbek border was characterized by informal payments, the study found.
f) Drivers at the Torugart checkpoint and Naryn region complained about a dramatic fall in volumes of commodities for Q2-3 in 2019 especially in the PRC warehouses in Topo and Kashi where Kyrgyz transport operators uploaded their trucks. Before, they used to make three round-trips per month. In the mentioned period, this number had declined to one round trip per month accompanied by a high level of uncertainty that there might not be any commodities to deliver back to Kyrgyzstan when driving to the mentioned PRC warehouses. It is notable that the PRC warehouses in Uluuchat where the Kyrgyz trucks load cargo for the Irkeshtam direction was reported to have enough commodities during this field research.

Conclusions

The preliminary findings of the research conclude that Pakistan is attractive for Kyrgyzstan due to the sheer size of its market (200 million people), the range of agricultural commodities and value-added goods Pakistan produces, access to sea ports, and the possibility it offers to diversify Kyrgyzstan's trading partners. While Pakistan's interest in Kyrgyzstan remained less prominent, the research assessed access to Central Asian oil and gas reserves and markets of interest to Pakistan, especially given friendly terms within both governments and willingness to increase trade. Additionally, Pakistan could also provide landlocked Central Asian countries with the shortest route to export oil and gas reserves through the Karachi and Gwadar ports, however the transit through Afghanistan and its volatile security situation could undermine this potential.

In 2015, the PRC and Pakistan entered into an agreement to link the coastal cities of Karachi and Gwadar to the city of Kashgar in the PRC which then links with the Central Asian countries through the Pamir Highway.

The study recommends the use of the China-Pakistan Economic Corridor (CPEC) route via the Karakoram Highway as a suitable alternative trade route between Pakistan and Central Asia.

The study also found that Pakistani traders preferred doing business and exporting to locations with predictable returns, such as the EU, Middle East, and North America, where they had more knowledge of trade regimes, practices, and requirements. The Central Asian countries were not viewed as profitable markets at this point.

Alignment, Engagement and Coordination: Building Bankable and Viable Regional Cooperation Programs in the CAREC Region based on Trust

By Dr. Nishank Motwani, Afghanistan Research and Evaluation Unit

This paper explores whether and to what extent trust-building approaches to trade and investment have the capacity to deepen regional cooperation and integration among CAREC members, and **whether Afghanistan and its principal stakeholders can advance regional economic cooperation and integration in the context of strategic competition, rivalry and violence.**

A trust-building approach to existing regional economic engagements has the potential to deepen regional economic cooperation and integration that reflects a sustained commitment, generates mutually equitable partnerships, and benefits a more significant segment of the economy and the people. Adopting a trust-based approach to existing methods of interaction is timely as the 2030 CAREC Strategic Framework rolls out. The idea is not to replace existing approaches but to add on trust-building to enhance the enterprise of regional cooperation and integration. But, if any actor embarks on a concerted trust-building exercise, they must also check whether and to what extent trust-building approaches can be employed in the current climate of political uncertainty and armed conflict and to ask themselves if it is even wise to do so now.

The author further discussed the Kabul's regional engagement strategy called the Heart of Asia – Istanbul Process (HoA-IP). The HoA-IP has three planks: political consultation, confidence building measures (CBMs), and cooperation with regional organizations such as CAREC, SCO, and SAARC, amongst others. Its stated objectives are designed to build cooperation across six CBMS that include: (1) counterterrorism, (2) counter-narcotics, (3) disaster management, (4) trade, commerce and investment, (5) regional infrastructure, and (6) education. Over the past decade, this process has succeeded in bringing together a range of states, some with tense relations, which have otherwise had limited interactions with each other. In some ways, maintaining this platform for regional engagement is a limited achievement, but due to the multiplicity of interstate competitions and rivalries, the goals for regional cooperation are quite difficult to attain.

Although well-intentioned, the problem with the HoA-IP and other initiatives is a failure to appreciate the entrenched challenges that are curtailing the advancement of regional engagement and cooperation. The persistence of these challenges has meant that Afghanistan is an arena in which its neighbors compete with one another, which has trapped the landlocked country in a transnational struggle. Moreover, neither Kabul nor any other regional state has presented a strategy that can disable the competing notions of regional stability and strategic rivalries, entrenched mistrust and fears, and the surplus of state and non-state spoilers that enflame fraught historical relations. The presence of these obstacles has to a large extent reduced the HoA-IP to a hollow platform due to the hostile relations among several of the states. This makes the pursuit of regional economic cooperation through regional diplomatic efforts highly unlikely.

Due to sustained violence and increasing political uncertainty, however, regional cooperation programs designed to knit the region together can be suspended abruptly or even terminated if the underlying conditions are deemed to be too risk-laden. A snapshot of some of the key regional cooperation and investment projects are provided in the tables below.

Table 4: Energy projects in Afghanistan

Project	Estimated budget	Objective
CASA-1000 (Central Asia-South Asia Regional Energy Market)	USD 1.2 billion	To facilitate the export of 1300MW of surplus energy from the Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan
TAPI (Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline)	USD 7.5 billion for the pipeline and USD 15 billion for the gas field	To export natural gas from Turkmenistan to energy dependent countries over an estimated 1,814 kilometres
TAP-500 kV Power Project (Turkmenistan, Afghanistan, and Pakistan)	USD 1.2 billion	Turkmenistan plans to export power to Afghanistan and Pakistan around the year

Table 5: Transport infrastructure and trade facilitation projects in Afghanistan

Project	Estimated budget	Objective
Belt and Road Initiative	China has pledged USD 100 billion to countries in Greater Central Asia	To build and connect trade, infrastructure, and energy linkages between China and Eurasia via land, sea and air routes.
Chabahar Port and Corridor	USD 1.8 billion	To serve as a transportation node and network for trade between Iran, Afghanistan, and India.
Five Nations Railway	USD 2 billion	To establish Afghanistan as a regional transportation hub to cater to the agricultural, manufacturing, mining, and other industries
Lapis Lazuli Route	USD 2 billion	To boost regional economic integration and trade between Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey.
Trans-Hindukush Road Connectivity	USD 255 million by the World Bank USD 31 million by the Asian Development Bank	To upgrade the existing 152km Baghlan to Bamyan road, redevelop the existing 86km Salang Pass and its 2.8km tunnel, in order to provide year-around access.
TIR Implementation	None announced thus far	Afghanistan reactivated its TIR membership in July 2011. The TIR cross-border customs transit system is devised to facilitate the movement of goods in international trade and to provide the security required by customs administrations.
Land Ports & Special Economic Zones	Undergoing feasibility study	To connect with the broader infrastructure development and trade facilitation initiatives.

Table 6: Communications projects in Afghanistan

Project	Estimated budget	Objective
Digital Silk Road	USD 50 million	To build a new 480km optical fiber cable connecting Afghanistan to China.
Business-to-Business (B2B) Partnership	Under discussion	To enhance B2B partnerships and investments via different channels including RECCA Chamber of Commerce and Industries, Passage-to-Prosperity Trade and Investment shows, and Afghanistan Women Chamber of Commerce and Industry.

The projects in each category require large capital investments and consequently rely on favorable political and security conditions, without which they are unlikely to move forward as originally intended. Besides being terminated altogether, another likelihood is that the projects themselves may be renegotiated among the other parties involved to work out other routes that would sidestep Afghanistan to protect their value chain and mitigate their risk exposure. Such an outcome is possible as regional contacts have steadily gained traction—paradoxically due to Kabul's championing of them—and these would allow different parties to arrive at new agreements. This outcome would be to the detriment of Kabul's regional economic engagement strategy, but the continuity of political uncertainty and violence is a strong disincentive for Afghanistan's near and far neighbors to create dependencies on which they have limited influence.

The author concludes that without the political route for ending the protracted conflict, the proposed economic glue in the form of regional economic cooperation and integration cannot gain traction. The entrenched suspicions of regional and local actors, built over decades, easily overwhelm the mutual equities they think they have in Afghanistan. These animosities somewhat resemble Rousseau's "stag hunt," in that all actors are so convinced that their counterparts are going to defect from cooperation because of their overriding self-interests that each actor is determined to cheat first as a means to get ahead of others.

Regional initiatives such as Washington's "New Silk Road," Beijing's "Belt and Road Initiative," and Moscow's "East-West Corridor," carry with them the notion that a commonality of economic interests has the potential to open new channels of engagement in Afghanistan. It is assumed that shared economic benefits could provide all actors with greater incentives in reaching mutually beneficial politico-economic cooperation.

Although these regional initiatives are well-intentioned, the economic ingredient in and of itself is insufficient to keep the diverse parties from meddling in each other's affairs. At best, the Afghan government might be able to achieve non-political CBMs such as in reconstruction, redevelopment and other related areas, but these limited degrees of mutual cooperation cannot overcome deeply rooted strategic distrust. **Without the necessary political and security pillars, the economic pillar is unlikely to be viable.**