REPORT

Introduction

1. The 2012 SPECA Economic Forum was held in conjunction with the seventh session of the SPECA Governing Council in Bangkok on 27 and 28 November 2012. The Economic Forum brought together high-level representatives of SPECA member countries, observer countries, United Nations agencies, programmes and missions, international and regional organizations, multilateral financial institutions as well as the academic community and the private sector. The List of participants is attached (Annex I).

2. The Forum was chaired by H.E. Ambassador Esen Aydogdyev, Permanent Representative of Turkmenistan to the United Nations Office at Geneva.

Opening session

3. The Head of the Delegation of Turkmenistan, in his welcoming remarks, underlined the importance that his Government is attaching to strengthened regional cooperation. SPECA is an important framework for promoting such cooperation.

4. Mr. Sven Alkalaj, Executive Secretary of UNECE, noted that the Forum will examine the experience of Asian organizations concerned with cooperation and integration. The successes and lessons learned from those organizations are highly relevant for Central Asia. One reason for that was the similarity of political and economic challenges. The history of Asian regional organizations demonstrates how patient confidence-building and the step-by-step creation of a solid political and economic basis for higher level cooperation and integration can help bridge diverging interests and resolve disputes. Sophisticated tools for confidence-building, such as the famous “second track diplomacy” or the use of flexible, multi-speed arrangements within organizations, can also play a useful role in Central Asia. He expressed hope that the Forum would generate a constructive and forward-looking dialogue among the Governments of SPECA member countries on how Central Asia could build upon the experience of Asian countries and accelerate regional economic cooperation and integration. The Executive Secretary of UNECE expressed the view that SPECA should make increasing efforts to mainstream the regional dimension in the discussions on the post-2015 development agenda and implementation of the Rio+20 priorities.
5. Dr. Noeleen Heyzer, Executive Secretary of ESCAP, reminded that, in March 2013, SPECA would mark its fifteenth anniversary and suggested that the Economic Forum and the Governing Council session should take the opportunity to look at the Programme with new eyes. After almost a decade and a half of high-level meetings, policy dialogues and programme implementation, it is needed to make comprehensive assessments of what had been achieved, what worked and what remained to be done for SPECA to truly come of age. Dr. Heyzer shared her views on learning of Asian integration experiences of ASEAN, APEC, GMS, SAARC and ECO. The Executive Secretary of ESCAP noted that Asia had a wealth of experience on which to draw. Regional economic integration had become more important in a quest to find new drivers of regional growth, in support of shared and sustained prosperity. National and even bilateral approaches alone were no longer sufficient to address those challenges. Regional solutions through regional cooperation could be the way to forge more sustainable economic growth, close development gaps and lift tens of millions of people out of poverty. In addressing the development needs of diverse countries, especially the least developed and landlocked developing countries, it was important to build economic corridors that link those countries to high-growth economies and to build partnerships for development, including South-South and regional cooperation.

6. The Head of the Delegation of Afghanistan called for a unified vision of a closely interconnected region, with simplified regulations and shared goals in order to promote peace and prosperity. He spoke about the need to make better use of his country’s water resources both for irrigation and power generation, and the imperative of improved rail and highway connections among the countries of the region. He underlined the importance of full implementation of the Baku Ministerial Declaration on Aid for Trade, in particular progress towards an interoperable paperless trade system.

7. The Head of the Delegation of Azerbaijan underlined that the level of trade between SPECA member countries did not reflect their true potential. Projects carried out within the SPECA framework helped deepen economic cooperation. He noted with satisfaction that, thanks to its restructuring in 2005-2006, the Programme had become more project-oriented. He noted that the Aid for Trade Ministerial Conference held in Baku had been the first such event since the launching of the initiative at the 2005 WTO Ministerial Conference in Hong Kong. SPECA member countries attached great importance to the full implementation of projects within that framework.

8. The Head of the Delegation of Kazakhstan expressed gratitude for the excellent work of the Turkmen chairmanship and underlined the firm conviction of his Government that SPECA could make a significant contribution to regional integration, including on the basis of integration experience of other regions. On the eve of the withdrawal of coalition forces from Afghanistan, it was necessary to combine existing regional economic instruments, mechanisms and programmes with political will and donor commitment, as had been called for in Tokyo and Istanbul. As one of the major contributors of the Eurasian Development Bank, Kazakhstan was ready to support the implementation of common projects in various fields in Central Asia. Kazakhstan had also established inter-State investment funds: the Kazakh-Kyrgyz and Kazakh-Tajik funds amount to US$ 100 million each. Kazakhstan is ready to contribute also to the implementation of the Ban Ki-moon – Clinton initiative on food security.

9. Central Asia could become an “energy superpower” of the world if it managed to combine the power of fossil fuels with renewable energy resources. Those issues were at the heart of achieving sustainable development goals. The “Green Bridge” initiative, announced by
President Nazarbayev in 2011, was of great importance in that area. The transfer of advanced green technology to the region should be accelerated. The representative of Kazakhstan noted with dismay that SPECA was not even mentioned in the report of the Secretary-General to the Economic and Social Council on regional and subregional cooperation.

10. The Head of the Delegation of Kyrgyzstan emphasized that learning about the experience of Asian regional organizations – if there was a wish to move forward – could stimulate joint efforts by Central Asian countries to strengthen economic stability and prosperity in the region. Central Asia could become a transport hub between East and West: the United Nations and other international organizations provided assistance to developing the legal foundations for transport corridors. Kyrgyzstan’s accession to relevant international legal instruments helped its efforts to broaden its trade and transport relations. SPECA member countries were among the most important partners of Kyrgyzstan in those areas. Kyrgyzstan attached great importance to sustainable development and implementation of the Rio+20 priorities. Regional frameworks, such as SPECA, provided a platform for exchange of views as well as capacity-building.

11. The Head of the Delegation of Tajikistan underlined the importance of studying the Asian experience as integration processes in today’s world were becoming increasingly sustained and irreversible. While there was a growing interest by the global community in the economic potential of Central Asia, the region was facing a number of challenges on its way towards closer cooperation and integration. Tajikistan supported further efforts to improve regional cooperation in such areas as development of a transport and transit system, trade facilitation and development of cross-border trade. Equally important was the effective utilization of the water and energy resources of the region, effective management of water resources and establishment of a single energy system. Efforts should be made to improve labour migration. Further progress in those areas, including in the SPECA framework, depended on political will and the readiness of the countries to cooperate.

First session: Subregional Cooperation for Sustainable and Inclusive Development in Asia: Successes and Challenges

12. Mr. Amrit Lugun, Director of the Economic, Trade and Finance Division, Secretariat of the South Asian Association for Regional Cooperation (SAARC), noted that the primary objectives of the Association were to promote the welfare of the peoples of South Asia, improve their quality of life and accelerate economic growth, social progress and cultural development in the region. Cooperation in SAARC is based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of Member States and mutual benefit. Decisions at all levels in SAARC are taken on the basis of unanimity. Bilateral and contentious issues are excluded from the deliberations of the Association. The highest authority in SAARC is vested with the Heads of State or Government, who meet at the summit level. The Council of Ministers, comprising Foreign Ministers of Member States, meets at least twice a year. SAARC has instituted a number of sector-based mechanisms, such as the ministerial meetings, technical committees, working groups, regional centres and other intergovernmental mechanisms to promote cooperation in agreed areas.

13. Acceleration of economic growth through regional cooperation was a major objective of SAARC. The Agreement on the South Asian Free Trade Area (SAFTA) had been signed on 6 January 2004 and had come into force in January 2006. The trade liberalization
programme under the Agreement had commenced in July 2006. Since then, cumulative trade under SAFTA had crossed the two billion dollar mark, and, each year, trade under SAFTA had continually shown an upward trend. In 2005, the SAARC leaders had instituted cooperation in financial matters at the ministerial level. Governors of the central banks of the member countries met under the umbrella “SAARC Finance”. SAARC Member States had agreed to set up the South Asia Regional Standards Organization (SARSO) and the Group on customs cooperation.

14. H.E. Ambassador Muhammad Noor Yacob, Executive Director, Secretariat of Asia-Pacific Economic Cooperation (APEC), listed the objectives of APEC as strengthening the multilateral trading system, increasing interdependence and prosperity and promoting sustainable economic growth. Based on the principles of consensus building, non-binding commitments and open dialogue APEC supported the WTO process. Thus, 14 APEC economies had set up “Single Windows”. Business was one of the key beneficiaries of the work of APEC. APEC was also building human capacity and strengthened economic infrastructure through economic and technical cooperation. An indicator of success was the fact that per capita GDP in APEC had nearly doubled between 1989 and 2010. APEC had also developed a new strategy for structural reform. While many APEC countries ranked very high in the World Bank “Ease of Doing Business” index, APEC was making further efforts within the framework of its Ease of Doing Business Action Plan. The Vladivostok Declaration of APEC had set out new priorities for the organization, including liberalization of trade and investment, expanding economic integration, establishing reliable supply chains, strengthening food security and fostering innovative growth.

Second session: SPECA Economies in Asian and Eurasian Regional Cooperation Organizations

Moderator: Mr. Sven Alkalaj, Executive Secretary of UNECE

“From EurAsEC to the Eurasian Economic Union – Stages of Economic Integration in the Eurasian Region”

15. Mr. Timur Suleimenov, Member of the Board, Minister of Economy and Financial Policy, Eurasian Economic Commission (EEC), reviewed the history of Eurasian integration, starting with the Customs Union between the Russian Federation and Belarus and the Russian Federation and Kazakhstan in 1995. In 2012, the Eurasian Economic Community had started its operations. The objective was to establish the Eurasian Economic Union by 2015. In the process, a single economic space from the Atlantic to the Pacific Ocean was being created. Members of the EEC ranked first in gas and oil production in the world and were significant producers of other commodities. Mr. Suleimenov listed some key macroeconomic indicators of the Customs Union to illustrate its dynamic economic development. Its member countries had achieved the overall goal of free movement of goods, services, capital and labour.

16. Mr. Vladimir Popov, Deputy Head of International Relations, Eurasian Development Bank, noted that the Bank had been established at the initiative of the Presidents of the Russian Federation and the Republic of Kazakhstan in 2006. Its current membership included Armenia, Belarus, Kyrgyzstan and Tajikistan. Its cumulative investment portfolio had reached about US$ 4.5 billion and included more than 76 projects. The EurAsEC Anti-Crisis Fund had more than US$ 8.5 billion in resources. During the period from 2007 to 2011, the Bank had
mobilized over US$ 2 billion in financial markets. The Bank was striving to become the leading intellectual centre to provide information and research on integration processes in Eurasia. The Center for Integration Studies had been established in 2011.

**Third session: Economic Integration and Regional Security Cooperation in Central Asia**

**Moderator:** Mr. Goran Svilanovic, Coordinator of Economic and Environmental Activities, OSCE Secretariat

"Regional Economic Cooperation: a Key Contribution to Security and Stability"

17. Mr. Mikhail Konarovskiy, Deputy Secretary-General, Shanghai Cooperation Organization (SCO), described the Shanghai Cooperation Organization as a common platform for China, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan to build a coherent framework for joint actions while meeting common challenges and threats. SCO offered an interactive platform for the elaboration of mutually acceptable mechanisms for security and deepening of political, economic and cultural cooperation. In 2009, the SCO Heads of State had adopted specific regulations aimed at coordinating efforts and interaction and implementation of political, diplomatic measures as well as preventive mechanisms and responses to situations that jeopardized regional peace. Security and stability could not be strengthened without the development of national economies. A revised version of the programme of multilateral trade and economic cooperation aimed at moving towards the free flow of capital, goods, services and technology within the succeeding 20 years had been adopted recently. The SCO economic priorities included the implementation of a number of regional pilot projects in the fields of energy, transport and information technology. The aim was to modernize the energy and transport infrastructure of Member States. The organization had been working to create a development fund and a development bank with the aim of establishing a mechanism for funding joint projects. Currently, the SCO has five observer States (Afghanistan, India, Iran, Mongolia, and Pakistan) and three dialogue partners (Belarus, Sri Lanka and Turkey). The fact that several States have expressed an intention to join the organization proves that the SCO is making a constructive contribution to regional and global security and stability. SCO has enjoyed observer status in the General Assembly since 2004 and cooperates closely with the United Nations.

18. Mr. Ján Kubiš, Special Representative of the Secretary-General for Afghanistan and Head of the United Nations Assistance Mission in Afghanistan (UNAMA), noted that a focused approach on regional cooperation and regional integration could transform South and Central Asia into a prosperous, stable and secure region. Economic prosperity is a fundamental tenet of peace and security. Regional cooperation leverages national strengths for mutual regional benefits and economic growth. It also means adopting and implementing policies that lead to economic integration. The private sector is well suited to leverage national and regional strengths to tap into larger, more profitable and more economically sustainable markets. Expanded trade, both in goods and services, and investment had been shown to create economic prosperity. The private sector, including foreign investment, could play a key role in expanding local economies regionally. That would create jobs, economic security and prosperity that could lead to sustained security and stability. The public sector should implement policies that promote regional connectivity – air, road and rail, and investor confidence, good governance and the rule of law. There must be cooperation among countries in the region with regard to facilitating the free flow of goods and services across borders as
well as the exchange of information and technology. Those were the critical public policy issues that impacted the private sector at both the national and regional levels. The public and private sectors must work together collectively towards common societal goals. It was imperative for the countries of Central Asia to work together for the common goal of regional integration and economic prosperity. Regional economic integration would create a large community of businesses desirous of peace and stability that would permit them to prosper and succeed. Thus, regional economic integration was an indispensable element in the path towards regional peace and security. The confidence-building measures of the Istanbul Process not only built political confidence but also promoted economic integration and regional connectivity. The Regional Economic Cooperation Conference on Afghanistan (RECCA) also brought Afghanistan and the rest of the region together in economic cooperation and integration. The region had begun the process of building cooperation and economic integration, the outcome of which could contribute significantly to regional security.

19. Mr. Miroslav Jenča, Special Representative of the Secretary-General for Central Asia and Head of the United Nations Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA), admitted that regional cooperation in Central Asia was a very complex issue. The break-up of the Soviet Union had come along with an accelerated process of economic and political disintegration despite the mutual dependency of States and a general understanding of the necessity of close cooperation. A stronger sense of national identity seemed more important than economic benefits and social cohesion.

20. Since then, various efforts had been made to improve regional cooperation with different subregional establishments, institutions and arrangements. Many positive steps had been taken towards increased regional cooperation within the frameworks of CIS, EurAsEC, ECO, CSTO, SCO, CICA, IFAS and CAREC as well as SPECA. Nonetheless, integration in Central Asia was regarded by some in the region as a process which could have a negative impact on national sovereignty. The lack of trust sometimes prevailed in bilateral and multilateral relations, particularly between upstream and downstream countries. Some Central Asian countries preferred a bilateral format in their relations with neighbours. Central Asian States often considered their ties with countries outside the region as more convenient for development than the expansion of political, economic and security cooperation within the region.

21. As a United Nations special political mission with a regional mandate, supported by all Central Asian States, UNRCCA was well positioned to promote regional cooperation and supplement efforts made by its partners. In the SPECA context, UNRCCA could place economic issues in the broader framework of security, stability and sustainable development in the region. There was a correlation between the economic development of Afghanistan and the chances for an economic boost for all of Afghanistan’s neighbours, including Central Asian countries. Central Asian countries and Afghanistan are landlocked, and therefore have a huge potential as transit countries. Regional cooperation was not a goal per se. The main objective was to have stability and security as well as economic prosperity in Central Asia.

22. H.E. Ambassador Çınar Aldemir, Executive Director, Secretariat of the Conference on Interaction and Confidence Building Measures in Asia (CICA), underlined that, in the contemporary world, economic cooperation and integration was a key element of regional security. After the collapse of the Soviet Union, the newly independent States of Central Asia faced the enormous problem of economic disintegration. It was simply not possible to
maintain open borders, trade, transport and capital movement at the same level as had existed within the Soviet Union. While some of the Central Asian States had been able to overcome the initial economic problems, others were still struggling. The region was also facing some serious security challenges, such as the rise of extremism in certain areas and illicit drug trafficking. While efforts had been made for regional economic integration and security cooperation in Central Asia, more needed to be done in that direction. SPECA was playing a significant role in economic cooperation and the development of Central Asia by addressing the unique needs of its member countries.

23. For its part, CICA was also playing an important role in economic integration and security cooperation in Central Asia. It was noteworthy that all the member countries of SPECA, except Turkmenistan, were also members of CICA, which was a forum for enhancing cooperation towards promoting peace, security and stability in Asia through dialogue, interaction and confidence-building measures among Member States. It had been convened pursuant to the initiative taken in October 1992 by the President of Kazakhstan Nursultan Nazarbayev. With 24 Member States of CICA representing nearly 90 per cent of the area and population of Asia, the geographical scope of CICA extended far beyond Central Asia, encompassing countries in Eurasia and the Middle East as well as South, South-East and East Asia. Members ranged from Turkey in the west to the Republic of Korea in the east. Economic cooperation is a very important dimension of confidence building measures in CICA. A road map is in place for promotion of business opportunities and information exchange in small and medium enterprises among the Member States. Business Forums bringing together government officials and entrepreneurs from Member States are being held.

Fourth session: Experience of International Financial Institutions in Supporting Regional Economic Cooperation and Integration in Central Asia

Moderator: Ms. Virginia Cram-Martos, Director of the Trade and Sustainable Land Management Division, UNECE

“Investment Attractiveness and Economic Growth: the Experience of CAREC”

24. Mr. Winfried F. Wicklein, Deputy Country Director, Thailand Resident Mission, Asian Development Bank, briefly spoke about the global and regional outlook before presenting CAREC and its investment programme and prospects. CAREC had 10 member countries and coordinated the work of 6 multilateral institutions. The CAREC 2020 strategy defined strategic objectives and operational priorities. It contained a medium-term priority project list and was characterized by country ownership. The CAREC priority areas were transport, trade facilitation, trade policy and energy. The CAREC Institute provided a strategic knowledge framework. Since 2001, CAREC had made US$ 19 billion worth of investments. Out of those investments, 82 per cent was invested in transport, 17 per cent in energy and 1 per cent in trade facilitation. Mr. Wicklein then gave a short overview of investment prospects.

25. Ms. Ayşe Cihan Sultanoğlu, Assistant Administrator and Director of the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) at the United Nations Development Programme (UNDP), emphasized that the importance of regional cooperation as a prerequisite for sustainable development could not be overstated. That was the case as much in Central Asia as anywhere else in the world. Without better supranational cooperation among governments, businesses, civil society, and the international community
opportunities for better management of Central Asia’s water resources, its energy and transport infrastructure and disaster risks would be missed. Development gains in the form of economic growth, environmental sustainability and social inclusion would stay well below their potential. UNDP had been making the case for regional cooperation since 2006, the same year in which SPECA had started the Economic Forums that had become a yearly tradition. Two recently launched global initiatives were highly relevant for Central Asia and would require collective efforts to turn into success. The first was the post-2015 development agenda and the second was the Secretary-General’s Sustainable Energy for All initiative. In both initiatives UNDP, as manager of the United Nations Resident Coordinator system, was playing an important catalytic and facilitating role. UNDP and the United Nations Development Group were supporting national-level dialogues on the post-2015 development agenda in Tajikistan, Kyrgyzstan, Kazakhstan and Turkmenistan. Those national consultations would feed into the regional consultations to be supported by the regional commissions, which would subsequently feed into the global debate and the work of the High-Level Panel. As the High-level Panel planned to submit its report to the General Assembly in September 2013, there was little time, and active engagement by all parties concerned was therefore critical. In the meantime, efforts needed to be redoubled to ensure that the Millennium Development Goals were fully achieved in the region by 2015, something which remained a serious challenge in some Central Asian countries.

26. The Secretary-General’s Sustainable Energy for All (SE4ALL) initiative provided opportunities to identify and implement options for dramatically improving energy efficiency, the use of renewable energy and energy access by 2030. At the Rio+20 Summit, tens of billions of dollars had been committed by businesses, investors, governments, multilateral development banks, international and civil society organizations to catalyse action in support of the initiative. However, none of those commitments were specifically directed to the Central Asia region.

27. SPECA and all its countries should actively engage in the SE4ALL initiative and use every opportunity to strongly advocate for the sustainable energy needs and ambitions of Central Asia.

28. Mr. Shogo Ishii, Director of the Regional Office for Asia and the Pacific, International Monetary Fund (IMF), gave a detailed presentation on the outlook and challenges for Central Asia. He pointed out that the global recovery had weakened and the global outlook had deteriorated, with significant downside risk remaining. The growth outlook for Central Asia was broadly positive: remittances and supportive commodity prices had benefited many Central Asian countries. Inflation pressures had been generally receding, still fiscal consolidation was needed in many Central Asian countries. Further efforts were needed to strengthen bank balance sheets, improve the business environment and level the business playing field. Regional cooperation should focus on removing hurdles to trade and bolster economic integration.
Fifth session: The Contribution of SPECA to Regional Economic Cooperation in Central Asia: Adapting the Asian and Eurasian Experience

Moderator: Mr. Marton Krasznai, Regional Adviser, Economic Cooperation and Integration Division, and SPECA Deputy Coordinator at UNECE

29. Dr. Ram Upendra Das, Senior Fellow, Research and Information System for Developing Countries (RIS), India, introduced the background study “Regional Economic Integration in Central Asia”.

30. Ms. Elena Kuzmina, Senior Researcher, Head of the Department of Economic Development of CIS Countries, Institute of Economics under the Russian Academy of Sciences, Russian Federation, introduced the background study ”Strengthening Regional Economic Cooperation and Integration in Central Asia by Sharing the Asian Experience”.

Special segment: Achieving United Nations Development Goals and Implementing the Output Priorities of United Nations Summits: the Role of Regional Economic Cooperation

Moderator: Mr. Nikolay Pomoshchnikov, Head, ESCAP Subregional Office for North and Central Asia and Joint ESCAP/UNECE SPECA Office

Presentation by ESCAP: Regional Aspects of the Post-2015 Development Agenda and the Rio+20 Output Priorities

31. Ms. Nobuko Kajiura, Economic Affairs Officer, Macroeconomic Policy and Development Division, ESCAP, pointed out that the partnership between ESCAP, ADB and UNDP on the Millennium Development Goals had been established to fast-track achievements related to the Goals, in particular to monitor and report on the Goals, to develop policy-based knowledge products, to publish regional reports, to conduct subregional capacity development/advocacy/policy dialogue and expert meetings workshops and to contribute to the discussion on Asia-Pacific perspectives of the post-2015 development agenda. In 2012, a series of subregional consultations on the Goals and the post-2015 development agenda had been held throughout the Asia-Pacific region, with the participation of senior government officials from various ministries, civil society organizations, and United Nations and bilateral agencies. It was highlighted that the context had changed since the Goals had been designed. Climate change, financial crises, inequality, among other things, had become more prominent concerns. There was no one-size-fits-all strategy – how to set global (common) goals vis-à-vis regional and national goals to reflect specific challenges and needs.

Presentation by UNECE: Addressing Special Development Needs and Challenges in the SPECA Region

32. Mr. Marton Krasznai, Regional Adviser and SPECA Deputy Coordinator at UNECE, noted that it was important to constantly remind policymakers and experts of the economic, social and political advantages offered by regional cooperation. SPECA should therefore highlight the development aspects of regional economic cooperation and integration in view of its status as a regional Programme supported by UNECE and ESCAP, regional
development arms of the United Nations. The two commissions were mandated to play an active role in the implementation and shaping of the United Nations development agenda. Discussions within the SPECA framework would increase the chances that the post-2015 development agenda would reflect the particular challenges faced by the region and recognize the importance of regional cooperation in meeting those challenges. Adopting common positions by SPECA member countries would strengthen their collective bargaining power in international forums and supranational negotiations. A post-2015 development agenda that takes into account the special needs of SPECA member countries would, among other things, facilitate the mobilization of public and private resources to help achieve the newly set goals. There was a widely shared need to work towards just one United Nations development agenda for the post-2015 era, with sustainable development at its centre. In that connection, UNECE and ESCAP would invite other members of the United Nations system and the development community at large as well as academia and the civil society to contribute to a discussion within the SPECA framework on the post-2015 development agenda and implementation of the Rio+20 outcome.

**Closing session**

33. The Chairperson briefly summarized the work of the 2012 SPECA Economic Forum. The Chairperson’s conclusions are attached (Annex II).