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RECCA
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HOW CAN **REGIONAL ECONOMIC COOPERATION** BE ACCELERATED WITHIN THE RECCA REGION?



Islamic Republic of Afghanistan
Ministry of Foreign Affairs

RECCA Regional Economic
Cooperation
Conference on Afghanistan

This is a brief policy paper that presents the outcomes of the RECCA-VII Academic Forum held on 13 October 2017 in Ashgabat, Turkmenistan and does not necessarily reflect the official views of the Ministry of Foreign Affairs of the Islamic Republic of Afghanistan.

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Abstract

Scholars from eight different countries at the RECCA VII Academic Forum, held on 13 October 2017 in Ashgabat, examined the opportunities and impediments to regional cooperation in the RECCA region at the crossroads of Central, South, and Southwest Asia. In the first session, participants discussed ways for enhancing regional cooperation in the field of energy. In the second session, they assessed strategies for regional and inter-regional connectivity. In the third session, the scholars examined the prospects and potential for regional trade & transit facilitation, Business-to-Business (B2B) cooperation, People-to-People (P2P) contacts, communications, and labor support. In the fourth and final session, the participants explored new avenues for economic cooperation and integration in the region, with a special focus on the role of Afghanistan. The chief aim of the Academic Forum for RECCA-VII was to find solutions to overcoming the obstacles that hinder regional cooperation and to chart a more positive economic future for the people and nations of Central, South, and Southwest Asia. This policy paper is the main output from the Academic Forum and is prepared for government policy makers, business leaders, and scholars from across the region. It draws extensively on the insights, experiences, and policy reform recommendations put forward by the scholars in attendance from across the region and beyond. For a summary of the major Academic Forum recommendations presented to the RECCA-VII Ministerial Meeting, held from 14-15 November in Ashgabat, Turkmenistan, please see Annex I below. For a list of the scholars and practitioners who participated in the Academic Forum, please see Annex II below.

Introduction

Afghanistan is a landlocked, least developed, and conflict-affected country, in which three consecutive decades of war and the dark era of Taliban rule had eroded severely its morale, governance systems, and basic infrastructure. After the fall of the Taliban regime and the establishment of the interim Afghan government in 2002, and with the support of the international community, efforts to reconstruct the economy and rebuild the state- in Afghanistan began, including the restoration of the country within the community of nations.

After the drawdown of the NATO-led International Security Assistance Force and conclusion of the security transition in 2014, the Afghan government assumed full responsibility for its security. The security transition coincided with the first successful political transition in Afghanistan's modern history with the establishment of the Afghan National Unity Government in September 2014. These two transitions also helped to usher in the start of the Transformation Decade (2015-2024) and a renewed focus on economic transition, with the fundamental aims of ensuring for the benefit of all Afghans sustained economic development, greater self-reliance, prosperity, stability, and peace. To these ends, the Afghan government has placed regional economic cooperation among its priorities including within the Afghanistan National Peace and Development Framework (ANPDF), introduced at the October 2016 Brussels Conference on Afghanistan.

The geo-economic location of Afghanistan at the Heart of Asia, coupled with the country's wealth of natural resources, has endowed Afghanistan with the opportunity and potential to become an economic hub and "regional roundabout", playing a catalytic role in enhancing regional cooperation and economic integration by connecting Central Asia, South Asia, East Asia and the Middle East's markets and promoting investment, the trade and transit of goods and services, and energy transfer among its neighbors. The Regional Economic Cooperation Conference on Afghanistan (RECCA) and the Heart of Asia-Istanbul process (HoA-IP), representing two prominent Afghanistan-centered regional cooperation frameworks, have played instrumental roles in promoting regional economic cooperation, including by sharing the benefits of Afghanistan's centrality in support of regional and inter-regional connectivity and trade at the crossroads of Eurasia.

Despite the joint and sustained efforts of Afghanistan and the regional countries, including under RECCA and the HoA-IP, the road ahead is long toward unlocking the full potential of regional cooperation and economic integration

within Central, South, and Southwest Asia. As the world's most populous and economically dynamic continent, Asia is also home to many developing economies with vast human and natural resource potential that together can fuel future economic growth. At the same time, energy deficiency, remoteness from international markets (due, in part, to weak and sometimes non-existent transport and energy infrastructure), and the landlocked nature of several states are just a few of the major challenges some countries in the region continue to face, negatively impacting economic growth and sustainable development within and beyond their borders. Consequently, there is a strong impetus for regional cooperation and economic integration among all regional countries within Afghanistan's wider region, and it is only through intensified joint economic cooperation—including within the existing regional cooperation platforms such as RECCA and the HoA-IP—that these countries at the crossroads of Eurasia can achieve durable peace, stability, sustainable economic development, and, ultimately, prosperity.

Regional Economic Cooperation Challenges and Opportunities

The RECCA region, combining mainly Central, South, and Southwest Asia, has remained one of the least connected regions in the world. This region has yet to overcome the myriad challenges to economic integration. The RECCA has sought to diagnose major challenges and to bring the regional governments together to discuss key bottlenecks to cross-border economic cooperation and their solutions. This time, the RECCA Academic Forum brought the scholars from regional countries one month prior to the Regional Economic Cooperation Conference on Afghanistan (RECCA-VII) on 13 October 2017 in Ashgabat, and they examined and underscored several major challenges and opportunities for the governments of the region. Among the major policy questions the Academic Forum scholars and practitioners addressed are:

- What are the major opportunities for enhancing regional economic cooperation, and what are the fundamental challenges to unlocking the full potential for regional cooperation and economic integration across South, Southwest, and Central Asia within the framework of RECCA?
- To what extent does the security situation in Afghanistan and its neighboring region hinder cross-border economic cooperation?
- What are the most important policy and regulatory reforms that need to be considered or better implemented to improve the prospects for an acceleration in regional economic integration at the crossroads of Eurasia?
- What are the fundamental impediments to building consensus around, designing, and standing-up new, large-scale regional infrastructure projects in the areas of transport, energy, communications, etc.?
- What are the overall prospects for greater regional and inter-regional economic connectivity?
- How can Afghanistan and other stakeholders address the above-mentioned challenges and create new opportunities for enhanced regional economic cooperation, including through specific measures in support of the implementation of RECCA priority investment projects and reform activities in the following major sectors:
 - **Energy** (e.g., TAPI, CASA 1000, TAP 500, and etc);
 - **Transport Networks** (e.g., Belt and Road Initiative, Lapis-Lazuli Trade and Transit Route, Chabahar Corridor, Five Nations Railway Corridor, Afghanistan Rail Network, and the Trans-Hindukush Road Connectivity Project);
 - **Trade and Transit Facilitation** (e.g, Cross-Border Transport Agreement and TIR Convention, Special Economic Zones, Regional Customs Cooperation);
 - **Communications** (e.g., Digital Silk Road)
 - **People to People Contacts;**
 - **Business to Business Partnerships and Labor Support** (e.g., Regional Chamber of Commerce and Industries).
- How can regional countries and international partners assist in overcoming the challenges to improving economic cooperation, and how specifically can the RECCA ministerial forum and associated activities aid this effort?
- How can regional economic initiatives/projects contribute to regional security and stability?

Policy Options

Five major policy options—with the potential for multiplier effects that could accelerate economic integration with Afghanistan at the crossroads of Central, South, and Southwest Asia—deliberated upon by the scholars and practitioners participating in the RECCA Academic Forum were:

First, Afghanistan is very important for China, India and many countries in Central, South and Southwest Asia, since geographically it can either help to connect or, in case of instability, disconnect the region. Major transport projects that connect the region can significantly reduce distances—saving valuable time, energy, and money—by traversing Afghanistan, and these initiatives will further augment the prosperity of all nations in the RECCA region. The governments in the RECCA region can, therefore, choose either inclusion or exclusion, and to achieve significant economic benefits—in terms of returns to growth, jobs, and public revenue—they are advised to include Afghanistan as an integral part of regional transport networks. For example, the completion of two railway connections—between China and Afghanistan and through Afghanistan from Iran to Central Asia—should be prioritized in order to capitalize on the opportunities presented by, for example, major, potentially game-changing projects like the Belt-and-Road Initiative (BRI) and the Middle Corridor initiative.

Second, Afghanistan is also important for regional connectivity across the Eurasian region. The Lapis Lazuli Route Agreement as a flagship agreement can play a crucial role in building an integrated transport and transit system among the contracting parties (Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey) and beyond.

Third, Iran's Chabahar port creates opportunities and incentives for regional countries and other markets to invest in infrastructure in Afghanistan to facilitate access to the port. The commitment to build a railway connection in Iran from Chabahar to Zahedan and subsequently to Zaranj in Afghanistan is a good start; however, an under-construction link from Iran's Khaf to Afghanistan's Herat (which is projected to be completed in few months), remains at present the only Iran-Afghanistan railway connection. In order to directly link landlocked Afghanistan to the potentially-lucrative opportunities provided by the Chabahar port by rail, further development is needed.

Fourth, the development of other economic corridors as part of the larger Belt-and-Road Initiative, presents an opportunity for countries across the region to link up to and directly benefit from the new infrastructure projects including in the areas of energy and transport. Furthermore, various Afghanistan-focused trilateral economic cooperation frameworks can be promoted towards priority infrastructure project across the region.

Fifth and finally, energy cooperation remains an important element of economic integration between Central Asia and South Asia. In this context, TAPI, CASA-1000, and, more recently, TAP-500 can serve as the basis for a new, integrated regional energy market for the benefit of the countries of Central, South, and Southwest Asia and beyond.

Conclusion & Recommendations

The RECCA Academic Forum in Ashgabat has recommended the regional countries to undertake certain policies in order to speed up the process of regional economic integration across Central, South, and Southwest Asia. The following key points were made by the scholars and practitioners at the forum. A summary of additional points can be found in Annex I below.

- 1.** Efforts should be redoubled to complete major regional economic cooperation projects in the coming few years, especially as they have the potential to serve as “game changers” for economic development and cooperation between the countries of Central, South, and Southwest Asia.
- 2.** The ongoing Afghanistan-centered regional energy projects are contributing to the formation of an integrated regional energy market for the benefit of the countries of Central, South, and Southwest Asia.
- 3.** The countries of the region are beginning to take notice of Afghanistan’s marked progress in building new roads, rail lines, and dry ports, which (along with better trade facilitation, and customs cooperation) will allow it to be transformed into a regional trade and transit hub for the benefit of both Afghanistan and its neighbors. Afghanistan aspires to complement, rather than overlap with, existing transport-related infrastructure investments in the region, creating economic multiplier effects and new synergies that would not be possible without the direct involvement of Afghanistan.
- 4.** When talking about security to businesses, it is important to focus on security from a district and village level. It is unfortunate when an entire country is viewed as insecure when, in fact, many places are either perfectly secure today or at least secure enough to take a business risk with the possibility of high economic reward.
- 5.** The RECCA platform should continue to contribute to five main economic cooperation clusters in Central, South, and Southwest Asia, namely: i) energy; ii) transport networks; iii) trade and transit facilitation; iv) communications; and v) B2B partnership and labor support, and it should focus on both the challenges and impediments to project implementation, as well as the prospects for cooperation and opportunities in each of these major economic sectors.
- 6.** Participants highlighted the strong correlation between infrastructure development, in areas such as transport, energy and information and communications technologies, and overall economic growth and development in the wider region.
- 7.** Participants emphasized the need for greater synergy at different levels including among major regional economic cooperation platforms, between transport and transit corridors, and between economic corridors.
- 8.** Some scholars and practitioners were of the view that, along with hard infrastructure and physical connectivity which have witnessed considerable progress over the past few years, there is the need to intensify efforts with respect to the soft infrastructure required for trade expansion and investment promotion in our region. Customs harmonization, policy coordination, an improved investment environment, greater B2B partnership, air connectivity and visa facilitation were highlighted in this context. In addition, concerns were raised about trade and transit-related barriers, especially a worrying number of non-tariff barriers in the region.
- 9.** The need for improving economic research capacity was highlighted and in this context, the creation of a RECCA Center for Research and Evaluation was proposed as an initiative to increase the capacity for research and evaluation and policy development with respect to priority projects in the RECCA region.

Annex I: Major Academic Forum Recommendations presented to RECCA-VII

SESSION 1: Enhancing Regional Cooperation in the Field of Energy

- Building on the TAPI natural gas pipeline’s progress, including the recent completion of the third stage of the Galkynesh gas field and expected completion, in 2018, of the Turkmenistan section of the pipeline, efforts should be redoubled to complete major regional economic cooperation projects in the coming few years, especially as it has the potential to serve as a “game change” for economic development and cooperation between the countries of Central and South Asia.
- Despite the global drop in the price of the sale of natural gas—due to the discovery of new gas deposits in the U.S. and elsewhere utilizing new technologies—natural gas exploitation has the potential to significantly reduce poverty and to benefit economically the countries of Central, South, and Southwest Asia, representing the beginning of a “New Energy Era”. Natural gas is also far cleaner than coal and oil production and use, thereby helping to reduce carbon emissions and the negative effects associated with dramatic climate change.
- For Afghanistan to fully develop its rich minerals sector, it will rely increasingly on a steady supply of reliable and relatively inexpensive sources of power.
- The CASA-1000 power transmission project is also demonstrating that high-levels of cooperation between the countries of Central and South Asia is possible, even on a geographically and technically complicated project.
- Together, TAPI, CASA-1000, and more recently TAP-500 can help with the formation of an integrated regional energy market.

SESSION 2: Assessment of Regional and Inter-Regional Connectivity

- One expert recommended that there should be less of a focus among political leaders in the region on hard security issues and more on tangible forms of economic cooperation in the areas of, for example, transport, trade, and energy, where the countries of Central, South, and Southwest Asia stand to benefit through their close interactions.
- Six economic corridors are now being planned by China in connection with its massive Belt-and-Road Initiative, and it is important that countries in Central, South, and Southwest Asia position themselves to participate in and benefit from these expected areas of major economic dynamism and growth.
- One of the biggest challenges Afghanistan and its neighbors face is unemployment, and enhancing both regional connectivity and trade can contribute immensely to increasing new job opportunities in both urban and rural communities across the region.
- Participants acknowledged that national economic development and infrastructure projects stand to benefit

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immensely by being part of a larger regional project or network, in terms of attracting public and private capital and technical knowhow from countries and businesses both within and beyond the region.

- Another scholar stressed the importance of developing further the theoretical foundations of regional economic integration, so that theory can catch up with the practical strategies and progress associated with new initiatives, such as CAREC and the Belt-and-Road Initiative.
- The “empty train problem” for the new connection between Afghanistan and China merits high attention from political and business leaders, as this new example of Afghanistan participation in the Belt-and-Road Initiative has considerable potential in terms of generating economic benefits for the wider region.

SESSION 3: Prospective and Potential for Regional Trade & Transit Facilitation, B2B, P2P, Communications, and Labor Support

- Maximize potential of business to business opportunities by highlighting business road shows, reaching out to international Chambers of Commerce, and soliciting support from extensive Afghan Diaspora to find companies willing to partner with Afghanistan on specific bankable pilot programs that can help to prove Afghanistan is open for business while highlighting specific laws, rules and regulations that must be fixed.
- Improve Afghanistan’s brand by getting out the message that Afghanistan is open for business. Counter arguments regarding financial and physical security concerns.
- Structure regional agreements as cost sharing enterprises to reduce risk to individual signatories and mobilize international funding from World Bank, Asian Development Bank, and others. Use Public-Private Partnerships whenever possible.
- Continue to attack corruption vigorously to enhance the confidence of the people in the government. Make sure that governments and businesses understand the efforts.
- Continue to reform the customs, visa and cross border procedures.
- Continue to eliminate obstacles to regional energy, trade, and rail agreements. Many have been signed but not implemented.
- Streamline national driver’s licensing laws so the all countries respect drivers’ licenses from other countries. This seemingly small step could dramatically improve the efficiency of transporting goods across Afghanistan and between Afghanistan and the region.

SESSION 4: Exploring New Avenues for Economic Cooperation and integration in the region with a focus on the role of Afghanistan.

- RECCA should continue contribute to five main economic cooperation clusters in Central, South, and Southwest Asia, namely: i) energy; ii) transport networks; iii) trade and transit facilitation; iv) communications; and v) B2B partnership and labor support, and it should focus on both the challenges and impediments to project implementation, as well as the prospects for cooperation and opportunities in each major economic sector.
- The expert panelists further recommended the need for more integrated efforts across the region to improve the level and pace of implementation for the commitments made (and overcoming associated bottlenecks) or the actions and activities recommended at the RECCA meetings.
- Investment deficit needs to be overcome with respect to infrastructure development, and the development of investment criteria for “bankable” regional cooperation and investment projects under RECCA would be helpful in this regard.
- Diversification of fund mobilization was also emphasized, highlighting the importance of attracting capital and investment from diverse private sector and public sources including the Sovereign Wealth Funds, new regional funds and investment banks, as well as innovative financing modalities such as PPP and power purchase agreements.
- The need for model bankable projects for their replication across a number of key economic sectors was also stressed, including, for example, in the areas of power generation and multi-modal inland ports.
- Simplification of the procedures for grants and loans was also emphasized during the concluding session.
- A lack of coordination and synergy at different levels was also mentioned as a major challenge, including among major regional economic cooperation platforms, between transport and transit corridors, and between a growing number of robust economic corridors.
- Finally, the scholars assembled in Ashgabat on 13 October 2017 for the RECCA Academic Forum recommended improving research capacity and convening more capacity building programs for the priority economic sectors identified through the Ministerial Meetings of the Regional Economic Cooperation Conference on Afghanistan.

Annex II: Academic Forum Participants

OPENING CEREMONY

• **Keynote Speeches:**

- H.E. Vepa Hajiyev, Deputy Foreign Minister, Turkmenistan
- H.E. Adela Raz, Deputy Foreign Minister, Afghanistan

- **Statement by Ambassador Natalya Drozd, Head of the OSCE Center in Ashgabat**

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Moderator: Begench Karayev, Professor of the Institute of International Relations, MFA Turkmenistan

FIRST SESSION

Speakers:

1. Dr. Mir Ahmad Javed Sadaat, Deputy Minister, Ministry of Mines and Petroleum, Afghanistan
2. Dr. ArshiSaleem Hashmi, Head of Department and Associate Professor, Department of Peace and Conflict Studies, National Defense University (NDU) Islamabad, Pakistan
3. Muhammetnur Halylow, Director of the Scientific-Research Institute of Natural Gas of the “Turkmengaz” State Concern

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Moderator: Miss. Zukhra Bektepova, Economic Officer, OSCE Vienna

SECOND SESSION

Speakers:

1. Mr. Yama Shams, Chief Executive Director, Afghanistan Railways, Kabul
2. Mr. CHEN Xiaochen, Director of International Studies, Chongyang Institute for Financial Studies, Renmin University of China (RDCY)
3. Dr. Mandana Tishehyar, AllamehTabataba’I University (ATU), Tehran, I.R. Iran

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Moderator: James L. Creighton, Distinguished Fellow, East West Institute

THIRD SESSION

1. Mohammad Najib Azizi, Chairman, Afghanistan Telecommunications Regulatory Authority (ATRA)
2. Ms. Annie Cowan, Program Associate, East West Institute (EWI)
3. Aydogdyew Esen, Rector, International University for Humanities and Development

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Moderator: Sapar Berdiniyazov, Ambassador at Large, MFA, Turkmenistan

FOURTH SESSION:

1. Dr. Richard Ponzio, Director, Just Security 2020 Program, the Stimson Center (Washington, D.C.)
2. Ambassador Enayatullah Nabil, Senior Advisor, Minister of Finance of Afghanistan
3. Ms. Zukhra Bektepova, Economic Officer, OSCE Vienna.
4. Ms. Meerim Aitkulova, Expert, NISI, Kirgiz Republic

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Moderator: Mr. Hassan Soroosh, Director General, Economic Cooperation Department, MoFA, Afghanistan

CLOSING SESSION:

1. Dr. Faramarz Tammana, Director General, Center for strategic Studies, MoFA, Afghanistan
2. Hassan Soroosh, Director General, Directorate General for Economic Cooperation, MOFA, Afghanistan



RECCA-VII Academic Forum was co-organized by the Center for Strategic Studies of the Ministry of Foreign Affairs of Afghanistan, the Institute for International Studies of the Ministry of Foreign Affairs of Turkmenistan, and the OSCE Center in Ashgabat



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