CHAPTER VII
CONCLUSION

In this chapter, major findings of this research work will be summarized.

Major Findings of Central Asia

Regional cooperation in Central Asia is necessary condition to break the land locked situation. While neighboring the world’s largest and fastest-growing markets (PRC, India, and Russia), Central Asia’s landlocked status means regional transport costs are a serious impediment to development. Cooperation in transport, trade, and transit will yield important benefits. Central Asian countries share vital resources, notably energy and water. Harnessing these resources in a sustainable manner and managing their shared use in support of agriculture, industry, and livelihoods require a high degree of regional cooperation and third party assistance. Regional trade agreements have been, and will likely remain, an important tool for trade liberalization. Most empirical studies find that trade creation dominates trade diversion. In practice several factors increase the benefits of RTAs including large and diverse membership, low external most-favored-nation tariffs, liberal rules of origin and trade facilitation measures. There remains significant scope for trade liberalization in Central Asia. Regional and bilateral preference schemes can play a useful role in promoting regional trade, which remains underdeveloped in Central Asia. Closer regional cooperation through increased market integration needs to extend beyond trade. Regional transportation networks need to be developed to facilitate access to world markets. Kazakhstan, which accounts for a significant share of Central Asian transit trade, should bears a particular responsibility in this area. Certain aspects of the transit systems currently in place in the CARs impose constraints on cross-border movements of goods by rail and by road. These are, however, not crucial for cross-border movements of goods by rail, for which transport-related factors are a binding constraint. By contrast, inadequacies of the road transit systems impose a binding constraint on trade in Central Asia. All countries in the region need to ensure that arbitrary restrictions and corruption do not interfere with the flow of goods and services. Moreover, a handful of primary commodities, such as crude oil, metals, and cotton fiber, continued to dominate the CARs’ exports. Indeed, the rise in world prices for these commodities was a major factor that contributed to rapid
growth of their exports. At the same time, participation of the CARs in GPNs and related international trade in manufactured products remained very limited. Furthermore, the CARs' exports and, to a lesser extent, imports remained concentrated in a small number of countries.

And reinforcing cooperation in the areas of water and energy will be crucial for the development of the region. Sound and sustained economic growth requires transparency and good governance. Experience, as well as recent research studies at the IMF, ADB and EBRD shows that transparency is correlated with better investment and growth performance. Otherwise countries that are rich in natural resources, studies has shown that some time rich resources proved to be a curse rather than a blessing.

Recent developments demonstrate that regional cooperation has not increased in Central Asia despite a number of factors favoring it. Insofar as the Central Asian states are retaining influence over trade and production, their actions so far do not for the most part conform with their many verbal commitments to regional cooperation. Financing for truly cooperative projects is small, and petty interferences at the border do occur. Recognizing that their trade performance depends not only on their trade policy, transport sector, and transit systems but also on the trade policy, transport sector, and transit systems of neighboring countries, the CARs have actively pursued regional cooperation in these areas. In particular, they have joined several regional organizations that involve or seek to reach a multilateral RTA. The two most promising regional institutions, the Intergovernmental Commission and the Central Asian Bank, are still finding their place and influence.

Economic policy in these countries discourages mid-sized businesses that would most benefit from a free regional market. Political frictions among the states of the region and their preference for dealing with outsiders, perceived to be more capable and less dangerous, are responsible for the failure to put speech-making into practice. If regional cooperation is to increase, with all its benefits, it will require leadership from the inside or determined and patient assistance from the outside. This region has to face because of the lack of the diversification and the network of economic ties, the infrastructure for export specialization. To overcome from Land locked status, this region continues to suffer from inadequate infrastructure, poor utilization of assets with weak managerial procedural, regularity and institutional system. There have been a number of regional
cooperation initiatives aimed at removing the deficiencies of transport infrastructure and services and facilitating cross-border and transit traffic in the CARs and in neighboring countries. Notably, the CAREC member countries have recently agreed on the Regional Transport Sector Road Map, which formulates the strategic priorities for regional cooperation in the transport sector and addresses most of the deficiencies of rail and road transport in Central Asia. These agreements have, however, had very limited effects on the custom transit in Central Asia due to many reasons. Some of them have not been entered into force, while those that have entered into force not have not been implemented.

According to the latest EBRD Transition Report the Central Asian region continues to lag behind the other transition economies. This is mainly due to unfinished reforms, especially in establishment of strong institutions to support market economy through the transparent, predictable and well-enforced rules and regulations.

Major findings of South Asia
South Asia has recently witnessed some dynamism in economic growth. India is regarded as a major global player, especially in services. Pakistan achieved a growth rate of 8.4% in the last fiscal year and is on its way to becoming a significant global player. Recent growth performance is impressive also in Sri Lanka and Bangladesh. Regional cooperation in South Asia cannot be said to have evolved into a complete bloc in terms of 'regionalism and economic integration' due mainly to the prevalence of conflict over the desire of peace and stability. Given the historical legacy and contemporary reality of endemic conflicts and mistrust in the region, the fact that the formal cooperation process in the region has survived recurrent setbacks is testimony of resilience of the organization. The antagonistic nature of relations with large sets of outstanding issues, low levels of intra-SAARC trade and joint economic ventures, inadequate information and infrastructure facilities. Independent and largely uncoordinated economic policies pursued by each country of the region are all indicators of lack of 'region-ness' and indication a unwelcoming future for any type of sustainable economic integration.

However, South Asian countries are also fast reducing barriers to trade to the rest of the world under the auspices of the WTO, thereby opening themselves to trade with many other countries, Yet the trade within the region is very low as compare to other region. Low external tariffs can reduce the possibility of trade diversion, and non-restrictive rules
of origin result in expanded trade possibilities. But compared to the successful South East Asian countries, South Asia has been unable as yet to integrate within the region as well as with the global economy in terms of its potential. The South Asian countries are keen to move towards a stronger regional groupings and bilateral trade arrangements. Though the signing of bilateral FTAs has resulted in a spaghetti bowl of FTAs, these can lead to benefits in terms of an increase in exports from the lesser-developed countries in the region, as well as an expansion in investment flows. India should take the lead in this regard and play the role of an anchor economy, especially for the successful implementation of SAFTA.

There is now a growing opinion that the process of economic integration in south Asia will remain held up unless there is a change in the mindset of the political establishment in these countries. There is an urgent need to redefine our strategy for the development of this region. Needless to say there is a need to put more emphasis on the security of the state and on human security in these countries. So in this context it is hard to overemphasize the need for closer economic ties among all the countries of South Asia as economic cooperation and economic integration has been observed to have played a positive role in providing political stability in many regions earlier suffering from political strife. European Union has set an example of stability and also proves the poor countries can also get the benefits of regional economic cooperation and countries like German and France, which fought for many years, could cooperate by opening their boarders. This is an example of stability and progress. Moreover, under the impact of globalization and liberalization the states in South Asia have lost much of the space available to them earlier for the exercise of policy options and for making macroeconomic policy decisions. This has serious implications for ensuring peace, justice and sustainability of development in their own countries and for their ability to cooperate with each other. Therefore, a major task in the south Asian countries should cooperate with each other so that they could get the maximum benefits of this globalization process so that they could get better space in this world. The South Asian countries missed the tide that carried many of their East and Southeast Asian neighbors to record rates of growth and poverty reduction during the 1960s and 1970s, but their later trade policy and other liberalizing reforms came in time to for them to benefit from the expansion of
production and trade in the world economy. Now both the region should not miss the bus again. They should work collectively and help each other to overcome the challenges. The countries like Turkmenistan and Pakistan should realize that in this globalization era and interdependent on each other, it is difficult to survive. So for the betterment of living standard of people they should cooperate with each other.

**Recommendations**

The first and a major measure to undertake is support for cross border infrastructure development. In order to capitalize on the benefits from scale of regional integration, it is essential to improve key infrastructure such as cross-border transport, telecommunications and power transmission. It is also important to unify the rules for power interchange to ensure its effective use.

Liberalize trade policy in a more coordinated manner to avoid a situation in which trade liberalization by one country prompts its neighbors with a more restrictive trade policy to tighten restrictions on cross-border movements of people and transport equipment in an effort to counter the aversion of their trade with other countries through the country, liberalizing trade policy more rapidly.

The ADB is making significant contribution in this regard, as is the case with the Greater Mekong Subregion Program, this study hope that the similar assistance will be strengthened in South Asia and Central Asia.

The second point is provision of assistance for strengthening regional financial markets. In order to channel regional savings for regional infrastructure, the ADB’s regional departments can facilitate financial sector reform. The Private Sector Operations Department provides supports to catalyze private capital flows and to strengthen private financial institutions. The Treasury Department is expected to contribute to the development of regional bond markets by issuing local currency bonds. It is essential for the ADB to establish systematic linkage between the roles of these departments, so that the ADB can increase its effectiveness as a whole. The third point is promotion of intra-regional cooperation on trade. Remove the infrastructure bottlenecks constraining movements of goods across borders by rail, Enhance competition in rail, air, and international road transport—in particular, by restructuring state-owned railways and airlines, separating regulatory and commercial functions in the transport sector, and creating a level playing field for domestic and foreign transport operators.
The fourth point is the facilitation of immigrants’ allowance to their home country. Globalization enhances labor mobility, thus increasing the number of immigrants. In this respect, the ADB is expected to accelerate its study on remittance. The final point is the encouragement of policy dialogues on regional economy to help exchanges of views on economic policies of each country. Multilateral and bilateral development agencies will help the both the regions closely integrate within the region as well as into the international trading system, increase the gains from trade, and achieve sustainable development if they integrate technical and financial assistance in the areas of trade policy, transport, and trade facilitation, for example, by tying funding for transport infrastructure projects to requirements aimed at facilitating cross-border movements of goods and transport equipment. These institutions will assist them, if they increase technical and financial assistance in improving the quality of transport and logistics services in both the regions. They can support them to get maximum benefits of improved regional economic cooperation and helps build supportive constituencies.

The ADB has played a key role in promoting dialogue among countries of the Greater Mekong Subregion (GMS) and Central Asia to facilitate intra-regional trade, for example, by harmonizing customs procedures. It is also important for the ADB to supplement private financial institutions by trade finance facilitation. ADB has already been playing a significant role to improve economic cooperation within the regions. These countries should also cooperate in implementing the trade policies to enhance trade among their countries.

Institutions set up for the regional economic cooperation in Central Asia and South Asia should be active and they should keep eye on

- establish and maintain, through regular, day-to-day contact and consultation, long-term working relationships with key government agencies responsible for regional economic cooperation;
- help identify the government’s needs and implementing capacity building for Regional economic cooperation;
- ensure the implementation of the regional work program in the country;
- help identify and develop potential new areas of the initiative;
• monitor programs and initiatives of the government and regional organizations on regional economic cooperation; identify, evaluate, and recommend potential areas.

• monitor programs of other stakeholders, especially of external funding agencies operating in the country; identify, evaluate, and recommend potential areas of Cooperation;

• report on all activities, monthly; and yearly.