



STRENGTHENING FRAGILE PARTNERSHIPS:

AN AGENDA FOR THE FUTURE OF U.S.-CENTRAL ASIA RELATIONS

A Report of the Central Asia Study Group

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Strengthening Fragile Partnerships: An Agenda for the Future of U.S.-Central Asia Relations

Published by The Project 2049 Institute
Arlington, Virginia, United States
February, 2011

Above image: Kyrgyz opposition supporter in front of the main government building during anti-government protests in Bishkek, 2010 (The Telegraph, AFP/Getty)

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The following report presents a consensus view of the members of a bipartisan study group on U.S. relations with five Central Asian nations—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Recognizing the complex challenges that Afghanistan, as an essential part of Central Asia, presents for U.S. policy in the region, the report seeks to highlight opportunities for the United States to strengthen these other relationships. The study group believes that economic and strategic trends in the region warrant greater attention and broader engagement by the United States.

This report is not a political document and reflects the views of the study group members only. This is an attempt by the group to inject strategic direction into what its members believe are vital relationships in a region important to U.S. interests.

The study group gratefully acknowledges the work of Evan A. Feigenbaum in authoring the report.

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Introduction

The collapse of Soviet power brought independence to fifteen new states. Among these, the five new states of Central Asia have faced particularly daunting challenges.

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan have made considerable strides since 1991. Out of the ashes of a collapsed empire, they have built independent states, established governments, and created new national traditions. They have established foreign relations and joined international bodies, including the United Nations and the Organization for Security and Cooperation in Europe (OSCE). Despite economic hardship, all have survived. Some, especially those endowed with oil and gas, have at times thrived.

But despite these achievements, Central Asia remains fragile and sometimes volatile. The region requires greater attention and a more sustained focus on the part of the United States government. And U.S. policy toward Central Asia requires greater strategic direction.

Nearly twenty years after the Soviet collapse, ethnic tensions, exacerbated by economic competition, simmer and threaten to destroy the fragile foundations of this multiethnic region. Kazakhstan and Turkmenistan have achieved relative stability. But the explosion of Kyrgyz-Uzbek ethnic clashes around Osh and Jalalabad in June 2010 underscores deeper vulnerabilities and demonstrates just how rapidly violence can escalate in both scope and scale. Notwithstanding impressive growth rates, most Central Asian economies are weak and underlying fiscal fundamentals are poor. Governance has been only weakly responsive to popular demands and is disproportionately influenced by national elites. The influence of criminal groups has grown across the region. And a combustible mix of corruption, narcotics, poverty, and terrorism threatens all five states in Central Asia.

In such an environment, transnational cooperation is essential. Yet cooperation, too, has proved elusive. Independence erected international borders where none had existed, dividing families from communities and separating water from farmers and fields. In the Soviet period, Moscow often settled disputes by administrative fiat. But independent Central Asian governments, no longer able to rely on Soviet diktat, have been forced to negotiate complex intergovernmental agreements on everything from crossing a border to sharing water. And in most cases, they have failed to reach effective, much less enduring, agreements.

The United States has, from the very moment of their independence, been a partner to Central Asians in these endeavors. But forces within Central Asia—as well as neighboring powers—now challenge American interests in the region as never before.

The good news is that the United States is present in the region in ways that many others, not least European nations, are not. The U.S. maintains a visible diplomatic profile, with embassies in all five capitals. It has provided billions in assistance, educated thousands of students from the region, and helped to establish an American University of Central Asia in Bishkek, Kyrgyzstan. U.S. security assistance has helped to build militaries and establish functioning counter-narcotics agencies. Intelligence and law enforcement assistance have enabled Central



Source: www.nationsonline.org

Asian governments to begin tackling transnational terrorism and organized crime. Modern, U.S.-built border posts have risen from Imamnazar in Turkmenistan to Dostyk in Kyrgyzstan. And the U.S. private sector is helping to extract resources, build capacity, and relink Central Asia to the global economy through infrastructure, investment, and trade. Indeed, while other nations, such as China, offer loans and tied aid, the United States has mostly offered grants and facilitated private sector investment.

But an honest appraisal needs to acknowledge the many shortcomings of these American efforts. To date, and in nearly every respect, the United States has failed to achieve its initial, ambitious, strategic objectives in Central Asia. Central Asia is neither the most significant nor most pressing foreign policy challenge faced by any U.S. administration, yet its fragile and even volatile nature increases the urgency for American action.

Central Asian states *have* retained their independence—and this has been the first, and most important, objective of U.S. policy. But trade and commercial ties to the United States remain very thin indeed. There is no trans-Caspian oil or gas pipeline, despite nearly two decades of American effort. Millions of dollars spent to encourage transnational water sharing have failed to produce agreement. Democracy promotion efforts have failed utterly, although U.S. assistance has made a difference at the margins with respect to education, civil society, the media, and local governance.

Clearly, it is time for Americans and Central Asians, working together, to reassess their relations in this important but volatile region. Our study group has considered U.S. interests in Central Asia. On that basis, we propose guidelines for American policy. In key areas, we put forth a bipartisan action agenda aimed at creating a more effective and enduring partnership between the United States and the nations of Central Asia.

U.S. Interests in Central Asia

In Central Asian eyes, the United States is a distant power: Americans had little history in the region prior to 1991. The United States first gained a presence in the central landmass of Eurasia—a region long dominated by continental powers—only in the immediate aftermath of Soviet collapse, and its involvement there has been sporadic and uneven at best.

The creation of five independent states had two immediate effects. First, it created natural complementarities of interest between Central Asians and the United States. And second, it brought unprecedented U.S. focus to this region. Central Asian states have looked to the United States to provide a (modest) counterbalance to stronger neighboring powers, not least Russia, as they asserted their sovereignty and began to make independent choices. For its part, the U.S. gained from its presence in Central Asia a useful, if very modest, strategic complement to America's balancing role in East Asia and Western Europe.

Two decades later, the United States has four principal interests in Central Asia:

- To preserve not just the independence of the five Central Asian states but also their ability to exercise *sovereign* political and economic choices, free from external coercion.
- To diversify transit options, thus reducing the dependence of Central Asian economies on a single market, infrastructure link, and/or point of transit.
- To build institutional capacity, so that states can govern effectively and justly, deliver services, and resist pressure from those who seek to overthrow legitimate institutions; more than one Central Asian state has the potential to fail within the next decade.
- And to reconnect this landlocked region to the global economy, thus increasing the prospects for sustainable economic progress.

All four of these U.S. objectives are intimately linked.

In the 17th century, the marginal cost of maritime trade dropped below the cost of continental trade. And Central Asia, which was once integral to the Silk Road and the great caravan trade, was pushed to the fringes of the world economy. World Bank research shows that, today, landlocked countries, such as those in Central Asia, can face a growth deficit as high as 1.5 percentage points because transaction and other costs are so high. Thus reconnecting Central Asia to the world economy through infrastructure and market forces is essential



A Map of the Silk Road trade routes. Source: emidaASIA.

to bolster opportunities for growth and security, while regional economic integration through tariff reduction and related measures can, in turn, facilitate these external linkages.

For these reasons, diversifying transit, infrastructure, and market links from one (trans-Russia), to two (trans-China), to three (trans-Caspian), to four (trans-South Asia) directions on the compass bolsters independence and sovereignty. Put simply: more links in more directions on the compass can help reduce Central Asia's vulnerability to political and economic pressure from a single source.

In our view, getting economic policies right is thus pivotal to achieving the essential American strategic objective of providing options, choices, and alternative opportunities. Enhanced economic, political, infrastructure, and security linkages to the United States, Europe, Japan, South Korea, the Pacific Rim, Turkey, South Asia, China, and Russia will be important.



*Tengiz oil refinery in Kazakhstan, operated in partnership with U.S. firms Chevron and ExxonMobil.
Source: www.america.gov.*

Indeed, various U.S. endeavors since 1991 have been linked to this objective. For instance, one of the most prominent U.S. initiatives has been the longstanding effort to create trans-Caspian oil and gas pipelines. In doing so, the U.S. has aimed to bolster independence by fostering new economic opportunities for hydrocarbon producers, such as Kazakhstan and Turkmenistan. And more recently, the U.S., working in concert with the international financial institutions, undertook an effort to reconnect Central Asia's electricity and road infrastructure to South Asia. Over a longer time horizon, this second effort has aimed to provide a similar benefit to *non*-hydrocarbon producers, such as Kyrgyzstan and Tajikistan, who hold rich hydroelectric resources. But in all of these endeavors, it will be imperative to strengthen governance in Central Asia so that the region's governments can be viable partners.



Framework of U.S. Policy

A realistic approach to Central Asia must necessarily reflect the many practical constraints on U.S. influence. These include:

- **Distance:** The United States has important interests, but few urgent equities in the region. U.S. military withdrawal from Afghanistan will only sharpen this reality.
- **Attention:** The United States, as a practical matter, will never be able to match the pace of visits and meetings between Central Asia and neighboring powers, such as Russia and China. Moscow and Beijing meet with Central Asians numerous times each year and at nearly every level of government, both bilaterally and multilaterally.
- **Resources:** At a time of significant constraints on U.S. foreign assistance, and with the campaign in Afghanistan likely to wind down by 2014, there are inherent limits to the scope and scale of available assistance to Central Asia. And even as both the State and Defense Department budgets for the region are under strain, policy attention and diplomatic capital are also lacking. These will likely slide further as U.S. commitment to the central landmass of Eurasia erodes in tandem with U.S. military involvement in Afghanistan.
- **Commercial risk:** Central Asia is a particularly difficult environment for U.S. investors and is beset by an array of political, economic, and legal risks. The World Bank's 2011 *Doing Business* report, which measures both macro- and micro-economic fundamentals to assess the "ease of doing business," ranks Uzbekistan 150 and Tajikistan 139 out of 183 countries (although Kazakhstan and Kyrgyzstan score much better). The still-limited scope of U.S. private investment in Central Asia reflects these risks and constraints.
- **Beliefs:** And while the United States certainly does not have the luxury of a value-free foreign policy, a fair-minded assessment must acknowledge that, in pursuing its democracy-related goals, Washington has paid a near-term price with Central Asian governing elites, who, to put it bluntly, do not share American enthusiasms in this regard.

Seven Guidelines for U.S. Central Asia Policy

In this challenging context, American policy must hew to seven underlying guidelines:

1. Put Central Asians themselves—not Russia, China, Iran, or other neighboring powers—at the center of America’s approach to the region.

It should be clear to all that Central Asians are the subject of U.S. policy, not principally an object of competition (or, for that matter, accommodation) with third parties. This will require a concerted and sustained U.S. effort to dispel the notion that the U.S. accepts Russia’s claim of a privileged relationship with Central Asia. Similarly, Washington will need to invalidate the perception that it is subordinating its relations with Central Asia to its pursuit of warmer relations with Moscow. In our view, this perception has grown in recent months. U.S. decision-makers must avoid speaking about Central Asia as if Central *Asians* did not exist.

U.S. policymakers have been careful to avoid the metaphor of a “Great Game” in Central Asia. Yet it has been often invoked by others, not least by observers in Moscow, Beijing, and other neighboring powers. The U.S. must continue to reject this metaphor, for such notions are based on flawed assumptions and fraught with risks for the United States. The metaphor is flawed because it is both insulting and misleading. It insults Central Asians by suggesting that they are powerless and passive pawns. It misleads because Central Asians have at times manipulated great power competition to their own advantage, successfully creating a balance of power that maximizes their independence. Kazakhstan’s “multivector” foreign policy is but one example of this effort to fashion balance in relations with Russia, China, the United States, and others. Turkmenistan’s late president, Saparmyrat Niyazov, likewise leveraged Chinese interest in Turkmen gas to Ashgabat’s benefit in price bargaining with Russia.

2. American policy cannot be naïve, either.

Strategic and economic competition with other powers does exist. And some neighboring powers have not always wished the United States, or its interests in Central Asia, well. Neighboring powers have sought to eliminate the U.S. airbase at Manas, Kyrgyzstan—an essential mobility and supply hub for the ongoing war in Afghanistan. Neighboring powers have opposed American efforts to extract and transport Central Asian energy resources westward across the Caspian Sea. Neighboring powers have also spread misleading propaganda about U.S. efforts to promote civil society and the rule of law. Indeed, misinformation, especially in Russian-language print, broadcast, and internet media, remains a major impediment to American efforts in Central Asia.

The United States must respect neighboring powers’ legitimate interests in Central Asia. And it must work with Russia and China wherever feasible, and continue ongoing consultations about the region with both countries. There should, in principle, be some areas of shared interest that



*U.S. Marines load an Air Force C-17 Globemaster III at Manas Air Base, Kyrgyzstan, to support NATO-led operations in Afghanistan.
Source: U.S. Air Force.*

can be fashioned into complementary approaches. As a World Trade Organization (WTO) member, for instance, China should share an interest with the United States in promoting WTO membership and WTO-compatible trade regimes in all five countries of Central Asia.

But if the United States is to seek areas for prospective coordination, the U.S. and its partners must, in turn, advocate that Central Asia's larger, more powerful neighbors respect their presence, interests, and partnership with the five independent and sovereign Central Asian states.

3. Rely on capabilities that the U.S. uniquely can offer to Central Asian governments, citizens, and businesses.

The United States fares best in Central Asia when it plays to its unique strengths. Such strengths include the English language; proprietary industrial and scientific technologies; business skills; military technologies; and Washington's unrivaled ability to connect Central Asian economies to international financial institutions and opportunities in the global market. Another strength is Washington's capacity to move more quickly than other powers at mobilizing support in a crisis. The rapid U.S. response to the humanitarian situation following the Kyrgyz-Uzbek violence offers one example; the United States made a \$32 million contribution before China and Russia's pledges of assistance.



U.S. Secretary of State Hillary Clinton on a rare cabinet level visit to Central Asia, meeting with Kyrgyz President Roza Otunbayeva.
Source: www.rt.com.

While such actions carry occasional weight, especially among ordinary citizens of Central Asia, the United States has failed at more routine forms of engagement. Assistance budgets have shrunk precipitously. In the region's nearly twenty years of independence, no president of the United States has visited Central Asia. Cabinet visits are rare. Even sub-cabinet visits are infrequent. Engagement in Turkmenistan, in particular, has also been hindered by the absence of a U.S. envoy for more than four years. The U.S. can hardly pursue its interests in Ashgabat or elsewhere if it lacks a Senate-confirmed diplomatic representative on the ground to promote those interests. This is without precedent in any country with which the U.S. has not had an underlying policy dispute.

Ultimately, the U.S. cannot compete dollar for dollar, visit for visit, meeting for meeting, or chit for chit of influence with other major powers. But neither can these constraints become an excuse for U.S. passivity. There is no substitute for meaningful engagement, presence, and resources—whenever and to the extent that these are available.

4. Multiply U.S. strengths by working closely with international partners.

The U.S. should reinvigorate relationships with traditional partners in Central Asia, including Germany, the United Kingdom, the European Union, and Turkey. But the U.S. would benefit, too, from diversifying its partnerships in the region, especially with Japan, South Korea, and India. In 2006, the United States initiated policy talks on Central Asia with both Tokyo and Seoul. And in such efforts, the U.S. should coordinate not just with foreign ministries but also with the full range of agencies involved in project finance, foreign aid, trade, investment, energy, and defense.

5. Enhance cooperation with the private sector to further multiply U.S. strengths.

Governments create the regulatory, legal, and operating frameworks for markets. But in many sectors, it is private companies that have been the forward face of the United States in Central Asia. The Caspian Pipeline Consortium (CPC) pipeline is an example of this phenomenon; it could never have been built without a close partnership between government and business. Another example is the U.S.-Kazakhstan Public-Private Economic Partnership Initiative, established in 2008. This joint public-private dialogue on investment and regulatory issues replaced a moribund government-to-government talkshop.

6. Remain mindful of the need for a regional strategy.

A more sustainable economic future for Central Asia will require the reconnection of roads, railways, and power lines, the development of new overflight rights and fees, improved customs and border procedures, and new oil and gas pipelines. But the five Central Asian countries are distinct and unique, so a tailored regional approach needs to address differences in their economies, resources, and political climates. A regional strategy must be especially cognizant of weak cross-border linkages, which are politically, economically, and socially destabilizing.

By promoting continental trade across Asia—linkages from east to west and, to some extent, from north to south—the United States can help to restore Central Asia to its historical place as a point of commercial transit. Indeed, integrating Central Asia into long-distance trade, encompassing continental routes across Asia, also has direct benefits for surrounding countries, including China, Russia, India, Europe, and the Middle East. It can invest a larger pool of stakeholders in the process of developing more unfettered trade.

7. Pursue a multidimensional policy in Central Asia.

The United States must take a multidimensional approach—not pursuing discrete security, trade, or human rights policies but a *foreign* policy, which combines all of these integral components. At the same time, the U.S. cannot divorce its Central Asia policy from its broader regional policies in Europe and Asia, or from its global strategies.

The United States has suffered greatly in Central Asia because of a widespread perception that it cannot pursue more than one interest at a time. Some argue that Washington cares only about political development, accusing it of backing, even staging, “colored revolutions.” Others believe that the U.S. cares only about military basing and logistics, accusing Washington of prioritizing the war in Afghanistan above every other objective. This latter perception, in particular, has been exacerbated by the frequency of visits by the commander of U.S. Central Command while other U.S. visitors of similar stature are so rare.

Meanwhile, there are, undeniably, tangible links between U.S. interests in Central Asia and its surrounding regions. Inconsistent linkages and precarious balancing with other policy agendas highlights the need for a much more coordinated execution of strategy within the U.S. government.

Economic Relations

An economically sustainable Central Asia is essential to assure a vibrant and peaceful region, and to broaden and deepen relations with the United States. But micro- and macroeconomic reforms are necessary if all five countries are to sustain growth, create opportunity, and attract and sustain U.S. investment. These goals will be largely unachievable without a strong commitment by Central Asian governments to market-based reform and to the consistency and transparency necessary to maintain a welcoming investment environment.

Emerging market private capital inflows tripled in the three years prior to the 2007 peak of the global credit bubble. But investment flows to Central Asia remained low, in part because barriers to investment are so high. Foreign firms, including even well-placed Russian firms, had trouble repatriating earnings—in the case of Uzbekistan, for example, often waiting up to three months for conversion and transfer.

Challenges to contractual rights exist across Central Asia. So do legislated preferences for domestic companies and mechanisms for government intervention in foreign company operations, including procurement decisions. Unpredictable tax policies further deter foreign investment.

One dramatic change is the arrival of China as trader, investor, lender, and builder. Beijing is dramatically changing the economic environment of the region because, while Chinese investors are not oblivious to these challenges, they have taken on risks where American (and European and Japanese) firms have not. Over the long term, China is likely to displace other, more traditional partners across an array of sectors. Energy is the best example of this, especially since Beijing has ended Russia's near-monopsony on Turkmen gas, established eastbound pipeline connections to China for Kazakh oil and Turkmen gas, and negotiated complex transit rights for the latter.

But China is not simply eroding Russian economic leverage. It is, too, eroding the economic influence of indigenous elites with close ties to Russian industry while empowering a new stratum. And Chinese preferential loans will, in time, erode the influence of nearly all other international lenders as well, especially the international financial institutions (IFIs). Beijing's loans of \$10 billion for Kazakhstan, \$4 billion for Turkmenistan, more than \$603 million for Tajikistan, and a \$10 billion loan facility to members of the Shanghai Cooperation Organization (SCO) through China's Exim Bank and other development banks have come without World Bank-style conditionality, although China employs its own forms of conditionality through "buy China" and "employ Chinese" provisions. So, while China is providing new options to Central Asian governments, it is also assuring new bargaining power that they can leverage in new ways with the IFIs, the U.S., and others.



*Chinese President Hu Jintao, Turkmen President Gurbanguly Berdimukhamedov, Kazakh President Nursultan Nazarbayev and Uzbek President Islam Karimov at the inauguration of the China-Central Asia natural gas pipeline in 2009.
Source: Xinhua.*

In the near-term, Beijing's actions actually align with U.S. interests because Beijing is breaking monopolies and monopsonies and reducing Central Asian dependence on a single point of transit through Russia. But over the longer term, these activities may challenge the underlying reform message the U.S. has promoted in the region since 1991.

As Central Asians look to broaden their partners beyond China and Russia, the U.S. can assume a greater role as a facilitator of diversified foreign investments in the region. Close coordination with Japan, South Korea, India, Turkey, and others can be relevant here. India has taken some interest in transcontinental links within Eurasia but the lack of a sustainable India-Pakistan trade and transit regime sets constraints. Still, the United States should bolster engagement with these other partners, including, for example, on project finance with national development banks and export-import arms as well as encourage them to bolster their own investments in Central Asia.

For its part, the United States cannot offer financial packages to match Beijing's solicitations, thus the vanguard of American economic involvement in Central Asia will remain firmly in the private sector. To attract and expand U.S. private investment, Central Asia's leading hydrocarbon economies will need to diversify—much as Kazakhstan has in attracting Federal Express and General Electric to open logistics and manufacturing hubs, respectively. And the region's *non*-hydrocarbon economies will need to assure greater transparency, stability, and predictability, since their economies are far less integrated into global markets.

Three areas deserve enhanced U.S. focus:

- The development of small- and medium-sized enterprises (SMEs), which would invest more Central Asians in productive economic activities,
- Access to credit through reform of financial markets and the expansion of both traditional lending and microcredit, and
- Legal and policy measures that protect and encourage entrepreneurship.

The United States can play a productive role in these areas. For instance, the U.S.-Kazakhstan bilateral "Houston Initiative" focused principally on SMEs. And in Kyrgyzstan, U.S. assistance facilitated over 640,000 individual micro-credit loans, totaling about \$248 million, which have been disbursed to individual borrowers since 1991.

Meanwhile, beyond the private sector, the economic dimensions of U.S. government assistance, whether from the U.S. Agency for International Development, the U.S. Trade and Development Agency, or the Treasury Department, have shrunk in recent years. Rather than continuing the current downward trend, the economic basket of U.S. assistance should be expanded. Concentration in three areas, in particular, would have salutary effects on the business climate in nearly every sector:

- Rule of law and the enforcement of contracts,
- Anti-corruption, and
- Transparency.

These U.S. government efforts can be supported by the American Chambers of Commerce that exist in four of the five Central Asian capitals. Similarly, business associations, which deserve rhetorical and moral support from the U.S. government, are also key supporting players. And the United States should continue to support WTO accession for all five Central Asian countries.



The American Chamber of Commerce in Tajikistan takes part in the International Industrial Exhibition EXPO Dushanbe in 2010.

Source: AmCham Tajikistan.

There are significant opportunity costs associated with not investing in U.S. economic relations with Central Asia. One immediate concern is that the U.S.-Central Asia Trade and Investment Framework Agreement (TIFA) will atrophy unless its focus evolves toward concrete projects. In its initial years, the TIFA provided a useful forum for dialogue. Now, partly to meet Central Asian expectations, it should move toward concrete ventures, backed by project finance, that reduce impediments to the free and mutual exchange of goods and services in Central Asia. Talk shops alone are insufficient over time, thus the U.S. Trade Representative should look to promising programs such as the Model Highway Initiative developed by the International Road Transport Union. That particular initiative is an example of implementable and action oriented projects that generate tangible benefits for all stakeholders and embrace both public and private sector interests.



Energy Development

American commercial involvement in Central Asia continues to be concentrated in the hydrocarbon sector. The Caspian region contains some of the largest hydrocarbon discoveries of recent decades: Kazakhstan's Kashagan field is the single largest oil field discovered since Alaska's North Slope, and Turkmenistan has one of the largest reserves of natural gas in the world.

Some have condemned the U.S. focus on commercial energy development, arguing that it distorts U.S. foreign policy by pushing other goals, not least governance and reform, into the background. It is true that hydrocarbons alone cannot integrate Central Asia into the global economy nor will oil and gas alone create enough jobs for Central Asian youth or improve life for those mired in rural poverty. Energy wealth alone will not continue to attract foreign investment.

But this potential wealth—if combined with smart investment policies and reinvestment back into society—could make an enormous difference in citizens' lives. One U.S. objective, then, should be to ensure the adoption of best commercial standards and transparency, so that resources are developed efficiently and for the benefit of the countries concerned.

It is sometimes assumed that energy markets function well as "natural monopolies." But this is not the case. Continued U.S. support for an increased flow of Caspian resources to world markets will increase healthy competition. By assuring multiple pipelines, unfettered by monopolies or geographic chokepoints, more resources will reach more markets through more routes.

The United States should continue to work with Kazakhstan to this end, as more Kashagan oil comes on line over the next decade. And by supporting closer, more stable relations between Turkmenistan and Azerbaijan, the U.S. will increase the prospects for a trans-Caspian gas pipeline, notwithstanding Ashgabat and Baku's competing claims. Indeed, the Russia-Kazakhstan-Azerbaijan accords offer an instructive lesson that maritime delimitation is manageable. Coordinating closely with the European Union, the U.S. should offer Ashgabat and Baku its good offices to facilitate agreement.

No less important will be U.S. investment into upstream development. In Turkmenistan, the next phases of gas development will be particularly costly because they are technically challenging. So to tap and transport its energy resources, Turkmenistan would benefit from the technology and "managerial effectiveness" that Western firms can bring. As part of this effort, the U.S. and EU must push for reform of state control mechanisms and of a restrictive currency exchange system. Both factors have created a difficult climate for foreign direct investment in Turkmenistan. In Kazakhstan, the U.S. should continue its robust support of the private sector, as concerns are rising about pressure on foreign firms, taxes, and industrial and investment policies.



Governance

Relationships based solely on shared interests are nearly always more brittle than relationships based on a consonance of interests and values. U.S.-Central Asian relations would be more stable today had Central Asian leaders set into place institutions that are more responsive to popular expectations and demands. Yet, their failure to do so constrains relations with Washington and causes periodic tensions. Furthermore, it increases the chances of state failure, as social pressures rise in Central Asia.

The U.S. faces a crisis of vision in this area: some twenty years of democracy programming have failed to produce meaningful and enduring reforms, much less the institutions of democracy itself. It is time to take a second look at the U.S. approach. What worked in Latvia or Ukraine, where civil society is comparatively developed, may not translate as successfully in Kazakhstan or Turkmenistan. In the latter countries, civil society is less developed, clans or tribes remain relevant, and unique local forms of elite politics persist. This needs to be addressed by more creative approaches as the U.S. continues to advocate meaningful reforms of political institutions and legal systems.

Advocating reforms does not mean the imposition of U.S. values on Central Asia, although it is worth keeping in mind that all five states are secular in nature and are not resistant to Western models and ideas. Rather, it means encouraging an environment in which Central Asians define their own national success in terms that are consonant with U.S. political and economic objectives. Economic prosperity based on market principles, free and open trade, and labor rights are essential ingredients. But no less important are greater political freedoms with responsive institutions that reinforce economic successes.

Such reforms are urgent because Central Asia faces a gathering crisis of governance and state institutions are failing to meet expectations. The results are especially evident in Kyrgyzstan, where popular discontent has overthrown two Kyrgyz presidents in five years.

Violations of human rights, combined with the weak democratic foundations of existing institutions, fuel popular frustration and will, in time, exacerbate existing discontent.

There is no one-size-fits-all solution to this problem, as Central Asian countries are inherently diverse. So the U.S. will need to tailor its message to the specifics of each country to a far greater degree than it has to date.

Still, in all five countries, the goals of U.S. policy must emphasize reducing corruption, supporting credible legal systems, and encouraging predictable institutions. Indeed, it is useful to connect political reform and improvements in governance to Central Asian governments' own interest in enhanced U.S. investment. Promoting the rule of law is not, as some have charged, a uniquely "American" agenda to assure better governance and democratic development. It is, too, a fundamental part of building the more attractive economic and investment climate that Central Asian governments themselves hope to create. U.S. companies are unlikely to invest in countries where the rule of law is uncertain, and where contract violations are insufficiently protected through legal redress.

Kazakhstan's 2010 chairmanship of the OSCE has ended. But Kazakhstan will remain in the OSCE's leading troika in 2011, and the membership of all five Central Asian states in that organization presents an opportunity. By meeting their own OSCE and international commitments, Central Asian states could set into place stronger institutions for the long term.

Reforms will also be essential to an orderly transfer of power during political transitions, as Central Asia will eventually undergo leadership changes. The United States should continue to advocate religious freedom for registered and unregistered groups; the conduct of electoral contests that meet international commitments; greater space and scope for civil society; legal protections for independent media; and improved prison conditions with access for the International Committee of the Red Cross. Concrete technical assistance should be continued—for instance, with the reform of legislation and laws.

Security

The stakes of U.S.-Central Asia security cooperation are growing, largely because the security environment in Afghanistan is deteriorating. Not so long ago, Taliban rule was viewed as a principal threat to security across Central Asia. And in 1999 and 2000, extremist fighters sheltered by the Taliban entered Kyrgyzstan.

As the security environment in Afghanistan evolves, Americans and Central Asians will face new challenges in three areas:

- Mobility and logistics support for the war in Afghanistan,
- Counternarcotics and border security, and
- Assuring the capabilities of Central Asian militaries.

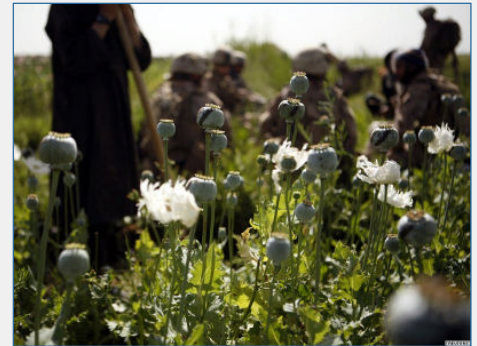
Many in Central Asia continue to view Afghanistan as “America’s” agenda. This should never have been the case, but it will be even less true as the U.S. begins, as President Obama has announced, to withdraw its combat units in a phased manner from 2011 onward. Extremist groups and ideologies emanating from Afghanistan and the tribal areas of Pakistan do not threaten all Central Asian countries equally. Many in Central Asia remain skeptical of U.S. strategies and tactics. Some believe the United States will leave Central Asians holding the strategic pieces as withdrawals of U.S. forces begin. And many in Central Asia are preparing for a post-American future, which could include the reality of an enhanced Taliban presence.

For these reasons, the drawdown of U.S. forces will, unavoidably, prompt serious questions in Central Asia about America’s commitment and “staying power” in the region. There should be a conscious and concerted U.S. effort to ensure that Central Asian countries are well briefed on such developments and are kept abreast of U.S. intentions. These conversations should account for the condition-bound nature of the U.S. withdrawal, which will depend on the security situation in Afghanistan, as well as developments in Pakistan.

The United States has a patchwork of Afghanistan-related security agreements, including the transit center at Manas, Kyrgyzstan, commercial overflight, “gas and go,” and new logistics arrangements related to the Northern Distribution Network. But there are inherent limits to the growth of this cooperation. The U.S. requires access, not permanent basing—and permanent basing would be unachievable, in any case.

The U.S. *can*, however, assure that Central Asians derive both economic and security benefit from this cooperation. Contracting procedures too often cut out Central Asian firms, virtually assuring that Central Asians derive little immediate benefit from U.S. and Coalition efforts.

Other areas that merit continued focus include export control and border security (EXBS) and counternarcotics programs. A poisonous nexus is emerging between Afghan narcotics, drug trafficking, and criminality in Central Asia. This traffic fuels corruption, implicates officials in



*U.S. Marines patrolling poppy fields in Helmand Province. Afghanistan's drug trade threatens to destabilize Central Asian neighbors.
Source: Reuters.*

some Central Asian countries, and thus undermines state institutions. “Train and equip” efforts, such as the at least \$40 million the U.S. has spent on Tajik-Afghan border stations, has proved useful. U.S. funds helped to establish the Kyrgyz and Tajik national drug control agencies, but these efforts can be undercut by political rivalries and bureaucratic competition, as they have in the Tajik case.



Kazakh, U.S. and British militaries take part in the Steppe Eagle joint exercises outside Almaty. Source: www.militaryphotos.net.

NATO coordination through Partnership for Peace and other forms of outreach would continue to assure a linkage between Central Asian militaries and trans-Atlantic security priorities and practices. But U.S. security equities in the region can perhaps best be met through capacity-building for Central Asian militaries themselves, including rapid reaction capabilities, border security training, and a robust program of engagement to assure the capability to monitor and manage land and sea borders.

Apart from these immediate security issues, America’s security-related agenda with Iran is likely to impinge on U.S. relations with Central Asia. Central Asia is uniquely situated, bordered by four known (Russia, China, Pakistan, and India) and one aspiring (Iran) nuclear weapon states. The ancient Silk Road once ran to Persia—thus Iran can and should again form an integral part of a thriving economic community in this region. But Iran’s noncompliance with its IAEA safeguards agreements, and its defiance of UN Security Council resolutions (UNSCR), virtually guarantee that the United States will oppose such linkages. The U.S. should be prepared for growing tension with Central Asian states as it enforces UNSCR 1929, which called for enhanced vigilance over financial transactions.



Social Development

More than nearly any form of U.S. assistance, education programs create the necessary and vital human capital for Central Asia's development. Such programs can also help to counter the "brain drain" trend that can hinder development because most alumni of U.S. programs have, in fact, returned home to build their countries.

The wide range of U.S. programs has given Central Asians experiences in every state, from Alabama to Wyoming, and at every educational level. The Future Leaders Exchange (FLEX) targets high school students. The UGRAD program sends students to small colleges, land-grant colleges, and research universities. The Fulbright program offers professional study and research opportunities. All of these programs should be enhanced.

Unfortunately, some Central Asian governments view these programs as threatening. To assuage these concerns, where feasible the U.S. should seek to make willing governments into partners. One model might be the recent expansion of the Fulbright program in India: a U.S. Fulbright program became a joint U.S.-India Fulbright-Nehru program, with Indian government co-funding—doubling the number of beneficiaries. Private sector co-funding would further expand these opportunities, so the U.S. might seek to expand its Central Asia-related programs in a similar manner: first, as co-funded government-to-government partnerships—for instance with Kazakhstan—and, later, as public-private partnerships that expand existing opportunities in the U.S. with private sector funding and support.

The U.S. should work with third countries too. For instance, India already hosts many students from Central Asia and its programs complement U.S. strengths through India's own English-language educational offerings. By working with India—or even co-funding Central Asian students to study in India—the U.S. could supplement its own offerings, promote Central Asia's linkages with India, and strengthen the U.S.-India partnership.

The U.S. should continue to assist with teaching methodologies and curriculum development. A scholarship testing program established in Kyrgyzstan with U.S. assistance may yet help to root out corruption by ensuring that places at Kyrgyz universities are awarded on merit. The American University of Central Asia should be supported.

Another set of exchanges could be established in the science and technology field. These may, in some instances, be viewed more favorably to the social sciences or humanities by Central Asian governments due to the fact that they are less politically "sensitive."

In addition to U.S. efforts, initiatives such as Turkmenistan's push to overhaul its academic sector by reopening or establishing new institutions could produce more opportunities for future exchanges. If Turkmenistan meets its declared goal of sending 10,000 to study abroad, its program could replicate the success of Kazakhstan's Bolashak program, and thus help make headway toward the goal of promoting social development.

The U.S. should also promote social development through support for public health initiatives. In particular, it should continue its programs for polio eradication (a disease already eliminated

in much of the world), while expanding HIV-AIDS-related programming, as budgets allow. Although preventable, HIV is a growing scourge across Central Asia, not least because of the growth of drug activity as a source of transmission. Another target for U.S. health diplomacy could be countering the rising incidence of cardiovascular disease.

Promoting Regional Cooperation

Central Asian countries desperately need to cooperate effectively. But for nearly twenty years, their need for cooperation has too rarely translated into complementary policies. This has been true even on some of the backbones of economic life: crossing a border, clearing a customs checkpoint, sharing water and electricity, and irrigating land. In many areas, Central Asians and their neighbors are deeply dependent on one another, yet this reality is deeply disquieting to many.

U.S. policymakers need to be cognizant that enthusiasm for cooperation is often greater in Washington than in Central Asian capitals. Indeed, the United States has been actively involved in promoting regional arrangements but has had few successes. Washington has spent some \$40 million on trans-boundary water projects alone, but water remains perhaps the most contested resource in Central Asia. The U.S. has undertaken extensive customs and border programs, and yet hundreds of millions of dollars are lost in trade each year because of corruption, vehicle backups, and borders that remain chokepoints. The U.S. Regional Energy Market Assistance Program (REMAP) has not resulted in a functional regional power grid. Nor has the U.S.-Central Asia TIFA done much to reduce tariff or non-tariff barriers to trade.

The U.S. is hardly alone in its difficulties, however. The former Soviet space is littered with an “alphabet soup” of organizations that aim to promote policy coordination—from SCO and CSTO, to EURASEC and ECO, to CIS and GUUAM. These groupings have not been much more successful and habits of cooperation have largely failed to develop.

But a purely bilateral approach to Central Asia will not work, either. The region can neither thrive economically nor assure security through discrete, non-cooperative national policies.

The U.S. certainly cannot compel regional solutions. But it *can* convene regional discussions—and aim to be a catalyst in carefully selected areas. Politically, the five separate bilateral consultations the Obama administration has inaugurated with Central Asian countries will produce little of substance if the five countries still cannot cooperate. The U.S. could learn a lesson from Japan, which has pursued a regional conversation at the ministerial level that includes all five countries simultaneously, even as it pursues bilateral contacts. Russia and China do the same in structures like the SCO and CSTO, even as they build their own bilateral partnerships.

If, as we recommend, the U.S.-Central Asia TIFA evolves from a talkshop into a concrete, project-focused effort, the U.S. should establish a parallel regional consultation on the Japan model, bringing together all five Central Asian countries with multiple foreign and economic ministers.



Leaders of Shanghai Cooperation Organization member states Kyrgyzstan, Kazakhstan, China, Tajikistan, Russia, and Uzbekistan, Bishkek Summit, 2007.
Source: AP.

Economically, it is incumbent on the United States to work with the IFIs, including the World Bank and Asian Development Bank (ADB), in support of efforts to reconnect Central Asian countries to each other and to the world economy. One example is the 2007 memorandum of understanding signed by Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan for a model project to trade 1,000 megawatts of electricity, if feasibility studies demonstrate economic viability. A second example has been the American REMAP program, which aimed, for example, to help Kyrgyzstan sell summer surplus hydroelectricity to southern Kazakhstan through a transparent sales arrangement.

The U.S. should revisit a stalled 2007 effort to work with the ADB and two strategic partners—Japan and the EU—to lend additional impetus to the ADB’s Central Asian Regional Economic Cooperation (CAREC) program, which includes eight countries (four in Central Asia) and six international financial institutions. In 2007, the EU refused to join a U.S. and Japanese effort to create a forum between CAREC and the world’s three major market economies to be called “CAREC Plus Three.” However, if Washington and Tokyo approach Brussels again, this could still form a powerful pro-market nexus, working closely with key countries and the major IFIs. Together, Washington, Tokyo, and Brussels could aim to give market approaches a new push in the region.

Meanwhile, regional security cooperation, too, remains thin. But, by necessity, the U.S. will principally have to focus bilaterally in this area. Both CSTO and SCO have developed some security cooperation—but without the participation of the United States. SCO membership for the United States is simply not in the cards: the U.S. has not been invited to join and, in any case, SCO members would likely stall if the U.S. were to seek it. For the moment, the U.S. is more useful to Central Asians as a modest counterbalance on the outside than as a clubby participant in this Chinese-Russian vehicle. Still, *ad hoc* U.S.-SCO discussions are worth pursuing, building on the participation of a senior U.S. representative in SCO discussions of Afghanistan in March 2009. That meeting was a model of timely and mutually beneficial, but *ad hoc* and topically specific discussions with the SCO, organized along functional lines.



Conclusion

Challenges to stability, prosperity, and security are gathering in Central Asia. Thus it is more imperative than ever that Americans and Central Asians work together for mutual benefit. They must promote greater choices and options. And they must enhance the long-term stability and prosperity of this important and complex region.

Our group urges American and Central Asian leaders to rise to this challenge. At a volatile but exciting moment in Central Asia it is time for the United States to reassess its strategies and policies—and to reaffirm its commitment to deepening its involvement with the nations of Central Asia.

Central Asia Study Group Bios

[Richard L. Armitage](#) is the president of Armitage International, L.C., a consulting firm. In March 2001, he was nominated and sworn in as Deputy Secretary of State. From March 1992 until his departure from public service in May 1993, Mr. Armitage (with the personal rank of Ambassador) directed U.S. assistance to the new independent states (NIS) of the former Soviet Union. From 1983 to 1989, Mr. Armitage served as the Assistant Secretary of Defense for International Security Affairs.

[Kara L. Bue](#) is one of five founding partners of Armitage International, L.C., a consulting firm. From 2003 to 2005, she served as Deputy Assistant Secretary of State for Regional Stability. From 2001 to 2005, she served for nearly two years as Special Assistant for South Asia to then Deputy Secretary of State Richard L. Armitage.

[Svante E. Cornell](#) is Research Director of the Central Asia Caucasus Institute (CACI) and associate professor at the Paul H. Nitze School of Advanced International Studies, Johns Hopkins University. He is also a co-founder of the Institute for Security and Development Policy, Stockholm. Mr. Cornell is the Editor of the Central Asia-Caucasus Analyst and of the Joint Center's Silk Road Papers series of occasional papers.

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[Steven Pifer](#) is director of the Brookings Institution's Arms Control Initiative. A former ambassador to Ukraine, Pifer's career as a Foreign Service officer centered on Europe, the former Soviet Union and arms control. In addition to Kyiv, Pifer had postings in London, Moscow, Geneva and Warsaw, as well as on the National Security Council. At Brookings, Pifer focuses on arms control, Ukraine and Russia issues.

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