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U.S. Policy in Central Asia: Looking Ahead

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Thank you very much for the opportunity to testify before you today.

In my allotted time I will provide a brief summary of my written testimony, which was submitted to you.

Although Congressional focus on the region has increased, U.S. priorities in Central Asia have changed little over the past eight years, since 9/11 and the launching of the ISAF operation in Afghanistan.

With that Central Asia became an area of direct security concern for the U.S. first to help launch the attack on Afghanistan, and now with the growing security challenges within Pakistan, as a critical supply route. Second, U.S. interest in increasing direct western access (through Turkey) to Central Asia's energy resources also increased, especially since our allies in Europe experienced energy shortages caused by Russian cutoffs of gas to Ukraine. Third and finally, of course, U.S. policy continued to press for the advancement of rule of law, the spread of democratic values, the expansion of civil society and the development of market economies in the region.

While the first set of concerns, those relating to the participation of the Central Asian countries in ISAF efforts, is of greatest immediate moment for U.S. policy-makers, there remains a widespread belief that without attention to the third set of concerns, the long-term stability of the region will not be insured. And for the past ten years, U.S. support for multiple pipelines, especially those that by-pass Russia by transiting Caspian gas across Turkey, has become something of a mantra of U.S. policies in the region, supported by three U.S. administrations and both political parties.

U.S. policy-makers have generally been reassured by Central Asian policy-makers that they share the first and third set of goals---support for ISAF and for multiple pipeline routes---but it is on the third set of policies that they have required constant reassurance. While these countries vary in the openness of their political systems as well as the market-based nature of their economies, all of the leaders in the region remain unconvinced that their populations are suited for western style democracies, each believing that stability is best guaranteed by a "strong hand."

Because of this there has been very little systematic reexamination of U.S. policies in Central Asia, just a discussion of how best to advance these interests, i.e. what modifications should be made in the policies that are being applied to advance these goals. Major increases in funding are rarely on the table, so mostly in recent years in particular the discussion is on how to spend money more effectively, and how to shift resources from country to country in the region.

But as the war in Afghanistan begins to enter a new, and hopefully now final phase in which the focus on making the Afghan government more competent to insure domestic security, l it seems worthwhile to reexamine some of the premises of U.S. policy in the region, from the perspective of whether the conditions in the region have changed in these last eight years, making these policy objectives more difficult to attain, or no longer as relevant.

What Has Changed in Central Asia?

U.S. engagement in Central Asia is going on against a very different geopolitical backdrop that was the case eight years ago.

First the environment has increased in size and scope, with all of these countries being more engaged in the international community, at various levels, than they were previously. There are numerous examples of this, from Kazakhstan's forthcoming chairmanship of the OSCE, only days away now, or Turkmenistan's effective redefinition of its doctrine of positive neutrality to allow for far greater international engagement than was true under its late founding president. Just looking at the travel schedules of these five leaders is enough to make anyone exhausted, not to mention how many heads of states and foreign ministers that they receive. But to date no U.S. president has visited Central Asia, with visits by U.S. Vice-Presidents and Secretaries of State few and far between.

The second big change is the rise of China in the region. This week the presidents of China, Kazakhstan, Uzbekistan and Turkmenistan have all gathered in Turkmenistan to mark the opening of the new gas pipeline which links gas fields in these three countries with markets in China. When this pipeline is completed and filled to planned capacity these Central Asian countries will be able to ship to China roughly two thirds the volume that currently goes to Russia. Most of this will come from Turkmenistan, which took a $3 billion loan from Beijing in June, to help Ashgabat compensate for its loss of income following its cut-off of gas sales to Russia in April 2009. That same month (April) China has also offered Kazakhstan some $10 billion in financing, part as loans, and part for shares in MangystauMunaiGaz, which will make Chinese companies the largest single foreign owner of on-shore oil and gas assets in Kazakhstan. China also substantially increased its share of trade with both Kyrgyzstan and Tajikistan, and is responsible for many of the major road projects in the latter country.

Third, the limits of Russia's ability to reassert its economic and military power in the region seem to have been reached, although the Kremlin itself may still be having difficulty accepting this. Moscow has tried to expand the functions of the CSTO (Collective Security Treaty Organization) to make it parallel to NATO in importance, but has not been able to turn its proposed Rapid Reaction Force into a regional multinational force able to engage in anything like the range of activities that NATO is capable of pursuing. While Kazakhstan, Tajikistan and Kyrgyzstan all participate in the CSTO, Tashkent has effectively frozen its membership, by

passing legislation which bars the Uzbek military from participating in military activities outside the borders of the country. The reason for this, Tashkent's conviction that Russia plans to use its new CSTO base in Osh to regulate the internal developments in CSTO member states, rather than the mutual defense functions that the organization was designed to regulate.

Russia's economic position in the region has also been weakened largely because of the global economic crisis, which brought with it lower oil and gas prices, and tough choices for the formerly cash rush Russian government. The new customs union between Russia, Kazakhstan and Belarus, set to be introduced in the first half of 2010, is more a sign of the competitive weakness of these economies rather than their economic strengths. While Moscow has set up a fund for helping its CIS partner states cope with the global financial crisis, some major investment projects, like Kambarata hydroelectric station have been slow to materialize and many of the loans offered have been for the purchase of Russian manufactured goods, albeit on low interest long-term notes. Most damaging of all has been the drop in demand for, and price of, Russia's gas in Europe, which meant that Gazprom needed less Central Asian gas and was willing to pay less for it.

Fourth, the influences of leading actors in the Islamic world have increased in Central Asia. Despite years of U.S. and EU efforts to isolate Iran, this regional nation continues to play a visible rule throughout Central Asia. Turkmen gas exports to Iran are set to double, and with the boycott of Uzbek cotton (because of their child labor practices) Iran is buying more and more of their crop. Trade with the Arab world is increasing, especially with the states in the Gulf. They are becoming a source of influence for Uzbekistan's small and medium size entrepreneurs and will be visible public presence in Tajikistan is building the world's largest mosque, set to open in 2014, built by funds from Qatar and UAE. While this is going on Turkey's influence has remained relatively unchanged. It is also important to note here that this has not been a pro-Islamic policy, as these governments are as close Israel as they were previously and Kazakhstan and Uzbekistan in particular remain very solicitous of these Jewish communities

Fifth, the Central Asians know that the U.S. is now thinking about how going home. For the last eight years Washington has been able to argue that U.S. and Central Asian security interests in Afghanistan were almost entirely overlapping. Now however, the Central Asian states have to begin worrying about how they are going to protect their interests when Washington departs, both to protect their borders from possible incursions by armed groups and illegal trade (such as drugs and arms) and refuge flows, and to try and maintain good relations with whomever may come to power in Afghanistan. Tajikistan has already provided refuge for several thousand ethnic Tajik refugees from Afghanistan, and Uzbekistan is pressing for international dialogue with all political elements in Afghanistan (through the revival of a variant of the 6+2 formula). In fact, in each of the countries of the region there is wariness about the potential stability of the Karzai government or a formula what might occur if a broader social consensus is not achieved there, especially given the increasing social fragmentation in Pakistan.

What Has Changed Within Central Asia: Increasing Political Social and Economic Differentiation

For certain questions it still makes sense to talk about Central Asia as a distinct region, with shared historic influences, ethnic communities that are dispersed across new international borders, a largely shared water system, and transport linkages that are at least partly the product of natural geographic divides (mountains) as much as the legacy of three generations of Soviet planners. Yet the countries of Central Asia are becoming increasingly more differentiated from one and another, making it necessary.

First, while none of the countries in the region can yet be considered to be democracies, each is developing a very distinct political system, whose stability has not yet been fully tested by succession (in the case of Kazakhstan and Uzbekistan) or by the transfer of power to a post-Soviet generation of leaders (in all five countries) . In general the U.S. has found few effective levers to use to try and speed up the process of democracy building in the region, which overall has had at least as many setbacks as successes in the past eight years. Let me quickly review developments and prospects here:

Kazakhstan: despite some very disturbing recent developments (the seemingly politically motivated handling of Evgenii Zhovtis' case involving a vehicular death that occurred while he was driving, the new internet law and the treatment of independent media more generally, and the increasing use of criminal courts to try to settle political and business infighting) Kazakhstan is a country in which vigorous political debate is still possible, including in at least some forms of media, where NGOs are able to function in public space and where private space is almost entirely free of government interference. In general the new constitution is a step in the right direction, allowing for enhanced parliamentary power, and a larger degree of judicial independence. But for it to have meaning subsequent parliamentary elections will need to be much freer from top down management, opposition political parties will need to become more competent, and the reform of the legal system will need to be carried out with greater vigor. The U.S. has considerable leverage in Kazakhstan given that countries desire for an OSCE summit to be held in Astana in summer 2010, but criticism is best applied in a systemic fashion

Kyrgyzstan: The Bakiyev government has not made good on many of the promises to liberalize the political system that were made during the "Tulip" revolution. It is not clear what leverage the U.S. has, given fears of losing access to the airport at Manas, and that Bakiyev's people have decided that Russia's "political engineers" are more to their likening than American style NGOs.

Tajikistan: More and more power is being concentrated in the hands of President Rahmon and his family, and the role of opposition parties and NGOs has diminished substantially.

While public space has been reduced, private space remains largely unchanged, with the exception of a much more aggressive effort by the state to modify Islamic traditions and teachings in order to emphasize an albeit more modest (in how weddings, funerals and other rituals are carried out) but strictly Hanafi school of Islamic law. Here too U.S. leverage is extremely limited, unless we want to cut out much needed economic assistance in order to teach the Tajik government a political lesson. Such a practice would further endanger regional stability as it could lead to popular unrest with unpredictable outcomes.

Uzbekistan: I have argued elsewhere (in Central Asia's Second Chance) that had a more robust financial assistance package (from the IFIs and not just bilateral US assistance) been offered to Tashkent in the aftermath of 9/11 the process of both economic and political reform could have been speeded up in that country. Since Andijian the security capacity of the Uzbek government has been enhanced, but there has also been, albeit very slow, some improvement of the country's legal system, and at least one prominent political prisoner has been released. U.S. leverage here is limited, especially given the kinds of financial limitations on the assistance side of the equation, but Tashkent is more eager for a close relationship with the U.S. than has been true for several years.

Turkmenistan: There has been something of a political opening since Niyazov's death, but public and private space remain quite limited in the country, especially given how little contact most Turkmen are able to have with the larger global community.

Second, economically the region has become much more differentiated, divided into rich and poor countries, as well as countries with largely open, and those with largely closed economies. Once again Kazakhstan is in a largely "stand alone" situation, with the strongest and largest economy in the region. The government made use of its National Fund to stabilize the country's economy during last year's global crisis, and although the fundamental causes of the weakness of Kazakhstan's banking system have yet to be addressed, the corner seems to have been safely turned at least for the moment.

Uzbekistan and Turkmenistan were largely insulated from last year's crisis by the insulated nature of their economies, which are still largely state owned or (save for Uzbekistan's small and medium business sector) largely state managed. Uzbekistan dealt with its population's loss of remittance income (from Russia and Kazakhstan) by launching a massive public works program, but the long-term economic stability of both countries will not be assured without substantial reform, especially of the agricultural (and water intensive cotton) sector.

The economic challenges that the region's two poorest countries face, Kyrgyzstan and Tajikistan, have increased. Chronic energy shortages have hampered economic development in both countries and led to a serious deterioration of social and economic conditions in rural, and especially in remote rural communities. As winter 2007-2008 demonstrated, in atypically cold

years the situation becomes one of humanitarian crisis, where the international community is called upon to provide food and warm shelter. The breakup of the old Soviet-era centralized regional electricity grid (with Uzbekistan and Kazakhstan's withdrawal) is likely to create new short term challenges, but will prove to be a positive step for each country's economic development if it leads to more rapid reform of their electricity sectors (production, distribution and tariffs). This will not be possible without substantial international guidance, including by the U.S. and funding from the IFI. Without careful management, it could lead to an exacerbation of regional tensions, especially if upstream users precipitously cut water to downstream users to generate electricity. Kyrgyzstan has proved an amenable environment to work in to try and alleviate the challenges energy shortages particularly through the use of alternative sources of energy. Working with Tajikistan is more challenging, in part because of the more endemic corruption in that sector there.

Third, the populations of the Central Asian countries are becoming more distinct, in part because of different educational and cultural influences. Within a generation there will no longer be a common language uniting most of the citizens of this region, and neither Russian nor English will be able to fill this role.

Kazakhstan's population has been most influenced by global forces, through the education of thousands of young people in the west each year (who are required to return home for at least two years and placed in government service), extensive contact with Asian countries, and for another sector of the population, a growing influence from the Islamic world (through seminaries in Egypt, Saudi Arabia, the Gulf states and Turkey). While these trends could produce social tensions (especially since here too there is a retraditionalization going on in rural areas) the polity that is emerging is quite complex.

In all of the other countries the process of retraditionalization is the dominant social factor, and its pace has been accelerated where the quality of education has declined most markedly, such as Turkmenistan, Tajikistan and in rural areas of Kyrgyzstan. Islam is a growing factor everywhere in Central Asia. Despite the efforts of all of the states to control its practice (and the western press tends to exaggerate the amount of religious repression that exists) religion is a dynamic force everywhere in the region.

What Lessons Should be Drawn?

First, the U.S. should expand military assistance to the Central Asian nations, especially assistance that is geared to enhance their capacity to maintain effective border controls. This is the most valuable assistance we can provide them with in the short term.

Second, it is time to revisit the old U.S. multiple pipeline strategy. The new Turkmen-Uzbek-Kazakh-China pipeline has given the Central Asians a realistic alternative to Russia.

Europe can reduce their vulnerability to trade disruptions from Russia by adding more LNG into their energy mix, and creating more interlinkages within the EU as well as a EU-wide strategic reserve. Policies towards this end are already under debate in the EU. The priority of the Central Asian states must be on getting commercially attractive terms of trade. Opening new pipelines through Turkey go only partway toward achieving this, especially if Turkey's gas lobby keeps transit fees high and purchase prices at the Turkish border low (the reason why Azerbaijan has just signed a small gas deal with Russia). The gas trade has to become on a commercial footing.

Third, U.S. policy makers must look more creatively at the challenge of democracy building in the region, and become more sensitive to the differences between countries and the generational change that is occurring at the societal level. There should be more attention to in-country projects that improve the physical conditions of education, so that children will go to school. Access to the internet is critical, but projects must be designed that provide energy as well as internet access. These societies will not remain secular ones unless conditions in rural communities improve, for that is where the overwhelming majority of the population lives, and unless this occurs there will be no "home" to go back to for Western education Central Asian youth. They will simply be unwelcome, or at best alien.

Fourth and finally, the U.S. should redouble efforts to enhance the coordination of the IFIs and other bilateral assistance providers to work with the Central Asian states to help them relieve their short and medium term energy shortages, as well as addressing the long term challenges. This requires bottom up and not just top down engagement, but the former is easier to achieve local government support for and ownership of than the latter. While the format of bilateral consultations that have been developed by the Obama administration reflects the reality of five increasingly more differentiated countries developing, there are a host of regional problems that much be addressed in concert.