

Current Challenges to Central Asia and Afghanistan: Towards a Better World

A regional project, initiated by CAISS (Central Asia Institute for Strategic Studies) with the aim to introduce fresh ideas and perspectives, new insights, and thorough analysis to Central Asian Studies with a team of scholars from Central Asian states and Afghanistan of different background and expertise



Edited by Anna Gussarova

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PREFACE

'Central Asia and Afghanistan: Towards a Better World in 2040' is a regional project, initiated by CAISS (Central Asia Institute for Strategic Studies) with the aim to introduce fresh ideas and perspectives, new insights, and thorough analysis to Central Asian Studies with a team of scholars from Central Asian states and Afghanistan of different background and expertise.

CAISS, established the 11 May 2016, is an Almaty-based independent think tank. The CAISS primary goals are to conduct interdisciplinary, applied and collaborative research on a wide range of security, political, economic and development issues, to provide consulting services and project management with a particular focus on Central Asia and the broader Eurasian neighborhood (more on www.caiss.expert).

"We create new knowledge. We build a culture of research. We cultivate the relationships"

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INTRODUCTION

Central Asia has enjoyed relative stability over the past quarter century. Yet there is an uncertainty when it comes to the future of the region. Throughout the years of independence, governments, to a different extent, have undergone political, economic and social transformations and did not collapse under the pressure of both internal and external risks. However, political transitions, the breakdown of interdependencies of the Soviet infrastructure, diverse pace of economic development, multi-vector foreign policies pushing each state towards different political, security and economic entities are among many factors that determine the present and the future of the Central Asian states. Moreover, insecurity in Afghanistan, which is jeopardizing the stability in Central Asia, has not been resolved yet, despite tremendous efforts by the international community. While some domestic reforms were successful, others had rather negative consequences for the stability and prosperity of the region. Greater powers' interest for the regions' resources and its strategic location can either turn into a source of prosperity or conflict, depending on the path Central Asian countries choose for themselves.

Taking into account the importance of the ongoing and future development and security processes, the study aims to: (a) analyze states' as well as non-governmental actors' capability to respond effectively and timely to the existing and emerging security threats in the region; (b) evaluate economic development opportunities and challenges preventing relevant actors from realizing them; (c) study competing interests of the greater powers for the influence in the region.

The analyses are conducted by a team of scholars from diverse disciplines from all five Central Asian countries and Afghanistan. The study identifies security threats, studies the necessity and feasibility of certain economic and social reforms and assesses initiatives designed to address transboundary issues. The analysis of the most important security and development issues is placed in the center of the study. It also aims at focusing the attention of decision makers on such policy issues as: multi-vector policy, foreign and domestic priorities in Kazakhstan; lessons learned from large-scale engagement in the economic integration processes in Kyrgyzstan; initiatives

to strengthen Tajikistan's independence; trade-offs between prosperity and stability in Uzbekistan; Turkmenistan's ability to maintain neutrality in the rapidly changing security landscape; and Afghanistan's liability or reliability in partnership with its Central Asian neighbors.

KAZAKHSTAN'S MULTI-VECTOR POLICY IN A LIMITED EURASIAN REGIONALISM

Anna Gussarova

In December 2016, Kazakhstan celebrated its 25th Independence Anniversary. In 1991, the country established its foreign policy strategy, a document defining Astana's position in the broader Eurasian region and setting its strategic priorities, such as transparency and openness. This economically motivated decision has led to mutually beneficial cooperation with neighboring states, including Russia and China, Central Asian states, the EU and the U.S. Later all remaining regions of the planet were put into the 'Kazakhstan Foreign Policy Doctrine'¹: South Asia and Asia Pacific, the Middle East, Africa and even South America. Henceforth, with such a unique concept of diplomatic relations, Kazakhstan's President Nazarbayev had gained the role of a mediator/negotiator (shuttle diplomacy in Ukraine, Syria, Russia-Turkey, Iranian nuclear program, and the Russia-EU crisis), creating an image of Kazakhstan in a spirit of peace, harmony and stability.

According to President Nazarbayev, multi-vector policy is "to develop friendly and predictable relations with all the countries that play [a] significant role in world affairs and [are] of practical importance to our country. Kazakhstan by virtue of its geopolitical location and economic potential is not entitled to become isolated by regional issues only. It would be incomprehensible not only to our multi-ethnic population, but also to the entire world community. The future of Kazakhstan is in Asia and in Europe, both in the East and the West. Conducting precisely this policy, we can eliminate any existence of Kazakhstan's security challenges. We will strengthen favorable external conditions for economic and political reforms in our country."²

More important is the perception of multi-vector policy not as a simple list of countries to cooperate with, but rather as an instrument to achieve certain

¹ Kazakhstan Foreign Policy Concept for 2014-2020 // <http://mfa.gov.kz/index.php/en/foreign-policy/foreign-policy-concept-for-2014-2020-republic-of-kazakhstan>.

² Назарбаев Н.А. Укреплять международные позиции Казахстана // president.kz.

arrangements and objectives (like entering the TOP-30 OECD states, etc.). While all efforts are made to appear as an internationally successful state, it seems that the government is not keeping abreast of reality and is unaware of domestic challenges inside the country. It seems that making foreign and global agenda, climbing the ladder in certain rankings is more important for authorities than focusing on solving internal social and economic issues in the regions of Kazakhstan or improving Kazakhstanis' welfare.

But, eventually, after a quarter of century, could Kazakhstan have other options and choices to exist in a limited Eurasian region? There are different explanations of regional integration, which can contribute to the country's understanding of the puzzles of the Eurasian regionalism. And one of them, geopolitical research, seems to be quite frequently described as a dead end. Kazakhstan's multi-vector foreign policy lies within a strategy of 'geopolitical containment', where geography plays a crucial and integral role in the state's behavior. According to Nikolas Spykman³, a geostrategist, also known as godfather of containment, 'ministers come and go, even dictators die, but mountain ranges stand unperturbed'. This approach and type of geopolitical thinking, where physical reality (geographical conditions) is regarded to be decisive for a country's international relations, has been strongly criticized by both constructivists and even realists for decades. Nevertheless; it should be admitted, that geography matters. For this reason, President Nazarbayev has set Kazakhstan's multi-vector foreign policy in order to balance and contain the broader Eurasian region, which ended up rather successfully. Kazakh authorities' ambitions to diversify the country's foreign policy and vectors of cooperation have certain advantages and disadvantages, which can be properly portrayed through the lens of containment theory with foreign and domestic narratives, which will be further described in the text.

“Foreign Containment”: Kazakhstan’s Eagerness for International Excellence and Recognition

Taking part in the 70th General Assembly of the United Nations in New York, Nursultan Nazarbayev proposed, besides his bid for United Nations Security Council membership in 2017/2018, the development of a Global Strategic

³ Nicholas J. Spykman, *America's Strategy in World Politics: The United States and the Balance of Power* (New York: Harcourt, 1942), p. 41.

Initiative - 2045¹. The Initiative promotes fair conditions of access to global infrastructure and resources for all nations. In addition, it is proposed to (a) adopt the Universal Declaration of the United Nations to achieve a world free of nuclear weapons, (b) conclude an agreement on the establishment of the IAEA International Bank of low-enriched uranium in Kazakhstan, (c) open the International Centre for green technology development under the auspices of the UN in Astana, and (d) consider the possibility of relocating the United Nations headquarter to Asia. Kazakhstan has consistently stood for renunciation of nuclear weapons throughout its history. In addition, Astana proposes to establish a unified global network to counter international terrorism and extremism under the auspices of the UN, and to adopt a comprehensive UN document on countering terrorism. Kazakhstan's foreign policy initiatives also pay particular attention to water, energy and food security. The country is providing assistance to certain African states⁴, including financial help to fight Ebola, education programs and scholarships, and is actively participating in UN Peacekeeping missions.

Every now and then there is an unusual way of measuring success in the country with a reference to certain economic indexes, which include doing business, investment climate; e-commerce, e-government, etc., while both public debates and expert discussions end up claiming that national development programs failed to achieve their goals. Since 1991, Kazakhstan has set a strategic goal to attract foreign investments into national economy. In order to establish favorable investment climate, Astana went through radical liberalization of foreign economic activity and changes (amendments) in the legal framework.

Certain steps were also taken to facilitate doing business and protect foreign investors' interests. Over the past 25 years of Kazakhstan's independence, the country has attracted USD 255 billion of foreign direct investments⁵. In spite of certain upward trends to sustained growth, statistics show short-term fluctuations during the times of crisis. While Kazakhstan's economy has been hit hard by the crisis and global oil prices, it has not become less resource

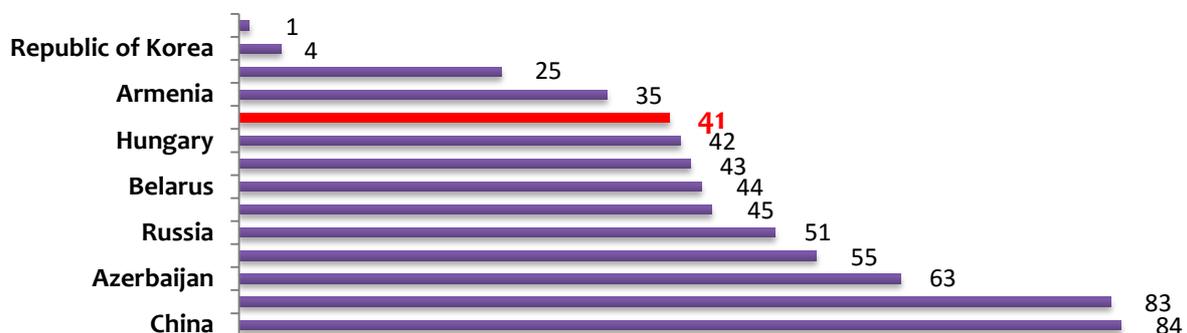
⁴ Казахстан выделил странам Африки финансовую помощь для борьбы с Эбола
Подробнее: https://tengrinews.kz/kazakhstan_news/kazakhstan-vyidelil-stranam-afriki-finansovuyu-pomosoch-borbyi-264439/; В Казахстане будут учиться молодые люди из стран Африки - МИД РК // <http://www.caravan.kz/news/v-kazakhstane-budut-uchitsya-molodye-lyudi-iz-stran-afriki-mid-rk-348560/>.

⁵ \$255 млрд прямых иностранных инвестиций привлек Казахстан за годы независимости - Президент РК // http://inform.kz/ru/255-milrd-priamyh-inostrannyh-investitsiy-privlek-kazakhstan-za-gody-nezavisimosti-prezident-rk_a2907820.

oriented. At the same time, despite the relative decline in FDI inflows to GDP, Kazakhstan has significant advantage over the average results for Europe and Central Asia.

According to the Global Competitiveness Index⁶ (GCI), Kazakhstan held 42nd position out of more than 190 nations (WEF, 2015-2016). In UNCTAD data⁷ as of 2015, Kazakhstan ranked 28th in the net inflow of foreign direct investment (FDI) in 2014. Astana also holds 16th position among developing countries, 2nd place among countries with transition economies and is 1st among landlocked states (WEF 2015-2016). In order to ensure direct dialogue with investors Kazakhstan has established the Foreign Investors' Council chaired by the President of the Republic of Kazakhstan, the Council on Improvement of Investment Climate under the chairmanship of the Prime Minister of the Republic of Kazakhstan and an Investment Ombudsman⁸. Later in 2017, Kazakhstan even moved up to 35th place in DB 2017 ranking⁹.

Figure 1 Ease of Doing Business, 2015-2016¹⁰



⁶ World Economic Forum: The Global Competitiveness Report 2015-2016 // <http://russian.doingbusiness.org/data/exploreeconomies/kazakhstan/~media/giawb/doing%20business/documents/profiles/country/KAZ.pdf>.

⁷ UNCTAD, 2015. World Investment Report // http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf.

⁸ Investor's Guide. Ministry for Development and Investment of the Republic of Kazakhstan // <http://invest.gov.kz/uploads/files/2016/01/26/investors-guide-2016.pdf>.

⁹ Ease of Doing Business in Kazakhstan // <http://www.doingbusiness.org/data/exploreeconomies/kazakhstan>

¹⁰ Doing Business 2016. Economy Profile of Kazakhstan // <http://www.doingbusiness.org/data/exploreeconomies/Kazakhstan>.

Figure 2 Kazakhstan Positions in DB (categories), WEF 2015-2016

Topics	Doing Business 2016 Ranking	Doing Business 2015 Ranking	Ranking Shift
Enterprise Registration	21	53	↑ 32
Property Registration	19	25	↑ 6
Protecting Minority Investors	25	64	↑ 39
Taxation	18	17	↓ -1
Enforcing Contracts	9	14	↑ 5
Resolving Insolvency	47	63	↑ 16

Other indexes, designating the country's development and position, have been constantly ignored, overlooked or considered inessential/critical by state authorities. Some of them include rule of law, individual freedoms and rights, prosperity, good governance, civil society, happiness, environment, corruption, etc. These 'western' democratic norms and principles seem to be perceived as a threat to the political regime and ruling elites with major European countries turning a blind eye on it.

Accordingly, the Freedom House Report¹¹ claimed a high probability of social protests and unrest in 'not free' Kazakhstan due to the lack of progress in

¹¹ Freedom in the World 2016 // <https://freedomhouse.org/report/freedom-world/freedom-world-2016>.

democratization and civil society. The Economist research team also pointed out a high risk of 'social protest' in 2013, which could lead to a gradual reduction of investment flows and of Astana's reputation in the international arena. Likewise, Kazakhstan holds the 82nd position out of 149 participating countries: 122 in Personal Freedoms (including legal rights, individual freedoms, and social tolerance), 109 in Social Capital (social network support, civic participation), and 105 in Natural Environment in Legatum Prosperity Index 2016¹². Kazakhstan is 114th (out of 140) in Happy Planet Index 2016¹³, which measures sustainable wellbeing (5.8 as of 10) and how well nations are doing at achieving long, happy, and sustainable lives. Kazakhstan is the 56th in CAF World Giving Index 2016¹⁴ (worst and most greedy in Central Asia); only 14% of the people are ready to work for free and to volunteer, only 38% would help a stranger. Kaspersky¹⁵ Security bulletin of 2015 ranked Kazakhstan the 1st in number of Trojan extortionists' attacks, 2nd in PCs online infection through the Internet and 5th in numbers of Trojan cryptographers' attacks. And let's not forget about Panama papers.

Most importantly, Kazakhstan will continue prioritizing climbing the ladder of major international development indexes, even if the figures remain largely on paper. And EXPO is just an example. However, Kazakhstan is eager to be a habitué in the club of OECD countries and each global initiative helps to promote its experience; nonetheless, its unprecedented ambitions should gain support from the people and must not be pursued at the expense of domestic challenges and opportunities.

'Domestic Containment': National Idea and Modernization

At the dawn of the independence, the situation in Kazakhstan was characterized by ethnic and cultural diversity, a multireligious population and linguistic imbalances. Focusing on the slogan 'economy first - then politics', Kazakhstan managed to avoid ethnic conflicts in the early years of independence, which were quite typical for many newly established states.

¹² The Legatum Prosperity Index 2016 // <http://www.prosperity.com/rankings>.

¹³ Happy Planet Index 2016// <http://happyplanetindex.org/>.

¹⁴ CAF World Giving Index 2016 // <https://www.cafonline.org/about-us/publications/2016-publications/caf-world-giving-index-2016>.

¹⁵ Kaspersky Security Bulletin 2015 // https://securelist.com/files/2015/12/Kaspersky-Security-Bulletin-2015_FINAL_EN.pdf.

At the same time, the rejection of certain values, common for the Soviet period, provoked the formation of an ideological vacuum. It was promptly filled up with religious, ethnic and nationalist narratives, which has led to a diversification of identities. Since then, Kazakhstan has entered a period of simultaneous ethnic and religious renaissance and, in order to reduce the risks resulting from this process, Kazakh authorities started to search for an optimal model of national identity. Despite the fact that the process of forming Kazakhstan's national idea was initiated top-down, its content reflects shared values of the people of Kazakhstan. "Mangilik El"¹⁶ values, on one hand, can be considered as universal values, but on the other, represent the uniqueness of Kazakhstan's experience in building a multi-ethnic and multi-confessional society. While "Mangilik El" values are an integral part of the culture of Kazakh society, national identity and the promotion of national ideas in mass consciousness is a long term process that will take much time.

On the whole, the core of Kazakhstan's national idea lies within several key values, which include:

(a) *Unity, Peace and Harmony in Society.*

In Kazakhstan, the idea of social cohesion and national unity is a constitutional principle and in practice, it is largely about 'different origin - equal opportunities'. The Constitution guarantees equality of rights for all citizens regardless of race, ethnicity, religion or social origin. All ethnic groups in Kazakhstan have a right to adhere to their culture, traditions and language. All citizens, regardless of ethnic, religious and social belonging, can be represented in all spheres of public life. Social and political discourse in Kazakhstan captures perceptions of multi-ethnic and multi-confessional character of society both as a risk and a strategic resource of the country. In the upcoming years this particular idea will be of great importance for future elites and political leadership in order to maintain stability in the country until 2040.

(b) *Society of Universal Labor.*

Government policy is aimed at cultivating human labor, which should be a major factor in achieving social welfare. One of the most important issues of social modernization in Kazakhstan is public

¹⁶ 7 принципов «Мәңгілік Ел» отражают базовые ценности развития, общность интересов и исторической судьбы народа Казахстана - обращение АНК // http://www.inform.kz/ru/7-principov-mangilik-el-otrazhayut-bazovye-cennosti-razvitiya-obschnost-interesov-i-istoricheskoy-sud-by-naroda-kazahstana-obraschenie-ank_a2622081.

promotion of labor achievements and incentives for honest work. Social modernization is a long term goal and that is why, according to President Nazarbayev, a 'Society of Universal Labor is a mega project, designed for many years and generations'¹⁷.

(c) *Commonality of History, Culture and Language.*

Unified national identity is based primarily on common foundations of all ethnic groups, which include common history, culture and language. The content of this idea is transmitted on official level through concepts, such as traditions, patriotism, modernization and competitiveness. In their understanding, only an intellectual nation is able to become competitive. The formation of an intellectual nation is to be implemented by the trinity languages principle, which tries to build a new three-language scientific-educational and cultural-educational environment both for children and young people. Despite the fact that many experts see a number of shortages in this initiative, including the lack of qualified teaching staff, bringing up an intellectual nation is the goal towards which Kazakh authorities will be striving in the near to medium term perspectives.

Kazakhstan's national idea and values will require political and economic modernization reforms. However, under these circumstances it seems that Kazakhstan as well as other post-Soviet countries deliberately slow down the reforms in order to maintain the status quo (means stability) as long as possible. And any kind of appeals to a change in the prevailing conditions (i.e. modernization) evoke painful responses of the elites, including tightening the legislation for civil society and NGOs, new taxes and accountability for business, etc. However, political modernization should end up with persistent institutions, which lead to civil society inclusion and dialogue, reforms in decision making process, introduction of checks and balances, culture of entrepreneurship and business formation. And above all things there should be human capital as a major goal of modernization. However, regarding the overwhelming corruption, national programs and goals appear to be unattainable. According to the Global Financial Integrity¹⁸, the amount of nearly two National funds or USD 167.4 billion has been withdrawn from Kazakhstan over the past ten years and still no one is going to bring that

¹⁷ Социальная модернизация Казахстана: Двадцать шагов к Обществу Всеобщего Труда
http://www.emer.gov.kz/index.php?option=com_content&view=category&layout=blog&id=344&Itemid=321.

¹⁸ Казахстан отстал даже от Африки http://exclusive.kz/kak_v_luchshix_domax_mogadisho.

money back. In this case, it is impossible to ensure a sufficient budget. To this end, the only way to resolve the situation is to apply either to the National Fund, or to the pension savings.

Diversity in a Limited Unity: Which-Vector Containment?

Kazakhstan's foreign policy is centered on the principles of multi-vector policy, balance, pragmatism, mutual benefit, and solid defense of national interests. The foreign policy of Kazakhstan is also based on a balance of interests with the principle of differentiated and tiered approach to interaction with foreign countries and international organizations.

While seeking a unique model to follow, Kazakhstan has been publicly honest to admit *Singaporean influence*. However, it is still not clear how exactly the Singaporean experience was adapted in the country. By assessing the similarities and differences, it is obvious, that Kazakhstan's dependence on the oil prices diminishes the country's ability to support the sustained policies of Singapore. As the 'Asian tigers' legacy lies within a balanced structure that is able to withstand any internal turmoil, the country has managed to establish a society with strong social guarantees and at the same time adopted basic principles of political democracy, in particular a multi-party system, free elections, ensuring the rights and freedoms of citizens. Moreover, modernization policy in Singapore, Malaysia, Taiwan and ROK has put strong emphasis on the reform of the education system that delivers personnel for a new economic model. Later on at the VIII Astana Economic Forum in May 2015, President Nazarbayev announced that Astana would be rebuilt as a 'new Dubai', "leveraging on Dubai's legislative and economic experiences to transform Astana into an international hub for petrochemical-related finance. Dubai's successful transition from an almost exclusively oil-producing economy into a service-based economy may prove to be a better role model for Kazakhstan in some domains".¹⁹

With the upcoming political transit, the government urgently needs to establish communication channels to interact with civil society. And the main goal of such a strategy should be narrowing the gap and foreign

¹⁹ Why Kazakhstan Learns From Singapore – Analysis //<http://www.eurasiareview.com/27102016-why-kazakhstan-learns-from-singapore-analysis/>.

containment narratives dominance in the country. In other words, President Nazarbayev managed to create an image of successful stable Kazakhstan abroad, which is far from the reality. And if one goes into details, the situation in the country may seem quite different from that is shown on international arena.

In 1990s the idea came with maintaining stability over development. All in all, serious steps towards modernization and national development were considered to ruin stability, which the country has been able to achieve for the past 25 years. However, preserving stability does not necessarily mean revolutionary changes, while in the meantime the political leadership preferred to focus on domestic containment as a tool to keep the stability working, which resulted in tightening legislation for civil society, NGOs, etc. on the plea of countering violent extremism and terrorism

While the concept of foreign and domestic containment might have been a success in terms of gaining power and glorifying stability, which is fragile.

In other words, the country's multi-vector policy should be underpinned by corresponding domestic reforms and policies with so as to really ensure the progress of the country and enjoy stability in a broader Eurasian region with emerging security challenges, i.e. radicalization and violent extremism, food and water security, etc. It becomes clear that future prospects for Kazakhstan lie not so much within political and regime changes, but in strengthening civil society, increasing welfare and building trust. Simultaneously, it is essential to set development goals in order to counter both external and domestic challenges so that not to pull the wool over world community's eyes but to focus on national progress and growth.

KYRGYZSTAN IN THE TRADING DYNAMICS WITHIN VARIOUS INTEGRATION FRAMEWORKS

Yevgeniy Khon

Having noticeable effect on the economic, political and social agenda of the region, integration processes within the framework of the Eurasian Economic Community (EAEU) have turned into one of the most discussed topics in the expert community. The EAEU came into existence on 1 January 2015, with Russia, Belarus and Kazakhstan as founding states. On January 2, 2015 there was a first expansion of the EAEU, with Armenia becoming a new member. Some argue that Armenia's decision to join the organization was more of a political nature, not based on real economic prospects. Primarily, this is due to the lack of common customs borders with existing members of the EAEU that leads to the high transport costs associated with the need to transit through the territory of third countries. As a consequence, the high cost of Armenian exports reduces its competitiveness. The lack of close trade links between Armenia and other member states except Russia is an obstacle for further economic integration.

Kyrgyzstan's accession to the EAEU, on the other hand, has way greater impact on the development of trade relations and cooperation in the Central Asian region. Due to the relatively short period of its membership, it is statistically less reliable to analyze the overall effect yet. Nevertheless, it is still very useful to conduct a preliminary analysis in order to identify key changes – pros and cons of Kyrgyzstan's membership in the Union. Such an analysis would be of utmost importance for tracing the changing dynamics in the overall effect of the Union on the member states' economies.

Since the entry of Kyrgyzstan into the EAEU, the next stage of integration in the Eurasian continent has begun. These processes are mainly associated with the formation of a new Central Asian economic circuit. Kyrgyzstan's participation in the EAEU creates economic conditions that promote deeper integration within the Central Asian region and trade flows to the EAEU market. While it is less likely for Turkmenistan and Uzbekistan to join the Union (although FTA might be one of the options for cooperation in a long term),

Tajikistan's participation is thoroughly studied on a governmental level. On July 19, 2016 the head of the Customs Service of Tajikistan Abdufattoh Goibov said that the government is considering applying for the EAEU.²⁰

The economy of Kyrgyzstan was formed under the influence of globalization and regionalization processes, and its current state is determined by the fact that it became first among the CIS countries to gain membership in the WTO. Kyrgyzstan is a country with one of the most liberal trade regimes. According to the WTO trade policy review, the average rate of import duty on all product groups is 7.5%, on agricultural products – 12.6%, on other types of goods - 6.7%.²¹ Today the total volume of imported goods far exceeds the export.

Evidences show that the membership in the WTO exacerbated the trade deficit problem, and did not solve the issue of improving the competitiveness of the national economy. During 2000-2015, the total volume of foreign trade share of exports fell from 47.8 to 29.2%, while the share of imports increased, respectively, from 52.2 to 70.8%. As a result of exceeding growth of the import rate over the export rate, the trade deficit grew up to USD 3.041 billion in 2015.²²

Kyrgyzstan's participation in the process of globalization has been reduced to an increase of the export of metal products to the global markets, in particular of non-monetary gold and to faster growth of imports from WTO countries, especially China. Between 1995 and 2013, imports from developed WTO members to Kyrgyzstan grew by 5.5%, exports to these countries decreased by 5.2%. According to the UNCTAD statistics imports increased from developing Asian countries, particularly China, while exports after a relatively long period of growth have decreased and approached the level of 1995.²³

²⁰ Таджикистан обдумывает членство в ЕАЭС под давлением России // <http://rus.azattyq.org/a/tajikistan-eaes-davlenie-rossii/27895339.html>.

²¹ WTO Statistics Database // http://stat.wto.org/TariffProfiles/KG_e.htm.

²² National Statistical Committee of the Kyrgyz Republic

²³ UNCTAD Handbook of Statistics 2014 // http://unctad.org/en/PublicationsLibrary/tdstat39_en.pdf.

The processes of regionalization for Kyrgyzstan are related to the integration processes in Eurasia in the framework of the CIS and the SCO, and prospects for integration and cooperation are determined by trends in the development of economic relations with three main trading partners - Russia, Kazakhstan, and China, which accounted for 63,53% of the country's overall turnover in 2016.²⁴ Russia is a key partner of Kyrgyzstan in the CIS, China in the SCO, and Kazakhstan in the Central Asian region.

In 2014, Russia had a leading influence on the formation of Kyrgyzstan's import flows (32.2% of Kyrgyzstan imports), Kazakhstan was a major destination for Kyrgyzstan's export flows excluding non-monetary gold – 22%. China continues to be a major supplier of FDI to Kyrgyzstan's economy – 30.9% in the last five years.²⁵ The economic space of the EEU and the CIS is still of strategic importance for Kyrgyzstan in terms of export flows formation and reduction of negative trade, as well as a way to diversify and overcome the structural imbalances in the economy.

Trade and economic ties with the Central Asian countries are also significant for Kyrgyzstan. In 2014, the share of the CA-4 (Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan) accounted for 25.9% of Kyrgyzstan's exports (excluding non-monetary gold to Switzerland) and 11.8% of imports of the country.²⁶

Kyrgyzstan's membership in the EAEU has defined its main vector of trade and economic cooperation in Eurasia in the medium and long-term period. On the other hand, China has a greater influence on the formation of trade policy in Kyrgyzstan at the moment and in the future, given its investment opportunities and cooperation strategies in the region such as the "Silk Road Economic Belt" initiative. For example, the program of cooperation between the Kyrgyz Republic and the People's Republic of China for the years of 2015–2025 was signed during President Atambayev's visit to China on September 2, 2015. This program implies that the parties will cooperate actively in pairing

²⁴ Ministry of Economy of Kyrgyz Republic // http://mineconom.gov.kg/index.php?option=com_content&view=article&id=102&Itemid=172&lang=ru

²⁵ National Statistical Committee of the Kyrgyz Republic

²⁶ Ibid

the initiative "Silk Road Economic Belt" with long-term development strategies of Kyrgyzstan.²⁷

Unlike the EAEU, Silk Road Economic Belt is a less formal mechanism for regional integration. The idea of establishing the 'new' Silk Road includes deepening cooperation in five major areas: infrastructure connectivity, trade facilitation (as through simplification of procedures, and through the establishment of free trade zones), strengthening political contacts, increasing trade in national currencies and currency swaps, strengthening interpersonal contacts.

In contrast to the EAEU, Silk Road Economic Belt is an open project, in which parties are not required to meet any formal criteria to sign any documents. While Silk Road is an initiative promoting cooperation that is not limited to the Central Asian region, the EAEU is a union seeking economic integration with a clear organizational structure and membership obligations. The absence of such concept in Russia and Kazakhstan could contribute to the growth of trade and investment from China, eventually leading to the reduction of the EAEU competitive advantages compared to China's cooperation projects.

There are two major positive impacts that Kyrgyzstan can achieve by participating in the Eurasian integration project:

(a) Joint resource policy within the framework of the EAEU (development of mutually beneficial conditions and common markets for mineral, water, infrastructure, energy and other resources).

One of the most controversial ideas for a market to create is a single market of oil, gas and petroleum products by 2025. Efficiency of market mechanisms in the mutual trade between the participants will be achieved through the establishment of exchange trading mechanisms, including the formation of the commodity exchange market and the definition of interaction principles. It is planned to create conditions for non-discriminatory access of the EAEU

²⁷ Кыргызстан и Китай – два давних друга // <http://kabar.kg/rus/politics/full/113274>.

member states to national markets in accordance with their economic interests, eliminate entry barriers into the commodity exchange market, and harmonize national regulations and the rules of functioning of the technological and commercial infrastructure of the common market.

A single carbon market is equally advantageous and damaging to all member states. Each participating country will have to sacrifice short-term losses for the medium-term benefits. Currently, prices for domestic consumption are below export prices. Conventionally, if a single market for oil and gas without any export duties is created, it will imply continuous losses for the exporters of energy resources and profits for importers.

In Kyrgyzstan, almost 100% of petroleum products are imported from Russia, although neighboring Kazakhstan is closer and seemingly more convenient to import from. After its accession into the EAEU and the opening of borders, the illegal import of petroleum products in small batches from Kazakhstan significantly increased, up to the point where the Kyrgyz government had to limit the import. For Kyrgyzstan, this whole situation resulted in a large loss of tax money. A single price system and common rules for tariff regulation will prevent such gray schemes and exclude the possibility of goods re-export by any member of the Union.

(b) Intensification of export and import flows within the framework of the common trade policy.

Kyrgyzstan's potential for integration into the EAEU is based on the Union's high share in the trade turnover of the country. Kyrgyzstan and Belarus are countries that are mostly focused on the regional markets and are deeply integrated into the trading space of the CIS and EAEU. The share of transition economies in Kyrgyzstan's exports (excluding non-monetary gold) is the highest among the EAEU countries – 61%. In comparison, in 2015 the share of transition economies in the export of Belarus was 52.8%, exports of Armenia – 37.1%, overall exports of the EAEU accounted for 6.1%.²⁸

²⁸ Term “transition economies” usually refers to countries that are in the process of transformation from centrally planned to market based system. An example of transit economies are Post-Soviet countries.

On the other hand, structural and socio-economic problems in Kyrgyzstan may not have any significant negative impact on the trading dynamics within the EAEU due to the relatively small size of its economy and trade turnover in the Eurasian space. Kyrgyzstan's share in the total trade turnover in 2015 among the EAEU countries accounted for only 0.5% (exports - 0.3%, imports - 1.0%), in total GDP - 0.5% (Figure 3).

Figure 3 Total trade turnovers, Export and Import by the EAEU countries²⁹



At the same time, the membership in the EAEU has a great impact on Kyrgyz economy. There are several advantages that the country has immediately experienced with the participation in the Eurasian integration:

- Unification of customs tariffs and legislation with the other members of the EAEU;

²⁹ Source: Eurasian Economic Commission

- Improvement of the rights of Kyrgyzstan's migrant workers. Migrant workers are not obliged, for instance, to take examinations, undergo medical check-ups or acquire patents. About 54 thousand Kyrgyz citizens were also excluded from the 'black list' of the Federal Migration Service (FMS) of Russia.³⁰ This is particularly important since 80% of Kyrgyzstan's migrants work in Russia;
- Extended length of stay for Kyrgyzstan citizens without registration from 7 to 30 days;
- Removal of customs and phytosanitary control on the Kazakh-Kyrgyz boarder and increase of safety and quality standards. In a sense, Kyrgyzstan faced higher requirements than other EAEU members. The representatives of the four countries did a mandatory audit in Kyrgyzstan in order to remove quarantine, phytosanitary and veterinary control on the Kyrgyz-Kazakh border, as well as to recognize the equivalence of control systems. It should be noted that for Kazakhstan, Russia, Belarus and Armenia, a similar audit was not provided and has not been done. These measures will allow Kyrgyzstan to become more advanced in terms of the quality of goods;
- Modernization and development of the necessary infrastructure of veterinary and phytosanitary laboratories and border crossings. Kazakhstan promised to allocate USD 100 million for the necessary laboratory equipment for food certification;
- Establishment of the Kyrgyz-Russian Development Fund (KRDF) with a capital of USD 500 million to issue loans at 12% per annum for up to 15 years depending on the area of investment. According to the latest available data KRDF funded 167 projects, 159 of which have received loans through Kyrgyz commercial banks that had agreements with the fund. Also on April 15, 2016 the conditions for granting loans to Small and Medium sized Entreprises improved and the fund reduced interest rates to 5% on loans of less than USD 1 million.³¹

Despite a number of advantages, there are also several negative impacts for Kyrgyzstan itself associated with its accession in the EAEU:

- Increased duties for goods imported outside of the EAEU on average 5-10% and, as a consequence - rising prices;

³⁰ Более 50 тыс. кыргызстанцев за два года исключены из черного списка ФМС России // http://ruskkg.ru/index.php?option=com_content&view=article&id=5813:-50-----&catid=32:2010-08-29-08-14-07&Itemid=1.

³¹ Российско-Киргизский фонд развития смягчил условия предоставления кредитов // <https://rg.ru/2016/05/11/rossijsko-kirgizskij-fond-izmenil-usloviia-predostavleniia-zajmov.html>.

- Further stagnation of business activity in Kyrgyzstan's largest commodity markets – “Dordoï”, “Madina”, “Karasu”;
- Devaluation of the national currency for 30% in 2015, which is also related to 40% reduction in remittances from migrant workers and speculation in the foreign exchange market;³²
- Bankruptcy of a number of domestic enterprises due to their inability to compete with producers from Russia and Kazakhstan.

In the final analysis, Kyrgyzstan's membership in the EAEU poses plenty of challenges for its economy at the moment. With a low oil price, reduced business activities and tougher competition within the union, Kyrgyzstan probably faces even more difficulties being a member, than being outside of the EAEU. But due to a high level of exports to Kazakhstan and Russia, non-membership in the EAEU would have made Kyrgyz goods less competitive due to higher tariffs.

In any union, countries that profit the most are the ones with industrialized economies. Despite the fact that the decision to participate might have been politically motivated and hasty, in a long-run Kyrgyzstan might benefit a lot, if necessary measures to secure progressive economic development are taken on the national level. Hence Kyrgyzstan's future in the EAEU will highly depend on the effectiveness of economic policy of the government. If manufacturing industries that produce goods with high added value are not created, Kyrgyzstan will remain a supplier of raw materials and a destination for the EAEU's exports.

On the other hand, there are good chances for the country to become one of the major recipients of FDI into manufacturing industry, especially as a member of the EAEU, which has an easy access to the huge market. In comparison to other member states of the EAEU, Kyrgyzstan has a liberal taxation, low-cost infrastructure, a very cheap labor force with a fairly good level of education. Utilities, particularly electricity, are at times cheaper than in any other EAEU country.³³ Given that, in the next 10 years Kyrgyzstan will continue strengthening economic ties with China, as its main investor, and try

³² Денежные переводы из России в Кыргызстан упали на 40% // <https://www.akchabar.kg/news/denezhnye-perevody-iz-rossii-v-kyrgyzstan-upali-na-40/>.

³³ Doing Business 2017 Report // http://www.doingbusiness.org/reports/~/_media/WBG/DoingBusiness/Documents/Profiles/Regional/DB2017/ECA.pdf.

to pair national development programs with the Silk Road Economic Belt initiative and the EAEU. Hence, the so-called multi-vector foreign policy widely used by Kazakhstan, will be the top priority for Kyrgyzstan in the middle to long-term perspective.

In conclusion, prospects of Kyrgyzstan's membership in the integration unions are highly dependent on the effectiveness of its economy and the ability to produce competitive goods with high added value. Challenges and threats to the country do not come from the outside, but rather lie in the capability of the government to exercise efficient public administration and ensure political stability.

POLITICAL, ECONOMIC AND ENERGY INITIATIVES TO STRENGTHEN TAJIKISTAN'S INDEPENDENCE

Behruz Yodgorov

There are two main explanations for the current sluggish political, energy market and economic development of Tajikistan. First, after gaining independence, the speed of economic development in the republic deteriorated significantly due to the protracted and senseless civil war that started in 1992 and lasted for five long and bloody years. Second, because the civil war started immediately after the demise of the Soviet Union, Tajikistan had no time to restructure its industrial sector and economy in order to function independently, thus the livelihood of the people was simply destroyed. The stability of the resource sharing mechanism was also compromised, which resulted in the worsening of the socio-economic conditions in the country.

Since the peace agreement in 1997, political stability has increased slowly, which somehow ensured the transition from fragile peace into a stable situation. However, the legacy of the civil war has destroyed much of the country's social and economic infrastructures and the national economy was left in a devastating situation. This hardship covered almost all sectors of the country including economy, industry, energy, transport and other spheres. But only a couple of years after the peace agreement, economic growth has become slightly visible in terms of political stability and macroeconomic indicators. Between 2002 and 2004, the GDP growth accounted for an average 10%. While a relatively large number of the population had been living below poverty line (less than USD 2.15 per day), it dropped from 83% in 1999 down to 64% in 2003.³⁴ These figures highlight slight improvements in the economy, which gave hope to the Tajik government.

Ensuring energy independence

³⁴ Government of Japan, "Country Assistance Program for the Republic of Tajikistan," April 2009, 2 // http://www.mofa.go.jp/policy/oda/assistance/pdfs/e_tajikistan0904.pdf.

Despite a number of major challenges affecting the economic growth of Tajikistan, the country's role remained significant for Central Asian states and greater powers such as China, Russia, EU and the United States. Its geographical location turns Tajikistan into one of the key actors in the region's water distribution. About 80% of the regional water supply originates from Tajikistan and Kyrgyzstan, most of it is consumed by downstream Uzbekistan, Kazakhstan and Turkmenistan.³⁵

For Central Asian states, it is a dilemma to reach a consensus to adopt a shared mechanism for water resource management, which could provide fair political, social and economic benefits for all.³⁶ Transboundary water management has been one of the major sources of disagreements between Tajikistan and Kyrgyzstan on the one hand, and Uzbekistan and Kazakhstan on the other hand for over two decades. However, Tajikistan as a landlocked country with 97% of its territory covered by mountains, water resource plays a significant role for boosting economic growth and securing stable energy supplies. Therefore the government of Tajikistan has identified three main strategic goals for economic development: ensuring energy independence, breaking the communication deadlock and food security³⁷. The president of Tajikistan, in his speeches, repeatedly stressed that it is impossible to develop Tajikistan's economy without sustainable energy and full supply of electricity in all spheres. In this regard, the government of Tajikistan implemented various programs and strategies, which could solve energy problems. The priority tasks include, but are not limited to the following:

(a) "Construction of small, medium and large Hydropower Plants, power transmission lines and establishment of a unified energy system of the country;

(b) Ensure stable development of the energy sector by repairing and reconstructing hydropower facilities, restoring their capacities, constructing electricity and gas transmission networks, introducing energy-saving technologies.

³⁵ Karina Fayzullina, "Does Tajikistan Matter? Political Trends in Modern Tajikistan," *ALJAZEERA*, June 20, 2013 // <http://studies.aljazeera.net/en/reports/2013/06/201362082342345467.html>.

³⁶ *Ibid.*

³⁷ President of the Republic of Tajikistan, "Statement," n.d. // <https://sustainabledevelopment.un.org/content/documents/20828tajikistan.pdf>.

*(c) Ensuring the energy independence of Tajikistan by: Meeting the country's demand for natural gas in the next three years by using all resources and opportunities as well as by attracting foreign and domestic investments. Meeting the country's demand for electricity of domestic manufacture in the next four years. "*³⁸

The abovementioned points highlight that for the government of Tajikistan there is an opportunity to ensure stable development of its economy and energy sector. Within only 7 years, with the support of the government and international investors, 13 investment projects with a total cost of 12 billion Tajik Somonis have been implemented. Currently, 10 reconstruction and restoration projects are ongoing, their total cost accounts for 6 billion Tajik Somonis.³⁹ Evidence shows that a critically important and feasible way to achieve sustained growth is the attraction of massive foreign investment in social and energy sectors. But foreign investors are careful and risk hesitant, and will not come if they do not see a secure and safe investment climate. The following are critical obstacles for attracting investments: rampant corruption, high bribery and nepotism in all governmental sectors, lack of energy efficiency. Winter energy shortages in Tajikistan, which slow down the progress of many small and medium factories, have resulted in the decrease of investments in the country. A fundamental precondition for attracting investments is to restore transparency and establish a strong anti-corruption policy in the government that creates the basis for accountability, opportunities for checking against mismanagement and gaining public confidence. This has direct influence on both internal and external security of the country.

Most important for business confidence and attraction of investment are quality, stability of institutional environment and favorable investment climate, which requires some key reforms. Primarily, this concerns the reform of the energy sector, particularly "Barqi Tojik" — the national integrated Power Company of Tajikistan. Secondly, the existing institutions in Tajikistan do not function well, even though all necessary pieces of legislation exist. The main reason for poor functioning of those institutions in Tajikistan is a very low capacity of the state to enforce existing laws and regulations and the low level of the so-called social capital. In order to address this problem, the government has to initiate major reforms. Another possibility to improve the

³⁸ Government of Tajikistan, "Three Strategic Goals," n.d. // <http://mfa.tj/en/three-strategic-goals/three-strategic-goals.html>.

³⁹ Government of Tajikistan, "Three Strategic Goals."

effectiveness of existing laws is to counter corruption. Because of corruption the laws are not enforced properly.

Nevertheless, considering all abovementioned concerns and issues, the government of Tajikistan found a simple answer to all these problems – to construct the largest in Central Asia hydroelectric plant: 3,600 megawatt Rogun Dam, first proposed in 1959. The Rogun Dam project created tension between the downstream neighbors Uzbekistan, Kazakhstan and Turkmenistan, as they depend on regular discharges of water from Tajikistan and Kyrgyzstan to irrigate their crops.⁴⁰

For the Tajik government the Rogun Dam is a dream of solving all strategic issues on the agenda. There will be a day when Rogun Dam will not only meet domestic demand, but also open up a new corridor to export electricity to Pakistan and Afghanistan. On October 29th 2016, Tajikistan officially started the construction of Rogun Dam, a massive hydropower plant of 335m height, which could steadily provide Central Asian states with energy. The Rogun Dam is a USD 3.9 billion project and is being constructed by the Italian company Salini Impregilo. According to the government of Tajikistan, the project should start generating electricity already by late 2018.⁴¹ The opening ceremony for the start of construction of the Rogun Dam was massively covered in all mass media sources and social networks with videos showing the President of Tajikistan sitting in a truck for half an hour and closing the Vakhsh River. Previously, however, each time when Tajikistan started the process of building the dam, the Uzbek government reacted with protests, sending disagreement nota to the Tajik Ministry of Foreign Affairs. Surprisingly, before the beginning of the Rogun construction, Uzbekistan has always started protesting immediately, but this time, Uzbek government refrained from commenting. There are several reasons for the ongoing silence: a) Tashkent is re-analyzing its relationship with Tajikistan; b) Uzbek officials are working on a new strategy, thus, for the moment abstaining from expressing any emotional and hasty reaction; and, c) most probably a new strategy against Rogun Dam was planned to be announced after the Presidential elections in December 2016.

⁴⁰ John Daly, “Tajikistan – The Future is Hydroelectricity – or Perhaps Not,” *OilPrice*, August 30, 2011 // <http://oilprice.com/Alternative-Energy/Hydroelectric/Tajikistan-The-Future-Is-Hydroelectricity-Or-Perhaps-Not.html>.

⁴¹ Tohir Safarov, “Tajik President Officially Launches Construction of Rogun Dam,” *RadioFreeEurope*, October 29, 2016 // <http://www.rferl.org/a/tajikistan-rogun-dam-construction-launched/28082302.html>.

Should the government of Tajikistan pin hope on the successful implementation of the Rogun project as an economic driver? Yes, because if the Rogun Dam is successfully constructed, it could provide stable and sufficient electricity to the population and for export to the neighboring Afghanistan, Kyrgyzstan and Pakistan. In that case, the relationship with Uzbekistan will remain unstable or even get worse. If Rogun is not built, Tajikistan as a landlocked country will as currently remain economically and politically dependent on the neighbors.

Economic development

During 20 years of independence, the Tajik government has passed through a number of barriers and hardships in an attempt to implement steady economic reforms. Tajikistan is highly dependent on remittances. Almost two million Tajiks work as labor migrants in Russia, which made up 42.7% of Tajikistan's GDP in 2014.

“Russian legislation in 2014 put 270,000 Tajikistani workers on the re-entry ban list as of November 2014, reducing paid work opportunities. The number of blacklisted migrants reportedly increased in the beginning of 2015. If those labor migrants return home, they are likely to stay home for up to five years. Furthermore, since January 1, 2015, biometric passports are required for all migrants entering Russia. Also, on January 10, 2015, a new law came into force that bans those found to be staying illegally in Russian Federation territory from reentering for 10 years. These regulations exacerbate the already dire conditions of labor migrants.”⁴²

Nonetheless, the Tajik government managed to minimize the impact of declining remittances and preserved positive economic growth. Tajik authorities started by strengthening economic relations with the international community based on the principles of mutual understanding and

⁴² Catherine Putz, “Tough Times Ahead in Tajikistan,” *The Diplomat*, May 27, 2015 // <http://thediplomat.com/2015/05/tough-times-ahead-in-tajikistan/>.

cooperation with developed countries.⁴³ However, despite a difficult economic period, the country was able to increase the growth by 6.6% in the first half of 2016. Yet the deportation of Tajik migrants from Russia, which are the main source of remittances, is severely affecting the country's GDP. In 2016, the GDP growth rate remains stable at 6% being supported by ongoing industrial development, construction and agriculture.⁴⁴ But poor management of the banking systems and weak service providers make the financial sector quite vulnerable. Some of the main banks in the country are already affected by the crisis situation and are drowned out.

Since independence, remarkable results in terms of poverty reduction have been observed in Tajikistan. Over the period of 2000-2015, the level of poverty decreased from 83% to 31%. The Tajik government set up an ambitious goal to reduce the poverty level further down to 20% by 2020.⁴⁵ Thus, poverty reduction will remain policy priority for the government in the years ahead.

Similarly to all other Central Asian neighbors, statistics in Tajikistan is only an illustration of problems that are deeper rooted in the high level of corruption, e.g. high bribery and nepotism in all governmental sectors. Besides, the governmental and economic structure is not appropriate to the necessary economic development model. These are issues that need to be addressed thoroughly and promptly, as they are main obstacles that hinder the socio-economic development of the country. Structural weaknesses are the second explanation for sluggish economic development of Tajikistan, which is rarely mentioned and discussed.

It should be also emphasized that the global crisis slightly affected the country's main export commodity—aluminum, while cotton exports dropped drastically. Currently, the government of Tajikistan is developing a new National Strategy for 2030 the main goal of which is to improve social and economic wellbeing of the Tajik people.

⁴³ President of the Republic of Tajikistan, "Economy," n.d. // <http://president.tj/en/taxonomy/term/5/14>.

⁴⁴ The World Bank, "Overview," n.d. // <http://www.worldbank.org/en/country/tajikistan/overview>.

⁴⁵ Ibid.

In order to reach the abovementioned goals, Tajik authorities have adopted an open doors foreign policy intending to get into broader international cooperation and sign agreements primarily focusing economic initiatives. According to the Ministry of Economic Development and Trade (MoEDT), the following agreements are on the agenda of the government:

- *“Trade negotiations with the USA regarding removal of the Jackson-Vanik amendment from Tajikistan;*
- *Joining the WTO's Agreement on Government Procurement;*
- *Joining the EU's “Generalised Scheme of Preferences”;*
- *Removal of Tajikistan from the Watch List in 2016 in recognition of Tajikistan's efforts to improve International Property Rights protection and enforcement;*
- *Final step in ratification of the WTO's Trade Facilitation Agreement; - Trilateral transit agreement between Tajikistan-Afghanistan-Pakistan. The main purpose of this agreement is to simplify movement of people, vehicles, transit of goods between the abovementioned three countries;*
- *The CASA-1000 power project has been inaugurated by officials from Afghanistan, Pakistan, Tajikistan, and Kyrgyzstan and the USD 1.17 billion project was unveiled in a ceremony in Dushanbe in May 2016. Afghan Chief Executive Abdullah Abdullah, Pakistani Prime Minister Nawaz Sharif, Tajik President Emomali Rahmon, and Kyrgyz Prime Minister Sooronbai Jeenbekov attended the opening ceremony. CASA-1000, which faces significant obstacles, is scheduled to be completed by 2018.*
- *Bilateral Trade and Economic Cooperation Agreements with China.”⁴⁶*

The government of Tajikistan tries to link two giant projects, Rogun Dam and CASA-1000, which are being supported by international funds. Both projects are funded by the World Bank, Asian Development Bank and other international institutions. Tajik authorities believe that implementation of these two projects will give Tajikistan an important role in the region as an electricity supplier to the neighboring countries as well as trade connectivity. But it is

⁴⁶ Swiss Cooperation Office Tajikistan, “Annual Economic Report” 2015 // http://www.s-ge.com/sites/default/files/WB_1605_E_Wirtschaftsbericht-Tadschikistan.pdf.

important to mention that without reforming the post-soviet economic, energy and banking systems, Tajikistan cannot achieve better results.

Obstacles to Prosperity and How to Overcome Them

Tajikistan's geographical location and political challenges are major causes of its tough relationship with some neighboring countries. Tajikistan faces more obstacles and less flexibility compared to its neighbors to boost trade and obtain other opportunities. But the country has few areas, which give hope for future prosperity. These areas are hydropower, agriculture as well as the mining sector.

With weak economy and political uncertainty Tajikistan faces more challenges in its foreign economic development and security issues. The country is using any opportunity to reduce its dependency on Russia. Its frozen relationship to Uzbekistan is affecting the full scope of economic and political prospects between these two neighbor countries. Notwithstanding, Dushanbe is using other opportunities to break these boundaries, which is directly affecting the economic and socio-political situation. The development of strategically important projects will connect Tajikistan with regional markets and trade channels. To achieve positive socio-economic and political changes in the country, authorities will have to:

- Reform key sectors and institutions: a) financial institutions, including macro and micro investment banks; b) establish a strong monitoring system on implementations of governmental strategic programs under ministries and institutions.
- Identify priority areas where investments need to be directed and financed; agriculture, energy, mining, small business, etc.
- Promote monitoring mechanisms following the National Strategic plan for 2025 in the water management sector. For instance, in January 2016, the Water Sector Reform strategy has been approved by the government with the support of key donors such as the UN, the EU and other international organizations for the periods of 2016-2025.
- Find a way on how to improve the relationship with some neighboring countries. In cooperation with the neighboring countries the government of Tajikistan should use the approach of "Both side Benefits".

TURKMENISTAN'S NEUTRALITY WITHIN THE CONTEXT OF REGIONAL SECURITY AND POLITICS

Svetlana Dzardanova

Turkmenistan adopted its new military defense doctrine in January 2016, a month after celebrating the 20th anniversary of the adoption of its permanent neutrality status. The doctrine, according to president Berdimuhamedov, 'is aimed at strengthening peace across the world, and at the development of friendly, fraternal and good-neighborly relations with all countries'.⁴⁷ Obviously, Ashgabat is now forced to pay more attention to the number of its military forces, its quality and wise, as the attacks on the porous 744 km-long Afghan-Turkmen border increased since 2013. Mass media and a part of the expert community interpret this as the end of Turkmen neutrality. Many hold the view that external security threats can force Turkmenistan to give up, or at least to move away from the positive neutrality status in order to allow enhanced military cooperation on bilateral or multilateral levels.⁴⁸ Hence, the paper analyzes what recent security developments and financial complications entail for the state and regional security. It has a close look at limitations and provisions of the policy and at possible contradictions regarding military build-up and cooperation. In order to better understand both the economic situation and security context in which Turkmenistan operates at the moment, the relationships with the main players, such as China, Russia, US, EU, the four other states of Central Asia and Afghanistan are analyzed in the paper. It also looks at how well the state is prepared to respond to pending security challenges and discusses if positive neutrality is still a viable option for Turkmen foreign policy.

The context and the policy

Considered as one of the most repressive, reclusive, censored states in the world, Turkmenistan was very strategic in alienating itself from all sorts of

⁴⁷ Утверждена новая военная доктрина Туркменистана. Turkmenistan.ru January 26, 2016 //http://www.turkmenistan.ru/ru/articles/41436.html.

⁴⁸ See: <https://iwpr.net/global-voices/taleban-threat-may-tempt-turkmenistan-out>.

imposed cooperation. It found itself uncertainly operating in a very complex post-soviet political and geographical context of a new conflict-prone Central Asia and neighborhood. It needed a strategy for communication and bet on neutrality. United Nations General Assembly Resolution 50/80 formally supported Turkmenistan's path of 'peacefulness and good neighborliness' when the country declared positive neutrality in 1995 soon after gaining its independence. The doctrine's milestones, as written down in the country's law on neutrality, stressed mutual non-interference in domestic affairs and 'territorial immunity and security of borders'. The status allowed using forces for nothing but defense and provisioned no military alliances or blocs. The 'Creation of military bases on its territory or its use by other countries for military purposes'⁴⁹ was prohibited as well. However, the law provisioned no constraints to join any non-military unions or alliances.

The country's geographical location, abundant hydrocarbon resources and the economic "Open Doors" policy and neutrality allowed the Turkmen leadership not only to diversify its economic ties, but to slip away from Russia's influence, while the latter neglected its Central Asian backyard busily bridging to the West. Guided by its foreign policy, Turkmenistan was hardly vocal in any regional cooperation initiative, avoided conflicts with its neighbors and managed to maintain friendly relations with all states. That is why it refused to join both the purely military Russia-led CSTO and the Russia-China platform SCO, which combine economic and military components of cooperation. It also largely ignored CIS summits and later changed its status to that of an associate member. However, in the early years of its independence it was still very dependent on Russia in terms of border protection and military supply. When the Turkmen – Russian agreement on joint protection of borders expired in 1999, Turkmenistan was left alone to deal with the Taliban and other security issues like organized drug trafficking rings and religious extremism.

Religious extremism barely had a chance because of the fact that Turkmenbashi's personality cult and the idea of *Altyn Asyr* (Turkmen golden age) filled the ideology gap, which appeared in all other Soviet republics after the Soviet Union's demise. In contrast to that, drug trafficking posed a real threat to the borders and the population of Turkmenistan, as the country lies on the crossing of the "northern" and "eastern" drug smuggling routes

⁴⁹ Shikhmuradov, Boris. 'Positive Neutrality as the Basis of Foreign Policy of Turkmenistan.' // <http://sam.gov.tr/wp-content/uploads/2012/01/BORIS-O.-SHIKHMURADOV.pdf>.

from Afghanistan to Russia and Europe. Many were involved into trafficking and, according to various estimates; a considerable share of the male population was drug-addicted. Authorities headed by the first Turkmen president Saparmurat Niyazov allegedly profited from the trade and turned a blind eye to the situation, refusing to admit the mere existence of the problem and to commit to formally agreed-upon drug-control cooperative initiatives.⁵⁰ This might be another reason for the relatively smooth relations between official Turkmenistan and Taliban as well as for the refusal of the former to take a more active stand in international anti-terror campaigns. Fearing the open confrontation with Taliban, Turkmenistan was firmly set against opening its airspace and airfields to either warplanes or aircrafts supplying UN-backed ISAF. The emphasis was put on 'the use of its own ground and air transport corridors for humanitarian freight in the course of the anti-terrorist operation in the region'.⁵¹ There were however some accusations of "misuse" of military airfields accessible to US forces, including the airport in Nebit-Dag near the Iranian border, which was reconstructed at American expense'.⁵²

The Big Five

Turkmenistan finds itself prone to both economic and security complications. It was much easier to maneuver and manipulate neutrality when the state was on the vertex of its economic boom. Foreign Direct Investments remain low in Turkmenistan, except of the energy sector. This is partly due to its unwelcoming investor climate, widespread corruption, closed economy, neglected agriculture and strict visa regime. China is the main investor followed by Russia and the two major neighbors Kazakhstan and Uzbekistan. Turkmenistan ranks fourth in the world in natural gas reserves, but exports heavily to China only via an 1100-mile gas pipeline operating since 2009. As of January 2016 Russia unilaterally terminated the contract and stopped purchasing Turkmen gas. In the face of the economic crisis, Turkmenistan is busily involved in a massive buildup for the upcoming Asian Indoor and Martial Arts Games which it hosts in 2017. The brand new bird-shaped airport and Olympic village as well as other pompous projects drain the

⁵⁰ Heroin use poses a growing challenge. IRIN. October 5, 2004 // <http://www.irinnews.org/fr/node/194889>.

⁵¹ Pannier, Bruce. Five degrees of separation: the Central Asia States' positions towards war in Iraq' cited in Luca Anceschi, Turkmenistan's Foreign Policy: Positive Neutrality and the Consolidation of the Turkmen Regime, p.119. Routledge, Central Asian Studies Series, 2008.

⁵² Catherine A. Fitzpatrick, "Turkmenistan: Secret U.S. Base For Afghanistan, Iraq, Iran Campaigns," *Globalresearch*, August 2, 2010 // <http://www.globalresearch.ca/turkmenistan-secret-u-s-base-for-afghanistan-iraq-iran-campaigns/20411>.

government's reserves and make it turn to the pockets of ordinary Turkmen citizens. The government now started deductions in civil servants' salaries and collecting "voluntary contributions" for the upcoming games.⁵³ The Turkmen leadership looks out for reliable outside partners and new clients for its gas to maintain the economic minimum it desperately needs for the above mentioned projects and military build-up. The construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) USD 10 billion pipeline started in December 2015. However, the agreement was signed already in 2010. This gas pipeline is another important regional initiative with which Turkmenistan hopes to improve its murky financial situation. Connecting South and Central Asia, the "peace pipeline" is supposed to boost economies and enhance stability in the region and in participating states.⁵⁴ However, to what extent Turkmen authorities can solve financial challenges which will emerge rapidly from Turkmenistan's responsibility to cover up 55% of the cost of the project is an open question.

China is the undoubted leader in regional cooperation with Central Asia, largely outpacing investments of Russia and other "friends" of the region. It invests in Central Asia and specifically in Turkmenistan. China is its main economic partner and the only reliable creditor. According to the International Monetary Fund, Turkmenistan's exports to China amounted to USD 8.65 billion in 2014.⁵⁵ It is clear that trade and economic influence lie behind China's infrastructural projects in the region, but yet its regional partners and their respective populations benefit.⁵⁶ Chinese companies take an active part in the TAPI project and already won a tender for laying out a gas pipeline on the Turkmen territory. While China promotes integration via the Silk Road Economic Belt, Russia strives to preserve its political influence with different means. "The current Russian policy towards Central Asian states is not focused on new developments and investments in infrastructure; it is focused rather on securing the Soviet legacy and sustaining its engagement

⁵³ Pannier, Bruce. Turkmen Authorities Giveth and Turkmen Authorities Taketh Away, October 5, 2016 // <http://www.eurasianet.org/node/80816>.

⁵⁴ Bhutta, Zafar. Japan, China companies win contracts for TAPI project, August 24, 2016 // <http://tribune.com.pk/story/1169388/energy-supplies-japan-china-companies-win-contracts-tapi-project/>.

⁵⁵ Tajikistan, Turkmenistan Submit to Chinese Capture, June 24, 2016. // <http://www.eurasianet.org/node/79401>.

⁵⁶ Сара Лэйн: Китайские инвестиции в Центральную Азию продолжатся, несмотря на замедление экономического роста. CAAN, June 5, 2016 // <http://caa-network.org/archives/7200>.

in the region in order to continue benefiting from its previous investments and from the region's vast resources by creating supranational structures" Vladimir Fedorenko states in his report comparing the approaches of major players.⁵⁷ The Eurasian Economic Union is also one of the projects with an economic rationale on the surface. However, despite claims that the organization pursues purely economic goals, it has a strong political incentive of creating counterbalance to the West. This ambition scares off some Central Asian partners like Uzbekistan and Turkmenistan, which emphasize their isolationist in nature but pictured multi-vector peaceful foreign policy. Although both Russia and China try to overbalance the Western involvement within the region, they use different, sometimes confronting methods. They increasingly have overlapping ideas for supporting the region, offering the same kind of services. The Chinese approach until recently was limited to purely economic cooperation and it is increasingly moving towards including a security agenda. Existing economic ties as well as prospects for the future make China a more attractive partner than Russia, which sees itself as natural regional hegemon but does not reaffirm its status by actions and investment. While other states offer financial support to enhance Turkmenistan's military capabilities via the OSCE and other programs, Russia tries to do so via promotion of the Collective Security Treaty Organization (CSTO). This is unacceptable for the Turkmen government and goes against the principle of neutrality. At the moment Turkmenistan is sending confusing signals to both Russia and the West first inquiring for military cooperation from US and Russia and then accepting it from neither of them.

The US and EU involvement within the region is insignificant when compared to other main players. The regional trend is also true for Turkmenistan: The West is slowly but surely detaching from the troubled region, leaving it mostly on China's and Russia's shoulders. Costly and largely ineffective presence, promoting democratization, rule of law, civil rights and freedoms in the respective countries poses the logical question of what is next. Military forces are leaving Afghanistan, the US-maintained Manas airbase is closed, the interest is low, and so is investment. The presence, however, will still remain due to a number of reasons. The West wants to keep at least a nominal presence to counterbalance Russia and China. The US-Turkmenistan diplomatic relations started back in the early 90's. There are a number of international organizations in the country and the US has a most favorable

⁵⁷ Fedorenko, Vladimir. The new Silk Road Initiatives in Central Asia. August 2013 // <http://www.rethinkinstitute.org/wp-content/uploads/2013/11/Fedorenko-The-New-Silk-Road.pdf>.

trade agreement with Turkmenistan. It supports the state mainly in empowering forces and counternarcotic divisions, providing English language courses, supporting participation of Turkmenistan soldiers in trainings and workshops abroad. It also works on improving legal and regulatory conditions for business.⁵⁸ With the same motive of counterbalancing the growing influence, Turkmenistan now looks more favorably to the US for military cooperation.⁵⁹ As Turkmenistan is forced to spend more and more on modern weapons procurement, there is certainly a place for competition among producers. The Interim Agreement on trade regulates relationships between Turkmenistan and the EU since 2010. Human rights and freedoms, access to education, legal reforms, regional security and energy are among important topics of their cooperation.

Neighbors

Turkmenistan is a good distant relative in the Central Asian family. It stays aside from regional conflicts and cooperation systems preferring bilateral relations. The country is on good terms with all states in the region and did not have major tensions with neither of them during the period of its independence. With opening the embassy in Bishkek in 2015 it now has diplomatic representations in each Central Asian state. Kazakhstan and Uzbekistan are among natural partners as they border Turkmenistan and have good economic capacities for bilateral exchange. Their relations are mostly smooth and predictable. Uzbekistan is a player to consider at the moment. The transfer of power in the second half of 2016 occurred even more peacefully than in Turkmenistan,⁶⁰ despite voiced concerns. The foreign policy course which President Mirziyoyev decides to adhere will affect bilateral relations that Turkmenistan will have with the most populous country in the region.

⁵⁸ Foreign Operations Assistance: Turkmenistan, Bureau of European And Eurasian Affairs, AUGUST 31 2016 // <http://www.state.gov/p/eur/rls/fs/2016/261456.htm>.

⁵⁹ Kuchera, Joshua. Turkmenistan Asks U.S. For Military Aid To Address Afghan Border Instability, March 27, 2015 // <http://www.eurasianet.org/node/72761>.

⁶⁰ Head of the Turkmen President Security Service, Lieutenant-General Akmyrat Rejepow who was allegedly behind Berdimuhamedov's promotion was first dismissed from his position and then sentenced to 20 years in prison.

Afghanistan is vital for future stability and development in Turkmenistan and the region. The predicted major spill-over of violence has not happened so far, yet regular clashes are an alarming sign for Turkmenistan. Officially Ashgabat adheres to the pragmatic approach to the long-lived conflict in Afghanistan using a combination of military, economic and diplomatic means to counter the growing instability on its shared border. For a long time, the military was neglected, and had only recently been put on the Turkmen spending agenda. The army now actively fortifies Turkmenistan's borders, trains personnel and maintains increased military presence, keeps good relations with Kabul, intensifies its energy and trade cooperation with vulnerable Afghan regions and cooperates with Turkmen militant leaders in Afghanistan.

The ethnic Turkmen minority constitutes approximately three per cent of the Afghan society and mainly lives along the Afghan–Turkmen border in the northwestern provinces of Faryab, Badghis, Jowzjan and Herat. These provinces are barely controlled by the state and are the field of constant clashes between the Taliban, Daesh and government forces resulting in mass casualties for residents that are trapped between the fighting sides. Many try to flee the conflict and cross the Turkmen border but are turned down by Turkmen border patrol. The leaders of the civil militia of these provinces have actively fought insurgency threats coming from Afghanistan to Turkmen borders. In 2014, following major clashes with the Taliban, “ethnic Turkmen villagers formed a militia to keep the Taliban and Islamic state militants from crossing into Turkmenistan”.⁶¹ So Ashgabat is said to not only start sealing the border by constructing new border posts but as a preventive measure also to support Turkmen fighters in order to maintain the buffer zone between insurgency and its armed forces.

Turkmenistan's foreign minister Rashid Meredov paid an “unannounced” visit to northern Afghan provinces to meet local leaders and take a look at the progress of development projects sponsored by Turkmenistan taking place. Then several local northern Afghanistan officials and paramilitary commanders have been invited to Ashgabat in the summer. One received free medical care and voiced hope for continuous support from

⁶¹ Daly, John C. K. Turkmenistan's Neutrality Tested by Instability in Afghanistan August 1, 2014 // <http://www.silkroadreporters.com/2014/08/01/turkmenistans-neutrality-tested-instability-afghanistan/>.

Turkmenistan, although the nature of this support is unclear.⁶² This explicitly reveals the reconsideration of security issues by the Turkmen leadership and suggests its greater involvement in Afghanistan on all levels.

Friendly isolationist

A closer look at Turkmenistan's counter narcotics cooperation provides solid evidence of the country's strategic avoidance of being pulled into the orbit of big powers whenever possible. When the former minister of health and medical industry, Berdimuhamedov, took the office, the issue of drugs was fully acknowledged; the country launched international counter narcotics initiatives. Starting from 2007, Turkmenistan committed itself to fight illegal drugs with different partners and within different structures, such as the UNODC within the Caspian Sea and Turkmen Border Initiatives, EU and UNDP within the Central Asian Drug Action Program and OSCE via numerous training programs.⁶³ However, later Ashgabat started to avoid cooperation with the anti-drug quartet of Afghanistan, Russia, Tajikistan and Pakistan justifying it by other measures it had already been taking.⁶⁴

Turkmen leadership proved to be hard to trick into something it does not want to be part of and it does not consider safe or beneficial for its own regime and international profile. It presently cooperates with a variety of partners on bilateral and multilateral, national, regional and supra-national levels; it participates in more than 40 international organizations as full or associate member or in the status of observer. The UN and the OSCE are still seen as the two key platforms which Turkmenistan takes seriously and continues to collaborate with closely on a variety of issues. Both organizations struggle to support Turkmenistan on its way to a safer and more democratic state, balancing between offering what the leadership wants and demanding to comply with principles they stand for.

⁶² Malikzada, Karima. Turkmenistan getting more involved in northern Afghanistan July 4, 2016 // <http://thekabultimes.gov.af/index.php/opinions/politics/11117-turkmenistan-getting-more-involved-in-northern-afghanistan.html>.

⁶³ Caspian Sea and Turkmen Border Initiatives - A regional role for Turkmenistan November 2008 by the UNODC Regional Office for Central Asia (ROCA) with the support of the Europe, West and Central Asia Unit

⁶⁴ Fitzpatrick, Catherine A. Turkmenistan Struggles to Combat Drugs, November 1, 2011

// <http://www.eurasianet.org/node/64415>.

Turkmenistan joined the UN in 1992 like the rest of the Central Asian cohort. A quarter of a century later achievements of this cooperation still remain quite ambiguous for the UN and somewhat more visible for Turkmenistan. Ashgabat again managed to initiate or take part only in initiatives it deemed beneficial for its international prestige and peace-making profile. One of the most prominent examples is the Ashgabat-based headquarters of the United Nations Regional Centre for Preventive Diplomacy in Central Asia established in 2007.⁶⁵ The Turkmen leadership actively articulates its support for “safe matters”, such as UN conventions on environmental safety, promoting and keeping peace and stability, combating terrorism, organized crime and drug trafficking and initiating energy cooperation. Given its particular interest in energy, the state was behind the adoption of the UN General Assembly resolution “Reliable and Stable Transit of Energy and its Role in Ensuring Sustainable Development and International Cooperation” in December 2008. Yet when it comes to political and civil rights and freedoms in Turkmenistan itself, the UN ‘naming and shaming’ policy failed to achieve any but façade reaction from the authoritarian state.⁶⁶ Numerous reports accuse the Turkmen leadership of inaction on the human rights situation in the country pointing to mass human rights abuses, such as freedom of movement, freedom of expression and access to information, as well as systematic arbitrary detentions and arrests, political and religious repression. There have been no visible measures taken and no progress made in between the first UN initiated review in December 2008 and the one in March 2016.⁶⁷ This comes as no surprise since the UN has limited means of leverage.

Security issues attract increased attention of the Turkmen leadership; actually, it welcomes co-operation in the security field. Article 5 of the Law on Neutrality states that ‘in case of armed aggression against Turkmenistan it is entitled to appeal for help to other states or the United Nations’. Yet, Turkmenistan is largely facing non-conventional threats and urges for a well-thought strategic response and well-trained professional forces. It is said that

⁶⁵ UNRCCA, Background information // <http://unrcca.unmissions.org/Default.aspx?tabid=9305&language=en-US>.

⁶⁵ See: <http://www.payvand>

⁶⁶ See: <http://www.payvand.com/news/04/dec/1167.html>, <https://www.hrw.org/news/2012/03/30/turkmenistan-damning-un-report-shows-need-urgent-action>.

⁶⁷ Review of Turkmenistan Under The International Covenant on Civil And Political Rights, IPHR, March 2016, // http://tbinternet.ohchr.org/Treaties/CCPR/Shared%20Documents/TKM/INT_CCPR_ICO_TKM_23454_E.pdf.

Turkmenistan has moved most of its forces to the border of Afghanistan and prolonged the conscription period in 2016. Turkmen soldiers are encountered with skilled and experienced fighters while lacking sometimes even basic training. Thus the threat, which Turkmen border guards are facing, demands professional rapid response squads instead of 18-year-old conscripts.

The Turkmen leadership increasingly sees the OSCE as a good partner for strengthening its military forces' capacity via a range of tailored trainings the OSCE offers to navy, border security officers and customs personnel. The OSCE Program Coordinator's Office in Ashgabat became a reference point for these kinds of training. At the same time other types of cooperation receive less favorable reactions from the Turkmen authorities.

The OSCE as the biggest regional organization has been involved with Central Asian states since their independence. Turkmenistan became one of the OSCE participating States in 1992 and intensified its activities on the ground. The OSCE Centre was opened in 1999 in Ashgabat. Its mandate focused the Centre's work on the following issues: border management and arms control, fight against terrorism and trafficking in human beings, good governance and rule of law issues, economics and environment, human rights, gender equality, elections and media freedom.⁶⁸

Of course, the OSCE is not the only organization with which Turkmenistan works in order to enhance its military capacity. It joined NATO's Partnership for Peace framework already in 1994.⁶⁹ Turkmenistan was then one of the less active partners of the Alliance, which slightly changed with the international anti-terror campaign. The permanent neutrality status constrained Turkmenistan's involvement to 'exclusively civilian-oriented activities'.⁷⁰ Curiously enough, the new impetus for NATO-Turkmenistan cooperation was provoked by the withdrawal of ISAF from Afghanistan and the increased concern about the ability of the Afghan National Security Forces to ensure security in the country and on its borders with its Central Asian neighbors. The Turkmen concern about unfolding Russia-Turkey tensions, the Ukraine crisis

⁶⁸ See: <http://www.osce.org/ashgabat>.

⁶⁹ Relations with Turkmenistan, NATO // http://www.nato.int/cps/ru/natohq/topics_50317.htm?selectedLocale=en.

⁷⁰ NATO's relations with Central Asia, NATO // http://www.nato.int/cps/en/natohq/topics_107957.htm.

and the annexation of Crimea cannot be neglected in this regard. Russia sends out mixed signals to its Central Asian partners and takes an aggressive stance in dealing with its foes. All these developments push Turkmenistan closer to its far-away Western partners. Since 2014 Turkmenistan and NATO have increasingly put on joint appearance in news. NATO-sponsored country visits, discussions, trainings, conferences and high-level events became frequent as both see mutual interest in deepening security cooperation. During all relevant events Turkmen authorities keep emphasizing “Ashgabat's neutral status and transparent foreign and defense policies, saying that these have helped it gain the trust of its neighbors and allowed it to act as a platform facilitating the prevention and resolution of conflict”.⁷¹ It continues its systematic work on projecting its peaceful and constructive approach to regional and global security and promoting itself as a valuable partner for its international counterparts. Turkmenistan served as a host for numerous international forums on humanitarian aid and peacemaking in Afghanistan. International organizations' engagement in Turkmenistan is still limited to formal presence and interactions both due to their low interest in the region and to the fact that Turkmen government is disinterested in letting more cooperation happen as it fears losing total control over its own territory and population. Only a major scourge could possibly force it to acting more prominently than it does now and giving up neutrality principles, which are the basis of its political vector. It will therefore uphold to its status in the coming future even faced with growing security issues. The escalating security threats at the moment and the near future perfectly explain the necessity for Turkmenistan to cooperate with its international partners including NATO, OSCE and regional powers. This cooperation is most likely to intensify even further at least on the surface level and may result in growing military purchases and training but will not lead to loosening the neutrality status.

Priority Policy Directions for Turkmenistan to Focus On

Turkmenistan skillfully alienated itself from the region to the point where it is difficult to count it in for anything but geography. It declared positive neutrality and Open Doors as two main hallmarks of its foreign policy. The status is a unique opportunity for a small state like Turkmenistan surrounded by a turbulent neighborhood and close to a regional hegemon to keep away

⁷¹ Turkmenistan and NATO hold forum on regional peace and stability, NATO // http://www.nato.int/cps/ru/natohq/news_117959.htm?selectedLocale=en.

from major problems. Neutrality is used wisely for security and as a comparative advantage for international acknowledgement and cooperation.

The government is not that easily tricked by big players and skillfully plays cards of both the natural resources and neutrality for its regime survival. Considered not a friend, yet not a foe either, it was a reliable and attractive partner for massive international investments in its lucrative hydrocarbon sector. With prices going down on the energy market and Russia turning away from its long-term partner, Turkmenistan is left with only one buyer of its gas, China. The situation is dangerous as it means switching from one big player to another. Turkmenistan was dependent on Russia until 2009 and now it is increasingly dependent on China for loans, investments and gas purchases. Given this growing dependency, the Turkmen president pays tribute by taking part in the summit of the Shanghai Cooperation Organization in Uzbekistan in 2016 where he was invited as a special guest.⁷²

Turkmenistan can still be considered a quite understandable and predictable partner because its power is extremely personalized. It was very unlikely that presidential elections in Turkmenistan in February 2017 would result in any surprising outcomes, so the Turkmen leadership went ahead to regulate this issue beforehand. Constitutional changes now allow President Berdimuhamedov to rule for an unspecified number of terms, meaning he will be there for very a long time as leader of the nation and guarantor of development and investment projects.

The rapidly changing global and regional security landscape push Turkmenistan to actively seek military cooperation, fortify its borders and increase spending on its forces and armament procurement. However, many players may worry about Turkmenistan's military capability to withstand the insurgency attacks and its isolation from security providers such as Russia. President Berdimuhamedov has recently gone on several country visits and summits to make sure he is backed up by the major players. In search of both the security models and partners during his last exchange with German

⁷² President of Turkmenistan Gurbanguly Berdimuhamedov took part in the summit of Shanghai Cooperation Organization MFA, November 08, 2016 // <http://www.mfa.gov.tm/en/news-en/4541-president-of-turkmenistan-gurbanguly-berdimuhamedov-took-part-in-the-summit-of-shanghai-cooperation-organization>.

Chancellor Merkel he mentioned the “need to improve the model for our police force and perhaps also [to] rely on the German model”.⁷³ The unpredicted results of the US presidential elections also leave many issues open now as new leadership headed by Donald Trump might not be in favor of continuous support of the region that Turkmenistan enjoyed to the moment.

It is high time for Turkmenistan to focus on its forces' human capacity and enlarge its cooperation within the framework of its positive neutrality status. As a participating state of the OSCE it could easily enhance its cooperation with the Border Management Staff College in Dushanbe, Tajikistan. The college is embedded in the structure of the OSCE Centre in Tajikistan and was established in 2009. It offers trainings and support to all participating states and partners for cooperation. The opportunity should be fully utilized by the Turkmen leadership as it started to pay attention to its pending border issues. What should be made clear is that Turkmenistan will not switch from its defensive to an offensive mode and will not use its forces for anything but protecting its own borders. The country will go at great lengths to preserve its status even if it means paying the price of enlarging its armed forces.

The prospect of a full-fledged open conflict between Afghanistan and Turkmenistan is negligible as both countries are interested in preserving friendly relations. But one cannot underestimate the threat posed by the Taliban and various terrorist groups on the territory of Afghanistan. They ignore the border between the two states, and are thereby checking on the capability of Turkmen troops. In economic terms, it is difficult to predict any major positive shifts as Turkmenistan has missed an opportunity to diversify the economy and focused mainly on market diversification. No changes are anticipated in terms of public policy investments in education, agriculture and industry, as Turkmenistan is busy with a construction boom. This tendency is even more alarming when considering falling gas prices, total financial dependence on China and presently almost non-existent trade-relations with Russia. Turkmen leadership has already backed itself into a corner and has few options for maneuver in case it will continue neglecting such self-evident

⁷³ Pressekonferenz von Bundeskanzlerin Merkel und dem Präsidenten Turkmenistans, Gurbanguly Berdimuhamedow, Die Bundesregierung August 29, 2016 // <https://www.bundesregierung.de/Content/DE/Mitschrift/Pressekonferenzen/2016/08/2016-08-29-pk-merkel-berdimuhamedow.html>.

issues as its poorly managed resource-driven economy, corruption and security demands.

STABILITY OVER PROSPERITY AND SECURITY OVER DEVELOPMENT IN UZBEKISTAN

Farkhod Aminjonov

In the early years of independence, Islam Karimov, the first President of Uzbekistan, came up with five main principles, which were supposed to ensure security, stability and prosperity in the country—the so called “Uzbek model of development”. The model is based on the step-by-step reforms avoiding “shock therapy” in transition to a market economy and providing social stability in the country. The five principles, highlighted by the President in his book titled “Uzbekistan – Its own way towards transition to the market economy” in 1993, were the following⁷⁴:

- a) De-idealization of the economy;
- b) The state is the main reformist and reforms are implemented not for the sake of reforms, but for the people;
- c) Supremacy of law;
- d) Providing socio-economic security to the people, in which the state ensures at least the minimum support to those who live close to the poverty line;
- e) An evolutionary manner of transition to a market economy.

Tracing the achievements of the country along the line of those principles over a quarter century, authorities bring up official statistics on the annual economic growth, life expectancy, increase of the industrial production etc. However, what is presented as a unique in its nature “Uzbek model of development” can rather be characterized as a “paradox of the Uzbek way of development”. And the paradox is the mismatch between (a) what the authorities claim the country has achieved, (b) socio-economic conditions that reflect the reality, and (c) those security and economic needs that the government has to provide to the people. The paradox lies in asking the wrong question. The question authorities should be asking is what Uzbekistan could have achieved, but failed to, during a quarter of century. The closed and oppressive nature of the regime does not allow any sort of independent assessment of the real situation in Uzbekistan. Yet there are reports by

⁷⁴ Islam Karimov, *Узбекистан – своеобразный путь перехода к рыночным отношениям*, 1993.

international organizations and NGOs that point out deteriorating living standards in the country where the authorities are generally not accountable to the public. The government frequently emphasizes economic initiatives as drivers of stability and prosperity. Unfortunately, the actual policy pursued by the authorities indicates that in Uzbekistan stability is being prioritized over prosperity and security undermines development. Short-term oriented, state-centric and isolationist policies of the government ensure immunity to external shocks and, to some extent, predictability in the pace of socio-economic development. Yet the long-term prosperity cannot be achieved by focusing extensively on security-centered policies. While there are signs that the new leadership might try opening up the country to the international community, including immediate neighbors, and initiate some political and economic reforms, security measures will continue to be a priority for the regime in the near to long term perspective.

Obsession with security and stability

Authorities as well as the ordinary people seem to be completely obsessed with stability in the country and that is why the concept of stability is used to justify the status quo. The dominant rhetoric is that while the region and the whole world are in turmoil, people live in peace and stability in Uzbekistan. The government justifiably takes credit for this. The new leadership has also made it very clear that security would remain among priority areas for Uzbekistan. President Shavkat Mirziyoyev in one of his first speeches highlighted that “We [people of Uzbekistan] must guard our priceless treasure -- peace and tranquility -- like the apple of our eye. It's no secret that forces exist who want to destabilize [the country], sow hatred and conflicts and even spill blood.” He proposed to fight off the threats by strengthening ethnic and inter-faith harmony as well as the rule of law.⁷⁵ Independence is Uzbekistan's greatest achievement and there will be no tolerance towards both domestic and foreign forces, threatening sovereignty of the country.⁷⁶ At the same time, the on ground situation suggests that the importance of the security forces and law enforcement mechanisms is not going to decrease. Despite the fact that the new leadership initiated the first ever law on police in Uzbekistan, which describes in detail the rights and duties of the police

⁷⁵ Maksim Yeniseyev, “New Uzbek president vows to strengthen security,” *CARAVANSERAI*, September 21, 2016 // http://central.asia-news.com/en_GB/articles/cnmi_ca/features/2016/09/21/feature-02.

⁷⁶ «Мирзиёев: Попытки посягнуть на суверенитет и независимость Узбекистана будут жестко пресекаться,» *UzDaily*, September 9, 2016 // <http://www.uzdaily.uz/articles-id-29691.htm>.

officers,⁷⁷ at the moment there are no signs that there will be major changes in the government's security policy priorities until 2040.

In fact, the government could easily loosen up the security strings. Even though the impact of non-traditional security threats has significantly diminished, authorities still keep the illusion of the danger coming from terrorism or religious extremism alive. Uzbek authorities have built the strongest security apparatus and, to a large extent, effective counter-terrorism mechanism, mainly in response to only a couple of terrorist attacks back in 1999 and 2004, which claimed around 50 lives.⁷⁸ Major terrorist groups, such as the Islamic Movement of Uzbekistan and Vakhabits, were successfully pushed off and almost entirely fled the country. Yet it is still in the interest of the authorities to keep the discourse of escalating and ongoing threats, because security forces fighting terrorism also ensure regime security in Uzbekistan. Thus, as long as (the illusion of) non-traditional security threats are present, authorities can justify the necessity for a small army of security forces and their extensive mandate. The new president will probably stick to the previous discourse in which Uzbekistan is perceived to be surrounded by countries highly vulnerable to conflicts and being constantly under the target of the terrorist and extremist groups, which requires high alert by the authorities and strengthened security measures.

Economic “miracle” in Uzbekistan

Among major achievements of the government's economic initiatives, authorities keep emphasizing the success of anti-crisis measures that secured the Uzbek economy from external shocks, of the development of small and medium size businesses boosting industrial production by reducing the share of the agricultural sector, and of establishing an independent energy system, thus building self-sustaining economy.

⁷⁷ Maksim Yeniseyev, “Uzbekistan adopts first-ever law on police,” *CARAVANSERAI*, September 9, 2016 // http://central.asia-news.com/en_GB/articles/cnmi_ca/features/2016/09/27/feature-01.

⁷⁸ Joanna Lillis, “Uzbekistan: US Embassy Targeted by Firebombs,” *Eurasia.net*, September 30, 2015 // <http://www.eurasianet.org/node/75306>.

The Uzbek economic “miracle” is measured by two main criteria: (a) Uzbekistan’s economy enjoys relative independence. Because the economy is largely immune to external factors, Uzbekistan did not experience negative consequences of the global financial–economic crisis of 2009 and the recent oil/gas prices drop to the extent that other neighboring countries did; and (b) Uzbekistan is showing 6–8% of economic growth on an annual basis.⁷⁹

The government justifiably takes credit for the achievements in the country for a quarter century: maternal and child mortality have respectively decreased by 3.2 times and 3.4 times; average life expectancy has increased from 66 to 73.5 for men and up to 76 years for women; the share of the industrial sector in the economy boosted from 14% up to 34%; and, even despite global financial–economic crises, the annual economic growth in the country accounts for 6–8%.⁸⁰

However, all those achievements that Uzbek authorities call a progress, many analysts refer to as relative stagnation. The nature of the regime makes it quite challenging to study the extent of fragility of the economic and social situation in Uzbekistan. But there is clearly a trade–off between liberal ideas and values to build strong civil society and stable trade dynamics on the one hand, and security measures to protect the political regime and rent–seeking economy on the other.

There are, however, a number of controversies in describing socio–economic conditions in Uzbekistan. The share of the industrial sector in the overall balance of the GDP has steadily been increasing and increased to 33.8% in 2015 from 17.6% in 1990. The service sector now fills up 54.5% of the budget, which is an 11% increase compared to the early years of independence.⁸¹ At the same time, despite the steadily developing economy, over 10% (less than 3 million) of the population seeks employment abroad. The government

⁷⁹ Rustam Rakhimov, “Узбекская модель развития - основа процветания страны,” *Jahon*, n.d. // <http://www.uzembassy.kz/ru/article/uzbeks-kaya-model-razvitiya---osnova-procvetaniya-strany-->

⁸⁰ “Опубликовано поздравление Президента народу Узбекистана,” *Gazeta.uz*, August 31, 2016 // <https://www.gazeta.uz/ru/2016/08/31/independence>

⁸¹ Rustam Rakhimov, “Узбекская модель развития - основа процветания страны.”

reports 4–5% unemployment in the country. Independent surveys state the much higher rate of 20%.⁸²

The share of the agricultural sector, which constituted almost one third of the budget input in 1991, dropped down to 16.6% in 2015.⁸³ The water intensive agricultural sector is decreasing, but distribution of transboundary water is still a major source of tensions among Central Asian upstream and downstream countries.

Development of small business and private entrepreneurship, for example by attracting foreign investment, is the priority area as claimed by the government. This sector currently covers up 56.7% of the budget inflow.⁸⁴ Private sector workers comprise 76.5% of the employed population in the country. However, Uzbekistan does not enjoy favorable conditions for doing business, even compared to its neighbors. The World Bank's Doing Business 2016 report placed Uzbekistan 87, where Kazakhstan is listed 41, Russia 51, Azerbaijan 63 and Kyrgyzstan 67. For the Ease of Doing Business Index of the World Bank, Uzbekistan is ranked 141st out 185 countries.⁸⁵ One may wonder why, being a priority sector in the government's development strategy, the private sector and small business are not Uzbekistan's strongest side in an international comparison. And why would so many people try their chances in the private sector when the business climate puts them in constant struggle for survival. The possible explanations are that there is no alternative to it (large industries or agricultural sector) or local entrepreneurs adapt to doing business in an environment of economic, political and social barriers. These same "adaptation" attempts will most likely remain a major approach dealing with the barriers in the medium term perspective.

"From Strong State to Strong Civil Society" is a logo put forward by the authorities when they set the course towards building a democratic state. Apparently, either Uzbekistan is still on the way to building a strong state in

⁸² Paul Stronski, "Uzbekistan at Twenty-Five: What Next?" <http://carnegieendowment.org/2016/03/21/uzbekistan-at-twenty-five-what-next-pub-63083>.

⁸³ Rustam Rakhimov, "Узбекская модель развития - основа процветания страны."

⁸⁴ *ibid.*

⁸⁵ Paul Stronski, "Uzbekistan at Twenty-Five: What Next?"

order to begin the transition to civil society, or the strong state (security wise) does not want to promote independent civil society, which could undermine the supremacy of the government. Expenditures on the social sector have grown from 31% in 1991 up to 59.2% in 2015.⁸⁶ The fact that civil society is largely supported by the government and represented by government organized NGOs raises many concerns because it is less likely that the authoritarian regime will successfully implement democratic reforms using governmental NGOs.

New Uzbekistan? Reliable Partner?

“We will remain firmly committed to our policy of being open, good neighbors and pragmatic towards our closest neighbors: Turkmenistan, Kazakhstan, Kyrgyzstan and Tajikistan,” Mirziyoyev said in his recent speech.⁸⁷ This foreign policy direction is in line with the principles, which were initially promoted by Islam Karimov, but still largely remain on paper only. In reality, in its foreign policy Uzbekistan sticks to the principles of: supremacy of national interests; non-interference into internal affairs of other countries; distanced and balanced (non) cooperative dynamics with all external actors; prioritizing bilateral arrangements over multilateral negotiations. Uzbekistan will continue to pursue the policy of non-alignment with any military or political blocs, and will not allow the construction of military bases by foreign powers, at least in the coming two decades.

There is a bit of a hope for warming up the relationships between Uzbekistan and its neighbors, Tajikistan and Kyrgyzstan, especially in resolving energy–water nexus problems, with the new Uzbek leadership coming to power. The analysis of the Central Asian states’ energy policy priorities, however, illustrates that intra-Central Asian energy cooperation is no longer a priority. Uzbekistan considers itself capable of entirely meeting its electricity as well as gas/fuel needs. Within the framework of its National Development Programs, Uzbekistan prioritizes “stability”—a status quo in energy and water consumption.⁸⁸ Any project that brings major changes to the status quo is considered to be compromising stability and, thus, unacceptable. The Uzbek government’s inflexible position regarding the construction of the Rogun and Kambarata–1 is a clear example of its static energy/water policy. Despite the fact that the lack of intraregional energy cooperation is to some extent

⁸⁶ Rustam Rakhimov, “Узбекская модель развития - основа процветания страны.”

⁸⁷ Maksim Yeniseyev, “New Uzbek president vows to strengthen security.”

⁸⁸ Government of the Republic of Uzbekistan, *Investments*, <http://www.gov.uz/en/business/invest/1175>.

negatively affecting the energy security of Uzbekistan, it continues to avoid addressing water-energy nexus problems in Central Asia. It is primarily because the current water distribution, in which Uzbekistan accounts for over 50% of water withdrawal, the amount necessary to cultivate high quantities of water-intensive cotton and wheat, perfectly suits its interests.⁸⁹ Islam Karimov warned to take action, including force, against any serious interference with the current level of water withdrawal in the region.⁹⁰ The new leadership has not reacted to Tajikistan's decision to officially launch the construction of the Rogun dam on October 29, 2016. Silence from the Uzbek side does not necessarily imply changing the position towards large hydropower projects in the region. Its geographical location and inherited energy infrastructure turned Uzbekistan into an extremely important actor, without whom any initiative to improve Central Asian energy cooperation will most likely fail. Over the last years, however, Uzbekistan has been using its infrastructural as well as geographical advantage for other purposes than to improve the energy security of the country and the region as a whole. It is quite possible that without negotiations on the regular basis, the water-energy nexus challenges might compromise the new phase of friendly relations again in the near future.

Personal factors and the fact that Islam Karimov did not get along with some of the leaders have often been placed in the center of interstate tensions in the region. Thus, with the new leadership an opportunity arises for both Uzbekistan and its neighbors, with whom overall relationships have been fragile for years: to promote cooperative dynamics in such areas as trade, energy security, transport corridors development and coordinated actions to fight security threats. Recent exchanges of visits headed by high-level officials between Uzbekistan on the one hand, and Kyrgyzstan and Tajikistan on the other, give some hope for the emergence of a new phase of cooperative dynamics in the region. The relationships will be tested during the first year after the presidential elections, which are scheduled for December 4, 2016. If regional actors succeed to reach at least common understanding of the priority issues to be dealt with, the following decade might be characterized by attempts to strengthen relationships.

Engaging with International Community

⁸⁹ Jenniver Sehring, *The Politics of Water Institutional Reform in Neo-Patrimonial States: A Comparative Analysis of Kyrgyzstan and Tajikistan* (Springer Science & Business Media, 2009), 71.

⁹⁰ Fuel Energy Sector Transparency Initiative in Kyrgyz Republic, "Kambaratinskie Strasti (Kambarata passion)," *Energoforum*, December 10, 2012 // http://www.energoforum.kg/index.php?act=view_material&id=374.

The international community praises Uzbekistan's high rates of economic growth and contribution to stability in the region, which is largely based on isolationist policies. Yet one of the primary priorities of the most active international institutions in the region — the Asian Development Bank and World Bank — is to promote regional cooperation to boost intra-regional trade, extend the transport infrastructure in order to turn the region from a land-locked into a land linked one, solve the problem of unequal distribution and seasonal variation of energy supplies. Uzbekistan, however, is not only acting like a “lone wolf”, but is negatively affecting the overall cooperative dynamics in the region.

The strategies adopted by these organizations focus on economically effective initiatives and distinguish between those that require domestic investments and those that can be realized through cross-border investment measures in which Uzbekistan is placed as a hub.⁹¹ Tensions in the relationships among Central Asian countries over some major issues (water, energy, and border) force regional state actors to pursue policies, which distance them from each other. As a result, despite the strategic significance of improving security and boost economic development through regional cooperation, Uzbekistan prioritizes local- and country-level development projects in its policies. Since both the Asian Development Bank and the World Bank usually respond to governments' requests to assist in the implementation of projects, which are usually local in nature, it is not surprising that local projects constitute the absolute majority of the Central Asian Regional Economic Cooperation initiatives.⁹² The Central Asian Regional Economic Cooperation has recently adopted a strategy towards 2020, in which all the member organizations will be focusing on implementing regional projects in the areas of transportation, energy and trade. Unless those institutions get support of the Uzbek government in promoting regional cooperation, all the projects are less likely to move forward. Uzbek representatives have paid several visits to the neighbors and returned the favor by hosting them. Yet, despite numerous statements by the Central Asian leaders regarding the importance of the regional cooperation, no party has taken legal obligations for promoting cooperative dynamics so far.

⁹¹ Strategy for Regional Cooperation in the Energy Sector of CAREC Countries.

⁹² Ilkhom Teshabaev, Personal Interview, ADB Project Manager in Uzbekistan, Tashkent, Uzbekistan, June 20, 2013.

From Vision to Reality: Policy Measure to Ensure Future Prospects

Uzbek officials seem to have a vision of where Uzbekistan should be heading to and what goals it should pursue. But to actually achieve those policy objectives, authorities might need to apply an innovative approach and should concentrate on how to implement initiatives in the years to come.

1. When a leadership is changing, it is a pretty common practice to introduce new reforms which indicate the beginning of a new era of prosperity. Uzbekistan is not an exception. Even though the new president declared that Uzbekistan will be following the domestic and foreign policy course set by Islam Karimov, most likely he will come up with new initiatives. On paper, however, socio-economic development initiatives are already well thought through. Therefore, development and improving living standards in Uzbekistan may result from the government's greater emphasis on the implementation of existing initiatives. Shavkat Mirziyoyev has issued a decree on boosting entrepreneurship, protection of private property and improving business climate.⁹³ While the document bears policy significance, major challenges arise from informal factors affecting small private business, which could be effectively addressed even within existing legislation. New reforms are needed, but they should be supplementary to improving enforcement mechanisms.
2. For a long time Uzbek authorities have established stability by control mechanisms and police force. They should focus on long-term stability, which may only be secured by sustainable socio-economic conditions. There has to be a clear-cut separation of security/stability-focused policies from those on socio-economic development, with priority on the latter.
3. The Uzbek model of development suggests step-by-step reforms for the transition to a market economy. Liberalization of the entire economy

⁹³ “Больше свободы бизнесу: комментарий к указу и. о. Президента” *Gazeta.uz*, October 5, 2016 // <https://www.gazeta.uz/ru/2016/10/05/comment/>

would arrive at costs which the Uzbek budget can hardly afford at the moment. However, prosperity might be achieved faster and at lower costs by using “shock therapy” in certain sectors such as tourism, telecommunication development and introduction of new technologies, attracting foreign investments, automobile industry, etc. This may result in slow liberalization of strategic sectors of the economy, which are now controlled and managed by the government, including oil and gas extraction and processing, the energy sector, gold mining, cotton industry, etc.

4. One of the key features of the Uzbek evolutionary transition to the market economy is the state as the primary actor: it takes full responsibility for the implementation of the reforms. However, sometimes, the state has proved to be unwilling or incapable of performing its duties in all aspects of the economic, political and social development. In this regard, there is an urgent need for facilitating governance mechanisms, that implies going beyond the state as the only or the most important actor in promoting civil society and private entrepreneurship, addressing water–energy nexus challenges and many other aspects of domestic and foreign policy of Uzbekistan.

5. Prioritizing intra–Central Asian cooperation is not mutually exclusive with Uzbekistan’s foreign policy concentrated on increasing cooperative dynamics with external actors. Uzbekistan’s strategic geographical location in the heart of the Central Asian region, extensive industrial production capacity, developed agricultural and textile industries, and transport infrastructure turned the country into a hub for mutually beneficial intra–Central Asian trade and cooperation. Due to its extensive energy production and refining capacities, along with complex energy transportation networks linking all countries together, Uzbekistan served as a guarantor for stability and sufficiency of energy supplies. Despite its important role for the sustainable development of the region, at some point national interests started dictating a myopic isolationist policy that is tearing the whole region apart. Visits of Uzbek top level officials to the neighboring Tajikistan and Kyrgyzstan give some hope for future prospects in at least engaging in the dialogue to address regional problems.

AFGHANISTAN: AN ASSET OR LIABILITY FOR CENTRAL ASIAN NEIGHBORS?

Hekmatullah Azamy

Located at the crossroads of Central, South and Southwest Asia, Afghanistan has a geostrategic importance for economic integration and stability in the broader region. Its location can be an asset or a liability for the country itself and its immediate and regional neighbors. Decades of insecurity in Afghanistan have turned the country into a liability in the region. Permanent violence in Afghanistan has invited transnational militants including Central Asians and Russians to seek safe sanctuaries in the country and use it as a launch-pad for their operations across the greater region. These foreign Jihadists have entrenched presence in Afghanistan and developed stronger relations with local militants. They do not only pose a security threat to Afghanistan and their home countries, but in particular Central Asian militants also facilitate drug trade that originates from Afghanistan and “successfully” crosses Central Asia reaching all the way to Russia and Europe.

At the cusp of what is dubbed Afghanistan's transformation decade (2015-2024), the Afghan government has promised to return the country into its historical role as a regional trade, transit and transport hub – particularly by serving as a land bridge connecting energy-rich Central Asia with energy-hungry South Asia. To serve this purpose and in order to make Afghanistan an asset for the region, the country has initiated and is pushing for the implementation of major transnational transport and energy projects, including Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline; CASA-1000 electricity transmission from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan; Turkmenistan-Afghanistan-Pakistan electricity transmission known as TAP-500 KV Line; Lapis Lazuli Corridor – aimed at connecting Afghanistan to the Caspian, the Mediterranean, and the Black Sea through Turkmenistan, Azerbaijan, Georgia, and Turkey and promoting connectivity of these countries. The Five Nations Railways Corridor will connect China, Kyrgyzstan, Tajikistan, Afghanistan and Iran; and the “Sino Afghan Special Railway transportation” connects Afghanistan and China via Kazakhstan and Uzbekistan. In all of these initiatives, Central Asia is inevitable.

Afghanistan and the countries which are involved in these projects have signed many agreements and set several deadlines, but they appear difficult

to be met. Two key challenges undermine the implementation of these projects. The first is obviously insecurity in Afghanistan. The second factor, consequently, is Central Asia's hesitation to be engaged and to actively support Afghanistan – fearing it would expose the region to more threats – and its response to the threat by placing more border protection. Afghanistan's Central Asian neighbors have strict border measures; particularly Uzbekistan that blocks all outbound goods from Afghanistan. Even the “Special Train” project of China and Afghanistan could not be completed as Uzbekistan only allows goods from China to Afghanistan and refused China-bound goods from Afghanistan. Not only stability in Afghanistan is a prerequisite to unleash these opportunities but political will and cooperation from Afghanistan's Central Asian neighbors is also imperative.

The success of Afghanistan's transformation decade depends on the support which the country will receive from its neighbors particularly in Central Asia. Future cooperation and relations between the two will also depend on the security situation in Afghanistan, Central Asia's own interest in the country and Afghanistan's relations with key regional players including Russia and China, who hold certain leverages in Central Asia.

Relationship of Afghanistan and Central Asia Since 1991

Figure 4 Afghanistan Administrative Divisions⁹⁴



⁹⁴ Afghanistan Administrative Divisions // http://www.longwarjournal.org/archives/2011/04/isaf_captures_top_is.php

Today's Central Asian Republics – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – were part of the Soviet Union from 1922 to 1991 and gained independence after the Soviet Union collapse. Since then, Afghanistan's eight northern and western provinces share over 2,000 kilometers border with Tajikistan (1,344 km), Turkmenistan (744 km) and Uzbekistan (137 km).⁹⁵

As Central Asian countries declared independence in December 1991, the communist-backed government of Najibullah was in power in Kabul, but it collapsed in April of the following year. The newly independent states and Afghanistan were most likely unable to establish friendly ties at the states level in only four months. Subsequent to President Najibullah's government, civil war emerged between seven Mujahideen factions in Afghanistan and Burhanuddin Rabbani – who merely had control over parts of the capital Kabul and was president from 1992 to 1996. During this period, Afghanistan's three Central Asian neighbors had different approaches towards the situation in the country.

During an interview in August 2016, Rafiullah Niazi, Director of Regional Studies Centre at the Academy of Social Sciences of Afghanistan, explained that Uzbekistan had been supporting the Afghan Uzbek militia commander Abdul Rashid Dostum and his party during the civil war. Turkmenistan and Tajikistan, however, were hesitant to take sides in Afghanistan although president Rabbani sought support from these states. Niazi believes that the civil war in Tajikistan and the non-interference policy of Turkmenistan kept the countries from interfering in the Afghan civil war before the Taliban appeared.

When the Taliban emerged in 1994 and took control of Kabul from President Rabbani two years later, Uzbekistan and particularly Tajikistan revisited their Afghan policies. The Taliban regime was internationally isolated and the international community, including all five Central Asian states, did not recognize the Taliban. Pakistan, Saudi Arabia and United Arab Emirates were the only countries which recognized the Taliban.

Denying recognition was not the only response of Uzbekistan and Tajikistan to the Taliban; the two countries were also actively opposing the student movement and provided assistance to anti-Taliban elements in Afghanistan. Previously, Uzbekistan supported Dostum because of his ethnicity and his

⁹⁵ “Central Asia and Afghanistan: A Tumultuous History”, Stratfor, 24 September 2013 // <https://www.stratfor.com/analysis/central-asia-and-afghanistan-tumultuous-history>.

relation to Uzbekistan, but in the post-1996 era, the country continued supporting Dostum mainly due to his anti-Taliban campaign.

Tajikistan followed suit. Niazi said Tajikistan had been assisting the Rabbani-led Northern Alliance (NA) against the Taliban. The NA was formed after Taliban captured Kabul and brought together former Mujahideen key leaders including Rabbani, Ahmad Shah Masoud, Dostum, Marshal Qasim Fahim and Abdullah Abdullah to fight the Taliban from a united front and was active in Panjshir and parts of the Badakhshan and Takhar provinces.⁹⁶ Niazi believes that it was because of Tajikistan's support that the Taliban could not capture these areas. They shared a border with Tajikistan and the country could easily deliver support to the militia alliance.

Moreover, Tajikistan served as a hub for assistance from the anti-Taliban alliance in the region. In late 1990s, India built a hospital in an airbase in Tajikistan to provide medical treatment to wounded NA fighters.⁹⁷ Because it was difficult to send supplies to the NA via Afghanistan, even Iran was supporting its allies in the NA through Tajikistan.

Unlike Tajikistan's and Uzbekistan's, Turkmenistan's policy in Taliban-controlled Afghanistan lay primarily in the pursuit of its economic interests. Ashgabat intended to deliver energy to South Asian markets via Afghanistan and needed friendly ties with the Taliban and supporters of the movement – who were controlling 90% of Afghanistan by 1999.⁹⁸ To serve this purpose, Taliban Foreign Minister Mawlawi Wakil Ahmad Mutawakil and his Turkmenistan counterpart, Boris Shikhmuradov, decided launching TAPI in 1997.⁹⁹

Maintaining neutrality, Turkmenistan also offered to mediate between the Taliban and the NA. On 2 March 1999, Shikhmuradov visited Kandahar and met with Taliban founding leader Mullah Muhammad Omar to convince the movement to hold talks with the NA in Ashgabat.¹⁰⁰ To improve ties, Shikhmuradov and Mullah Omar also discussed the release of Afghans held in Turkmen jails. There were reportedly 5,000 Afghans detained in Turkmenistan

⁹⁶ "Who are the Northern Alliance?" *BBC*, November 13, 2001 // http://news.bbc.co.uk/2/hi/south_asia/1652187.stm.

⁹⁷ William Dalrymple, "A deadly Triangle: Afghanistan, Pakistan and India", *The Brookings*, 25 June 2013 // <http://aa61a0da3a709a1480b1-9c0895f07c3474f6636f95b6bf3db172.r70.cf1.rackcdn.com/content/research/essays/2013/deadly-triangle-afghanistan-pakistan-india-c.html#section5>.

⁹⁸ "World: South Asia Afghan factions agree to direct talks," *BBC*, March 4, 1990 // http://news.bbc.co.uk/2/hi/south_asia/290476.stm.

⁹⁹ Tahir Khan, "TAPI's construction crucial for entire region", *Express Tribune*, 19 December 2015 // <http://tribune.com.pk/story/1012463/tapis-construction-crucial-for-entire-region/>.

¹⁰⁰ "Newline - March 4, 1999", RFE/RL, 4 March 1999 // <http://www.rferl.org/content/article/1141856.html>.

and most of them were accused of drug charges.¹⁰¹ As a goodwill gesture, Ashgabat released 450 of them. The former Taliban deputy minister Allah Daad Balkhi recently told the author that the rest were either high profile drug traffickers or already executed.

The Taliban agreed with Turkmenistan's proposal and met with NA members in December 2000.¹⁰² United Nations representatives were also present in the meeting.¹⁰³ There was, however, no breakthrough. Balkhi blames Russia, Uzbekistan and Tajikistan for spoiling the process.

Taliban Response and IMU Relocation to Afghanistan

In response to Uzbekistan's and Tajikistan's support to the NA, the Taliban began hosting Central Asian militants and the newly established Islamic Movement of Uzbekistan (IMU). Juma Namangani and Tahir Yuldashev co-founded the IMU in August 1998 with the aim of overthrowing the secular government of President Islam Karimov and establishing an Islamic state in Uzbekistan.¹⁰⁴ Even before forming the IMU, Namangani and Yuldashev were calling for an Islamic revolution and a Sharia-based government in Uzbekistan and were active in the Fergana Valley, Namangan region, in the early 1990s.¹⁰⁵ After the Uzbek government's crackdown against Namangani and his followers, he fled to Tajikistan in 1992 and participated in the Tajik civil war in support of the Islamic Renaissance Party of Tajikistan against the government of President Rahmon Nabiyev.

Until this point, the Afghan factor in militancy in Central Asia was very weak. Afghanistan or the Taliban played no role in the IMU's creation. However, when the civil war ended in Tajikistan in 1997, Namangani was urged to leave the country and he relocated in Afghanistan. Choosing Afghanistan as an alternative sanctuary made sense for the IMU and the Taliban, because of ideological proximity and their common enemy. In November 1999,

¹⁰¹ "Following a Meeting with Taliban Leader," March 4, 1999 // <http://www.rferl.org/content/article/1141856.html>.

¹⁰² "Turkmenistan facilitates Inter-Afghan negotiations", The Jamestown Foundation, 14 December 2000 // http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=22646&tx_ttnews%5BbackPid%5D=214&no_cache=1#.V8K_VGX4NFI.

¹⁰³ Ibid.

¹⁰⁴ "Pakistan's 'fanatical' Uzbek militants", BBC News, 11 June 2014 // <http://www.bbc.com/news/world-asia-27801257>.

¹⁰⁵ Ahmad Rashid, "They're only sleeping", The New Yorker, 14 January 2002 // <http://www.newyorker.com/magazine/2002/01/14/theyre-only-sleeping>.

Namangani with 600 IMU members set up military bases in Balkh, Takhar and Kunduz provinces in the north of Afghanistan.¹⁰⁶

Interviewed for this paper, a former Taliban minister in Kabul said that providing safe sanctuaries happened for two main reasons. First, it was a strategy to pressure Uzbekistan and Tajikistan to give up their support for the NA. Second, Taliban felt obliged to host their Mujahideen brothers including Central Asians and al Qaeda in Afghanistan who were also fighting alongside the Taliban against the NA.

IMU's relocation to Afghanistan proved to be vital for the group's future and resulted in the expansion of its mandate from fighting only Uzbekistan to fighting all Central Asian governments. This motivated fighters from all Central Asian states to join the IMU. Its manpower was reportedly around 3,000-4,000 fighters at that time.¹⁰⁷ The Taliban leadership treated IMU's leader Juma Namangani with high respect. A senior Taliban leader informed the author in early 2015 that Taliban's supreme leader Mullah Omar appointed Namangani head and coordinator for all "foreign fighters" in Afghanistan. The IMU was also important for facilitating drug trafficking from Afghanistan into Central Asia and beyond.

In Afghanistan, the IMU also forged strong relations with al Qaeda and was recipient of large financial assistance from Osama Bin Laden. The Islamic Jihad Union, an IMU offshoot, was created to support al Qaeda's global jihad in early 2002.¹⁰⁸

The US invasion of Afghanistan in 2001 that toppled the Taliban regime brought the IMU into its knees. It lost hundreds of members including Namangani who was killed in November 2001 in the Kunduz province resisting the US-led invasion.¹⁰⁹ Together with remnants of Taliban and al Qaeda, the IMU moved to the lawless Federally Administrated Tribal Areas (FATA) in Pakistan after the Taliban regime collapsed. In the FATA, already well acquainted with the Afghan Taliban, the IMU quickly developed ties with

¹⁰⁶ Ahmad Rashid, "Jihad. The Rise of Militant Islam in Central Asia", 2002

¹⁰⁷ Antoine Blua, "Central Asia: Is The IMU Still A Threat To Regional Security?" January 23, 2004 // <http://www.rferl.org/content/article/1051302.html>.

¹⁰⁸ "Mastermind behind German Terror Plot: Jihad Leader Reported Killed in US Drone Attack", Spiegel, 18 September 2009 // <http://www.spiegel.de/international/world/mastermind-behind-german-terror-plot-jihad-leader-reported-killed-in-us-drone-attack-a-649978.html>.

¹⁰⁹ Ian Traynor, "Al-Qaida ally reported killed", The Guardian, 26 November 2001 // <https://www.theguardian.com/world/2001/nov/26/afghanistan.iantraynor>.

Pakistani militants and underwent a resurgence recovering from the heavy losses which it had sustained.

Local Pakistani Taliban were divided over the IMU's bases in the South Waziristan region of FATA. An Afghan intelligence General said that some elements like Mawlawi Nazir within Pakistani Taliban opposed the presence of IMU as they were fighting the governments of Afghan and Pakistan indiscriminately. He said Nazir's fighters even clashed with IMU militants at the behest of the Pakistani security establishment. The Afghan General informed that some IMU members subsequently took shelter in the Mehsud area where the future Tehreek-e-Taliban Pakistan (TTP) leader Baitullah Mehsud welcomed the IMU while others were forced to return to the Zabul province in the South of Afghanistan and to other northern regions of Afghanistan.

From its safe havens in FATA, the IMU carried out a deadly attack on Karachi International Airport the 8 June 2014. In response, Pakistan launched the operation Zarb-e-Azb a week later and pushed all IMU and other anti-Pakistan foreign militants out of North Waziristan in FATA. Afghanistan once again became a crucial sanctuary for the IMU.

IMU, Taliban and Daesh: Current and Emerging Threat to Central Asia and Afghanistan

After the US invasion of Afghanistan, the IMU-Taliban alliance was based on a "marriage of convenience" which was required to work under the former in Afghanistan. The IMU was free to pursue its own agenda in Central Asia and beyond. The IMU enjoyed safe sanctuaries in Taliban controlled territory and supported Taliban military campaigns in return. IMU fighters were regarded the elite force among the militants and supervised all Central Asian and Russian militants in Afghanistan. In May 2015, security officials told the author that 5,000 and 7,000 Central Asians were fighting in the IMU, mostly in Northern Afghanistan, close to their home countries. Taliban insiders believe that Central Asians fought especially tough against US troops in the South and Southeast provinces in 2009. Claiming its activities only limited to Afghanistan, the Taliban leadership was hesitant to publically support IMU fights in Central Asia.

The Zarb-e-Azb operation against the IMU and Taliban coincided with the emergence of the Islamic State (Daesh aka Islamic State in Iraq and Syria). Daesh officially declared its expansion into the Afghanistan-Pakistan region in January 2015 and declared the region including Afghanistan, Central Asia, Pakistan, Iran and parts of China its Khurasan province. The IMU saw an

opportunity to rebrand and, sharing Salafi and global Jihad ideology with Daesh, pledged allegiance to it. IMU also eyed on receiving financial support from Daesh headquarters and on a leadership role in Daesh-Khurasan.

Daesh emergence and the IMU siding with the group caused greater concern not only for Central Asia, Russia and Iran but also for the Taliban. The IMU and Taliban initially avoided confronting each other over Daesh. Countering Daesh influence became an important agenda of the Taliban during its annual spring offensive codenamed “Azm” in April 2015. The Taliban shifted focus from its traditional strongholds in the South and East to Northern Afghanistan to prevent the Daesh-affiliated IMU from gaining autonomy. As an attempt to court both Taliban and Daesh, the Islamic Jihad Union (IJU) – an IMU’s offshoot – put its weight behind the Taliban and al Qaeda. The IMU was not a Taliban target until the group supported Dadullah Mansur, a dissident Taliban commander opposing Mullah Akhtar Muhammad Mansur as Mullah Omar’s successor. Akhtar Mansur authorized the killing of IMU leader Usman Ghazi and his Taliban host Dadullah Mansur in the Zabul province in November 2015. Moscow and Tehran had reportedly supported the Taliban’s anti-Daesh campaign. In late 2015, reports surfaced that Russian President Vladimir Putin met Taliban former leader Akhtar Mansur in Tajikistan to discuss an anti-Daesh alliance.¹¹⁰

Daesh is struggling to gain foothold in Afghanistan and fights several state and non-state actors. Since July 2015, Daesh’s average monthly fatality rate is 180 with the highest casualties suffered in January, February, and June 2016. Despite heavy casualties, Afghan officials warn that the number of Daesh fighters is increasing. The fact that Daesh is managing to remain operational, though at small-scale, tells about its future and prospects for imprinting itself on Afghanistan and expand beyond. If Daesh grows in strength in Afghanistan, this will pose grave security concerns to Central Asia, particularly due to the presence of Central Asians within the group’s ranks. Their number decreased after Usman Ghazi was killed in Zabul, as most of the IMU fighters rejoined the Taliban. However, some Central Asians joined Daesh in Nangarhar province. In August 2016, a senior security official affirmed that around 100 women and children of IMU fighters were transferred from Zabul to the Daesh bastion in Nangarhar.

¹¹⁰ “Taliban leader gains Vladimir Putin’s help at ‘secret meeting’”, The Australian, 28 December 2015 // <http://www.theaustralian.com.au/news/world/the-times/taliban-leader-gains-vladimir-putins-help-at-secret-meeting/news-story/c212a1f20b685fae034c63ea7b0cdb89>.

Taliban leader Akhtar Mansur pursued a zero-tolerance policy towards Daesh and his rival Taliban groups. After taking the helm in June 2016, thus replacing Mansur, Haibatullah Akhundzada reconsidered key strategies of the group and diverted his attention and resources from internal fighting or countering Daesh to fight the Afghan government. Such a scenario is taking Afghanistan into the violent fiefdoms of Daesh and Taliban. Ideological differences aside, the two groups will have their own territory over different geography and will fight from two separate fronts against a common enemy, the Afghan government. This is an alarming development threatening security in Afghanistan and Central Asia. IMU fighters reluctantly fight alongside the Taliban, still prefer Daesh and will very likely rejoin the latter when the group gets stronger. In addition to Daesh, al Qaeda's attempts to revive itself in Afghanistan could become another security concern in Central Asia as the group has a history of ties with the IJU.

Daesh also regards Afghanistan and Central Asia an important local financial source particularly because of opium. According to the 30 October 2014 SIGAR report, Afghanistan produces more than 90 % of the world's opium, providing employment for over 400,000 people, which is even more than the Afghan armed forces provide.¹¹¹ A UN report of November 2014 indicates that the country's opium harvest increased by 17 % between 2013 and 2014, becoming the largest crop on record, while the year before (2012 -2013) saw a 36 % increase that valued at over USD 3 billion.¹¹² However in 2015, for the first time there was a 19% decrease in opium cultivation due to natural reasons that affected Taliban finances. The Afghan Deputy Minister for Counter Narcotics Javid Ahmad Qaeem informed the author in an interview that the opium cultivation was expected to rise sharply in 2016.

Around 5 % of the opiates produced in Afghanistan are consumed within the country¹¹³ while the rest is smuggled to other countries. There are three established global trafficking routes out of Afghanistan. The "Balkan route" passes through Iran and Turkey westward via South-Eastern Europe to Western and Central Europe. The "southern route" crosses through Iran or Pakistan towards destinations in Europe, Africa, the Gulf States, China, and North America (Canada primarily). The "northern route" crosses via Central Asia to

¹¹¹ Special Inspector General for Afghanistan Reconstruction, Jan 30, 2015. Quarterly Report to the United States Congress // <http://www.sigar.mil/pdf/quarterlyreports/2015-01-30qr.pdf>.

¹¹² United Nations Office on Drugs and Crime, Nov 2014, "Afghanistan Opium Survey 2014: Cultivation and Production" http://www.unodc.org/documents/crop-monitoring/Afghanistan/Summary_Findings_FINAL.pdf.

¹¹³ "Afghanistan: Drug Trafficking and the 2014 Transition", Congressional Research Service, 9 May 2014.

Russia and finally Europe.¹¹⁴ It is reported that at least 25% of all drugs from Afghanistan cross through Central Asia.¹¹⁵

Not only the Afghan government and its international partners have failed to fight drugs in Afghanistan but Central Asian states are also unsuccessful in intercepting the flow of opiates that goes via Central Asia. Afghan officials tracking the flow of drugs believe that over 90 % of opiates crossing Central Asia reach its destination successfully and that the seizure volume is very low. Corrupt officials and law enforcement agencies in Tajikistan and Kyrgyzstan are widely believed to be colluding with traffickers to facilitate the illicit drug trade.¹¹⁶

Countries like Tajikistan, which is among the weakest and the most vulnerable¹¹⁷ to the threats from Afghanistan, rely on help from Russia which shares the security concerns resulting from the situation in Afghanistan and wants to use this as an opportunity to maintain military and political influence over Central Asia. Russia (also on behalf of Central Asia) approaches the threat from Daesh and IMU teaming up with the Taliban.

In March 2015, Abdul Hakim Mujahid, who was Taliban's ambassador to the United Nations during its rule in the 1990s, and first deputy of the Afghan High Peace Council (HPC), for the first time informed the author that Taliban and Russians met to establish contacts. The relations were at an initial stage and both sides kept silent. In September 2015, when the Taliban captured Kunduz city in the north of Afghanistan, the group published a statement assuring Central Asia that they would not pose any threat to Afghanistan's neighbors. The next month, reports surfaced that Russians met in Tajikistan to strengthen relations against Daesh.¹¹⁸ Recently, the Russian special envoy for Afghanistan also confirmed the establishment of contacts with the Taliban.

Russia's (and some Central Asian countries') alignment with the Taliban against Daesh cannot be a way forward. Taliban leadership may assure Central Asia, Russia or any of Afghanistan's neighbors that its operations are

¹¹⁴ "World Drug Report 2015" United Nations Office on Drugs and Crime (UNODC) 2015.

¹¹⁵ "The social impact of Afghan drug trafficking in Central Asia", Asia Times, 13 July 2016 // <http://atimes.com/2016/07/the-social-impact-of-afghan-drug-trafficking-in-central-asia/>.

¹¹⁶ "The social impact of Afghan drug trafficking in Central Asia", Asia Times, 13 July 2016 // <http://atimes.com/2016/07/the-social-impact-of-afghan-drug-trafficking-in-central-asia/>.

¹¹⁷ <http://www.bbc.com/news/world-asia-24397109>.

¹¹⁸ "A Taliban-Russia Team-Up Against ISIS?", The Daily Beast, 26 October 2015 // <http://www.thedailybeast.com/articles/2015/10/26/a-taliban-russia-team-up-against-isis.html>.

only limited to Afghanistan, but the group field commanders are not ready to give up supporting transnational militants based in Afghanistan, as it is their religious duty to help foreign Jihadists in their campaign. That is why Taliban and al Qaeda have been establishing relations for decades. Moreover, Taliban and Daesh are likely to forge an alliance. Once gaining a foothold in Afghanistan, Daesh aims to turn the country into its regional headquarters and use it as its launch-pad for its operations in South and Central Asia regions.

Afghanistan's Transformation Decade and Its Ties with Central Asia

After the 9/11 attacks, the US and its international partners paid significant attention to Central Asia partly because the former considered the region important for its engagement in Afghanistan. Central Asia supported the US-led NATO mission by allowing US warplanes to use airbases in Kyrgyzstan and Uzbekistan that resulted in ousting Taliban from power in late 2001. Most of the US-led NATO forces' supplies were delivered into Afghanistan via Central Asia. However, Central Asia, despite shared interests and concerns with the Afghan government, failed to foster closer ties with Kabul and its role in post-Taliban Afghanistan was quite passive.

Afghanistan has entered its "Transformation Decade" (2015-2024) and Kabul sees all its neighbors, particularly those in Central Asia and China, as key stakeholders in this. The way the "Transformation Decade" develops will not only be fundamental for the future of Afghanistan, but will also have great impact on that of the region. Moreover, the transformation decade will decide whether Afghanistan remains a liability, a safe haven for militants operating throughout the region and the world's largest producer of opiates; or can make use of its location to become a regional trade and transit hub.

Regional connectivity and integration particularly between South and Central Asian countries via Afghanistan is one of the top priorities of the National Unity Government (NUG) since its creation in September 2014. President Muhammad Ashraf Ghani's administration has so far made promising progress towards materializing this vision.

In December 2015, after signing a Memorandum of Understanding (MoU), President Ghani joined leaders from Turkmenistan, Pakistan and India to launch the construction work of the 1,814 km historical TAPI pipeline to be completed by 2020. TAPI gas pipeline will transmit around 33 billion cubic meters of gas from Turkmenistan to Afghanistan, Pakistan and India over the next three decades. The construction and operation of TAPI will generate

thousands of jobs in participating countries and Afghanistan will receive around USD 400 million as the transit fee from the project.

In May 2016, Afghan Chief Executive Abdullah Abdullah, Pakistani Prime Minister Nawaz Sharif, Tajik President Emomali Rahmon, and Kyrgyz Prime Minister Sooronbai Jeenbekov inaugurated the CASA-1000 power project. Scheduled to be completed by 2018, the CASA-1000 involves building a 1,222-kilometer power-transmission line to carry 1,300 megawatts of electricity from hydropower plants in Kyrgyzstan and Tajikistan into Afghanistan (300 MW) and on to Peshawar in Pakistan (1,000 MW).¹¹⁹ Similarly, in December 2015 President Ghani, Pakistani Prime Minister Nawaz Sharif and the President of Turkmenistan, Gurbanguly Berdimuhammedov, signed a Memorandum of Understanding on the export of electricity from Turkmenistan to Pakistan via Afghanistan. The project called Turkmenistan-Afghanistan-Pakistan 500-kV Line (TAP-500) is proposed to go through Western and Southern Afghanistan.

There are some infrastructure and connectivity projects related to the pipelines – also expected to be completed during the decade of transformation – that would help Afghanistan to reduce its substantial reliance on Pakistan for its trade with the world. The Lapis Lazuli Corridor is one of such projects that aim to connect Afghanistan to the Caspian, the Mediterranean, and the Black Sea through Turkmenistan, Azerbaijan, Georgia, and Turkey.¹²⁰ In March 2016, President Ghani said “in as little as three years from now, the railroad could allow goods to reach Europe within five days via the Caspian Sea”.¹²¹ As mentioned above, the Five Nations Railways Corridor connecting China, Kyrgyzstan, Tajikistan, Afghanistan and Iran and the “Special Train” project connecting Afghanistan and China via Kazakhstan and Uzbekistan are two other important economic schemes that Afghanistan is hoping to implement in partnership with Central Asia, China and Iran.

In addition to these Afghanistan-Central Asia projects, Afghanistan, India and Iran have also agreed on building the Chabahar seaport in Iran’s southeastern Sistan-Baluchestan province along the Gulf of Oman. Chabahar offers an opportunity not only to Afghanistan to have land-sea access to India but can also be used for trade between India, Central Asia and beyond. It was proposed in 2003 but delayed primarily due to sanctions which

¹¹⁹ “CASA-1000 Power Project Inaugurated In Tajikistan”, RFE/RL, 12 May 2016.

¹²⁰ Abubakar Siddique, “Five Projects That Can Change Afghan Destiny”, Gandhara Website of Radio Free/Radio Liberty, 26 January 2016 // <http://gandhara.rferl.org/a/afghanistan-economic-projects/27511706.html>.

¹²¹ Lucy Westcott, “Afghanistan’s Big Project: A Train to Europe”, News Week, 26 March 2016 // <http://www.newsweek.com/afghanistans-big-project-train-europe-317064>.

the US imposed on Iran over its controversial nuclear program. In May 2016, Afghan President Ghani, his Iranian counterpart Hassan Rouhani and Indian Prime Minister Narendra Modi signed a three-way transit agreement on Iran's southern port of Chabahar.

The decade of transformation in which all of these projects are scheduled to be completed faces some denting challenges, and collective efforts are necessary to address them. Insecurity – now exacerbated with the emergence of Daesh – tops the list followed by drugs and, consequently, violence. Russia's strategy of supporting the Taliban in response to Daesh is not a way forward. Moscow and all regional countries have to put their weight behind the Afghan government and play an active role in fighting the common threats including drugs. Moreover, militancy in Afghanistan is regional in nature and requires a regional approach. Strict border measures have failed so far as they could not prevent its spillover to Afghanistan's neighborhood. For the last 15 years, the Afghan government was fighting militants of all types indiscriminately with almost zero support from Russia and Central Asian neighbors. Afghanistan, Central Asian states, Russia and China need to cooperate by sharing intelligence and conducting joint military exercises and border patrols. The Afghan government has sought military assistance from Russia and China but it does not request it from Central Asian states as it understands that they have their own problems.

Finally, Central Asia and Russia can support Afghanistan to become a full member of the Shanghai Cooperation Organization (SCO). The full membership of SCO would allow Afghanistan to use this platform for building consensus towards regional cooperation and fighting against the menace of militancy and drugs. Future relations of Central Asia and Afghanistan will also depend on whether the latter can gain support from Russia and China.

CONCLUSIONS

Despite the fact that the Central Asian region still remains on the periphery of the major geopolitical processes in the world, and is characterized by relative stability, the analysis highlights certain existing and emerging security and development challenges, which require immediate responses. Without doubt Central Asian countries, to different extents, have overcome security and economic obstacles caused by the collapse of the Soviet Union. While Central Asian authorities justifiably take credits for certain achievements in their respective countries, long-term progress requires an entirely different approach, which focuses on missed opportunities instead of official statistics showing positive changes.

In an environment that lacks transparency and accountability, Central Asian governments often create an illusion of unprecedented prosperity. And authorities often worry about climbing the ladder in the regional and global rankings rather than focusing on internal social, security and economic issues and improving peoples' wellbeing. In the future, however, the governments' ambitions will require support from the people, eventually encouraging the former to pay greater respect to domestic challenges as well as opportunities. Matching the level of prosperity that authorities claim their countries have achieved with the real life socio-economic conditions is a difficult task to accomplish, but a necessary one if Central Asian states set the course towards long-term stability.

Authorities are obsessed with security in the region. While there are security risks threatening stability in Central Asia, governments should refrain from sacrificing economic prosperity for the sake of maintaining stability, by pursuing, for instance, external shocks resistant isolationist policies. Stability, largely dependent on security measures, will pay off in the short-term. Such stability, however, cannot be maintained in the long-run, unless it is backed by socio-economic development.

Though certain reforms are needed to promote socio-economic development, an entirely different approach from the government side is necessary. Authorities continuously promote new reforms in all areas of

development, as if quantity led to more effectiveness of the initiatives. Yet, low capacity of the state institutions to enforce existing laws and weak social-capital remain major obstacles along the way towards achieving positive outcomes.

Despite newly emerged prospects for intra-Central Asian cooperation, the analysis highlights that authorities will most likely continue to prioritize policies securing their short-term national interests, even at the expense of resolving regional security and development challenges, thus focusing on bilateral relations with external actors and largely neglecting multilateral cooperation with their immediate neighbors. In this regard, the regional level water-energy nexus will remain a major issue determining cooperative or conflicting dynamics among Central Asian states, turning the region either into a prosperous land-linked region or an underdeveloped land-locked one. Switching from the security mode into development and economic cooperation mode has to go beyond merely intra-Central Asian relationships, and encompass Afghanistan. Central Asian countries' foreign economic and security policies regarding Afghanistan will either turn the latter into a liability—a safe haven for militants operating throughout the region, or into a transit hub for mutually beneficial cooperation. Besides political and security threats the key points for future development and prosperity in Central Asia and Afghanistan lie in greater socio-economic prospects.

Complete neutrality is no longer an option for the region. Even Turkmenistan is now forced to (a) engage in wider cooperation with major security providers such as Russia, China, US; (b) open the country to external investments so that not to fall into complete dependence on China; (c) promote cooperation with such organizations as the OSCE and SCO; and, (d) extent (non-energy) trading dynamics with the neighboring states and regional markets.

Regional actors pursue multi-vector and diversification oriented foreign policies. Yet, not all of them succeeded in establishing balanced and pragmatic relationships with greater powers competing for influence in Central Asia and Afghanistan. Relatively weak economies and faint political influence limit Central Asian authorities' capability to influence regional integration processes and force them to go along with the system, which is established by major powers to secure their interests. The analysis of Kyrgyzstan's participation in major regional and global entities reveals the overall impact of union memberships on weaker states' economies. States join integrative initiatives to promote their interests within wider trading

dynamics. They underestimate, however, the importance of domestic economic reforms, which could strengthen their positions by improving local businesses' ability to produce competitive goods with high added value.

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