

CENTRAL ASIA, THE CAUCASUS, AND 21st CENTURY SECURITY

The Caucasus and Central Asia, where Eurasia joins South Asia and the Middle East, look vulnerable. Burdened by inadequate, but authoritarian governance, ethnic conflict, economic challenges, corruption, and other difficulties, none of the region's states is succeeding. Cooperation among them is stunted, and global connections, except in energy, are little developed. New strategies are needed. These countries need to fashion more cooperative relations among themselves, and they need more effectively to be drawn into the global system and economy. The Atlantic Council's Black Sea Energy and Economic Forum aims to support this work.

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Great conflicts and security challenges of the 20th century took place in Europe and Asia. Since 2001, Afghanistan and Iraq have been leading preoccupations for foreign policy and security planners East and West. But other states in the region where Eurasia grinds up against South Asia and the Middle East –especially in Central Asia and the Caucasus– look vulnerable. No state in this region is really succeeding. They are variously burdened by inadequate and often authoritarian governance, immense economic problems, corruption, environmental, social, security, and other challenges. Institutions are weak and highly personalized. Only Armenia has recently witnessed anything akin to a transition of power through the ballot box, and even that was contested. Interstate and interethnic conflicts abound. Connections with the outside world remain limited aside from the energy ties that Azerbaijan and Kazakhstan have forged. Relations among regional states are limited as well, and not just because of interstate issues. Trade, investment, security cooperation and genuine political dialogue –even after twenty years of independence– seem stunted. It is not unfair to say that long-term stability remains a goal, not a state of being for the Caucasus and Central Asia. This region could be a global nightmare, if not flash-point, in ten, twenty or thirty years' time.

To address this region's failings and ensure that future world leaders do not find themselves obsessed with instabilities and conflicts in these out-of-the-way places –or, worse, find themselves drawn into them– greater engagement, cooperation and collaboration with and among these countries is urgently needed. These efforts should aim to create a new sense of community and common destiny, emphasize trade and economic ties as a way to put political legacies of the past into a better context, take advantage of the region's comparative advantages as the bridge between Europe and Asia, and otherwise develop practical ways of working together more. Turkey, Russia, China, the European Union and the United States should find supportive ways to work with the Caucasus/Central Asian countries – not in a domineering or zero-sum way, but in favor of prosperity, stability, security, and freedom.

The break up of the Soviet bloc twenty years ago was the 20th century's last cataclysm of global scope. It redefined international affairs just as developments coinciding with the end of World War II laid foundations for the following four decades. If East-Central Europe was affected in dramatic ways by the collapse of Soviet power, the republics of USSR –now independent states almost by a turn of fate– were completely upended. Only a quixotic few dreamed of independence before *perestroika* and then disorder in the Gorbachev years; now they were saddled with it. Completely new state systems had to be created out of nothing. Armenia, Azerbaijan and Georgia had but extremely limited modern histories of

independence after Russia's collapse in World War I. In Central Asia, the problem was worse, as not one of the new states had a modern history of independence at all. In both places, borders were little demarcated and problematic for ethnic and other reasons. Area countries' Soviet-based, centrally-planned economies collapsed when cut off from *GOSPLAN* and *GOSSNAB*¹; they had no ready way, or even much conception of how, to convert to markets. From the start, interstate cooperation fell victim to these problems, personal grudges and rivalries among leaders, and the requirements of new statehood that for obvious reasons emphasized particular countries' interests, rather than what they might have in common. Twenty years on, the states of the Caucasus and Central Asia seem to have accomplished a lot – and, at the same time, only a little. A big success is that they still exist. It was not obvious in 1991-1992 that they would last long. New governing institutions were created. Seeds of economic success were planted, some countries being more successful at this than others. New militaries were created, and countries gained a measure of control over their borders – again some more successfully than others, as occupied chunks of Azerbaijan and Georgia testify, for example. Some sense of nationhood is now palpably evident virtually everywhere in the region, and nostalgia for the Soviet period that was still noticeable especially in Central Asia even in the late 1990s seems now to have faded away almost completely.

Despite these and other achievements, it would be highly misleading to consider Central Asia and the Caucasus broadly successful. While “failing” may be too strong a term, each country in the region faces grave problems and challenges. Ethnic issues have gotten worse in more countries than not. Thanks to the nightmare that is Afghanistan, drug traffickers and terrorists have brought new economic and security dislocations to the region. Many countries combine low-quality governance with authoritarianism or worse. Leadership succession looms in several countries, but mechanisms for transferring power are unclear – except that the process will most likely be opaque and, at best, only ratified by voters after the insiders have worked everything out. Poverty, poor climates for doing business, corruption and autarky, especially *vis-à-vis* neighbors, are the norm. Emigration and/or the temporary flow abroad of people in search of jobs are serious problems in most of the region's countries; so is an overdependence on remittances in many. Stable, in any genuine and long-lasting sense, the Caucasus and Central Asia are not.

- Kyrgyzstan was savaged in 2010 by violence to overthrow a corrupt and tyrannical government (for the second time in a decade) and then among its ethnic Kyrgyz and Uzbek citizenry. Fractious political leaders are now attempting to

¹ GOSPLAN and GOSSNAB were the Soviet State Committees for Planning and Supply, respectively. They managed the Soviet economic system.

govern through a parliamentary system that has no history or tradition; its success remains to be demonstrated. Division, political scheming, corruption and very unresolved ethnic issues cloud the country's prospects. Kyrgyzstan's economy is foundering, including because of its neighbors' pressure tactics.

- Tajikistan's most dysfunctional period took place during the 1990s civil war, but extensive poverty, weak governance, corruption, drug trafficking, terrorist violence and other issues make the country's prognosis highly questionable. Some Central Asia experts consider it more vulnerable to collapse than Kyrgyzstan. Cooperation on water and other issues with neighbors is poor – though this is not all Dushanbe's fault. President Emomali Rahman is essentially the only leader that independent Tajikistan has ever had, and a leadership succession struggle, when it comes, seems likely to provoke a crisis.

- Turkmenistan survived the cult of personality established by its last Soviet-era leader and first president, Saparmurat Niyazov. Its features included sometimes bizarre governance, hermit-like isolationism, and deep dependence on Russia for the export of natural gas, the country's most saleable export. Fol-

lowing Turkmenbashi's death in 2006, backroom deals engineered a transfer of power to the country's current leader, Gurbanguly Berdymukhamedov. Stranger excesses of the Niyazov era have been trimmed back. New gas development and export arrangements to China and Iran have reduced the country's dependence on Russia. But it remains poor, backward, remote and removed from the world. Perhaps somewhat more than others throughout the region, Turkmenistan looks stable largely in a pre-2011 Tunisian way: it could last a long time, but might not.

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- So does Uzbekistan. This country never had its neighbor's bizarre attributes, but an outstanding trait seems, in some eyes, to be the absence of genuine political change since the Soviet era. Even more than elsewhere in the region, direct or indirect state control of the economy suffocates business initiative; one regional banker privately called Uzbekistan's the worst climate for investment of all the former Soviet states. Tashkent often seems chauvinistic toward its neighbors and highly cautious about cooperating with them, as frequent, repeated border closures demonstrate. Relations with the West, Russia and China are stiff and

limited. The country's first and only president, Islam Karimov, turns 74 in January 2012. No model for or experience in transition exists. Expectations may already be building in the country about what change at the top might mean.

- Kazakhstan is relatively prosperous for Central Asia. Oil wealth has given Astana's leaders choices others did not have. Spending on education, infrastructure, economic development and to clean-up environmental and other legacies of the Soviet era is one result. Interethnic issues have been well managed, but the culture of freedom is weak. The government is authoritarian, sometimes benevolently, but at other times brutally so. Kazakhstan has a larger circle of foreign investors than elsewhere in Central Asia, but the economy's commanding heights remain in the hands of the state or those who lead it. Independent Kazakhstan's only president, Nursultan Nazarbayev, is 71. More visible work than elsewhere has been done to cultivate a new generation of potential leaders, but no established mechanism for succession exists in this country, either.

- Like Kazakhstan, Azerbaijan has similarly benefitted from energy riches and similarly suffered from authoritarianism, the cloistering of economic wealth in a few, favored hands, and a weak culture of freedom. Poverty in the countryside remains extensive. The conflict with Armenia over Nagorno-Karabakh limits the country's economic potential, distorts its politics, and saps public morale. It is difficult to see Azerbaijan –or Armenia– really succeeding as prosperous, stable, secure and at least democratizing states until Nagorno-Karabakh is resolved. President Ilham Aliyev succeeded his father, Heydar Aliyev, in an election after the latter's death in 2003. Succession at the top is not an obvious, immediate issue – except in the important sense that elections in Azerbaijan have never been judged free and fair. But a remarkable share of the top people under the president date back to the Soviet period and/or were installed after Heydar Aliyev's return to power in 1994, a fact which poses problems of its own.

- Armenia faces the same problems of poverty, a difficult and corrupt business climate, weak, but authoritarian governance, and the lack of a culture of freedom. Political space seems constricted, if not violent. Armenia's prospects are compromised by the militarization and isolation that flow from the unresolved Nagorno-Karabakh problem. Too many citizens are pessimistic about the future of their country – and so have left it. Political transitions have all been dodgy. Independent Armenia's first president, Levon Ter-Petrossian, was essentially overthrown by his prime minister, Karabakh leader Robert Kocharian, in 1998. While Kocharian's successor, Serzh Sarkisian, did gain the presidency through the ballot box, his victory was tainted by allegations of irregularities and post-electoral violence.

- Georgia's foreign policy and military failures with the Abkhaz, South Ossetians and Russia constitute its big tar babies, all the more since the August 2008 war gave Tbilisi's early-1990s *de facto* loss of territory at least a semi-permanent character. (The reintegration of Adjara in the south was a more positive development.) The Rose Revolution was welcomed in the West for good reasons, but one thing it represented was a third consecutive transfer of power by means other than the ballot box. An improved business climate and a strong campaign against corruption hold promise for leading the country in better directions, but the Russia problem and the state of Georgia's interethnic problems remain deep, almost impossible problems.

A startling lack of cooperation further comprises the region and its states' futures. That they did not want to work together upon achieving independence was to some extent understandable. So is the lack of cooperation between, for example, Azerbaijan and Armenia. But little-developed cooperation between Georgia and Armenia or between Kazakhstan and Uzbekistan is harder to justify. As these countries head into their third decade of modern independence, strategies that disregard one's neighbors and the region no longer make sense.

Trade and investment ties among the Caucasus/Central Asian countries are minimal. Between 2001 and 2006, only Russia and Turkey had more than three regional partners that accounted for more than five percent of their total trade. By contrast, exports from members of the Association of Southeast Asian Nations (ASEAN) to other members were no lower than fifteen percent of the total for any of that grouping. Potential wealth that could be generated through intra-Caucasus/Central Asian trade is lost, and the opportunity cost may be as much as one-third of GDP. Where they exist, economic ties and interests run north to Russia, for some sectors west to Turkey and in energy toward Europe and world markets, but not in the region.

Security cooperation is limited as well. U.S. efforts in the 1990s to foster collaboration among Central Asian militaries (e.g. through a Central Asian Peacekeeping Battalion) went nowhere. So it is with U.S. and other efforts to promote political and other forms of cooperation in the Caucasus. The Commonwealth of Independent States (CIS) has proven itself to be ineffective, at least in part because it was too obviously a vehicle for Russian influence and/or domination. Other efforts have been no more successful. The Collective Security Treaty Organization² and the oddly named GUAM grouping³ have proved too limited, exclusive, bureau-

² CSTO members include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan.

³ GUAM consists of Georgia, Ukraine, Azerbaijan and Moldova – hence its name. For a time, Uzbekistan was also a member, and the organization was even more awkwardly named GUUAM.

cratic or otherwise ineffective. The Black Sea Economic Cooperation organization, BSEC, has also suffered from an excess of politics on the one hand and bureaucratic thinking on the other, and it has not been effective either. In any case, BSEC⁴ does not embrace Central Asia.

Fashioning a more successful future for Central Asia and the Caucasus involves many things, but two issues stand out.

One is that the countries need to find ways to work together. Here, as elsewhere, people like to make money, and business traders and investors are smart people. On a national and collective basis, at least where specific conflicts such as Nagorno-Karabakh or Abkhazia/South Ossetia do not get too much in the way, policy needs to make it easier to trade and invest across the region's borders. Infrastructure development helps. The Baku-Tbilisi-Kars railroad and developing shipping links across the Caspian are very important. So will be, for example, business-friendly visa regimes, more sensible air connections among capitals and business centers, and streamlined customs procedures that cut the time it takes to move cargo across the border, all strategies that have bolstered trade among ASEAN members in Southeast Asia. Harmonized investment rules and business-friendlier double-taxation regimes can help, too. Rules about special trade and economic zones in the region might be standardized or brought together such that the various zones could complement one another to become regional, not just local, drivers of prosperity. Multiple efforts need to be made to bring regional business leaders together in ways that will lead them to see more opportunity than competition, develop a sense of common purpose on issues of shared interest, and influence government policy in pro-trade ways on a national and collective/regional basis.

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A second key issue is the work that outsiders do in Central Asia and the Caucasus. Great power rivalry will never be banished, any more than outsiders' stakes in whether and how conflicts over Abkhazia, Nagorno-Karabakh and the like can be ignored. But none among the outside powers –Turkey, Russia, China, the European Union, the United States, India or even Iran– really wants or will benefit from the instability or worse that seems likely in Central Asia and the Caucasus if

⁴ BSEC's members are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine.

present trends continue. Every one of them stands to benefit if and as the region becomes more stable and achieves anything close to its potential. Any effort to create a condominium of outside powers would be as unwise as the old Great Game, but exchanges of views and cooperation among the world's leading powers can help lead the area's states in more positive directions. An open regional free trade agreement that includes outside economies and that is negotiated in ways that genuinely opens markets and insists on harmonized policies would be a plus. The trade and transport flows being developed through the U.S.-initiated Northern Distribution Network to Afghanistan can be built upon and expanded to benefit purely civilian commerce. At a minimum, much needs to be done to draw regional business leaders into the global economy and to help them be drivers of modern economic and social policies that will help both individual countries and the region as a whole.

The Atlantic Council's Black Sea Energy and Economic Forum aims to address these and other critical issues across the broad arc of instability that extends from Central Asia across the Caspian and Black Seas and on to Balkans and the Middle East. The Council aims to facilitate initiatives led by business people interested in their countries' and the region's future and who want to contribute to the policy debate about development and strategies for trade, investment and growth. The aim is to support constructive politics, build prosperity and economic opportunity, and over time establish a sense of community in a region where people have much in common, but whom history and recent events have pushed apart. The annual forums, the third of which takes in Istanbul 17-18 November 2011, constitute the headlines of this effort. But the Council will be working in 2012 and 2013 to foster dialogue among business leaders, and ultimately between them and governments, on ways to facilitate trade and investment, identify other common interests that can be worked on collectively, and implement projects that bring the region's countries together.