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Central Asian Regional Integration: Interests of Partner States and Prospects for Cooperation

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Introduction

The unexpected demise of President Niyazov of Turkmenistan has called renewed attention to the unsettled situation and uncertain prospects for Central Asia, one of the pivotal regions of the world. This note reviews the state interests and the prospects of the region as a background to a renewed discussion in Europe and the US how best to engage in Central Asia.

The key notion underlying this note is that it is essential to consider the interests of all partner states in and around Central Asia¹, if one is to understand the prospects for regional cooperation and integration in the region. A full exploration of these interests goes beyond the scope of this presentation.² Hence, I will summarize here only some key elements that appear to be particularly relevant for the future region and to the current debate about a new EU strategy for its engagement in Central Asia. I will focus on four sets of actors: (1) the countries in the region; (2) the principal neighbors, China and Russia³; (3) other key partners, the EU and the US; and (4) the international institutions (UN agencies and the International Financial Institutions, in particular the Asian Development Bank, EBRD, IMF and the World Bank). I will then trace out two alternative scenarios for the region and conclude with some recommendations for the principal actors, with a special reference to the new EU strategy for Central Asia which is currently under preparation.

Interests

A prosperous and stable Central Asia is a **long-term interest** that is shared by all partners in and around the region. Most obviously this is the case for the Central Asian countries themselves, their governments, elites and broader populace. For the neighbors and for the EU, Central Asia is in effect the hub of a Eurasian wheel the spokes of which are tied together more

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¹ Central Asia is here defined as the five Central Asian CIS republics: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. A more inclusive definition of the region (e.g., adding Afghanistan and Azerbaijan) would not significantly change the analysis.

² A more complete, but by no means exhaustive account of the many and complex interests can be found in UNDP, *Central Asia Human Development Report* (New York, 2005)

(<http://europeandcis.undp.org/?wspc=CAHDR2005%20>)

³ Other neighbors could be added, such as Afghanistan, India, Iran, Pakistan and Turkey. The EU could also be counted among the neighbors of Central Asia, since they share the Eurasian continental space. For the current analysis, however, we focus on the two big neighbors bordering on Central Asia.

and more tightly through the forces of economic integration, which have gathered great intensity since the break-up of the Soviet Union. A prosperous and stable Central Asia is an excellent land bridge and transit point for trade and communication for the Eurasian continent, while a destabilized, conflict ridden, poor region would present all of Eurasia with significant barriers to integration and with risks of widening conflict.⁴ For the rest of the world, including the US, failed states in Central Asia would add to the risks and burdens that other such states have created, e.g. in Afghanistan and elsewhere.

Clearly, to overcome the barriers created by their fragmented borders and land-locked status, the Central Asian countries need to collaborate, create open borders “with a human face” – to borrow the term used in the UNDP’s *Central Asia Human Development Report* –, use their abundant energy and water resources wisely and cooperatively, and connect with the rest of the world. They also could benefit significantly from cooperation in addressing key human security risks, including threats from natural disasters, epidemics and drug trafficking. The benefits from such a cooperative approach could mean a doubling of the region’s GDP over 10 years over and above the growth that would occur without intensive cooperation.⁵

This shared long-term interest in a prosperous and stable Central Asia should not be lost sight of by all partners in the region, even as their legitimate national **interests in the short term** may well diverge, compete or be in conflict and as there may be disagreements about how best to achieve the shared long-term interest most effectively. Let us briefly consider how and why the short term interests may diverge.

Central Asian countries. The interests of Central Asian countries are manifold and differentiated among and within them. However, among the most prominent are the following:

- nation building, the creation of secure borders, and protection from possible external and internal threats to national security;
- a quest for leadership within the region by the larger countries, and for respect and equality of treatment by the smaller countries;
- access to, use of and protection of the shared natural resources (esp. water, energy and environment);
- access to the financial revenues created by the natural resources and from cross-border trade, both for legitimate national development and for maintaining the governing elites in powers;
- access to world commodity, capital and labor markets with low transit costs and minimal disruptions.

Some of these interests point in the direction of greater economic protection and isolation of the national economy, others – especially the last one – call for openness, integration and cooperation. Turkmenistan and Uzbekistan follow the former course, Kazakhstan, Kyrgyz Republic and Tajikistan the latter. In any case, Central Asian countries, as new nations and governed by more or less authoritarian regimes, have had difficulty in sharing any elements of their national sovereignty, which is a key prerequisite for effective regional cooperation among nations.

China and Russia. These two big neighbors of Central Asia share a common interest in keeping other geopolitical powers out of what they regard as their “back yards”. They have competing interests in controlling the energy resources and pipelines of the region: China in securing access as a sole user, Russia controlling access as a producer and transit country. Both have an interest in gaining access to non-energy markets in the region, as well as owning key

⁴ For more background on Eurasian economic integration, see J. Linn and D. Tiomkin, “New Impetus towards Economic Integration between Europe and Asia”, *Asia Europe Journal*, [Volume 4, Number 1 / April, 2006](#)

⁵ See UNDP, *Central Asia Human Development Report*, op. cit.

productive assets in the industrial and commercial sphere. Much of this is a reflection of genuine commercial interests, but national security and regional or geopolitical concerns also enter, often pursued by state-controlled enterprises.⁶ China and Russia share a much higher tolerance for state intervention in the economy than other partners outside the region. They also place a high value on political stability in their immediate neighborhoods, which for them means supporting the ruling presidents and their power structures against any real or perceived threats from “color revolutions” or Islamic fundamentalist upheavals. Any possible concerns for political liberalization or for the protection of human rights have little if any weight for them when set against the interest in maintaining stability in the short term. Beyond this, China wants to assure that Central Asia harbors no support for possible irredentist movements in its Western provinces. Russia in turn would like to maintain its long-standing political, cultural and economic lead role in the region, and has an interest in protecting the Russian minorities in each of the countries.

EU and US. Short term national interest rather than long-term goals or pure altruism also tend to dominate the engagement of the EU and US in Central Asia. Access to Central Asia’s energy resources is usually at the top of the list of concerns, followed by security concerns centered on the protection of EU and US military engagement in Afghanistan and Iraq, and in the case of Europe concern about drug trade and migration. Beyond this, support for democratic norms and liberal market principles is often argued on the grounds of long-term benefits to the region, but frequently seen in the region and by China and Russia more as an expression of an interest in protecting and promoting western ideologies. These interests are reflected in the US “southern strategy” (which provides for access to Central Asian energy markets and links the security of Afghanistan with that of Central Asia) as well as in the incipient elements of the new EU Central Asia strategy (which stresses among other concerns the export of “European values” and access to Central Asian energy resources).

The international institutions. These institutions (UN agencies and IFIs) have diverging mandates, some more political, others more economic and social, but all stress the long-term development objectives of a prosperous and stable Central Asia. With their multilateral membership and their exceptional standing as impartial partners, these institutions can play a special role in helping to bridge the diverging short-term interests of the partner states in the region as well as bridging from the diverging short-term to the shared long-term goals of all. Their main challenge in playing this role is the fragmentation of effort with generally little coordination among them, the limited resources and leverage that they have individually, and the risk averseness that comes from having to satisfy many different stakeholders, among them the key partner states engaged in Central Asia. There are signs that the international institutions are playing a more active and collaborative role in Central Asia. Their close cooperation in supporting the Central Asia Regional Economic Cooperation (CAREC) forum, in the preparation of Poverty Reduction Strategy Programs (PRSPs), in their support of MDGs (Millennium Development Goals), in their joint country strategies for some countries (esp. Kyrgyz Republic), and in their collaborative projects (e.g. the regional HIV/AIDS projects) and analytical efforts (e.g., the UNDP *Central Asia Human Development Report*, which was supported by ADB and World Bank) are prominent examples.

⁶ In fairness, one needs to recognize that this is not unlike many of the external engagements by the EU and US in the region and elsewhere, since for them commercial and state interests also often converge in the pursuit of national interests.

Scenarios

Based on the interests presented above and the conditions of land-locked and generally poor Central Asia, two scenarios – one positive and one negative in its implications – can be considered, spanning broadly the range of potential future developments. Other scenarios are possible, of course,⁷ but those presented here represent a useful framework to consider how the prevailing interests of different plays may interact to produce quite different outcomes and can serve as a basis for formulating the recommendations that could help bring about more positive results for the regions, for its immediate neighbors and for the international community.

A cooperative scenario. This benign scenario in effect represents a bridge between the differing short-term and the converging long-term interests of the various partners in Central Asia. Among the countries of the region, Kazakhstan, Kyrgyz Republic and Tajikistan pursue a strategy of oriented towards integration with each other and the rest of the world, with open borders, predominantly market-based policies, and cooperation among each other. With their neighbors and the international community they take a “multi-vector” approach that draws on the support and recognition of their partners. Their political system remains dominated by strong presidencies, but gradually develop towards a more open, inclusive and stable democratic form, along the lines of Korea or Singapore. As a result these three countries grow and develop successfully, which in turn over time through its demonstration effect provides an incentive to Uzbekistan to follow suit. Turkmenistan manages a peaceful transition from its past president to a successor who gradually also turns towards a more open and cooperative strategy. Afghanistan’s troubles are settled over time by its own efforts and with international support, or at least do not spill over to its northern neighbors.

China and Russia under this scenario are supportive of the cooperative and multi-vector approach of the three “lead” countries in the region, do not obstruct the gradual liberalization of their political and economic systems, and cooperate with each other across a broad range of energy, infrastructure and trade issues which in turn helps facilitate the access of land-locked Central Asian to world markets. The EU and the US engage constructively in Central Asia and with China and Russia, by stressing the shared interest of a peaceful and stable integration of the Eurasian continental economic space, by supporting gradual reform in economic and political conditions rather than seeking quick regime change, and by engaging in a constructive dialogue on values and political dialogue that is respectful of alternative perspectives. The international institutions proactively play a catalytic and bridging role with a full engagement in the region in support of and in partnership with the countries of the region and their regional organizations such as SCO, EurasEC and CAREC.

Under this scenario, many of the benefits for regional cooperation and integration for Central Asia which were identified in the UNDP’s *Central Asia Human Development Report* will come to fruition with sustained high economic growth rates, improved social conditions and reductions in poverty.

A disintegration scenario. Under this malign scenario the partner states in and of Central Asia do not build bridges among themselves and between their conflicting short-term and shared long-term interests. For Kazakhstan, Kyrgyz Republic and Tajikistan vicious cycle of intensified political and economic control takes hold.⁸ The logic of this cycle increasingly requires controls not only internally in these countries, but also in their dealings with neighbors and partners, following the example of Uzbekistan and Turkmenistan, which in turn sink even deeper into their autocratic political and isolationist economic policies. While political stability

⁷ See, for example, Chapter 9 of the UNDP *Central Asia Human Development Report*, op. cit.

⁸ For an explanation of this cycle see UNDP *Central Asia Human Development Report*, op. cit., Chapter 7.

may be preserved in the short term as a result of repressive policies and payoffs that keep competing political elites in line, the regimes are inherently unstable in the longer term, partly because their economic and social policies undermine growth, and partly because they breed resentment and radicalism among the populace and possible palace revolts among the elites.

China and Russia under this scenario support the increasingly repressive regimes because of their promise of short-term stability. They succeed in securing long-term dominance over most natural resource and industrial assets in Central Asia, and in their competition for these assets also fail to cooperate with each other in providing for long-term trans-Eurasian integration with suitable infrastructure investments and trade-supporting measures. The EU and the US in turn aggressively pursue their own ideological, security and energy interests, alienating in the process not only the Central Asian governments but also China and Russia. The international organizations are weak and disengaged in the region as a result of the seemingly hopeless task of building bridges across uncooperative camps. Cold-war rhetoric and confrontation once again take over instead of cooperation among the main external players in the region as a new “Great Game” gets played out to the detriment of Central Asia. Its economic performance suffers, its social conditions worse, poverty remains stubbornly high, and political instability and unrest take hold as repressive regimes change hands and get challenged by popular unrest, radical fundamentalist movements and competing elites.

Implications

The implications for the key players that follow from these two scenarios are clear. All of them need to remember their shared long-term interests and aim to bridge their potentially diverging short-term interest. For the Central Asia states it means moving towards the more open economic and political model described under the first scenario. It requires that the leaders – especially of Kazakhstan, given its emerging lead role in the region – steer clearly and consciously against the vicious cycle of political and economic control by persistently searching for and implementing ways to broaden internally the political dialogue, improving market oriented policies and institutions and introducing more transparent and accountable governance structures. Externally, they should seek to strengthen their cooperative mechanisms among themselves, maintain control over their principal resources and assets, and follow a multi-vector approach in building balanced partnership with China, Russia and other international players.

For China and Russia in turn the implication is that they should accept the multi-vector policy of Central Asian states, and also accept if not outright encourage more market-based and cautiously liberalizing political reforms. They should support the Central Asian countries in their access to markets through infrastructure investments and improved border and transit management, strengthen cooperative regional institutions and foster commercially based investments by their own firms in Central Asia.

The EU and the US would be well advised to recognize that with limited resources and great distance they have little leverage in the region, although their engagement will likely be welcomed by most Central Asians. The EU and US can provide access to trade, capital and technology as well as options for maintaining Central Asian countries’ political independence from their big neighbors. Rather than leading with their own short-term interests in democracy building and access to Central Asian energy – which runs the risk of seeming intrusive and self-serving –, it would help if the EU and the US were to lead with their commitment to the shared long-term goal of a stable, integrated and prosperous Central Asia. This naturally entails support especially for Kazakhstan, Kyrgyz Republic and Tajikistan in their quest for more open and cooperative approaches while keeping the doors open to Uzbekistan in particular, especially as and when the demonstration effects of its neighbors’ gains in force. Offering rewards rather

threatening punishment is likely to have a stronger and lasting beneficial impact. In the relations with China and Russia an open-minded, non-confrontational dialogue about shared long-term interests and about the different perceptions of the benefits and costs of political and economic liberalization would be a good way forward. This does not mean giving up on the goals of democratization and securing access to Central Asia's energy resources, it just means that these goals are pursued as part of a broader, multifaceted and longer-term strategic vision of the region that stresses the shared interests, rather than the divergent ones.

For the multilateral institutions it is important to stay fully and actively engaged in Central Asia. They can serve as an honest broker and as a source of hard-nosed technical analysis of the benefits of cooperation and integration. They need to provide financial support that provides the wherewithal for investments in regional infrastructure and the incentives for domestic reform. The international organizations also should reach out to regional organizations and forums and offer their technical and financial capacity for win-win initiatives in the region.