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CENTRAL ASIA'S SHRINKING CONNECTIVITY GAP: IMPLICATIONS FOR U.S. STRATEGY

Roman Muzalevsky

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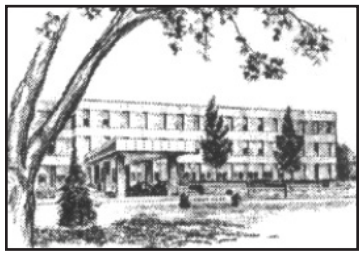

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Roman Muzalevsky

November 2014

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Comments pertaining to this report are invited and should be forwarded to: Director, Strategic Studies Institute and U.S. Army War College Press, U.S. Army War College, 47 Ashburn Drive, Carlisle, PA 17013-5010.

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FOREWORD

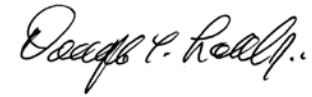
Once sealed off from the rest of the world during the Soviet times, the states of Central Asia today are rapidly integrating with the global economy. The opening up of China in the 1980s, the demise of the Soviet Union a decade later, and the ongoing globalization have all served as grand forces facilitating this highly monumental development. The U.S. regional military involvement after September 11, 2001, and engagement by other actors have further enabled these countries to reconnect with the world, this time as sovereign units. Today, more than 2 decades after they gained their independence, the Central Asian countries, along with the rest of the world, face a great challenge and an opportunity—the rise of China, India, and resurgence of Russia. These neighboring powers are investing and facilitating internal and external links of the region and profoundly shaping the region's external connectivity at the very time as the United States withdraws its troops from Afghanistan and sees a relative decline in its global and regional power and influence.

In this insightful and forward-looking work, Mr. Roman Muzalevsky, a widely published international affairs and security analyst with hands-on experience in and knowledge of the Central Asian region, uncovers these and other ongoing and projected economic and geopolitical dynamics shaping what he terms a "Central Asia Shrinking Connectivity Gap." He then provides timely policy recommendations for the United States for it to remain an indispensible player on the regional and global scene capable of upholding the global security and economic order in the face of the rising powers. The author contends that the Central Asian states stand to benefit from the growing in-

volvement of the outside players. But he also cautions that they may lose if they are unprepared to protect their sovereignties by, for instance, failing to advance their stalled intraregional integration. As it increasingly becomes a point of competition over resources, routes, bases, and trade deals, the region faces significant prospects of integrating with the world, just as it is set to confront a plethora of risks potentially reversing or redirecting its surging connectivity.

Mr. Muzalevsky cogently argues that the Central Asian states welcome a long-term U.S. presence to balance other actors and to promote their links with the global economy. The problem, he explains, is that they view the United States as a noncommitted partner, especially considering U.S. plans to disengage militarily from the unfinished conflict in Afghanistan. The author concludes that the U.S. future global and regional role and capabilities depend on how successfully the United States calibrates its grand strategy given the current and projected dynamics, calling for a rigorous and sustained U.S. regional strategy amid the rise of China, India, and Russia—the growing powers that are capable of challenging regional and, potentially, international structures and institutions.

The Institute of Strategic Studies is therefore pleased to offer this work as a source of major insights for scholars and as a source of timely and critical advice to policymakers shaping the fate of the global and regional security and economic orders.



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ROMAN MUZALEVSKY works for iJet International, Inc., performing research, reporting, and analysis of global, regional, and national security affairs, risks, and trends, as well as focusing on incident response and crises management. He is also a Contributing Analyst on Eurasian Affairs and Security at Jamestown Foundation. Previously, he worked for CSM Solutions Inc., National Democratic Institute, DFID Public Finance Reform Project, Central Asia-Caucasus Institute, security consultancy Wikistrat, and global strategy advisory consultancy Krull Corp. in the United States and Central Asia. He conducted research on security issues and trends in the post-Soviet space at the Center for Political and Military Analysis at Hudson Institute as part of the George F. Jewett Foundation Fellowship Award for Projects on Study and Practice of Grand Strategies. Mr. Muzalevsky has authored numerous articles on Eurasian and global affairs, geopolitics, security, and strategic trends. In 2013, he was selected as a Fellow of the Washington, DC-based Eurasia Foundation's Young Professionals Network program for Eurasia specialists. Mr. Muzalevsky holds an M.A. in international affairs with a concentration in security and strategy studies from Yale University and a diploma in international affairs from the International Ataturk Ala-Too University in Kyrgyzstan, Central Asia.

CHAPTER 1

INTRODUCTION

Today's world marks the era of profound changes in the international system over the last 2 1/2 decades. From globalization and fragmentation tendencies to transnational threats and the emergence of new power centers, the international order has been under stress, challenging the United States as the strongest power to address security issues of global scale, including in the remote region of Central Asia. It is in this region that one can track the emergence of the U.S. global supremacy after the collapse of the Soviet Union and observe its relative decline at the start of the 21st century due to the "rise of the rest" and the failing war effort in Afghanistan. It is also here that old and new power centers and aspiring contenders, some of them nuclear-armed (like Russia, China, and India), increasingly have tested Washington's ability to shape the global and regional orders. Most prominently, it is the region that is seeing the rise of major powers, which have been advancing its connectivity with the global economy and causing power shifts that generate security risks and benefits for both the global order and the ability of the United States to shape it.

In the 1980s, few could predict the collapse of the Soviet Union a decade later, al-Qaeda attacks against the United States on September 11, 2001 (9/11), or strong economic performance by the rising powers of China, India, Turkey, and Russia. Equally, few could anticipate the repercussions of these developments on the remote, landlocked, and impoverished Central Asian region and the global order. For decades, the Tsarist Russia's control and the Cold War stale-

mate had prevented the region from becoming a hub of commerce, trade, and ideas that had existed in the Silk Roads era centuries earlier. But the opening up of China to the rest of the world beginning in the 1980s, the collapse of the Union of Soviet Socialist Republics (USSR), the U.S. regional military involvement after 9/11, the rise of neighboring powers, and the region's vast resources and transit potential have endowed Central Asia with significantly more prospects for integration with the international system than ever before. These trends have expanded the global economy and benefited the region on many levels. Yet, they have also increased the risk of collisions between great and emerging powers, which are vying for influence in Eurasia and the global arena amid the relative decline of American global power and the diminished ability of Washington to shape the global and regional security orders.

Relatively closed political and economic systems, low levels of foreign trade and investment, the lack of intra- and inter-regional energy, trade, and transit corridors, insignificant information exchanges, and poor regional political and economic cooperation explain Central Asia's limited capacity for global economic integration. The region is "Central" in name, but not in practice. According to Thomas Barnett, Central Asia and a number of other regions represent the "Non-integrating Gap"—the areas excluded from the "Core" of globalization, represented by developed and emerging economies that are more fully connected to the global economy. The "seam" countries, in turn, border the "gap" and the "core" areas.[1] (See Figure 1-1.)

The map according to Thomas Barnett, taken from Klaus Dodds, Global Geopolitics: A Critical Introduction, New York: Routledge, 2013, p. 20.

Figure 1-1. The Core, Seam, and Gap Countries.

However, this connectivity gap has been shrinking rapidly in recent years—in part due to the U.S. military presence and growing influence of emerging powers (China, Russia, India, and Turkey)—on terms that may not be conducive to regional security or in line with visions of the United States, individual powers, or local countries. Rapid power transitions in Eurasia and the world associated with the rise of new power centers have thus increased security risks, even as they have upped prosperity and stability prospects that arguably come with the expanding economic connectivity. The United States should play a major role in shaping the region's expanding connectivity that has been possible due to major transformational developments.

These developments include the collapse of the Soviet Union, which advanced the course of globalization worldwide; the military involvement of the United States as the largest maritime power into the Eurasian heartland for the first time in history after 9/11, which has put Central Asia into global spotlight and promoted cooperation within and among actors in the South Caucasus, Central and South Asia; the unprecedented rise of China and India as engines of global and Eurasian integration, which has been reviving Central Asia's strategic importance for major powers and transcontinental linkages; Russia's renewed focus on economic integration of the post-Soviet space via the Customs Union (CU) and Eurasian Economic Union (EEU) initiatives; and the rapid development of Central Asia's considerable natural resources and transit potential, enabling the local economies to anchor to the global economy led by traditional powers and increasingly redefined by emerging ones (potentially by military means in the future). These trends have challenged the U.S. efforts seeking to include fringe economies into the global system and provide a visionary leadership in the increasingly multicentric world.

Russia, China, and India are increasingly focusing on the energy resource-rich Central Asia as a security buffer zone and potential trade conduit of transcontinental proportions. The proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project; the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline initiative; Kazakhstan-China gas and oil pipeline schemes; and China's transcontinental railway and trade initiatives, among numerous other transcontinental projects, are already reconnecting Central, South, and East Asia on the scale reminiscent

of the Great Silk Roads era that had flourished centuries earlier. These developments entail considerable economic, political, and military presence of major actors, potentially leaving the United States on the fringes of major dynamics shaping Eurasia.

Washington's skewed Central Asia strategy, disproportionately focused as it has been on Afghanistan in the last decade, has undermined its ability to shape the global order. Meanwhile, Russia, India, and China have invested substantial and growing political, economic, and military capital in Central Asia, turning it into a critical component of their regional and global strategies, while enabling the region to integrate with the global economic system. But just as Central Asia has proceeded with its internal and external integration, the United States is retreating, raising the question about how it has and should shape the region's integration with the global system on terms that are conducive to global stability. The question is especially pertinent given the economic integration benefits of the U.S.-led Northern Distribution Network (NDN) running nonmilitary supplies from the Baltics via the Caucasus and Central Asia to Afghanistan.

As a global power with democratic ideals, the United States has done much to open Central Asia to the global economy and thereby facilitate global security. However, it has been foregoing benefits of the region's shrinking connectivity gap by either ignoring or ineffectively shaping the region's security order and connectivity to the global economy amid the rise of new power centers. This is not only because of its military withdrawal from Afghanistan, or the strong push by Moscow for integration in the post-Soviet space, or even Turkey's attempted regional activism. The U.S. relative global power is declining, in large

part due to the rise of new power centers, prompting a reconfiguration of the global economic and security architecture and arguably unbalanced shift by Washington to the Pacific at the expense of other areas.

The retreat by the United States comes when a failure to regulate Central Asia's connectivity process could increase global security risks significantly. This is because no power or group of states from either inside or outside Central Asia have built a constructive security and economic order in the region, contested by nuclear powers that are leveraging regional resources and their regional positions for the pursuit of global agendas. While the region's external connectivity has conformed to the U.S. global agenda in principle, in some instances it has been diverging from U.S. goals and interests in practice. In this context, some have viewed the U.S. New Silk Road Strategy (NSRS) as incapable of retaining, let alone enhancing, the U.S. influence in the greater region, where rapidly industrializing and heavily populated India and China along with the resurgent Russia have sought to sideline the United States as major players.

CHAPTER 2

EXTERNAL FACTORS AND INITIATIVES ADVANCING CENTRAL ASIA'S CONNECTIVITY

One hand cannot clap alone.

Ali-Shir Nava'i[1]

OPENING UP OF CHINA, COLLAPSE OF THE SOVIET UNION, AND THE ADVANCE OF GLOBALIZATION

The opening up of China in the 1980s and the break-up of the Soviet Union in 1991 proved to be the most significant geopolitical developments for Central Asia in the last 3 decades. Once sealed off and heavily militarized due to the Sino-Soviet tensions in the 1960s and the Sino-Indian war in 1962,[2] Central Asian states embarked on domestic development and integration with the global economy as independent entities beginning in the 1990s. Opportunities emerged and continue to emerge for the regional countries to build energy, trade, and transit links with Europe, Southeast Asia, and the Middle East. These evolving "bridge" initiatives have strengthened the sovereignty of the republics in the region proclaimed by Russia a zone of its "privileged interests." With the gained independence began the process of nation-building, which is far from complete today, including in Kazakhstan that has emerged as the most successful Central Asian state. However, the regional states have played an increasingly important role in advancing economic connectivity across Eurasia, an area that the rapidly expanding links between the United States, Europe,

and Southeast Asia had ignored in the post-World War II era.[3]

Following a severe economic decline in the 1990s, accompanied by the stalled intraregional integration that had once defined Central Asia in the Soviet era, the regional economies have been on the growing economic trajectory since 2000s, expanding intraregional economic links and cultivating ties with a diverse group of actors, including Russia, China, India, Turkey, Iran, Pakistan, and Afghanistan, among others.[4] Economic ties of Central Asian countries with China and Russia have expanded in particular, with China being notably proactive in shoring up its regional economic influence as it has sought a regional and, increasingly, global power status. Beijing's and Moscow's regional engagements have been predicated on concerns about regional security, stability of the regimes, the region's vast resources, and the growing involvement by potential contenders like the United States, the European Union (EU), India, Pakistan, Turkey, and Iran.[5] However, while the external links have allowed for the region's trade with the rest of the world to grow rapidly after 2000, the intraregional trade between Central Asian economies has been lagging.[6]

Central Asian states were thus thrust into globalization, being pulled to various poles yet not succeeding in building an integrated economic space or common security architecture to ensure national interests amid the rise of new power centers. In a way, the region has become a "laboratory" for testing different social, political, and economic models in the context of globalization[7] and a platform for interstate rivalries over regional influence. Still, Central Asian states have benefited from being at the crossroads of the expand-

ing transcontinental commerce driven by China, India, Russia, Turkey, among others, helping to advance the global trade that has grown two times faster than the global economy over the last 3 decades.[8]

Given its traditional interest in expanding global trade, the United States should facilitate the efforts of Central Asian countries seeking to pursue a smoother and faster integration with the world economy. This is especially pertinent, given the lingering aftershocks of the 2008 global financial crisis, a decline in global trade growth compared to gross domestic product (GDP) growth in the last 2 years, as well as the tendencies for regional integration and protectionism often centered around a number of economic poles represented by established and rising powers like Brazil, Russia, India, and China. So pronounced have these trends become recently that they have prompted some to question whether we have "exhausted the drive toward ever-more-globalization" and if "localism is on the rise." For example, between May 2012 and May 2013, countries introduced three times as many protectionist measures as they implemented policies to open up trade. Anti-trade policies alone cost $93 billion in U.S. dollars in global trade in 2010,[9] while the crisis significantly undermined world exports in 2009.[10] Cross-border capital flows today are approximately 60 percent of what they were before the financial crisis. The dire repercussions for the global economy prompted former Assistant U.S. Treasury Secretary for International Finance Charles Collyns to remark that "globalization has stalled" and others to question whether it was desired in the first place.[11]

Central Asian economies were largely spared from the malaise, which has, in a way, helped to keep their interests in global integration alive. However,

Kazakhstan became a victim of its own success and is still recuperating from the crisis, which started locally in 2007, well before it had engulfed the rest of the world. Of all the regional countries, Kazakhstan is the only state that has successfully promoted reforms since the 1990s, enabling it to integrate into the global economy, even if the lack of transparency and overreliance on external credit negatively impacted its economy in 2007-08. Notably, the Kazakh leadership largely has viewed the crisis as an opportunity to refine the country's economic course, rather than retreat and redefine more than 2 decades of policies advancing Kazakhstan's regional and global integration. Today, the country's leadership ambitiously seeks to bring Kazakhstan to the world's 30 top economies by 2050, including by leaning on emerging economies to promote the country's global integration.

While the global crisis rendered worldwide economic links "shallower and narrower" according to the 2012 DHL Global Interconnectedness Index, the depth measure of the index (i.e., how much of an economy is internationalized) has recovered to the point where it is now 10 percent higher than it was in 2005. However, it remains below the figure in 2007, while the breadth of connectedness (how many countries an economy connects with) has continued to decline and is 4 percent lower than in 2005.[12] Yet, the global trade is regaining momentum, with exports running at a historical high of about 30 percent of global GDP, about the same percentage share in 2008 before the crisis, according to the study. Trade and investment between emerging countries and investments by emerging economies into developed countries are growing and boosting global connections.[13] These trends indicate a lot of room for further globalization, especially because

the expansion of international information flow is just beginning. Only about 1 percent of all letter mail sent globally is international, while only 2 percent of voice calling minutes are international (adding up calls over the Internet is estimated to bump up this figure to above 5 percent). Even Internet traffic remains largely domestic, with international traffic reaching only 17 percent of the total.[14]

As the crisis has demonstrated, globalization is certainly not without its risks, while integration into the global economy is not always a happy ride. But the benefits of the globalization, advanced by the United States as the largest economy since World War II and later co-promoted by newly rising powers, has already reduced poverty by the millions, contributing to socio-economic stability and security in many parts of the world and enabling scores of developing nations to ascend to new economic heights. For Central Asian economies that have only recently become independent, the globalization offers a chance to become full-fledged economic subjects and turn into solidified political entities as nation-states. In large part made possible by the opening up of China in the 1980s and the collapse of the Soviet Union in 1991, the expanding economy flows across Central Asia, mainly driven by outside powers, to offer the regional countries capabilities and the best hopes in decades to become truly sovereign actors.

As the Central Asian states seek the benefits of external integration, the resurgence of Russia and the rise of China as the largest economic power in Central Asia bring forth new challenges for the regional countries, particularly in light of impending U.S. military withdrawal from Afghanistan, perceived as depriving them of a critical balancing force. After all, the U.S. military and economic involvement in Central

Asia following September 11, 2001 (9/11) has exerted a transformational effect on the region's integration with South Asia and the world.

U.S. MILITARY AND ECONOMIC PRESENCE IN GREATER CENTRAL ASIA AFTER 9/11

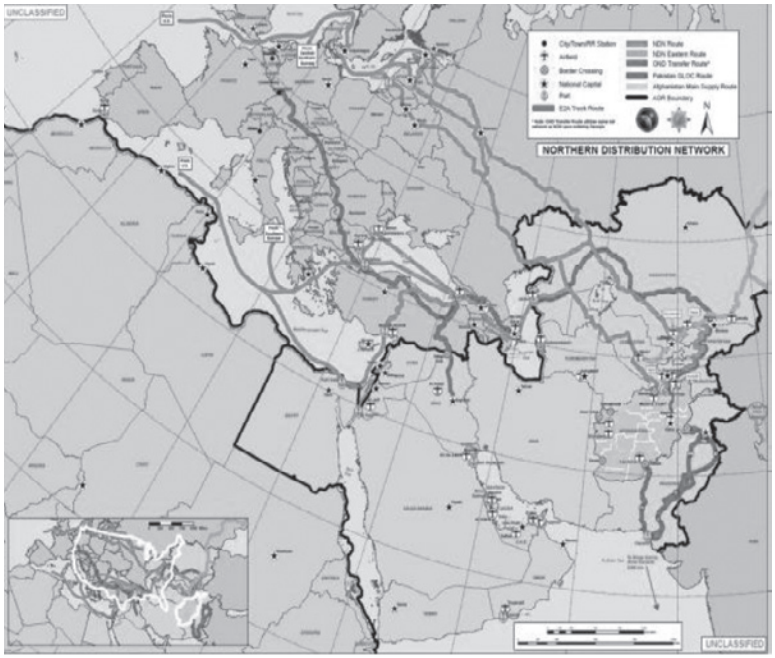
The U.S.-led Operation ENDURING FREEDOM in Afghanistan has relied heavily on cooperation of Russia and Central Asian countries. But despite the predominantly military aspect of that cooperation, the U.S.-led coalition's involvement has produced transformational effects of geopolitical and economic nature not yet fully grasped or manifested. Not only has it advanced the cross-border trade between Afghanistan and its neighbors to the north and east, but it has also opened the way for inter-regional integration involving Central and South Asia. It has further produced prospects for the two regions to connect with the transcontinental and global economy.

The U.S. military collaboration with Russia and Central Asian states immediately after 9/11 made possible the coalition's outreach to the Afghan Northern Alliance as a counterforce to the Taliban and their al-Qaeda associates, as well as the opening of military facilities in Uzbekistan and Kyrgyzstan.[15] But it was the opening in 2008 of the Northern Distribution Network (NDN) that has unleashed a closer military and economic cooperation within and between Central and South Asia after decades of the regions' relative isolation due to the closed Soviet borders, unstable Afghanistan-Pakistan frontier, and the still lingering tensions between nuclear-armed Pakistan and India.[16]

Using commercial providers, the NDN relies on three branches to transport nonlethal supplies to Af-

ghanistan: NDN North, which starts in Latvia and goes through Russia, Kazakhstan, and Uzbekistan; NDN South that goes from Georgia via Azerbaijan, Kazakhstan, and Uzbekistan, bypassing Russia; and Tajik-Kyrgyz-Kazak (KKT), which originates in Kazakhstan and passes through Kyrgyzstan and Tajikistan into Afghanistan. The NDN uses existing road and rail infrastructure, but also relies on the Uzbek air cargo hub in Navoi and sea ferries in the Caspian.[17] Before the NDN came to life, the Pakistani port of Karachi handled the transit of almost 90 percent of U.S. nonlethal goods. By 2011, the NDN had accounted for the transit of almost 75 percent of the U.S. sustainment cargo and 40 percent of all cargo. The NDN has allowed Central Asian states to receive U.S.$500 million in transit fees annually. Kazakhstan, Uzbekistan, and Kyrgyzstan now stand to benefit from the 2012 reverse transit deal with the United States, which allows for transport of cargo out of Afghanistan via Central Asia after the completion of the military mission.[18] (See Figure 2-1.)

The NDN has encouraged closer transit cooperation between Central Asian countries, which have suffered from long-standing border, water, and energy disputes. However, it has also fostered corruption due to a new stream of money available to relatively closed regimes[19] and authoritarian practices in a geopolitically shifting environment marked by growing links between the region, on the one hand, and China and Russia, on the other. Both Moscow and Beijing have resisted the U.S. regional military presence, but have relied on it to ensure regional security and economic opportunities in the short term. In the meantime, the EU and the United States have struggled to promote institutional reform in Central Asia.



Source: U.S. Transportation Command, taken from *Ibid.,* Jeffrey Mankoff, p.3.

Figure 2-1. The Northern Distribution Network.

Such reforms would allow for even faster and healthier integration within the region and with the global economy based on genuine reforms[20] rather than opportunities offered solely by the NDN or the rise of emerging powers.

After all, the NDN is but one tool that continues facing logistical and geopolitical challenges. A report by the Center of Strategic and International Studies, titled *The Northern Distribution Network and the Modern Silk Road: Planning for Afghanistan's Future*, indicates that planners need to concentrate on the following tasks to ensure a more efficient and reliable operation

of the NDN: increasing local procurement, improving customs procedures, developing the Pakistani port at Gwadar, improving transparency, and acknowledging tense ties within Central Asia that may threaten the NDN and thus require conflict mitigation strategies.[21] Besides these gaps, critics point to the NDN's failures to improve living standards and ensure a more durable intraregional cooperation.[22] Others point to the link between trade and the NDN to be misleading since a single party determines supply and demand for military equipment.[23]

Addressing related challenges will produce benefits for the NDN, which, in turn, would facilitate the transcontinental economic integration with a focus on development of Central and South Asia. At the same time, the NDN issues should not obscure the potential transformational impact of the U.S. military involvement in the greater region. Besides encouraging closer transit collaboration within Central Asia, it has reopened Afghanistan's northern border for the legal transcontinental trade with Central Asia for the first time in decades and laid a foundation for expanding the legal trade along the Afghanistan-Pakistan frontier, enhancing trade, energy, and transit cooperation between and within Central and South Asia.[24] In the large scheme of things, it has facilitated the much-needed integration of Central Asian and South Asian countries into the global economic system by focusing on the underdeveloped and relatively isolated country of Afghanistan, which Washington's New Silk Road Strategy (NSRS) sees as a land bridge of the multilayered integration.

The NDN has further revealed an economic potential that has served as a foundation for the NSRS—an extension of previous policy seeking the integration

of Central and South Asia. (The U.S. 2006 *National Security Strategy*, for instance, advocated the restoration of "historical role" of Afghanistan as a land bridge between South and Central Asia, given the region's strategic importance.[25]). Secretary Hillary Clinton stated this when launching the NSRS in 2011:

> [Let's build] an international web and network of economic and transit connections. That means building more rail lines, highways, [and] energy infrastructure, like the proposed pipeline to run from Turkmenistan through Afghanistan through Pakistan into India (TAPI). It means upgrading the facilities at border crossings. And it certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people.[26]

A geopolitically crucial implication stemming from the implementation of related projects is not only the development and integration of Afghanistan into the greater region and the world—itself a considerable undertaking. It is also the reconnection of Central and South Asia and their integration into the global economy as an integrated, viable, and inter-regional unit. But the question is whether Washington is committed and how it will respond to integration initiatives of Russia, China, and India. After all, the United States finds itself in a coordinating, even observing role, which lacks necessary financial and institutional commitment. As a result, the United States may lose dividends, while China, India, and Russia seek to expand and solidify their influence in Central Asia as engines of global and Eurasian economic integration.

According to Professor Frederick Starr, who has championed the concept behind the NSRS, the strategy is regional in scope given the region-wide chal-

lenges and prospects stemming from the development of Afghanistan and its integration into transcontinental networks of trade, energy, and transit. It is "against no one" and seeks cooperation from other countries to develop or finalize the following priority projects: completing the Ring Road and Kabul-Herat highway and anchoring them to transcontinental corridors; finishing the construction of railway routes crossing Afghanistan and connecting Europe and Asia; and following through on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Central Asia-South Asia 1000 (CASA-1000) initiatives linking Central and South Asia via Afghanistan.[27] The United States has identified about 40 development projects as part of the NSRS, focusing on NDN infrastructure to enhance trade facilitation programs.[28] The NSRS "software" component is crucial to reduce corruption and enhance efficiency at border crossings. In Uzbekistan, for instance, one needs 71 days to export and 92 days to import an item.[29]

Assistant Secretary of State for South and Central Asian Affairs Robert Blake said this about the importance of reviving the Silk Roads:

> Currently, South and Central Asia is one of the least economically integrated regions in the world. Integration is vital to help create vibrant economies in Afghanistan, Pakistan and the broader region, and should be accelerated. New opportunities for cross border trade, transportation, infrastructure development, and energy links can provide new jobs and enhance the quality of life for all people in South and Central Asia.[30]

Washington's cooperation with Central Asia is an important component of the U.S. strategy that seeks to integrate Afghanistan into the regional and global eco-

nomic order. The United States has assisted Afghanistan in acceding to the International Road Transport system to facilitate trade and transit with South and Central Asia.[31] It has helped improved efficiency and transparency of the local and regional electricity markets as part of its Regional Electricity Market Program. It considers building and extending fiber optics links to South Asian in order to then integrate them with the global flows.[32] The United States has also backed the construction of the road linking Uzbekistan and Afghanistan and a bridge connecting Afghanistan and Tajikistan for the first time. It has further relied on the U.S.-Central Asia Trade and Investment Framework Agreement (TIFA) with regional states to facilitate intraregional trade, investment, and economic development, in addition to launching a ministerial level policy dialogue.[33] While laudable, some of these initiatives have focused more on Afghanistan than Central Asian states in their own right over the last decade. Coupled with its cautious policy due to concerns about Russia's reaction, the U.S. predominant focus on Afghanistan has deprived it of resources and attention to pursue a more durable, substantive, and long-term strategy toward Central Asia.

The NSRS is unlikely to change these circumstances. Critics point to the lack of U.S. commitment, major security and geopolitical risks, as well as the absence of funding to pursue the strategy, portraying the NSRS as ". . . a vision and call to action rather than a well-articulated and organized strategy. . . ."[34] They highlight the need for more substantial aid, expanded private sector participation, and "formidable convening powers" for the strategy to succeed.[35] They also point to prevalent corruption and red tape that serve as major impediments.[36] Furthermore, China, Russia,

and Iran prefer the regional integration to proceed on their own terms rather than on American terms. Some Russian experts note that the United States developed the NSRS to project its dominance in Central Asia after the military withdrawal from Afghanistan and that Russia, as well as China, Iran and India, needs to counter it.[37] Ever since the United States initiated Silk Road policies in the 1990s, Russia in particular has resisted related initiatives, perceiving them as undermining its leverage and reorienting regional states away from Moscow.[38] In 2006, the U.S. State Department grouped Central and South Asia into one unit, a move seen as a way to pursue this very objective, while facilitating the regions' links with each other and the world.[39]

The projected decline in the already low U.S. funding for the region is expected to hamper the NSRS realization given a relatively low U.S. interest in the region in practice, disengagement from Afghanistan, and the U.S. overall fiscal issues in the age of austerity.[40] In 2010-12, the United States provided about U.S.$520 million in security and U.S.$380 million in development assistance, with its total aid amounting to almost U.S.$3.9 billion since 1992 to support democratization and market reforms in Central Asia.[41] Despite this valuable support, the U.S. economic presence has been insignificant compared to China, Russia, and the EU. This undermines the NSRS, which relies on economic drivers and components to pursue the set goals.

The criticism of the NSRS and the limited U.S. regional economic engagement raises the question of whether the NSRS is a façade of "responsible" withdrawal from the region, packaged in the illusory language of responsibility and commitment. While high-ranking U.S. officials emphasize the strategic im-

portance of Central Asia for U.S. interests,[42] the reality begs to differ. Besides the mentioned dynamics, the United States remains a distant power that does not enjoy major trade ties with Central Asia. More to the point, the resurgent Russia, rising China, and emerging India pursue specific economic and political initiatives to revive the Silk Roads. These and other actors have been implementing for years some of the components of the U.S. concept in practice. In a way, this has provided Washington with an excuse not to extend a long-term commitment to the region via a more direct economic engagement. But these dynamics have highlighted the importance of the region for the U.S. grand strategy seeking to promote global connectivity as a pillar of world stability—a growing imperative considering the increasing capabilities and intentions of rising powers to shape the global and regional orders.

While transformational, the U.S. military involvement and limited economic presence in the greater region may either represent a fleeting moment in the great sweep of history or translate into a lasting strategic dividend that Washington could exploit as it increasingly confronts new challenges. As it adjusts its regional strategy, it should consider the constrained yet important regional engagement by partners and allies, such as Japan, the EU, and Turkey.

LIMITED BUT CRUCIAL INVOLVEMENT OF JAPAN, THE EU, AND TURKEY

Japan has pursued several initiatives to revive the internal and external connectivity of Central Asia: the Eurasian Diplomacy since 1997; the Central Asia plus Japan Dialogue since 2004; the Arc of Freedom and Prosperity since 2007; and the Initiative of a Eurasian

Crossroads since 2009. However, accommodation to Russia's interests, issues unique to Japan's political system (short terms in office, frequent elections, etc.),[43] and competition from other payers have undermined their effectiveness. In the field of democratization, for instance, Japan is seen more as "coaxing" rather than "cajoling" regional leaders. Many also view Japan's role as more focused on development than geopolitics, an approach suggesting an effort by Japan to pursue a "distinct role in international affairs."[44] Japan's excessive dependency on global markets for strategic resources explains its unimposed, yet not less farsighted, strategy toward the resource-rich Central Asia. This strategy is likely to become more active given the rise of China, which has tense ties with Tokyo, and the expanding regional presence of India and South Korea.[45]

Japan already has a major financial commitment in the greater region, seeking to enhance its economic presence and regional security amid tensions with China and ahead of the coalition's withdrawal from Afghanistan. Japan looks to Central Asia to address concerns with regional security and access to strategic resources considering China's restrictions on exports of rare-earth minerals.[46] After all, Japan's dependence on oil and petroleum products is 99.7 percent. It also ranks first in the world in its dependence on imports of 20 types of essential commodities.[47]

Japan's activities in Central Asia feed into its grand strategy of liberalizing global trade and advancing an open international system, aimed at facilitating Japan's access to strategic resources and enhancing its technological edge as new power centers rise to challenge its power and status. Japan intends to involve the resource-rich region into integration processes of

the dynamically developing East Asia, advancing its regional Great Silk Road policy to enhance energy, transport, and telecommunications linkages between Central Asia and the world in order to promote the region's connectivity with the global economy.[48] Japan's Initiative of a Eurasian Crossroads, announced in 2009, seeks to develop energy, trade, and transit links across Eurasia by focusing on Central Asia as a transcontinental link of growing, strategic importance.[49]

In the sphere of energy production and export, Tokyo had planned to participate in the Turkmenistan-China gas pipeline project, but high costs and a change in China's energy policy impeded those efforts.[50] Still, Japan actively supports policies of Central Asian countries to diversify their energy export routes, including via TAPI. Japan also backs the development of railways connections between China, Central Asia, and Iran, which provide linkages to Shanghai in China, Pusan in South Korea, Osaka in Japan, and ports in Southeast Asia.[51] It helps upgrade and build railway lines in southern Uzbekistan, as well as airport terminals in Astana, Almaty, and Bishkek.[52] As a global communications technology leader, it supports the development of the Central Asian component of the Trans-Asian and Trans-European fiber optic line.[53]

In Kazakhstan, Tokyo is active in the fields of atomic energy, rare earth minerals, and industrial technologies production. In Kyrgyzstan, it focuses on the development of transit, agricultural, human, and social development infrastructure. In Tajikistan, it is involved in road rehabilitation programs, aiding the construction of the Kurgan Tyube-Dusti Road linking Tajikistan with Afghanistan and Pakistan.[54] In Uzbekistan, Japan helps develop and upgrade telecommunication, air, and ground transit infrastructure, having

provided U.S.$2 billion in loans to the country over the last 2 decades. In Turkmenistan, it participates in the modernization of ports and railways, development of gas reserves, and construction of chemical plants worth U.S.$13 billion. Japan actively supports the growing cooperation between Afghanistan and Central Asia, as evidenced by its organization of the Tokyo Conference on Reconstruction of Afghanistan in 2012.[55] In 2012, it promised U.S.$700 million to facilitate cooperation in Central Asia, rebuilding of Afghanistan, international trade, and investment.[56] From 2001 to 2009, it provided U.S.$1.79 billion in humanitarian aid to Afghanistan to support reconstruction and democratization efforts.[57]

In the region, Japan's role has thus focused on development as a pillar of security, with Tokyo serving as a major donor and a source of infrastructure assistance, which are critical for advancing the internal and external integration of the region. But the economic, political, and military presence and proximity of other major powers to Central Asia have ensured that Japan remains more of an economic rather than a geopolitical force in the region for the time being.

As in the case of Japan, the resurgence of Russia and the rise of China have overshadowed Turkey's growing role in Central Asia, even if Ankara is now a major power in its own region seeking a global power status. Under the Erdogan-led Islamic Justice and Development Party-dominated government since 2002, the country's economy has become the world's 15th largest, allowing Turkey, a North Atlantic Treaty Organization (NATO) member, to pursue a more autonomous foreign policy. The stalled EU accession process, the West's relative decline in global influence, the Iraq war, and other regional crises have prompted

it to advance ties with neighbors and emerging powers as part of its "strategic depth" strategy and "zero problems with neighbors" policy.[58]

Turkey's ties with Central Asian countries, with which it shares historic, cultural, and linguistic ties, as well as its cooperation with Russia and China, have been growing significantly over the last decade. Turkey is now one of the six largest trading partners for Central Asia, with major investments in construction, food production, hotel management, financial services, energy, information technology (IT), and telecommunication industries.[59] In 2010, its trade with and foreign direct investment (FDI) to the region reached U.S.$6.5 billion and U.S.$4.7 billion, respectively.[60] Its trade with Russia and China, the most powerful Shanghai Cooperation Organization (SCO) actors, is expected to hit U.S.$100 billion in both cases in the next several years. However, Ankara is seeing growing competition in trade and investment from Iran and India.

In 2008, Turkey launched a Silk Road Project to help reconstruct the Silk Road by cooperating with Russia, China, Azerbaijan, Georgia, India, Iraq, Iran, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Syria, Tajikistan, Uzbekistan, Afghanistan, and South Korea. The initiative seeks simplification of border crossing and trade facilitation, collaborating with the World Customs Administration, United Nations (UN) Economic Commission for Europe, European Organization for Forwarding and Logistics, and International Road Transport Union.[61] Turkey has also supported related goals through its international development agency, TIFA created to support stability in and global integration of Central Asia, and the Confederation of Businessmen's and Industrialists of Turkey, which

has sought to expand ties with Central Asian states to advance global trade.[62] According to the Turkish Minister of Customs and Trade Hayati Yazici, "The trade volume of the Silk Road countries has quadrupled in the last decade and there is a noticeable shift in the growth of these countries in contrast to Europe and other regions."[63] In 2013, Turkey declared its interest in joining the SCO, given the slowed EU accession process and an opportunity to build lucrative ties with emerging powers to the east.

But Moscow, Beijing, and Ankara are as much strategic rivals as they are partners. All three compete for energy resources and their delivery routes, including in Central Asia. Turkey has supported the efforts of the regional states to diversify their energy exports routes and sought to become an energy hub for the region's energy resources destined for European markets. It supported the construction of the Baku-Tbilisi-Ceyhan oil and the Baku-Tbilisi-Erzurum gas pipelines bypassing Russia, and looks forward to the participation in the proposed Trans-Caspian gas pipeline to bring Turkmenistan and Kazakhstan's energy resources to Europe.

Turkey has the most extensive ties with Kazakhstan, whose participation in the West China-Western Europe corridor it has strongly supported. In Turkmenistan, it has been heavily involved in the construction and energy resources development sectors. Despite its "zero problems" policy, it still has strained ties with Uzbekistan over Turkey's alleged support to Uzbek opposition and criticism of the Uzbek regime for the Andijan massacre that left hundreds dead in 2005. In Kyrgyzstan, Turkey supports democratic reforms, having provided humanitarian and technical aid worth U.S.$20 million after interethnic clashes in

2010. In 2013, Ankara offered to turn the Manas transit center used by NATO into a commercial airport. Turkey has further supported democratization in Central Asia and is seen as a model of development, but has not received sufficient support from its NATO allies in related efforts.[64] Meanwhile, Central Asian states have gravitated to Russia, the EU, the United States, and China.[65]

Similar to Japanese and Turkish initiatives, the EU's Central Asia Strategy, launched in 2006, has advanced cooperation in energy security, rule of law, democratization, and conflict prevention in the region. The EU is also increasingly involved in border management, energy, transit, and trade facilitation, representing one-third of the region's external trade. But the EU's largely developmental rather than geopolitical role has ensured that the union has remained a marginal geopolitical actor compared to the United States, Russia, and China. However, the uncertain future of Afghanistan explains the EU's recent push for a security role in the region.[66]

Like Turkey, it actively supported the Baku-Tbilisi-Ceyhan oil and the Baku-Tbilisi-Erzurum gas pipelines, which have enabled Azerbaijan and Georgia to access Western markets. Since 2006, the EU has actively sought to facilitate a southern energy corridor to bring Caspian gas to Europe following a Russian-Ukrainian gas dispute. The proposed Nabucco pipeline was meant to do the job, but it has become less viable given EU's complicated politics, uneasy ties between Turkmenistan and Azerbaijan, the rival Trans-Anatolian Pipeline advanced by Azerbaijan and Turkey, and Russia's strong resistance to the pipeline bypassing its territory.[67] The EU continues its efforts to develop westward energy connections from the

Caspian and Central Asia, but it is China's growing energy demand that may undermine the EU's energy import policy, despite Turkmenistan's promises to accommodate the EU's projected gas demand.

The EU's larger energy strategy, which seeks to diversify sources of production and import of energy supplies, given the EU's excessive dependence on Russia's gas exports, has also fed on the INOGATE initiative that pursues energy policy cooperation among countries of Eastern Europe, the Caucasus, and Central Asia with a strong focus on energy security and diversification. Some of the INOGATE programs concern the Trans-Caspian-Black Sea Gas Corridor and energy-saving plans in Eastern Europe and Central Asia.[68] The project complements a number of trade and transit initiatives pursued under the EU regional strategy, which seek to advance the connectivity of Central Asian states and the countries of the Caucasus.

The Transport Corridor Europe-Caucasus-Asia program (TRACECA), launched in 1998, aims to facilitate development of transit and trade links bypassing Russia and connecting the EU, the Caucasus, and Central Asia. However, growing investments by other actors have questioned the effectiveness of the program, which requires strengthening of its "institutional and policy dimensions."[69] Still, the program has evolved somewhat over the years and includes the Silk Wind initiative to build high-speed multimodal container transit corridors. It also seeks to implement electronic exchange of information and simplified border crossing procedures to reduce transit times.[70] The EU further supports the Viking Railroad railway and maritime project linking Scandinavia, the Caucasus, Central Asia, and China, with Kazakhstan expressing

a particular interest in the initiative.[71] The EU is Kazakhstan's biggest trade partner, accounting for 37.7 percent of its exports and 32.3 percent of its overall trade turnover in 2010.[72] Much like China, the EU replaced Russia as Central Asia's largest trading partner, expanding the region's westward connectivity.[73]

Besides separate multilateral connectivity initiatives, the EU has also provided development aid to the region to improve domestic, intraregional, an international connections of the local economies. It provided € (euro) 750 million of aid during 2007-13, with 30 percent of funds intended for facilitation of regional integration in the areas of energy, transit, environment, and education. For 2014-20, it has pledged to provide about € 1 billion to support socio-economic development and regional security via bilateral and multilateral funding. Kazakhstan will no longer receive bilateral funding, but will be eligible for regional funding.[74] The EU further provides 70 percent of the Organization for Security and Co-operation in Europe's (OSCE) budget and 62 percent of capital for the European Bank for Reconstruction and Development (EBRD), which supports projects worth U.S.$3 billion, which is crucial given their focus on security and development.[75] Moreover, the EU companies are some of the region's major investors and are particularly active in Kazakhstan.

Despite its crucial development role that has been enhancing the connectivity of Central Asian countries with the global economy, the EU's agenda has not resulted in effective implementation of governance, rule of law, and democratization programs. While part of it has to do with the design and effectiveness of the programs themselves, the lack of desire and cooperation by local elites to pursue genuine democratization has

constrained related efforts as well. Meanwhile, Russia and China have invested and donated considerable aid and resources without conditions on development and democratization. This does not lessen the importance of the EU's largely developmental approach but reveals its constraints given the growing presence of China, which serves as an additional and major resource of investment and aid.

CHINA'S RISE AND GEOPOLITICAL REALIGNMENT IN THE HEART OF EURASIA

Threats of terrorism and Islamic fundamentalism, Central Asia's vast energy resources, concerns about stability of regional regimes and China's Xingjian province, China's expanding trade, and policies of the West, Russia, and India—all explain China's growing interest in the region in the last 2 decades. China's strategy, guided by the need to pursue "comprehensive security" by addressing both conventional and nonconventional threats,[76] hinges on its rapid economic expansion. This growing engagement has made China the dominant economic actor in Central Asia and is bound to accelerate the geopolitical realignment in the heart of Eurasia, expanding the region's connectivity. As an Indian analyst put it, "The frontiers of China are moving even if its boundaries are not."[77] China has been driving the global trade growth for years, pursuing trade routes all around the world, including increasingly with and through Central Asian states. (See Figure 2-2.)

China accounts for half of the fastest-growing trade routes in recent times...
A selection of the world's 20 fastest-growing trade lanes >US$20 bn annually (2012), based on 2005-2012 CAGR of imports and exports in current US$ (includes re-exports)
Note: Singapore excluded from map owing to the extent of re-imports and re-exports.
Source: UNComtrade.

Source: Goldman Sachs, taken from Sam Ro, "Map: The world's fastest-growing trade routes since 2005," *Business Rider*, December 24, 2013.

Figure 2-2. The World's Fastest-growing Trade Routes since 2005.

In Central Asia, Beijing has relied on the SCO, bilateral deals, and its Silk Road Economic Belt strategy unveiled in 2013 to advance its economic agenda. China has attempted to maintain its impressive, decades-long economic growth and advance national and regional security and development by ensuring continued flows of labor, capital, resources, and technologies that link its internal and neighboring economic zones. The underdevelopment of China's restive Xingjian, Tibet, and Inner Mongolia, as well as the

proximity of these areas to Central Asia, has driven Beijing's interests in the region. For China, Central Asia is a springboard for developing the areas and expanding China's own internal and external connectivity.

Already, more than half of external trade of Xingjian, which hosts China's nuclear testing ground at Lop Nor and nuclear ballistic missiles, is with Central Asia.[78] Despite the expected change in China's economic growth model over the next 3 decades from the one based on accumulation to the one based on domestic consumption, the burgeoning "Middle Kingdom" has no other way but to rely on nearby economic zones to sustain its economy.[79] This is more pertinent for China, given the forecast slowdown of its economic growth, looming debt and difficulties associated with the management of popular expectations.[80] Central Asia's growing strategic importance for Beijing's transcontinental and global policies thus highlight the benefits and challenges for the region's connectivity as China seeks to secure its unity and periphery.

While China relies mostly on sea lanes for exports, its ongoing expansion as the soon-to-be largest economy of the world has spurred increased demand for transcontinental land corridors. China has already become the top trading and investment partner for Central Asia, sidelining Russia and providing the regional economies with more room to maneuver. China's global economic reach is much more extensive than Russia's. Its GDP was five times the size of Russia's in 2010, making Moscow concerned about China's growing economic influence in Central Asia.[81] Its trade with the region in 2011 amounted to U.S.$39 billion compared to Russia's at U.S.$16.5 billion, while its FDI hit U.S.$2.9 billion in 2010 compared to Russia's U.S.$3.17

billion. In 2012, China's trade with the region reached U.S.$46 billion, 100 times the amount in 1992.[82]

In 2013, China's President Xi Jinping signed U.S.$50 billion in deals with Central Asian counterparts as he unveiled China's Silk Road Economic Belt strategy to advance economic integration across Eurasia from the Pacific to the Baltic Sea. Notably, China has called for improving currency convertibility as part of its strategy. Its strategy is widely seen as a countermove to Russia's own regional integration initiatives launched in response to China's growing economic influence, as well as a response to the U.S. dollar-based trade system.[83] Despite projected benefits, China's growing economic presence also represents a major concern to Central Asian countries that see their markets increasingly inundated with cheaper Chinese goods.[84] China's imperial history in the region is not helping, either. China's control in Central Asian areas, including Xingjian, has extended to the total of at least four centuries.[85] China's growing regional influence projects a perception of China's efforts to pursue "a system of tributary relations under modern conditions" in its relations with Central Asian states.[86]

China's "belt" strategy relies on several major transit, trade, energy, and investment initiatives. China is pursuing its Pan-Asian railway plan to link 28 states with 81,000 kilometers of railroads. As part of the plan, Beijing intends to build a high-speed railway network across Asia and Europe via Central Asia, linking 17 countries and comprising three major routes connecting Kunming in China with Singapore through South Asia, Urumqi, and Germany via Central Asia, and Heilongjiang with Southeastern Europe through Russia. Compared to other transport projects, China has immense financial resources to implement related initiatives.[87]

Currently, China offers Central Asia direct access to East Asia via the second Trans-Eurasia railway and the Uzbekistan-Kyrgyzstan-Xinjiang highway, as well as 11 trade ports with Kazakhstan, Kyrgyzstan, and Tajikistan.[88] China has helped construct the north-south road and the port at Gwadar in Pakistan, facilitating linkages with Afghanistan, the Arabian Sea, Central Asia, and countries of Southeast Asia.[89] China has also helped finance the North-South corridor linking China, Tajikistan, Kyrgyzstan, and Kazakhstan,[90] and is building a rail line via Kyrgyzstan, Tajikistan, and Afghanistan, which will form the Trans-Asia railway network.

In 2013, China agreed to build a railroad from China to Kyrgyzstan and Uzbekistan, planning to convert the track gauge size of Kyrgyzstan's railways to international standards to extend links to China, Turkey, and Iran. "It is not important for China as to who will be building this railway line. The most important thing is that it is built," Chinese Ambassador to Kyrgyzstan Wang Kaiwen remarked on the U.S.$2 billion project, which in Kyrgyzstan draws fears of China's expansion and hopes of better prospects for Kyrgyzstan's global economic integration.[91]

Beijing has also been actively building roads in the region, supporting the Western Europe-Western China International Transit Corridor to improve main roads linking China and Europe via Kazakhstan. Kazakhstan had seen its container rail freight traffic rise by 62 percent during the first 9 months in 2013 compared to the same period in 2012. The rail traffic through Kazakhstan is bound to increase as China continues to expand its land-based trade westward. Notably, Russia announced in 2013 that it would not build its portion of the corridor until 2020.[92]

China's growing involvement in the region's transit projects goes hand in hand with its successful efforts to invest in the region's energy markets and to develop energy export routes as alternatives to sea-based corridors, which pirates or navies of major powers, including the United States and, increasingly, India, could challenge in times of conflict. Accomplishing related tasks would facilitate trade in energy resources, commodities, and goods across Eurasia. This would reduce China's dependence on the Indian Ocean and the Strait of Malacca patrolled by U.S. and Indian navies, undercutting the perceived U.S. policy of "strategic exclusion" of China.[93]

China's economic reach in Central Asia is especially pronounced in Kazakhstan, where its China National Petroleum Corporation (CNPC) acquired energy firms Petrokazkahstan for U.S.$4.18 billion and half of MangistauMunaiGas for U.S.$2.6 billion. It also bought an 8.33 percent share of Kashagan oil field, the largest discovered field in the last 3 decades, solidifying its presence in the country's energy market.[94] To enhance its presence, China provided U.S.$10 billion in loans to Kazakhstan in 2009 during the global financial crisis and, along with Kazakhstan, launched the Beineu-Bozoi pipeline in 2014 to deliver up to 14 million tons of Kazakh oil to China annually.

In Turkmenistan, China loaned about U.S.$4 billion for developing South Yolotan fields and provided U.S.$6.7 billion for the construction of the Turkmenistan-China gas pipeline, which has an annual capacity of 40 billion cubic meters and runs via Kazakhstan and Uzbekistan.[95] Beijing and Ashgabat now plan to build a new pipeline to supply gas to China via Uzbekistan and Kyrgyzstan. This new project could enhance Uzbekistan's leverage over Kyrgyzstan, though China's

involvement is likely to quell related concerns. China is the second-largest trade partner for Uzbekistan, where it invests heavily in the transport market.[96] China also built an oil-processing plant in Kyrgyzstan. Beijing views it imperative to develop and link existing and new regional pipelines with those in China, including the Xinjiang-Shanghai gas pipeline—a critical component of China's West Development Strategy. With time, potential participation of Japan and South Korea in related projects could foster a dynamic connection between Central and East Asia,[97] though China may prevent such developments from occurring, given rivalries in East Asia.

Beijing's growing involvement in the regional gas and oil trade has challenged Russia, which has sought to purchase gas and oil distributions networks to at least control energy resource deliveries. In 2013, Russia's gas giant Gazprom acquired Kyrgyzstan's gas system, promising to modernize the Soviet era network. Initially welcomed as a way to break Russia's regional grip, China's emerging dominance in the region's gas market now threatens to also sideline the EU, potentially leaving it without projected gas imports in the long-term, a prospect that worries Washington.[98] China's growing economic presence as part of its institutionalized "belt" strategy and the SCO causes additional concerns, including for the United States. Washington has traditionally viewed China's regional rise as a check on Russia's advances, but now has to contend with Beijing's potentially dominant geopolitical role in the region.

China's projected military involvement to protect its expanding economic interests adds a military dimension to the perceived regional rivalry among great powers. China recently agreed to offer U.S.$3 million

in loans to Turkmenistan to boost its capability against attacks on energy infrastructure. It also pursues limited military ties with Kyrgyzstan and Tajikistan. In 2009, it offered U.S.$3.7 million to Uzbekistan to install mobile scanning systems at border crossings.[99] In 2005, China "seriously considered" the possibility of having a base in southern Kyrgyzstan to help counter "terrorism, separatism, and extremism."[100] However, China's military ties with Central Asian states remain limited due to Moscow's predominant regional security role.

In this context, some experts discount the SCO as a counterbalancing tool of Kremlin and Beijing. However good it may be for expanding the region's connectivity and advancing stability through counterterrorism programs, the SCO lacks the spirit of multilateralism, with China and Russia preferring bilateral deals with regional states to bypass each other's potentially adverse responses. Membership by Central Asian states in the SCO indicates the "primary constraint of strategic regionalism," manifesting itself in the desire of these countries to either restrain their more powerful partners or at least shape more beneficial outcomes. Internal incoherencies and antagonisms within the SCO thus make it more of a crippled economic and political player rather than a geopolitical heavyweight opposing the United States or NATO. Ivan Safranchuk, editor-in-chief of the *Bolshaya Igra* (*The Great Game*) magazine, put it best: "SCO does not intend to oppose the US globally or regionally, so that it operates not against America, but without it."[101]

The SCO's real or perceived capabilities notwithstanding, China's rise is undeniable and set to expand Central Asia's eastern and western vectors of connectivity. With time, the Central Asian states may find

it increasingly imperative to turn not only north, but also south to deflect the pressure from the east as they pursue an efficient and secure way of connecting with the world. India's delayed but potentially transformational regional engagement is there to help.

INDIA'S DELAYED ARRIVAL AND RECONNECTION OF CENTRAL AND SOUTH ASIA

While India is a latecomer in the region, it is not unwelcome among Central Asian countries that are eager to diversify ties and have access to the Indian sub-continent and Ocean. India launched its "Connect Central Asia" policy in 2012, seeking to link Central and South Asia and position India as the engine of this historically and geopolitically monumental development. According to Shri Ahamed, Indian Minister of State for External Affairs, the new policy "is based on pro-active political, economic and people-to-people engagement with Central Asian countries, both individually and collectively."[102] For India, reconnecting with Central Asia is becoming an urgent imperative to ensure long-term development of Afghanistan, strengthen India's position relative to China, and promote its expanding trade by land via Central Asia to European and Middle Eastern markets, which is expected to hit U.S.$100-120 billion annually by 2015.[103]

As part of the policy, India plans to set 14 flight links with all Central Asian states, develop local IT, energy, banking, and pharmaceutical industries, and to build energy infrastructure and e-networks linking the two regions. In Kazakhstan, Indian firms are involved in coal, oil, and uranium industries. India has imported more than 3,500 tons of uranium from

Kazakhstan since 2009.[104] In Tajikistan, Indian companies are involved in a hydropower project, a reflection of importance India attaches to the region's hydroenergy capacity for the CASA-1000. In Kyrgyzstan and Tajikistan, Delhi plans to open an Indian-Central Asia University and a military hospital, respectively. In Uzbekistan, its companies are present in the pharmaceuticals, IT, construction, energy, and mining sectors. As the world's sixth largest energy consumer, it is a major party to TAPI and CASA-1000, seeking an active role in the development of the region's energy reserves to reduce its dependence on energy imports from the Middle East and meet its long-term economic growth projections. Delhi has recently expressed interest in building a gas pipeline from southern Kazakhstan to India. However, instability in Pakistan and Afghanistan, as well as the standoff between Iran and the West has impeded India's efforts to import energy resources from Central Asia and Iran (via proposed Iran-Pakistan-India gas pipeline).[105]

India's "connect" policy seeks to address the region-wide instability by focusing on the development of Afghanistan to facilitate inter-regional development. Delhi plans to invest U.S.$100 million to develop the Iranian port at Chabahar with a view to connect it to Afghanistan and on to India via railways and roads. It spent U.S.$136 million to connect the port with the Ring Road in Afghanistan, where it has invested U.S.$2 billion in infrastructure over the last decade and sought to develop the Hajigak and other deposits worth U.S.$1-3 trillion. The port will enable Delhi to access Central Asian markets without relying on Pakistan and position it favorably vis-à-vis China, which helped build a rival Pakistani port at Gwadar, linking China and the Persian Gulf. The Chabahar

port is but one link in the India's North-South Transit Corridor connecting the Indian-built Zaranj-Delaram highway in Afghanistan and providing an outlet for India's goods to Central Asia.[106] In case of entente between Iran and the West, the corridor would facilitate India's trade with Central Asia, expanding a north-south vector of the transcontinental trade. Besides its funding for roads, railways, medical facilities, power networks, and other socio-economic infrastructure, India helped Afghanistan become a member of the South Asian Association for Regional Cooperation to boost its long-term development and stability,[107] an essential prerequisite for India's own unimpeded economic rise and reconnection with Central Asia.

India's strained ties and rivalry with Pakistan over influence in Afghanistan and its strategic competition with China have dictated its outreach to Afghanistan and Central Asia. In line with its nonalignment tradition, India has positioned itself as an autonomous actor. But it has attained only limited regional presence compared to Russia, China, and the EU, which dominate trade and investment. India's trade with the region was just U.S.$500 million in 2012, compared to China's trade at about U.S.$29 billion (In 2010, trade between Russia and Central Asia was € 7 billion, which made Russia the region's third largest trade partner after China and the EU).

India has expressed a particular interest in cultivating defense industry ties with the regional countries.[108] Besides developing a strong relationship with Uzbekistan as its major arms supplier, India has sought military ties with Bishkek and Dushanbe after opening a mountain biomedical research center in Kyrgyzstan and requesting access to Ayni airbase that it helped refurbish in Tajikistan. However, Russia's military ties

and aid to Kyrgyzstan and Tajikistan have prevented it from gaining its first-ever military base overseas. Meanwhile, China's assertive energy policy has outmaneuvered India in the energy sphere. In 2013, India failed to secure an 8.4 percent stake in Kashagan oil field, which Kazakhstan chose to give to China for the same amount of U.S.$5 billion. The deal was one of about 20 agreements between China and Kazakhstan worth U.S.$30 billion. Beijing also outperformed Delhi in securing rights to develop the Galkynysh gas field in Turkmenistan and launching a pipeline in 2009 to supply Turkmen gas to China.[109]

India gained an SCO observer status to enhance its regional influence, but it sees few prospects for productive interaction within the group because it perceives China as seeking to block its access to and prevent its attempted active engagement in Central Asia.[110] The U.S. role will be critical for expanding Delhi's regional presence given similarity of regional goals expressed in the Indian "connect" policy and the U.S. NSRS. Looking long term, India's expanding global economic presence, its lagging yet promising regional potential, and its growing interest in integrating South and Central Asia via Afghanistan has shown Delhi's potential as an ascending global economic power poised to transform the landscape of the broader region by expanding Central Asia's southward vector of connectivity and reconnecting the region with South Asia. India's projected rise adds a layer of complexity to the already complicated regional dynamics, including those centered on Russia's resurgence in Central Asia.

RUSSIA'S RENEWED FOCUS ON ECONOMIC INTEGRATION IN THE POST-SOVIET SPACE

Sharing traditionally strong yet increasingly contested ties with Central Asian states, Russia has viewed Central Asia as a zone of its exclusive interests, leveraging its regional policy to advance a multipolar international system. Besides seeking to address concerns about regime stability, terrorism, Islamic fundamentalism, and narco-trafficking in Central Asia, Moscow has sought to retain its waning grip on the production and exports of the region's energy resources and prevent China, the EU, and the United States, among other actors, from extending their influence in the region,[111] including by pursuing recent integration initiatives in the form of the Customs Union (CU) and the Eurasian Economic Union (EEU). While these initiatives can advance the region's connectivity on Russia's terms, they could also impede its multivector orientation and weaken the sovereignty of the Central Asian states.

Russia's regional strategy has not been without setbacks, which nevertheless helps explain Moscow's efforts to revitalize integration processes in the post-Soviet space. Despite relative success, Russia has not developed sufficient "soft power" capabilities, resorting to "hard power" to satisfy its ambitions and, as a result, undermining the appeal of the CU and EEU integration initiatives. In the 1990s, Russia had struggled to retain its influence in the post-Soviet space, even though the existing economic infrastructure and links left over from the heydays of the Soviet Union served as the basis for the now sovereign regional states to run their economies. Not only was Russia weak, but it has also perceived itself contending with new actors

in its own backyard. All around, Russia has seen enemies bent on containing its wishful rise. The perceived encroachment of the West and the "color" revolutions in Ukraine, Georgia, and Kyrgyzstan has intensified Russia's fears of the U.S. rising influence in Central Asia, Eastern Europe, and the Caucasus. Meanwhile, China's rapidly growing influence in Central Asia has put Russia on alert, prompting Moscow to manage China's regional rise within SCO while leaning on it to deter U.S. ambitions. Russia's joint call with China in 2006 and in 2014 for Washington to vacate military bases in Central Asia and Afghanistan show their uneasiness about the U.S. regional presence.

Since 2000, Russia's growing energy export revenues have enabled it to project a more assertive economic policy at home and abroad. However, the challenges posed by the West in Eastern Europe and the South Caucasus, as well as by China's expanding economic influence and U.S. military presence in Central Asia, have grown concurrently in scope and perception. Russia's growing economic clout has fed imperial nostalgia and Russia's perception of itself as a great power, making the implementation of measures to achieve related ambitions a more likely and accepted scenario in Central Asia and beyond. The resistance of regional states to perceive Russia's efforts at domination, the need for Russia to buttress its image of a great power through economic and military means, as well as real and perceived attempts by the West to expand its regional reach have resulted in a shaky stability on the EU's doorstep. The 2008 Russian-Georgian war and recognition by Moscow of Georgia's breakaway provinces of South Ossetia and Abkhazia as independent states, as well as the 2014 annexation of largely Russian-populated Crimea fol-

lowing a local referendum and the standoff between Russia and the West over Ukraine's geopolitical orientation, are all outcomes of these volatile dynamics. In a way, these dynamics have served to hamper the external connectivity of the broader Caspian region. Pointedly, none of the Central Asian states have recognized the independence of South Ossetia and Abkhazia or the annexation of Crimea, though their negative reactions have been muted.

Under Vladimir Putin's second presidency since 2012, Moscow's drive for post-Soviet integration has intensified, with Russia supporting the creation of the CU, the EEU, and the Eurasian Union by 2025, which would include EEU members and potentially Armenia, Tajikistan, and Kyrgyzstan, among possible others. President Putin stated this about the CU and EEU:

> We suggest a powerful supranational association capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region. This project also implies transitioning to closer coordination in economic and currency policies in the Customs Union and [Common Economic Space] and establishing a full-fledged economic union.[112]

As other emerging powers, Russia finds it hard competing globally in certain markets and seeks regional integration to protect itself from global competition while facilitating access for its products to regional markets.[113] The global financial crisis underscored Russia's vulnerabilities, increasing the negative perception by the Kremlin of the U.S.-led global economic order that Moscow, along with Beijing, Delhi, and Brasilia feels it could and should challenge. Seen in this light, the CU and EEU enhance the region's connectivity but could impede its multivector orientation.

According to a 2013 survey, two-thirds to three-fourths of the CU members population viewed the CU favorably, with the perception declining from 80 percent to 73 percent in Kazakhstan and 72 to 67 percent in Russia (due to implications stemming from the second wave of the global financial crisis in 2013), yet rising in Belarus from 60 to 65 percent compared to 2012. Interestingly, the population in Uzbekistan, whose regime resists any, especially Russia's, integration schemes, had the highest favorable perception (77 percent), followed by Tajikistan (75 percent), Kyrgyzstan (72 percent), Armenia (67 percent), Georgia (59 percent), Moldavia (54 percent), Ukraine (50 percent), and Turkmenistan (50 percent).[114]

Despite favorable perceptions, neither Kyrgyzstan nor Tajikistan, both members of the World Trade Organization (WTO), rush to join the CU. According to the Asian Development Bank (ADB), joining the CU would decrease the amount of goods re-exported from China through Kyrgyzstan to Russia and Kazakhstan, affecting hundreds of thousands of people engaged in trade. Kyrgyzstan demands financial aid, stabilization funds, as well as assurances of free movement of labor and special status for Dordoi and Kara-Suu markets that are part of the emerging Silk Road serving China's exports and Kyrgyzstan's re-exports throughout Central Asia and Russia, among other conditions, in return for membership.[115] In May 2014, Kyrgyzstan submitted a new roadmap for joining the CU that reflects the conditions.

The question of membership in the CU, and potentially the EEU, for Kyrgyzstan and Tajikistan mirrors the choice before Ukraine: in both cases, Russia seeks to thwart the designs of its perceived challengers, seeking to prevent Ukraine from pursuing the Free Trade

Association Agreement and pro-Western course and preventing Kyrgyzstan and Tajikistan from falling into China's orbit and pursuing an Eastern course.[116] In Central Asia, the U.S. military involvement and China's rapidly expanding economic influence, in large part, has prompted Moscow's vigorous integrationist course. With a double-headed eagle as its coat of arms, Russia finds such dual dynamics geopolitically hard to tolerate and, as recourse, has continued building for itself a distinct, Eurasian geopolitical identity by pursuing an integration project in the heart of Eurasia.

Secretary Clinton once remarked on Russia's integration initiatives: "We know what the goal is, and we are trying to figure out effective ways to slow down or prevent it."[117] The remark has played to Russia's perception of U.S. hostile intent to undermine Russia's influence and prompted the Kremlin to pursue "the goal" even more actively. This perception has also been extended to China, which has emerged as a formidable economic player, challenging Russia in Central Asia in the energy, trade, manufacturing, and investment sectors. Russia is simply not ready to cooperate with China on regional economic integration. But it does not necessarily suggest it cannot cooperate with Beijing on larger strategic issues in the same way as the United States may have trade disputes with its EU allies, but work with them on other matters.[118] While their interests converge in their common pursuit of global status, the interests of Russia and China have diverged over regional economic goals.[119]

Moscow's close ties with Kazakhstan and Belarus help Russia facilitate its integration drive. In May 2014, the parties created the EEU, though many view the move premature. Both Minsk and Astana have raised issues with the CU and EEU as better serving

Moscow's interests. Just a month earlier, President of Belarus Alexander Lukashenko questioned the utility of creating the EEU, citing the country's disagreement with the position of energy-rich Russia and Kazakhstan to retain tariffs on energy exports for the next decade.[120] Meanwhile, President of Kazakhstan Nursultan Nazarbaev has emphasized that the EEU is "not an attempt to restore the USSR; there is no return to the past, and there won't be . . .," a position reflecting the interest of the Kazakh leadership in preventing the reemergence of Soviet Union-type structure that would compromise Kazakhstan's sovereignty. Furthermore, Astana had not been happy about Moscow's attempts "to assume new powers" within the CU commission.[121] Meanwhile, debates have surfaced whether the CU had done more bad than good for Kazakhstan. The country's imports from Russia had grown from 31.3 percent in 2009 to 42.8 percent in 2011, causing an increase in trade deficit by 63 percent and a drop in real income and capital returns.[122] However, President Nazarbaev is known as a protagonist of Eurasian integration and, while in power, is likely to pursue the declared course with Russia as its strategic partner while advancing the country's multivector foreign policy. Deputy Foreign Minister Erjan Kazyhanov described Kazakhstan's foreign policy priorities this way: "The President in his address set the priorities: Russia, China, U.S., EU, Asia, and the Middle East. The chief principle here is an economic profit."[123]

Whether Russia and its EEU partners succeed in their union is a big question. Besides the previous issues, the members have suffered from overlapping functions of other initiatives, like the Commonwealth of Independent States (CIS), as well as the distrust by members who are guarding their newly gained sover-

eignties and successfully cultivating diverse ties with major powers. Sergei Chalogo, a Russia expert, has pointed to the ineffectiveness of Russia-led initiatives this way:

> The EurAsEc's anti-crisis fund is one's own small IMF [International Monetary Fund], the single economic space—one's own EU, the CU—one's own WTO, while the Collective Security Treaty Organization (CSTO)—is one's own NATO. That is, everything is as it should be with adults; only that nothing works.[124]

How the EEU members lead a union comprised of economies of varying scale and pace of development is unclear. Nor is it clear what immigration policy would look like once others join, if at all, given strong nationalism in Russia and growing calls for visa restrictions and quotas for laborers from Central Asia and the South Caucasus. The saying captures the irony best: "The Russians want two dreams to come true at the same time: for all non-Russians to be expelled from Russia and for themselves to move abroad."[125]

The varying pace of development of Central Asian states (the CU, EEU, etc.) has spurred Moscow to pursue a differentiated policy by relying on multi- and bilateral frameworks. Disparities in wealth and resources, as well as proximity to Russia, have defined the extent of dependence of Central Asia countries on ties with Russia. Kazakhstan, Turkmenistan, and Uzbekistan have managed ties with Moscow on a more independent basis compared to Tajikistan and Kyrgyzstan, which depend heavily on Russia for aid, investments, and military assistance. Russia has viewed Kazakhstan, the largest and richest state with a strong multivector policy and common border, as its closest ally in Central Asia. In 2006, they established the Eur-

asian Development Bank (EDB), which now has Kyrgyzstan, Tajikistan, Armenia, and Belarus as members, to fund infrastructure projects. In 2008, they created an Anti-Crisis Fund within EDB with U.S.$8.5 billion in financial resources to support the poorer members following the global financial crisis.[126] In Tajikistan and Kyrgyzstan, Russia has invested in hydro-energy projects, assisting with the construction of Sangtuda 1 hydroelectric plant responsible for 10 percent of Tajikistan's electricity production and offering U.S.$1.7 billion for construction of the 1,900 megawatt Karambata 1 hydroelectric project in Kyrgyzstan.[127] Its ties with Uzbekistan, however, are strained, with Tashkent avoiding or resisting Russia's integration initiatives.

Russia has also sought to partake in inter-regional multilateral projects to retain its ability to affect and shape regional geopolitical trends and outcomes, even if these projects are viewed as reorienting Russia's perceived client states. These include TAPI and CASA-1000, supported by the United States, India, and Central and South Asian states.[128] Russia still has a lot of economic, political, and military levers to shape the region's trajectory. However, Moscow views China's leading economic position, India's impending expanded involvement, and the U.S. potentially prolonged military presence as undermining Russia's regional presence. Along with Russia's rising clout, these dynamics have prompted Moscow to up its economic integration agenda, while relying on and occasionally using its "hard power" to retain its regional position. This has created opportunities and challenges for the region's connectivity and local economies, which seek to harness evolving dynamics and connectivity initiatives to improve their performance.

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CHAPTER 3

REGIONAL CONNECTIVITY FRAMEWORK AND PERFORMANCE OF LOCAL ECONOMIES

It is a sacred duty of each of us to increase the number of our friends.

Abai Kunanbaev[1]

CONNECTIVITY FRAMEWORK: RESOURCES, DYNAMICS, INITIATIVES

Central Asia's connectivity framework is the product of the region's vast energy, metal, and rare earth mineral resources, developing infrastructure, attempts by Central Asian countries to pursue multivector foreign policies, as well as regional and global dynamics shaping numerous initiatives in the areas of trade, energy, information, and transport. As a hub of human and resource flows linking dynamic economies in Eurasia, the Central Asian region is of interest to both "Rimland" and "Heartland" powers seeking to form and direct these flows.[2] To understand the region's connectivity framework, one has also to consider major trends that are defining Central Asia and affect the speed and direction of the region's connectivity.

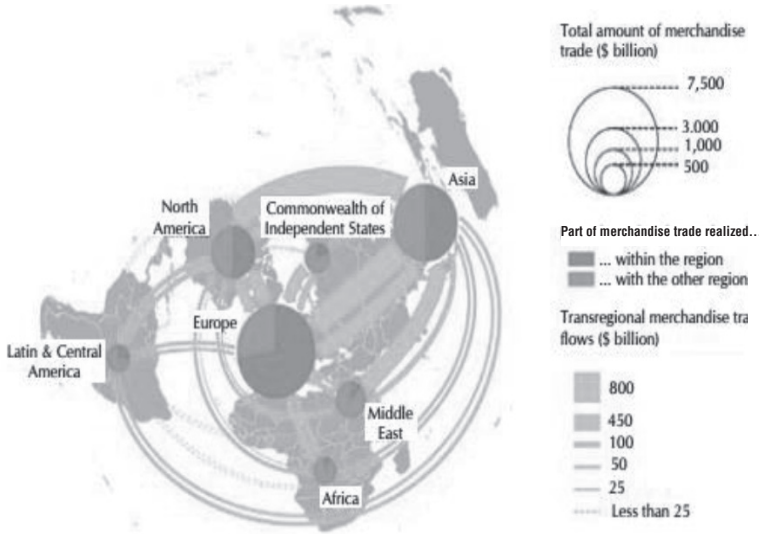
Today, the region is witnessing multilayered, concurrent processes of traditionalization implying the revival of pre-Soviet historic and cultural traditions; peripherization implying the region's integration into the global economy as a resource base for world markets; and globalization, which is pushing the region into global societal networks.[3] Kazakhstan and, to a lesser degree, Uzbekistan and Turkmenistan have

been more successful in solidifying their sovereignties compared to Kyrgyzstan and Tajikistan. On balance, however, some would argue that Central Asian countries—having failed to consolidate themselves as viable, successful, and modern nation-states—continue to be objects rather than subjects of international affairs.[4]

The rise of China, India, Russia, and Turkey, as well as ongoing rivalries over the direction of global and regional processes, have supplemented this regional context, with select countries forming region-based sources of influence and partnerships with other powers as a way to counter the perceived policies of domination by other, stronger powers, including in Central Asia. Globally, one can see such dynamics manifest themselves in a transition of power away from the West, "the rise of the rest," and the arrival of multipolarity. Regionally, one can see related dynamics in the "marriage of convenience" between China and Russia on the issue of necessary U.S. military withdrawal from Afghanistan and Central Asia, as well as in the expanding regional economic involvement by China, Russia, and, less so in the short term, India. Therefore, a U.S. failure to translate its military presence into a durable and long-term economic one could leave Washington without levers to affect regional and global processes and outcomes.

Despite the uncertainty of the U.S. long-term engagement, Central Asia has a lot to look forward to, given ongoing dynamics as well as its vast resources and strategic location, standing to benefit from infrastructure, trade, energy, and transit projects. Located in the middle of Eurasia, Central Asia can serve developing markets in the east, west, north, and south. Already, the Eurasian continent is rapidly integrat-

ing, with the largest share of global trade occurring between Eurasian economies, increasingly via Central and South Asia. While the sea-borne trade predominates, land routes are set to take on an expanding share of continental trade due to cost and time advantages, as other integration processes have shown. The economic dynamism of China, India, and other actors enable Central Asian countries to serve as trade, energy, and transit conduits and access points for goods, energy, capital, labor, investment, and ideas.[5] In many instances, Central Asian states have eagerly embraced such roles and expanded their external ties. (See Figure 3-1.)



Source: Gill and Raiser, 2011, taken from *Ibid*., Johannes Linn, p. 97.

Figure 3-1. Global Trade Flows (2008, in billions of dollars).

At present, traders ship about 99 percent of the goods traded between the European Union (EU) and Asia Pacific by sea. This trade is expected to climb up drastically and strain the throughput capacity of the Suez Canal, facilitating the demand for land-based trade, including via Central and South Asia. For instance, delivering one ton of cargo from Germany to India via the Suez costs about U.S.$3,500 and takes about 40 days; doing so via north-south transport corridors costs U.S.$2,500 and takes 15-20 days. The reduction in time is a big advantage afforded by the land-based transport, providing major trade development opportunities for Central Asia and emerging powers,[6] especially considering the major existing and planned geopolitically significant transit corridors. (See Figure 3-2.)

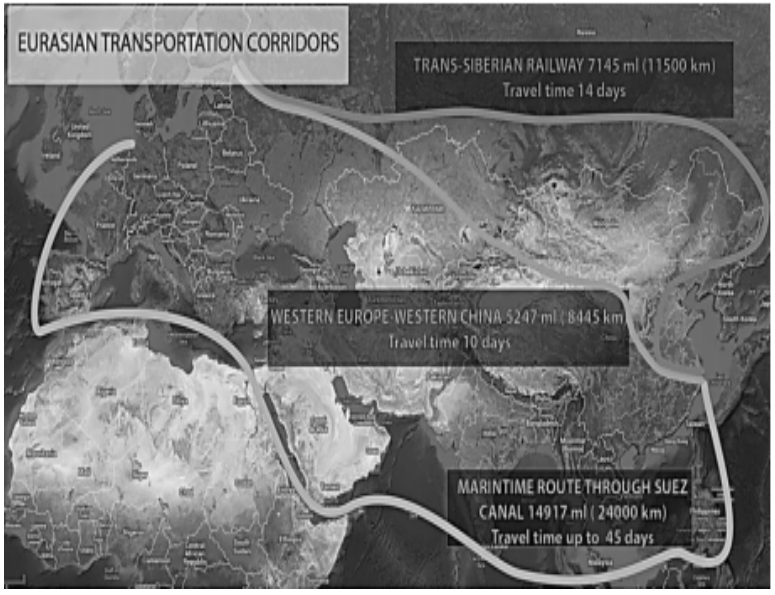


Figure 3-2. Eurasian Transportation Corridors.

Railway corridors in Central Asia feed on the Soviet-era railway network, but they also take advantage of the expanding networks built by China, Iran, and the regional states. Central Asia countries are a platform of multi-modal corridors being advanced by: Russia- and Kazakhstan-led European Economic Community (EEC); China- and Asian Development Bank (ADB)-led Central Asia Regional Economic Cooperation (CAREC) program; and Europe-promoted Pan-European Azes and the Transport Corridor Europe-Caucasus-Asia (TRACECA) program. The ADB, European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), United Nations Development Program (UNDP), and the World Bank (WB) all back the CAREC initiative, which supports transit system construction and facilitation projects worth U.S.$13 billion in Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, China, Tajikistan, Turkmenistan, and Uzbekistan. In 2008, CAREC committed U.S.$6.7 billion for major transport projects, which include: the Europe-East Asia (U.S.$3 billion by ADB, U.S.$2 billion by WB, and financial support from EBRD and IsDB); the Mediterranean-East Asia road and rail networks from China via Central Asia to the South Caucasus; the Russia-East Asia corridor bypassing Central Asia; the East Asia-Middle East and South Asia road linking China, Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan; the Europe-Middle East and South Asia road and railway lines connecting Kazakhstan, Uzbekistan, and later Afghanistan.[7] (See Figures 3-3, 3-4, and 3-5.)

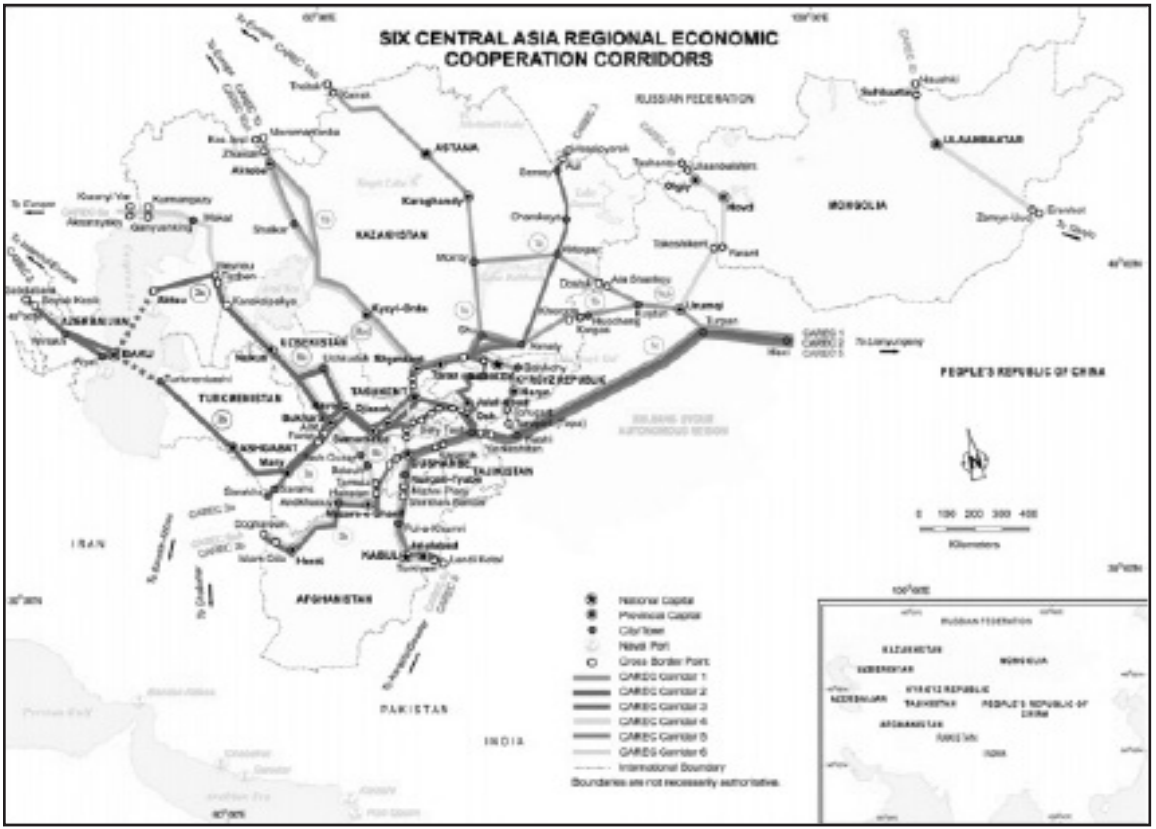
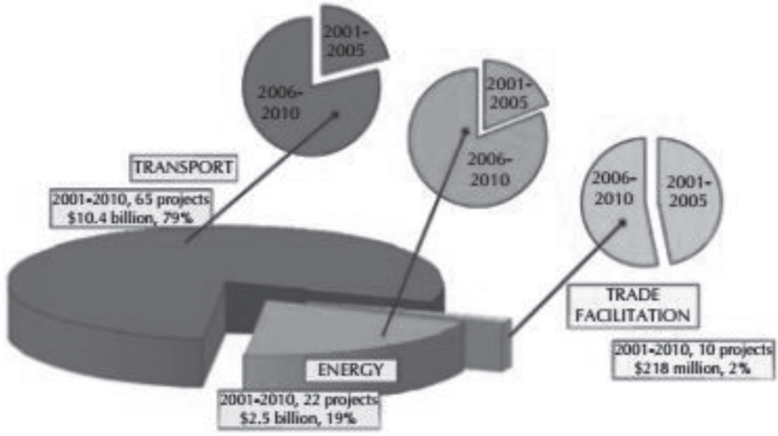
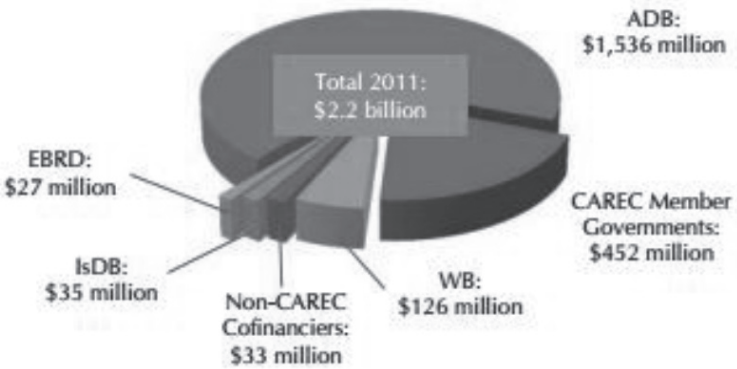


Figure 3-3. CAREC Transit Corridors.



Source: CAREC Project Portfolio, 2010, taken from *Ibid*., Johannes Linn, p.109.

Figure 3-4. CAREC Investment Loans and Grants, by Sector and Date, 2001-10.



Source: CAREC, 2011, taken from *Ibid*., Johannes Linn, p.109.

Figure 3-5. Financing of CAREC Programs, 2011.

CAREC considers supporting the following transit links connecting: Russia, Kazakhstan, Kyrgyzstan, and China; Azerbaijan, Turkmenistan, Kazakhstan, Kyrgyzstan, and China; Russia, the Central Asian countries, Afghanistan, and Iran; Russia, Mongolia, and China; Pakistan, Afghanistan, Tajikistan, Kyrgyzstan, and China; Russia, the Central Asian countries except Kyrgyzstan, Afghanistan, Iran, and Pakistan.[8] Markedly, Russia, India, Turkey, and Iran are not part of the CAREC project. The initiative has made notable progress in transport and trade facilitation but has been less effective in the energy and trade policy areas, while excluding water management at the request of China and Uzbekistan. It has done relatively better on the "hardware" but not "software," requiring improvements in legal, regulatory, and administrative areas, as well as better linkages with national development strategies of member countries.[9]

The Special Program for the Economies of Central Asia (SPECA) is another initiative supported by the UN that advances trade, energy, and transit cooperation between Central Asia, Afghanistan, and Azerbaijan and their integration into the global economy.[10] But much like CAREC, SPECA has suffered from overlapping functions and lack of efficiencies and coordination.[11]

Several existing and planned major rail corridors serve to boost Central Asia's connectivity. The 9,000 kilometer (km)-long **Trans-Siberian Railway** connects Europe and Russia's east, with branches extending to China, North Korea, Mongolia, and Central Asia. Russia's planned investments into the line by 2015 are estimated at U.S.$1.5 billion. The 11,000km-long **Northern Trans-Asian Corridor** links China's Lianyungang on the Pacific coast via Kazakhstan with Russia and Western Europe. China plans to continue electrifying

and double-tracking the line as it develops Xingjian (it has double-tracked about 90 percent and electrified about 29 percent of the line). Lianyungang serves as the originating point for the insufficiently developed and utilized **Southern Trans-Asian Corridor**, which links Kazakhstan, Uzbekistan, Iran, and Turkey. The **Central Trans-Asian Corridor** is another underdeveloped line, linking China and Kazakhstan with Russia and Ukraine with networks to Poland, Slovakia, and Hungary. Kazakhstan, Turkmenistan, and Iran are developing the **North-South Eurasian Corridor** linking Russia and Central Asia with India and South Asia and the Middle East. The underutilized **TRACECA Trans-Caspian Corridor**, in turn, runs from Kazakhstan via Uzbekistan, Turkmenistan, Azerbaijan, and Georgia, with sea links to Ukraine, Romania, Bulgaria, and Turkey.[12]

Major automobile corridors in the development stage include the **West Europe-West China corridor**, backed by EBRD, ADB, WB, Inter-American Development Bank (IDB), and the **New Eurasian Land Transport Initiative**. The former is about 8,500km-long and, for the most part, runs parallel to the Central Eurasian rail corridor, linking Europe with Russia, China, Kazakhstan, Uzbekistan, and Kyrgyzstan. The WB issued a loan of U.S.$2.125 billion to finance the construction of the corridor. The latter extends from Beijing via Urumqi to Bakhty and Almaty in Kazakhstan, Russia, Latvia, Lithuania, Poland, Germany, and Belgium, and is expected to see an increase in cargo transit through Russia and Kazakhstan by 5.2 million tons annually. There are also major multimodel corridors involving rails, roads, and waterways that link Europe and India via Russia, Iran, and Central Asia. The 7,200km-long line from Bombay to St. Petersburg, for instance, is increasingly used to accommodate the

expanding trade between India and Europe via Central Asia. Other networks include the **Trans-Caspian sea route** and the inland **Caspian-Volga-Baltic waterways** linking Caspian states, the Caucasus, Russia and Europe.[13] Air corridors are beginning to assume a major importance as well, especially given the plans of China and India to greatly increase the number of flights to Central Asia in the coming years. (See Figures 3-6, 3-7, and 3-8.)

Figure 3-6. Main Euro-Asian Corridors.

Figure 3-7. International Transport Corridors in the Commonwealth of Independent States (CIS) Countries.

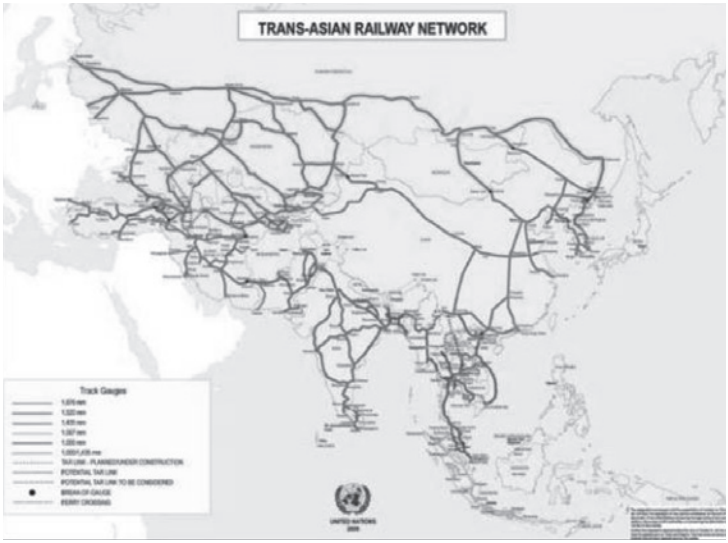


Figure 3-8. Trans-Asian Railway Network.

Inter-regional energy projects are another component of Central Asia's expanding connectivity framework, with the growing energy demand in China, India, and the EU driving their implementation. The major existing projects include gas pipelines from Turkmenistan and Kazakhstan to China, Russia, and Iran, as well as an oil pipeline from Kazakhstan to China. Another major planned project is the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline, expected to supply up to 33 billion cubic meters (bcm) of gas annually to help meet the growing energy needs of the developing Afghanistan, energy deficit-stricken Pakistan, and rising India. ADB approved the U.S.$7.6 billion-worth initiative in 2012, while the project parties have made purchase agreements and are nearing concluding stages of negotiations. Another project, CASA-1000, involves the construction of transmission lines to supply 1,000 megawatts of electricity

from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan. In 2014, the WB earmarked about U.S.$500 million for the U.S.$1 billion-worth initiative. The United States and Russia have both expressed a strong interest in the projects, which would enhance their leverage.

Despite their benefits, TAPI and CASA-1000 lack private sector involvement and face security challenges. Afghanistan may see more instability after the U.S. military withdrawal, while Pakistan will continue its struggle with home-grown militant groups. Meanwhile, prevalent corruption and porous borders of the regional states have facilitated trans-border drug trafficking and organized crime activity that many fear will only rise. Still, the demand for these projects is there, and Central Asia can help meet the energy demand in Asia, where gas and oil needs are expected to grow by 22–27 percent between 2007 and 2035.[14] The region's contribution to Asia's demand will help meet the global energy demand, forecast to rise by 50 percent in the next 25 years.[15]

The integration into the global economic system for the landlocked Central Asia cannot rely on the "hardware" (transit infrastructure) alone. Increasingly, it is the "software" in the form of technical, political, and financial components that parties need in order to facilitate intra- and inter-regional connectivity. Despite challenges of intraregional cooperation, the regional states have worked with the WB, IMF, ADB, EBRD, the United States Agency for International Development, and the United Kingdom (UK) Department for International Development, among others, to improve their policies in these areas. However, relatively closed Uzbekistan and Turkmenistan have underperformed. Turkmenistan is currently considering an

entry into the World Trade Organization (WTO), and this could prompt Ashgabat to advance needed reforms sooner rather than later.[16] Kyrgyzstan has long been a WTO member, while Kazakhstan is actively seeking membership in 2014-15 as well. Kazakhstan's Customs Union (CU) and Eurasian Economic Union (EEU) membership may complicate its WTO aspirations (however, Russia, a CU member, became a WTO member in 2013). In the case of South Asia, a proposed trade and transit pact involving Tajikistan, Afghanistan, and Pakistan as part of the Afghan-Pak trade transit agreement would allow for more unimpeded trade in the region. However, security risks threaten its implementation, despite expected positive effects of expanded trade within and between Central and South Asia on stability in the broader region.

Global dynamics, the region's immense natural resources, as well as energy, trade, and transit corridors are all factors shrinking Central Asia's connectivity gap and reflect the concurrent cooperation and competition between major players over processes and directions of Central Asia's internal and external economic integration. While promising for Central Asia's overall development, such trends are also fraught with the potential for risks and collisions. As Deputy Secretary of Kazakh Security Council Marat Shaihutdinov stated:

> The rivalry between projects of global players is intensifying, pushing our countries to so-called final geopolitical choices. On the one hand, this leads to the region [Central Asia] becoming an object of external influence. On the other hand, it leads to a slow yet dangerous increase in conflict potential.[17]

Related dynamics thus call for more successful performances by local economies in advancing their connectivity processes and joint policies to enhance regional economic integration in order to strengthen their positions in the transcontinental and global economies.

KAZAKHSTAN: REGIONAL ECONOMIC LEADER KEEN ON GLOBAL INTEGRATION

Kazakhstan is considered the region's leader in terms of diversity and vastness of natural resources, rapid pace of economic reforms, and development policies seeking to integrate Kazakhstan within Central Asia and the global economy. In 2012, its gross domestic product (GDP) stood at U.S.$235.6 billion, exceeding the combined GDP of all other Central Asian economies. Kazakhstan has displayed one of the highest growth rates in the world over the last decade, in large part due to vast natural resources and political stability that has helped it attract more than U.S.$180 billion of foreign direct investment (FDI) since independence. Kazakhstan ranks 11th and 14th in the world in oil and gas reserves. It has 12 percent of world's uranium reserves, enabling it to become the world's largest uranium producer and supplier (about 37 percent). It also has huge reserves of tungsten, barite, copper, gold, iron ore, and zinc.[18] The country's multivector foreign policy has enabled Kazakhstan to pursue strategic cooperation with Russia and related integration initiatives in the former Soviet space, allowing it to cultivate strategic partnerships with the United States, the EU, China, and increasingly India. Importantly, authorities aim to turn Kazakhstan into a major Silk Road hub of transit, energy, and trade links

in Eurasia as the country continues its efforts at regional and global integration as part of its ambitious accelerated economic modernization program. Authorities plan the program will put Kazakhstan within top 50 economies of the world by 2030.

While many tout Kazakhstan as the most successful Central Asian state that has managed to consolidate itself as a viable state capable of demonstrating strong results after nearly 2 decades since independence, its success is not, and has not been, devoid of serious development challenges. Kazakhstan's political arena remains tight, leaving little room for the already marginalized opposition. Kazakh authorities adhere to the concept of gradual development, whereby economic rather political development takes a priority. Kazakhstan suffers from poor and unequal regional economic development, with wealth concentrated in the capital Astana in the north and the financial and former capital Almaty in the south. Its economy overly depends on energy exports and suffers from prevalent corruption within government structures.

The impact of the global financial crisis on Kazakhstan, which had borrowed heavily from external markets, demonstrated the extent of Kazakhstan's intentions to position itself as a small yet increasingly active player in the global economy. But it also underscored cases of mismanagement by authorities and the private sector, which were eager to capitalize on the relatively cheap yet poorly protected credit available on international markets. The crisis caused serious economic challenges for Kazakhstan, whose effects percolated through Central Asia and South Caucasus, for which Kazakhstan is a growing source of investment. The labor unrest in the oil town of Zhanaozen in the country's western province in 2011, which led to the

government crackdown that left at least 14 killed, reveals the extent of unaddressed development issues.

Despite related pressures, Kazakhstan did not close its economy to the outside world in response to the global finance crisis, but opened up for more FDI while gambling on accelerated modernization of its resource-dependent economy. It has advanced from 74th to 59th place among 183 economies in the WB's *Ease of Doing Business* report for 2011, though it needs to do more to improve corporate governance, the legal and regulatory environment, as well as to develop better infrastructure and improve efficiency of production.[19] Authorities announced a number of initiatives after the unrest in Zhanaozen to generate cross-regional synergies, which they have sought to link with the east-west and north-south geo-economic dynamics driven by Kazakhstan's growing trade, energy, and transit ties with Russia, China, the EU, and India. Kazakh leadership has repeatedly emphasized the importance of reviving the Silk Roads and position Kazakhstan as its hub, especially after the deleterious impact of the global crisis that exposed a series of challenges with the country's heavily energy exports-dependent economy. But Kazakhstan first needs to enhance its transit capacity. As President Nazarbayev said:

> Transport infrastructure is at the heart of industrial economy and society. . . . I have said many times that it is impossible to reach the level of a developed country without modern high-quality highways. As we are located between Europe and Asia, between the North and the South; transportation remains of great importance to Kazakhstan. To set up a network of internal roads, we have initiated the construction of highways.[20]

Kazakhstan's 2013 transportation infrastructure development plan earmarked more than U.S.$32 billion of public and private investment to upgrade and build transportation and logistics infrastructure, a move the authorities hope will lead to 1 percent increase in annual GDP growth and help Kazakhstan move from 86th place on the WB's Logistics Performance Index to 40th place.[21]

As part of its "infrastructure triad" plan, the government intends to turn its four largest cities—Astana in the north, Almaty in the southeast, Shymkent in the south, and Aktobe in the northwest—into regional development centers connecting major industrial zones. It also envisions the construction of the new, 1,200km long Zhezkazghan-Shalkar-Beineu railway by 2015, linking the country's west and east and connecting Kazakhstan via the Caucasus to the EU and China's Lianyungang seaport on the Pacific Ocean. For 2014, authorities had earmarked U.S.$18 billion to support transport development, planning to upgrade up to 85 percent of national highways and 70 percent of local roads. They also plan to increase the speed of internal cargo transit via railways by 15–20 percent and external cargo transit by up to 20–30 percent, while aiming to increase the volume of cargo transit to 25 million tons and collect U.S.$1.5 billion in transit revenues in 2015.

Kazakhstan aims to develop its logistics services sector and use the territory of the EEU members, potentially also including Kyrgyzstan and Tajikistan in the future, for transit and export of its goods via north and south. To the west, it anticipates using the Baku-Tbilisi-Kars railway, due to start operating by the end of 2014, to export its oil and grain, as well as

expanding the port at Aktau and logistics center in Aktobe as gateways to the west. To the south, it looks to reap benefits of the recently constructed railway to Turkmenistan and Iran, which enables an outlet to the Persian Gulf.[22] Furthermore, Kazakhstan and Azerbaijan have agreed to build the Caspian segment of the Trans-Eurasian Information Super Highway, which involves laying a fiber-optic cable linking major information exchange hubs in Europe and Asia.[23]

Geopolitically more significant is Kazakhstan's participation in the construction of the Western Europe–Western China transit corridor. Due by 2015, the corridor is expected to raise Kazakhstan's GDP by 68 percent above the 2010 baseline and the GDP of Central Asian countries by 43 percent, reducing transit times and transit costs via Kazakhstan by U.S.$230 million and create more than 30,000 jobs.[24] The development of the Khorgos crossing at the border with China into a Special Economic Zone with its own air, ground, and railway infrastructure is another priority for Kazakhstan. It would link the Khorgos crossing with the Chinese financed high-speed railway line connecting Astana and Almaty. Kazakhstan and China have considered investing U.S.$100 million into the construction of the terminal infrastructure in China's Pacific port of Lianyungang to increase the volume of transit traffic from 18 to 36 million tons of cargo by 2020.

Kazakhstan has proved to be far more successful than its neighbors in advancing its internal and external connectivity over the years. Its relative political stability and economic dynamism have coalesced to produce a positive impact on the country's long-term development. As it moves forward, Astana should ponder the demands on the political system that are likely to increase as the country's population becomes

wealthier and politically savvier. Externally, authorities should ensure that it continues to accompany its deepening integration with Russia and Belarus as part of the EEU with equally persistent and energized efforts to cultivate ties with China, India, the EU, and the United States to boost its economic and political development as a strong, sovereign states. In the process, it should involve its Central Asian neighbors in multilateral initiatives to enhance integration and expand the region's connectivity with the world.

KYRGYZSTAN: FRAGILE ECONOMY WITH STRONG RE-EXPORT POTENTIAL

Kyrgyzstan is politically the most open country in the region, but has a relatively weak economy and insignificant deposits of energy resources. It depends heavily on remittances by hundreds of thousands of laborers in Russia and exports of gold. Remittances accounted for 31 percent of GDP in 2011, while gold mining—for 10 percent of GDP, 60 percent of exports, and 40 percent of industrial production, indicating the lack of diverse production and export base. Its now chronic political instability following two government overthrows in the last 9 years and interethnic clashes in 2010 hamper its internal and external development efforts, though its economy showed signs of a recovery in 2013, growing by 10.5 percent, largely as a result of strong dynamics in gold exports.[25] Kyrgyzstan has also become the region's re-export gateway for China's expanding merchandise exports across Central Asia. Its relatively open political environment and proximity to China offer it immense development opportunities as it seeks to become a hub on the China-led Silk Road extending from China's Xingjian and Afghanistan via Central Asia to Iran and the Caspian.

Kyrgyzstan's political instability, viewed as a sign of messy democratic development, has prevented the country from attracting more FDI and maintaining a steady economic course. Kyrgyzstan further has an undiversified trade structure, making it vulnerable to fluctuations in world commodity prices. It depends heavily on foreign aid for much-needed infrastructure and institutional development.[26] Kyrgyzstan also underutilizes its advantages of WTO membership, failing to stimulate and diversify its predominant raw materials-based exports in order to decrease an external trade balance, even if it became the first country in the region to join WTO and open its economy to foreign markets. Kyrgyzstan has leaned on its Great Silk Roads Doctrine since 1998, seeking to position itself as a major hub between Europe and Asia but has not achieved significant results.[27] But this is changing, in large part given the rise of China.

As an upstream country, Kyrgyzstan has major yet heavily underutilized hydro energy capacity, but financial challenges have prevented it from building new infrastructure. The increased demand for electricity exports to South Asia may bring the needed resources to expand the use of the hydro potential. Kyrgyzstan also has significant gold and rare earth metal reserves, vast deposits of nepheline, as well as localized reserves of coal, oil, and gas.[28] Energy resource wealth of Russia, Kazakhstan, and Uzbekistan make Kyrgyzstan susceptible to leverage, prompting Bishkek also to cultivate diverse economic ties with other actors and implement reforms to speed up its economic development and enhance its internal and external connectivity.

In 2013, the administration of President Almazbek Atambayev, who gained a 6-year term in 2011 in the

country's first peaceful transfer of power, adopted a 5-year economic development strategy seeking to implement economic reforms. Authorities planned to spend U.S.$13 billion to double GDP in 5 years, drawing on aid and investment to finance agriculture, mining, transport, power and other sectors. The strategy seeks to harness the region's geo-economic and geopolitical trends to secure financial resources to expand and integrate its economy into global markets by relying on China, Russia, and Kazakhstan, among others. Possible failures by authorities and instability at home or in the region could easily frustrate these efforts.[29]

Kyrgyzstan especially looks to neighboring China to support its development strategy, aiming to expand its transport infrastructure as well as manufacturing and logistics centers at what are Central Asia's largest trade markets at Dordoi and Kara-Suu in the north and south. China's expanding trade into Russia and Europe goes through these markets, and Moscow's efforts to enlist Kyrgyzstan and Tajikistan into the CU are not coincidental. The annual trade between Kyrgyzstan and China stands at about U.S.$5 billion, and inclusion of Kyrgyzstan into the CU and EEU would undermine Kyrgyzstan's trade with China and its reexport potential.

Kyrgyzstan welcomed China-built oil refinery and now considers China's participation in the construction of the railway line linking China and Uzbekistan via Kyrgyzstan; a proposed Kazakhstan-Kyrgyzstan-China oil pipeline; and an envisioned gas pipeline from Turkmenistan via the southern part of Kyrgyzstan. Kyrgyzstan views these projects as an opportunity to close the geographic and economic divides that exist between the north and south of the country and evolve as a crucial transit link for expanding trade and energy flows throughout Eurasia.

The China-Kyrgyzstan-Uzbekistan railway is an especially important project, but fear of China's economic and, in the future, military expansion has impeded it. Still, Bishkek views this and other projects with China as a means to balance Russia, especially considering Kyrgyzstan's relatively stronger political and military dependence on Moscow compared to other Central Asian countries. At the same time, it looks to Russia to do the same vis-à-vis China, as evidenced by the interest of Kyrgyzstan to participate in the proposed Indo-Siberian railway network linking the Urals and Siberia in Russia with Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, and India. Kyrgyzstan would need to build a railway bridging the more urbanized and industrialized north with the more rural and agricultural south in order to participate in this project. The clashes between Uzbeks and Kyrgyz in Kyrgyzstan's southern city of Osh in 2010 reveal the importance of improving the connectivity and between the country's north and south.

The North-South and East-West transit initiatives could help Kyrgyzstan integrate from within and without, expanding its connectivity and prospects at becoming a more viable state. This is important considering its relatively weak economy and fragile political stability, as well as favorable external dynamics driven by the growing regional profiles of major powers that authorities in Kyrgyzstan should utilize more effectively to boost domestic development by pursuing major internal reforms. Kyrgyzstan's re-export potential will remain dependent on the rise of China, though potential inclusion into the CU and EEU threatens to undermine this role. The membership in these bodies will enhance the country's connectivity, but it will be less multivector in scope, depriving Bishkek of prospects at developing ties with other actors.

TAJIKISTAN: WEAK ECONOMY WITH LIMITED SHORT-TERM INTEGRATION CAPACITY

Tajikistan's economy is one of the weakest in the region, heavily dependent on foreign aid and remittances from hundreds of thousands of migrants working in Russia. The economy suffers from prevalent corruption, state interference, and excessive dependence on exports of aluminum. According to a WB report, remittances accounted for 47 percent of its GDP in 2012, while aluminum made up 55 percent of all export revenues in 2011.[30] Geopolitical challenges stemming from tensions with Uzbekistan and Tajikistan's own lack of resources in part explain the country's political and military dependence on Russia. Tashkent has in the past exercised leverage over Tajikistan in the energy and transit spheres, prompting Dushanbe to develop southern, western, and eastern vectors of trade and transit links to break its relative isolation. Tajikistan's development challenges, such as inadequate economic linkages between regions and associated centrifugal dynamics, as well as its rigid political system and proximity to unstable Afghanistan undermine the country's development efforts. Meanwhile, the increase in narco-trafficking from Afghanistan to and via Tajikistan has questioned Tajikistan's viability as a state.

Tajikistan suffers from economic and political divisions—in large part due to geopolitics—which increase the prospects of separatism in the Gorno-Badakhshan Autonomous Region (GBAO) in the southeast, Rasht Valley in central-north, and the Sughd province in the north. In 2012, authorities launched an offensive against a paramilitary group led by Tolib

Ayombekov, an insurgent field commander during the civil war in the 1990s, following the assassination of the regional head of State National Security Committee. The group had former United Tajik Opposition fighters within its ranks, who opposed current President Emomali Rahmon during the war and are based in GBAO and the Rasht Valley. The clashes left more than 60 people killed and led to popular protests by residents demanding the withdrawal of military forces from the province. During the conflict, the group reportedly had forces on standby across the border in Afghanistan. The confrontation underscored the lack of development in GBAO, the region's distinct character, and its weak and uneasy relationship with central authorities. Tajikistan is thus interested in advancing internal linkages to thwart centrifugal forces within the country.

As its neighbors, Tajikistan sees it crucial to revive the Great Silk Roads and seeks to capitalize on a number of related initiatives to enhance its internal and external integration. It aims to leverage its WTO membership, gained in 2013, to liberalize its trade regime and enhance its connectivity by participating in Silk Road projects.[31] In 2014, President Rakhmon called for more active participation in global trade, highlighting the need to break the country's transport isolation while referring to the Dushanbe-Kulma highway that links it with China and the Turkmenistan-Afghanistan-Tajikistan railway. But Tajikistan needs to develop internal infrastructure capacity to accommodate the projected increase in energy, trade, and transit flows, a major challenge considering the country's terrain and the legacy of the war. According to a 2011 ADB report, Tajikistan lost about 80 percent of its transit infrastructure after independence.[32]

Tajikistan's strong but heavily underutilized hydroelectric potential, if developed, would enable the country to play a major role as a regional integrator in the electricity markets in Central and South Asia.[33] Tajikistan is a major party to CASA-1000, which would help it diversify its skewed export base, increase the inflow of revenues, and rectify its energy deficit, while facilitating cooperation within and between Central and South Asia. However, this and other initiatives face strong resistance from the neighboring Uzbekistan, which has in the past enforced a railway blockade on Tajikistan in an effort to impede its imports of materials needed for the construction of water dams. Downstream Uzbekistan views such projects, especially the Rogun project to build the world's largest dam, as threatening its economic security. Tajikistan, in turn, considers them essential in contributing to its energy security and development.

In South Asia, Tajikistan looks to Pakistan and India to break its relative isolation. Expectedly, pursuing multilateral cooperation with Tajikistan, Afghanistan, India, and Pakistan is politically difficult, but the steady progress on TAPI and CASA indicates it is economically promising. Bilateral and multilateral projects are thus bound to grow in importance, with India likely to become a significant partner for Tajikistan if the Pakistani-Indian rapprochement becomes a reality. Geography dictates that cooperation with Afghanistan and Pakistan will be crucial if Tajikistan wants to tap in the dynamism afforded by the current and projected rise of India.

Just as Dushanbe in Central Asia, Islamabad seeks to break its relative isolation in South Asia. Pakistan does not have direct trade links with Central Asia or beneficial trade deals with India. The Indo-Pakistani

informal annual trade is about U.S.$2-3 billion, with Pakistan accounting for less than 0.5 percent of India's trade and India accounting for about 1 percent of Pakistan's trade. A normalization of their ties could boost the joint trade by 20 times and open new vistas of inter-regional cooperation with countries in Central Asia and the Middle East. Pakistan and India are both wary of each other's regional ambitions. As China, Pakistan is concerned with attempts by India to project its military influence in Tajikistan and wider Central Asia, though Russia's preponderant regional security role has thus far impeded India's related efforts.[34] In 2013, Tajikistan agreed to extend the lease by Russia of its military base in return for tariff-free fuel supplies and privileges for hundreds of thousands of Tajik migrants laboring in Russia.[35]

Pakistan offered to invest U.S.$600 million in the Rogun dam in the early-1990s, but the investment did not come due to the Tajik civil war. As of 2011, Tajikistan imported most of its cement for construction from Pakistan, which then planned to create new enterprises in Tajikistan. Dushanbe and Islamabad further seek to develop the north-eastern Afghan Wakhan corridor linking Tajikistan, Pakistan, and China by constructing a road and a railway link between Pakistan and Tajikistan to enhance inter-regional connectivity. Backed by Afghanistan and Russia, the completion of the project would provide Tajikistan and Russia with access to Pakistani ports, the Arabian Sea, and the Indian Ocean, expanding trade for Pakistan and Afghanistan in and via Central Asia into Russia. Given the rise of China, linking the corridor to China via the Karakorum highway makes this project geopolitically significant as well.

With the support from China and Iran, Tajikistan gained access across the Pamir Mountains to Afghanistan via a U.S.-built bridge and plans to build a rail line from Dushanbe to Afghanistan.[36] Meanwhile, the construction of a fifth bridge linking Tajikistan's Khatlon Region with Afghanistan's Khotlon Province is expected to facilitate not only internal, but also intraregional and extraregional trade.[37] Like Kyrgyzstan, Tajikistan is also in dire need of developing its constrained air hub capacity by opening up the sector to private market.[38] India's efforts to establish air traffic connections with all Central Asian states provides an opportunity for Tajikistan to seek support from Delhi to facilitate the country's southward connectivity.

Tajikistan will need to depend significantly on outside actors to nurture and expand its economic development and break its relative isolation in the region. The good news is many actors are interested in expanding their own connectivity by using Tajikistan as a springboard, including Iran, China, India, and Pakistan. Dushanbe needs to harness external dynamics while promoting domestic political and economic reforms to create synergies and boost its own development and connectivity with the wider region and the global economy. This is imperative considering its relatively weak economy, as well as its limited short-term yet significant long-term potential to become a major integrator, along with Afghanistan, of Central and South Asia.

UZBEKISTAN: RELATIVELY STRONG PERFORMER WITH UNTAPPED CONNECTIVITY POTENTIAL

Uzbekistan's economy, while growing rapidly and steadily over the last several years (forecast to grow at 6.9 percent in 2014), suffers from overwhelming state control in several major sectors, prevalent corruption, and weak rule of law. It displays significant inefficiencies due to the lack of private markets and trade diversification, as well as ineffective state planning. Gold, uranium, oil, gas, and cotton dominate the country's exports. Uzbekistan's location, its abundant natural resources, a relatively more developed railway system, and a higher level of industrialization could lead to a much more successful economic performance. However, heavy state control and authoritarian political system, touted as they are in the country for ensuring stability, hamper Uzbekistan's development efforts and its potential to serve as a major regional economic player on par with Kazakhstan. A popular joke that it was not Uzbekistan that left the Soviet Union but the other way around indicates development challenges under the President Islam Karimov-led regime. These issues will continue despite looming generational change, given the age of the president.[39] As it considers participating in major transcontinental projects, Uzbekistan will increasingly face the challenge of reconciling its needs for internal security and liberalization.[40]

Uzbekistan is the world's seventh largest gold producer (though gold mining remains underdeveloped) and third largest cotton exporter, pursuing especially close trade ties with Russia, Turkey, China, and Kazakhstan.[41] Uzbekistan has about 100 types of miner-

als, with its mineral potential estimated at U.S.$3.3 trillion. With U.S.$5 trillion cubic meters worth of natural gas reserves, it is also the world's 10th largest gas producer. A number of Japanese companies are active in the country's energy industry, developing oil and gas reserves at Ustyurt, Bukhara, Khiva, South-West Gisar, Surhandarya, and Fergana regions.[42] State company Uzbekneftegaz and Russian Lukoil, in turn, participate in the Kandym–Khausak–Shady–Kungrad Project to develop gas fields, the initiative backed by the ADB, IDB, and the Korean Development Bank, among others. Uzbekistan has sought to develop new oil and gas pipelines, having in its network 868km of oil and 9,594km of gas pipelines as of 2006. Uzbekistan further ranked seventh in the world in the production of uranium in 2011, but this sector remains underdeveloped.[43]

Despite its resource wealth, a lack of FDI and weak transportation infrastructure have prevented Uzbekistan from becoming a major gas exporter and a major base in the region for multinationals that have found more comfort in the relatively open Kazakhstan. While it has seen growing levels of FDI over the last years, particularly from Kazakhstan, Russia, Turkmenistan, India, Pakistan, China, South Korea, Japan, Germany, and Ukraine, Uzbekistan continues to suffer from relatively low FDI inflows, displaying the lowest foreign investment rates per capita in the CIS and showing an estimated net FDI at 2.09 percent of GDP in 2010. To expand FDI inflows and technology transfers, authorities built special industrial zones at Navoi and Angren.[44]

One cannot imagine the development of the broader region without a more active engagement by Uzbekistan, which borders all Central Asian states

and Afghanistan. Uzbekistan forms part of the Trans-Caspian railroad, a legacy of the Russian Empire enabling the connection between the Caspian Sea, on the one hand and Kazakhstan and Russia, on the other. Despite being wary of regional and multilateral initiatives, Uzbekistan has made strides in the development of domestic transit infrastructure (such as the Guzar-Boysun-Kumkurgan highway in the south) and expanded cooperation with Afghanistan by building rail links to the country that needs Central Asian markets to improve its stability. In 2010, ADB helped Uzbekistan finance the construction of a railway linking Hairaton with Mazar-i Sharif in Afghanistan. CAREC plans to assist Uzbekistan with extending the line by 230km—a U.S.$450 million-worth initiative—to ensure connection with an Afghan-Tajik border point at Sher Khan Bandar on the Pyanj River.[45]

Uzbekistan is also interested in the proposed Uzbekistan-Kyrgyzstan-China railway project. The railway would run from Kashgar in China's Xinjiang via Kara-Suu in Kyrgyzstan to Andijan in Uzbekistan, potentially going as far as Europe through Turkey and significantly boosting Uzbek economy by offering new trade partners and business opportunities. However, the uncertain prospects of the line development in Kyrgyzstan may frustrate Tashkent's hopes. Importantly, the Uzbek government issued a decree on July 11, 2014 outlining measures that would facilitate the country's plans to join the WTO, though a lack and slow pace of economic and political reforms will prevent it from achieving that goal sooner.

Overall, Uzbekistan's geopolitical position offers it significant opportunities to expand its internal and external connectivity, provided it opens up its political and economic system. Doing so will allow the leader-

ship to tap in the country's central location, immense wealth and dynamism of its population—the region's largest—to serve as a regional and inter-regional integrating force. Uzbekistan should seriously consider Kazakhstan's experience in opening up its economic system and accompanying it with necessary reforms to boost its connectivity.

TURKMENISTAN: CLOSED, STATE-DOMINATE ECONOMY WITH STRONG ENERGY EXPORT CAPACITY

The Turkmen government wields pervasive control in all domains of the country, including the economy. Turkmenistan has opened up considerably since the death of former President Saparmurat Niyazov and has recently announced its intention to join the WTO. But the current administration led by President Gurbanguly Berdymuhamedov needs to do significantly more to open up the economy and the political system. Despite a steady and fast economic growth rate averaging more than 5 percent over the years, its economy has remained heavily dependent on gas and cotton exports and suffered from issues similar to those in Uzbekistan. A closed and tight political system, excessive state control, prevalent corruption, weak rule of law, and proclaimed neutrality in international relations have prevented Turkmenistan from becoming a magnet of FDI and an active regional player. According to the WB, its FDI is much lower than that of Kazakhstan, though it did rise rapidly from about U.S.$418.2 million in 2005 to about U.S.$2 billion in 2010.[46] Turkmenistan's agricultural sector (the country is among the world's top 10 cotton producers) employs 50 percent of the labor force and produces

more than 60 percent of the country's GDP, leaving a lot of room for industrialization and urbanization as it seeks to expand its national economy.

The country's substantial gas reserves have enabled it to play a major role in regional energy markets, prompting Ashgabat to pursue diversification of its export routes to alleviate geopolitical pressures that stem from Russia's traditional yet waning grip on the country's energy production and exports, expanding its external connectivity significantly.[47] Turkmenistan further ranks sixth in global gas reserves and 20th in gas production, though some estimates suggest the country's gas reserves are the fourth rather than the sixth-largest in the world.[48] After a 2009 dispute with Russia over gas exports, Turkmenistan embarked on diversification of its export routes. By 2011, it had exported 14.3bcm to China, 10.2bcm to Iran and 10.1bcm to Russia, a notable achievement considering its pre-2009 annual exports to Russia totaling 40bcm. It now aims to export up to 65bcm of gas to China by 2016. It relies on a number of existing and planned pipelines in the region to expand its exports and external connectivity, especially given the growing energy demand in the EU, China, India, Pakistan, and Afghanistan.

It supplies gas to Russia and Iran via the Central Asia-Centre and Bukhara-Urals pipelines and the Korpezhe-Kurt Kui pipeline, respectively. In 2010, with its partners, it launched the Dovletabad-Sarakhs-Khangiran pipeline to Iran and the Central Asia-China pipeline linking it with China's East-West pipeline. It now pursues an East-West pipeline linking its eastern gas fields to the Caspian Sea to supply up to 30bcm of gas to markets in Europe annually starting in 2015 and the TAPI pipeline to supply similar amount of gas. The United States has supported Turkmenistan's efforts to

diversify gas export routes and backed the proposed TAPI and Trans-Caspian initiatives, which face major financial, transit, and geopolitical challenges.[49]

Turkmenistan also seeks to improve transit infrastructure within the country and with its neighbors by pursing upgrades and new connections. In 2013, Turkmenistan and Kazakhstan began operating a new railway connecting the energy-rich regions of both countries. The link, which is 540 miles long, connects Ozen in Kazakhstan with Etrek in Turkmenistan through Uzbekistan; the parties plan to extend it to the Iranian rail network.[50] It also participates in the construction of the railway linking it with Afghanistan and Tajikistan. Turkmenistan is also building roads and railroads connecting it with the Afghan Ring Road, a crucial initiative considering the underdeveloped rail linkages within and with Afghanistan.

As any other regional state, Turkmenistan has a lot of room and need for expanding its connectivity. It needs to liberalize its economic and political system to promote greater efficiencies in economic development and trade. The country's success in diversifying its energy exports over the last years suggests the existence of skills that authorities should apply in other economic areas to boost the country's potential for internal and external economic integration.

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CHAPTER 4

REGIONAL AND DOMESTIC DYNAMICS CONSTRAINING CENTRAL ASIA'S CONNECTIVITY

Where there is ruin, there is hope for a treasure.

Rumi[1]

MAJOR TECHNICAL, ECONOMIC, POLITICAL, AND SECURITY CHALLENGES

Despite the fast-developing trade, energy, and transit infrastructure within and between Central and South Asia driven by the dynamism of neighboring economies and, to a lesser extent, the local economies themselves, the regional countries lag in global connectedness. Their landlocked status and major technical, economic, and political challenges constrain their global market access and international trade flows, impeding the region's internal and external connectivity.

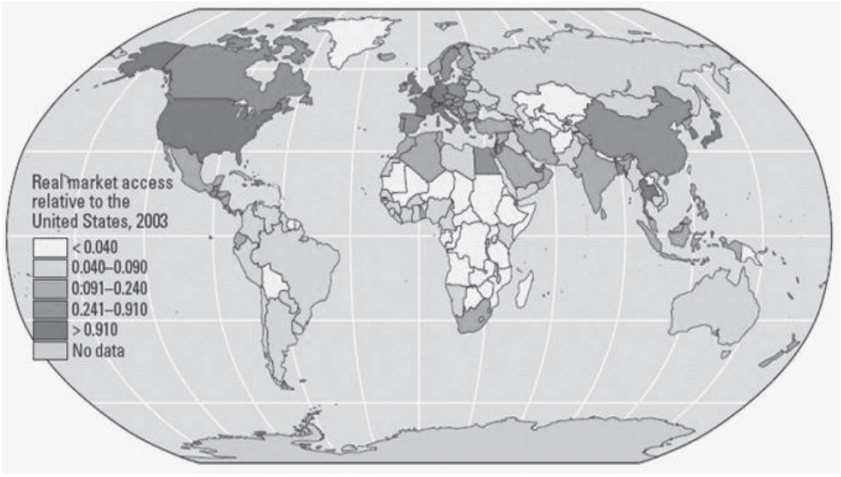

Figure 4-1. Global Market Access.

The "modern activity gap" concept (see Figure 4-2) underscores the lack of information connectivity to the global communication flows in the late-1990s for the region comprising parts of Central and South Asia and extending from the Black Coast to China's Xingjian. Each dot represents overhead satellite intercepts of all types of communications in a 24-hour period in the late-1990s.[2] This picture has changed over the last 15 years, especially given the fast development of Internet, migration patterns and concomitant need to maintain connections with the region, among other factors. But it also reveals a low starting position of Central Asia in terms of its information connectivity and, perhaps more importantly, given the lack of overall development in the region, in terms of its economic linkages with the global economy.

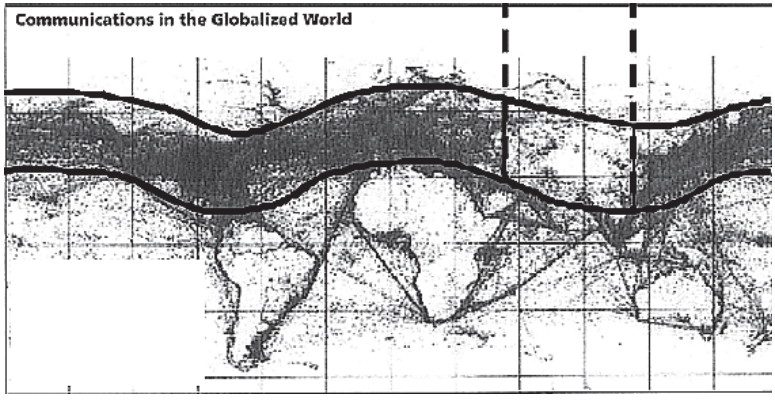

Figure 4-2. Communications in the Globalized World.

The DHL's 2012 Global Connectedness Index, which measures the global connectedness of 140 countries based on the depth and breadth of coun-

tries' trade, capital, information and people flows, shows that South and Central Asia as a broader region is behind across almost all parameters, ranking last on depth and third from last on breadth. Its higher breadth (connectedness with countries outside the region) than depth (connectedness with countries within the region) reveals low levels of intraregional integration due to tensions between India and Pakistan in South Asia, as well as interstate tensions over border, water, and energy issues in Central Asia. In the period 2005–11, the broader region displayed the lowest proportion of intraregional merchandise exports, standing at just 7 percent. Less than 15 percent of international flows are intraregional, indicating deeper connections to countries outside the broader region.[3] In 2012, intraregional trade in Central Asia reached only U.S.$3 billion, which represents 6.2 percent of total imports, revealing the importance of developing open markets and trade routes in the region.[4] According to the 2005 United Nations Development Program (UNDP), the potential benefits of effective regional cooperation for Central Asian states could lead to a possible doubling of regional gross domestic product (GDP) over 10 years.[5]

Kazakhstan ranks 54th in global connectedness, making it the top-ranked country among 12 countries in the broader region of Central and South Asia. It ranks strong on the capital pillar (28th out of 122 countries on depth and 17th out of 67 on breadth) and on the people flows pillar (25th out of 116). Kyrgyzstan ranks 124th on the global connectedness and 10th among the 12 states in Central and South Asia. Its depth of trade, particularly trade in services, is notably high, positioning the country as 17th globally for services exports depth and 10th for services imports depth. In

the region, it ranks 1st on both services exports and imports depth. Tajikistan ranks 132 in global connectedness and 11th in the broader region. It also ranks 30th out of 139 on the depth of its outward migration and 40th out of 140 countries on the depth of merchandise imports. Uzbekistan ranks 123rd in global connectedness and 9th in the region. On the people pillar, it ranks deepest, at 73rd out of 116 countries, due to high migration and international student flows. Its lowest depth rank is on the information pillar, where it stands 128 out of 140 countries.[6]

These statistics are relevant for the broader region of Central and South Asia in one important respect as we ponder Central Asia's shrinking connectivity gap: the DHL's Index shows that, following the financial crisis that made the world less global, most international flows today occur within rather than between regions. The poor state of intraregional trade ties in Central and South Asia significantly hampers their connectivity. But the index also reveals that enhancing global connectedness may bring trillions of dollars in gains and that even the most connected economies stand to benefit due to their predominantly domestic activities.

A series of technical, economic, and political challenges help explain the dynamics. Technical issues include excessive duties, corruption, poor cooperation on trade facilitation (customs, border crossings, poor logistics, and other related inefficiencies), varying migration rules, and lack of harmonization that stifle intra- and inter-regional trade. An Asian Development Bank (ADB) survey of almost 1,000 truck drivers hauling goods across Afghanistan overwhelmingly suggests that bureaucracy is the major impediment to trade.[7] For instance, in one particular route that stretch-

es from Tajikistan to Russia across all Central Asian countries but Turkmenistan, 35 percent of costs went to unofficial payments, and 5 out of the 8 days the trip took were spent waiting at checkpoints. Central Asia Regional Economic Cooperation (CAREC) estimates that trade facilitation improvements could result in the annual growth of the overall economy of its members, including Xingjian but not the rest of China, by 8.1 percent and reach U.S.$351 billion by 2018. Besides improving "software," the regional countries would need to upgrade existing and develop new transit corridors. The legacy of the Soviet transport infrastructure is still there, but it ensured connectivity within the union and not much with neighbors outside the union. To become an effective and efficient transit hub, Central Asia countries would need to improve regional infrastructure by investing U.S.$2-3 billion annually to carry out needed upgrades, according to ADB.[8] Investment in transit infrastructure, standardization, and professionalization of customs agencies, with assistance from development institutions, is crucial for reducing corruption, promoting private investment, and allowing regional economies to compete better with other fast-developing transcontinental routes.

The landlocked status of regional countries, technical challenges, and lack of general economic prospects should prompt intraregional cooperation to remove related impediments, but the economic and political issues plaguing the region help explain the lack of progress on this front. Of all regional countries, only Kazakhstan and Kyrgyzstan have shown a particularly strong desire to integrate with the global economy by supporting economic and trade liberalization. While the gas-rich Turkmenistan, like Kazakhstan, is now ranked as a middle-income country, its economy

is suffering from tight state control, a situation similar to Uzbekistan where the regime perceives economic liberation as a menace to political stability. Tajikistan, in turn, has struggled with economic recovery following the civil war in the 1900s and is yet to show significant progress in a wide range of areas, including trade liberalization. Collectively, the regional countries have failed to pursue meaningful regional economic cooperation and continued emphasizing their extra-regional orientation.[9]

Despite poor regional cooperation, the countries' extraregional ties are advancing their external connectivity, albeit on a slower and shallower levels. Slow economic reforms, underdeveloped financial sectors, remoteness from world markets, and challenging geopolitical conditions have prevented the countries' from enhancing their regional and global connectivity.

Authoritarian political systems have undermined related prospects as well. This is despite the risks to stability of local regimes stemming from potential public discontent or unrest as a result of poor socio-economic conditions amid the perceived flowering of other economies. Regional elites are guardians of their power and newly gained independence which, understandable as it is, has constrained economic and political liberalization. Poor governance, ineffective state institutions, lack of public accountability, and transparency have strongly impeded internal and regional development and cooperation. Widespread corruption and lack of economic diversification are in large part the result of the infamous "resource-curse," which undermines public governance and sustainable development in Central Asian countries. Meanwhile, the expanded drug trade, as an outcome of the war in Afghanistan, has undermined public health, state

institutions, and entrenched the already prevalent corruption in the region.

Simmering conflicts over water, energy, and border issues, especially in the Fergana Valley, the rivalry over regional leadership between Uzbekistan and Kazakhstan, and Turkmenistan's neutrality bordering on isolation have significantly hampered the region's internal and external connectivity. Astana and Tashkent pulled out of the regional electricity grid, straining ties with Dushanbe and Bishkek, which rely on winter supplies of power from the downstream Uzbekistan and Kazakhstan. The latter, in turn, seek to mitigate their dependence on water resources of the upstream Tajikistan and Kyrgyzstan.[10] This has undermined prospects for developing a regional energy market. Tajikistan's efforts to build the world's largest dam, Rogun, to rectify its energy deficit have met fierce resistance from Uzbekistan, which has resorted to border closures, energy blackmail, and even amassing of troops close to Tajik borders to pressure Dushanbe to rescind the project. Tashkent fears the dam will undermine the country's cotton-based agriculture, cause environmental degradation, and deprive it of leverage, while Tajikistan relies on the project to reduce dependence on energy imports from Uzbekistan. [11]

Such tensions are a daily part of life, just as frequent territorial disputes in the Fergana Valley involving an occasional use of arms fire by border guards. According to Kyrgyz authorities, 80 border clashes occurred between Kyrgyzstan and Uzbekistan from 2009 to mid-2011.[12] In early-2014, a dispute over Kyrgyzstan's plans to build a road bypassing a Tajik enclave in southern Kyrgyzstan prompted the exchange of fire by border guards of both countries. Persistent distrust and weak state institutions often not account-

able to citizens makes it hard to address related issues, prompting the need for external involvement that can also serve as a negative factor by exacerbating rivalries among outside powers for regional influence.[13]

For instance, Russia has used its predominant military and political influence in Tajikistan and Kyrgyzstan, as well as its plans to invest in the countries' hydro sectors, to apply pressure on Uzbekistan which has resisted Moscow's efforts at perceived domination.[14] In 2009, Moscow sought to take advantage of strained Uzbek-Kyrgyz ties and open a military base in Osh, prompting Tashkent to turn to Washington. The Kyrgyz government asked for a base in Batken, located in the region that is home to Uzbek enclaves. Having a base in Batken would allow Bishkek to keep Tashkent in check, given occasional territorial disputes with Uzbekistan. The United States offered Kyrgyzstan to set up a military training center in Batken, but ultimately neither the center nor the Russian military facilities were built in either Osh or Batken regions.[15]

The risk of conflicts induced internally or externally persists in the energy-rich Caspian, which is seeing growing militarization. The unresolved status of the Caspian Sea has exacerbated the regional security environment, stifling foreign direct investment (FDI) and development of the region's vast, yet contested resources. The related developments have negatively affected efforts of Central Asian states to build west and south energy, trade, and transit connections, undermining as they are the prospects of the proposed trans-Caspian gas pipeline connecting Turkmenistan's gas fields to Europe.[16] Moreover, recurrent clashes between Turkic Uyghurs and Han Chinese in Xingjian—notably in 1990, 2009, and 2013—are a testament to the instability of China's western frontier bordering

the formerly Soviet Central Asia.[17] The perceived lack of regional stability has prompted concerns about the risks posed to the rapidly expanding trade between China and Central Asian countries, though China's rapid pace of development and its expanding trade westward via Xingjian through Central Asia is likely to solidify Beijing's hold on the region while spurring a wider regional economic development conducive to long-term stability.

The region's lack of environmental security; regular droughts; and risks of water, energy, and food crisis in the context of global warming and related impacts may threaten Central Asia's glacier system and negatively affect water supply for irrigation and hydro energy use. As the Eurasia Development Bank concluded in a report in 2009, shortages of water and electric power would undermine the regional economic development and could trigger interstate conflicts.[18] Together, environmental, as well as security chal-lenges in the Fergana Valley, the Caspian, Xingjian, and Afghanistan, threaten Central Asia stability within and along the region's perimeter, putting the region's shrinking connectivity process under risk and hampering FDI and economic development that underpin its external connectivity. Only by pursuing stronger regional integration would Central Asian states be able to withstand related pressures and enhance their connectivity prospects—an imperative they have yet to materialize.

STALLED INTRAREGIONAL INTEGRATION PROCESSES IN CENTRAL ASIA

More than 20 years after they gained independence, Central Asian countries continue to fear not only the agendas of outside powers, but also those of each other. This is despite a wide range of common challenges requiring joint efforts by the regional states to consolidate their sovereignty, ensure regional security, and pursue more effective regional and global economic integration.[19]

Several developments have impeded regional economic integration. The Central Asian states display varying paces of economic and political development, being torn as they are by conflicting models of development and integration promoted by Russia and China, among others.[20] Kyrgyzstan and Kazakhstan have been far more successful in advancing political and economic modernization compared to Uzbekistan, Tajikistan, and Turkmenistan. Kazakhstan's economy is larger than the economies of all the regional countries combined, standing at U.S.$216.4 billion in 2001 compared to the region's second largest economy of Uzbekistan standing at U.S.$94.04 billion. Kazakhstan boasts a relatively high level of development, ranking 68th in a 2011 UN report on human development. Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan rank 115th, 126th, 127th, and 102nd, respectively.[21] Kazakhstan, Turkmenistan, and Uzbekistan are large energy producers and exporters, while Kyrgyzstan and Tajikistan are large importers of energy resources and exporters of migrants. Kazakhstan has become a magnet for migrants of other regional countries, though a regional migration policy in Central Asia does not exist.[22] Fostering political and economic liberalization

would ensure a more effective and rapid domestic development of Central Asian economies, intraregional cooperation, and external connectivity.

The Central Asian states are also in the process of consolidating their newly gained sovereignties, displaying a strong sense of nationalism and resistance to integration initiatives, either intra- or extraregional. Ideologies that support their national building efforts often conflict. But given their weak economic and security positions, as well as lack of other choices save for stronger regional integration, they continue pursuing ties within outside powers and regional organizations led by Russia (Collective Security Treaty Organization [CSTO]; Commonwealth of Independent States [CIS]; the Customs Union [CU]; and Eurasian Economic Union [EEU]) and China (SCO). Functions of these structures overlap and are often ineffective, while relatively weak positions of Central Asian states prevents them from influencing these institutions. Furthermore, Moscow and Beijing favor bilateral approach to dealings with the regional countries, hampering regional cooperation efforts. Lack of commitment by leaders, funding, and involvement of the private sector and civil society have impeded regional integration as well.[23] Expectedly, the lack of intraregional cooperation by Central Asian states themselves opens room for manipulative involvement by outside powers, depriving them of mechanisms to better manage their internal and external ties. While relations with Russia and China help advance the region's connectivity, an integrated region would ensure a more effective and secure way of pursuing it and ensuring that any push for connectivity advanced by an outside power is not imposed or one-directional.

To be sure, the regional states made an effort to pursue intraregional cooperation. They first created the Central Asian Commonwealth, transforming it into the Central Asian Economic Community (CAEC) in mid-1990s. In 2001, the CAEC became the Central Asian Cooperation Organization (CACO), but the CACO ceased to exist in the 2000s. Meanwhile, efforts to pursue intraregional security cooperation have led nowhere, with the regional states relying primarily on external military and security cooperation with major powers (Russia-led CSTO, China-led SCO, the U.S.-led North Atlantic Treaty Organization [NATO] and NATO's Partnership for Peace [PfP] program, and the European Union's [EU] Border Management Program for Central Asia). The Centrazbat, created on the basis of the CAEC in 1990s to coordinate joint military exercises, held common exercises with NATO units between 1997 and 2000, but had not evolved into an effective military integration initiative.[24] Even security challenges stemming from the conflict in Afghanistan have not advanced intraregional, integrated policies. While participation in the Northern Distribution Network (NDN) has been a notable achievement, it has been advanced through participation of the United States and other external parties.

Enhancing intraregional cooperation would advance Central Asia's position in the global economy, but the regional states need to integrate internally to create synergies when integrating externally. As President Nursultan Nazarbaev cautions:

> We witness a clear rivalry of great powers over economic domination of the region. We are now poised with a choice: we eternally remain the source of raw materials for the world economy and wait for the coming of the next empire, or engage in serious integration of Central Asia.[25]

As the strongest regional actors, Kazakhstan and Uzbekistan could drive the regional integration, but they need to overcome their rivalries. Uzbekistan further needs to expand its vision of its potential in the age of globalization.

The rivalry between Uzbekistan and Kazakhstan over primacy in the region and their colliding domestic, regional, and global visions hamper intraregional integration, with Kazakhstan looking to geo-economic statecraft while Uzbekistan leaning more on geopolitics toolkit in their world views and approaches. While Kazakhstan is the region's largest economy by far, Uzbekistan is the most-populated, centrally located, and borders all Central Asian states, while being seen as the core of the region's cultural and historical heritage.[26] Kazakhstan has a persistent record of integration initiatives, positioning itself as the country with a multivector policy and global vision for itself and the region. Uzbekistan, in turn, has long pursued an isolationist course and refrained from intraregional cooperation in a number of areas.

Pointedly, Kazakhstan did not close its economy to the outside world in response to the global financial crisis, but instead chose to open up for more FDI while pursuing more stringent regulations to avoid financial risks. It has displayed impressive economic growth in recent years, accounting for about 50 percent of the region's GDP and attracting up to 85 percent of total FDI since independence. The state dominated economies of Uzbekistan and Turkmenistan, however, have failed to implement reforms and attracted the lowest FDI in the region in relative terms.[27]

Uzbekistan had seen a good start as a proponent of regional integration in the 1990s, calling for a regional

security conference, advancing the Nuclear Weapon Free Zone in the region, and initiating the 6+2 format of negotiations on stabilization of Afghanistan in 1998. However, the history of colonial legacy, rivalries among great powers, uncertainties after the demise of the Soviet Union, as well as risks of instability in Afghanistan have prompted it to rely more on bilateral rather than multilateral ties.[28] In 2005, President Islam Abduganievich Karimov stated that "strategic uncertainty remains in the region. Geostrategic interests of major world powers and our neighboring countries concentrate and sometime collide in this part of the world." For instance, just as any other outside actor, Russia has used the instability in Afghanistan as a way to influence its relationship with Central Asian states, providing significant economic and military aid to Tajikistan and Kyrgyzstan, yet being unable to find a cooperative partner in Uzbekistan.

In 2008, Tashkent launched the "6+3" format of talks on advancing security in Afghanistan and the wider region, but proved unable to get international support, re-entering CSTO in 2006 and leaving it again in 2012. In another instance, it became a Eurasian Economic Community (EurAsEC) member in 2006 but left in 2007. Since its independence, it left the CSTO, EurAsEC, and CACO. It also disengaged from the Istanbul process on Afghanistan and UN Special Programme for the Economies of Central Asia (SPECA) project, choosing to remain a SCO member to balance Russia and, increasingly, China's own growing economic clout in Central Asia. As analyst Farkhod Tolipov put it, the country's policy "has undergone evolution from promising start in the 1990's, through uncertainty in the 2000's, up to isolationism and stagnation today," undermining prospects at regional in-

tegration. Its 2012 foreign policy concept emphasized its preference for bilateral ties and objection to the deployment of foreign bases in Uzbekistan, membership in any military alliance, and involvement of outside powers in the resolution of regional conflicts.[29] All Central Asian states distrust Moscow and its regional initiatives, but it is Uzbekistan that has shown its ability to resist them, a position different from Kazakhstan that borders Russia and finds it more beneficial to pursue integration with Moscow in various areas.

The political, security, and economic components of Uzbekistan's grand strategy contrast sharply with those of Kazakhstan, which is a member of all major post-Soviet integration initiatives and has successfully exploited its growing ties with China, Russia, and the United States at the same time. Astana's ambitious plans to integrate into wider global economic network hold an extraordinary potential to better bridge Central Asia with the rest of the world and exert a positive impact on the development of the region's relatively less open and successful economies. This, of course, would be impossible without the development of intra- and inter-regional infrastructure in the areas of energy, trade, and transit, among others.[30] Regional economic integration would entail common customs, labor, economic, and security policies, especially considering the process of globalization that intensifies competition. While achieving this is difficult, starting with common transit and trade policies would be feasible.[31]

In 2012, Kazakhstan suggested launching a common free trade zone in Central Asia for the region to become "a global center." This initiative came on the heels of an earlier proposed Union of Central Asian States (UCAS), which would evolve as a node of global

energy security, uninterrupted trade flows, and continental stability. Despite Kazakhstan's efforts, the initiative has failed to gain traction due to poor interstate cooperation. In but one example, even a trade dispute between relatively more cooperative Kazakhstan and Kyrgyzstan, threatens to delay Kazakhstan' entry into the World Trade Organization (WTO).[32] Lack of intraregional cooperation is a disconcerting development. As President Nazarbaev stated, "the destiny of all Central Asian peoples depends on this most important factor—whether we can become a transportation route of global significance or will be pushed off to the side of the road again."[33] A common free trade zone may offer such a platform because the regional states may view the UCAS initiative as premature. The regional market is about 56 million people, with regional economies sharing energy, transit, and irrigation links, on which to expand the internal and external integration.

Kazakhstan also initiated the creation of the Conference on Interaction and Confidence Building Measures in Asia in the 1990s to boost cooperation among countries in an area stretching from the Middle East to East Asia to advance security in Asia. This body, in which the United States and Japan are observers, is crucial given the lack of security cooperation mechanisms in Asia, which is seeing rapid development and militarization. Astana thus has a record of viable regional and continental economic and security integration initiatives.

Promoting integration in Central Asia is a crucial task, one that requires not only a much deeper and visionary relationship between Astana and Tashkent, but also Uzbekistan's willingness to pursue domestic reforms to unleash its untapped potential and culti-

vate a more cooperative stance toward regional integration projects and dynamics. Achieving this will go a long way toward enhancing intra- and extraregional connectivity, especially given the geopolitical position of Uzbekistan and its proximity to Afghanistan, whose uncertain future threatens to undermine Kabul's potential role as a transcontinental integrator.

AFGHANISTAN POST 2014: UNCERTAIN FUTURE OF TRANSCONTINENTAL INTEGRATOR

Afghanistan served and could serve as a major transcontinental and inter-regional integrator of Central and South Asia. But despite its promising potential, it confronts a series of geopolitical and security challenges that make its national development and the expansion of inter-regional economic ties highly problematic, albeit increasingly relevant and crucial in order to ensure the broader region's connectivity to the global economy and its viability as an integrated unit. This suggests a particular importance attached by Kabul, neighbors, and distant partners to the goal of developing and reconnecting Afghanistan to the expanding network of transcontinental trade.

The security situation in Afghanistan is far from stable and is expected to get worse as coalition forces seek to withdraw fully in 2016. It is placing Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan under significant security risks in the form of possible increase in drug trafficking, terrorism, cross-border crime, and even the potential to spark conflicts within Tajikistan, which continues to suffer from the legacy of its civil war and ties to groups in Afghanistan.[34]

The implications of the political transition in Afghanistan after the presidential election in spring of 2014 and the withdrawal of coalition troops by the end of the year are therefore all more significant. Taliban continue to stage frequent attacks across Afghanistan, including Kabul, and, with the likely support of Pakistan's Inter-Services Intelligence, may come back to the political scene in some form or another.[35] Professor Steven Metz noted related challenges this way:

> I simply cannot imagine a situation where the Karzai government defeats the Taliban, imposes stability over all of Afghanistan and builds an economy capable of sustaining Afghanistan's population growth (which is one of the highest on earth) and supporting a massive security force (or finding other employment for the hundreds of thousands of members of the police and army).[36]

The return of the Taliban to power or civil war and continued insecurity would endanger the prospects of Afghanistan and Central Asia serving as transcontinental hubs, undermining their expanding external connectivity. A civil war in Afghanistan would again put the country's development back, potentially leading to military intervention by powers within or outside the region. The U.S. military presence has played a crucial role in opening Afghanistan and Central Asia to South Asia and the global economy. But its military withdrawal from Afghanistan without a sustainable regional strategy in its wake threatens to undercut Washington's policy, active since 2006, of reconnecting Central and South Asia to enhance their connectivity.

The uncertainty about Afghanistan's future, the lack of multilateral stabilization initiatives, and prev-

alent distrust by Kabul of Pakistan's policies further complicate the regional security situation.[37] However, some believe that Central Asian states and their cooperation with Russia, the United States, the EU, China, and India will enable them to prevent cross-border militancy that occurred in the region's southern perimeter in the late-1990s and early-2000s. Others suggest that Afghanistan, even under the Taliban, would have no choice but to expand its role of an inter-regional integrator as the country's budget would be unsustainable without expanding the economy via trade, investment, and economic integration within the broader region.[38]

This is in part why the United States has relied on its New Silk Road Strategy (NSRS) to substitute its military strategy with an initiative based more on economics as it prepares to disengage military from Afghanistan. The NSRS calls for integrating the economy of Afghanistan with Central and South Asia and making Kabul a hub of inter-regional economic integration and flows. However, the NSRS suffers from numerous impracticalities, including the lack of funding, organization, and commitment to specific projects, as well as limited U.S. regional economic presence.

Despite legitimate criticism, the NSRS feeds into 2008 Afghanistan's National Development Strategy, which seeks to restore Afghanistan's role as a major inter-regional hub:

> Afghanistan is a country with significant potential for economic development. It has substantial water, agricultural and mineral resources and is well positioned to become a trade and business hub linking the markets of Central Asia, the Middle East, South Asia, and China. The potential exists for sustainable economic growth in the future. Afghanistan's commercial con-

> nections to regional and global economies were severely disrupted and must be redeveloped. The development of a competitive private sector will depend on establishing access to foreign markets and developing viable export activities.[39]

This is where Central and South Asian economies come in, as Afghanistan's trade with Central Asia in 2010 represented a meager 7 percent of its overall trade,[40] while its trade with Pakistan and India has an enormous, untapped potential. Afghanistan also has major reserves of natural resources. Afghanistan and India have already agreed to mine an estimated 1.8 billion tons of iron, while China obtained rights to develop Afghanistan's Aynak copper mine reserves. In 2012, Kabul issued four tenders in copper and gold in an effort to promote its Silk Road initiative.[41]

In 2013, Afghanistan, Turkmenistan, and Tajikistan agreed to build a new railway linking Akina-Andkhoy, Atamurat-Ymamnazar, and Pyandzh to bolster economic ties of the three countries. Opening of the Amu Darya bridge in 2007 was, in turn, critical for expanding trade between Afghanistan and Tajikistan.[42] Tajikistan, Afghanistan, and Pakistan now expect to sign a trade and transit pact as part of the 2010 Afghan-Pak trade and transit agreement, facilitating trilateral trade in the geopolitically tense region. However, the deal faces political impediments, despite its potential to improve relations between and within Central and South Asia.[43] Kazakhstan, which does not border Afghanistan, has committed U.S.$8 million in development assistance, while Uzbekistan has assisted with installation of fiber optic cables linking Afghanistan to global networks.[44] Uzbekistan has also become a major supplier of electricity to Afghanistan since 2009

and promoted rail linkages with the country, building 11 bridges from Mazar-i-Sharif to Kabul and a railway line, supported by the United States and ADB, from Heraton to Mazar-i-Sharif. These rail lines could be linked to other railways in Afghanistan resulting in "railroad frenzy" because interested parties are building new links to Iran, Central Asia, and China.[45]

In this context, securing Afghanistan's second largest, southern city of Kandahar is crucial after the pullout of troops because it offers a key to developing the country's Ring Road and facilitating nationwide development and ensuring access to the Pakistani port of Gwadar, the Middle East, Central Asia, and Europe.[46] Afghanistan also looks to develop links to the port at Chabahar, which competes with Gwadar port that Russia, India, and Iran are developing.

The construction of railways and roads in Afghanistan is essential for the country's and wider region's development and integration with the global economy. ADB estimates that the completion of roads in Afghanistan would increase trade among neighbors by 160 percent and do so via Afghanistan by 113 percent, raising Afghan exports by 14 percent (U.S.$5.8 billion) and imports by 16 percent (U.S.$6.7 billion). Meanwhile, the transcontinental trade is forecast to increase Afghanistan's GDP growth by anywhere between 8.8-12.7 percent, indicating the importance of Afghanistan for the transcontinental trade and the latter's importance for Afghanistan's own development.[47]

Improving rail and road links of Afghanistan with its neighbors and pursuing regional energy transmission projects for and through Afghanistan are some of the major initiatives pursued as part of the deepening cooperation within the Regional Economic Cooperation Conference on Afghanistan (RECCA). RECCA's

participants in 2012 agreed on a number of deals in the following areas: "infrastructure, human resource development, investment and trade, regional disaster risk management, and regional fiber optic connectivity."[48] Besides being a member of RECCA, Afghanistan has applied for WTO membership and is also a member of CAREC, OSCE, the South and Central Asia Trade Forum, all of which are necessary for enhancing the country's development and role as a key transcontinental integrator.[49]

Afghanistan's success as a transcontinental integrator depends on overcoming significant regional security, geopolitical, and economic development challenges after decades of conflict in the country, which stymie the integration between Central and South Asia and undermine the regions' global economic integration. This success also depends on the manner in which Iran (bordering Afghanistan, Pakistan, and Turkmenistan and sharing cultural affinity with Tajikistan) and its Western partners manage to turn their adversarial relationship into a fruitful, lasting engagement. Such impending cooperation may lead to fundamental realignments in the Middle East, Central and South Asia, affecting Afghanistan and the regions' external connectivity.

IRAN'S ISOLATION AND IMPENDING ENTENTE WITH THE WEST: IMPLICATIONS FOR CENTRAL ASIA

The ongoing talks between Iran and the West over Tehran's controversial nuclear program following a series of most stringent sanctions to date have opened prospects for the development of a more cooperative relationship between Iran and the West. Such a

development portends significant implications for Central and South Asia, not to mention the Middle East. While similar talks have failed in the past, history knows examples of transformational shifts once a set of conditions are aligned. Tehran's outreach to the West to pursue the talks occurred in the circumstances of Iran's increasingly isolated and failing economy. Meanwhile, the rise of United States as a major global energy producer has led to changes in regional and global energy balances. Furthermore, the greater Middle East has seen a number of volatile geopolitical dynamics in recent years, including the wars in Syria, Iraq, and Afghanistan, as well as the Arab Spring. These and other factors have provided an impetus to impending and substantive, yet not necessarily assured, improvement in the relationship between Iran and Western countries.

No one knows for certain when, or if, this improvement will occur, but actors need to be prepared to capitalize on this development and harness related implications to benefit their policies. This is especially true for Central Asian states and Afghanistan, which have treated their ties with Iran with caution due to tensions between Iran and the West and their own concerns about Tehran's ambitions.[50] These countries may gain from Iran's integration into the global economy, despite possible adverse effects on Central Asian energy exporters that will be incentivized to pursue diversification of their energy exports-dependent economies. Led by the newly elected President Hassan Rouhani, who replaced Mahmoud Ahmadinejad in 2013, the Iranian administration seeks to make multi-literalism and the expansion of ties with international economic institutions a foreign policy priority as a way to contribute to "global norm-setting."[51]

If it can reemerge as a responsible actor, both Iran and countries throughout Central and South Asia will be able to ensure a smoother and more secure connectivity to the global economy. That said, actors should also be prepared to face potential adverse risks stemming from the realignment of geopolitical relations in the region stretching from the Middle East to South Asia. This especially concerns the relationships between predominantly Sunni and Shiite states on the one hand, and the ties between the United States and Saudi Arabia, among others, on the other.

A number of existing and planned projects with Iran's participation reveal the potential impact of such improved ties despite, indeed because of, sanctions that have prompted Iran's engagement with Central and South Asia. Tehran's agreement to limit its nuclear program in return for easing of the sanctions has led to an uptick in economic rhetoric and relations between India and Iran, demonstrating the prospects of Iran's expanding relations with Central and South Asian states. India and Iran are particularly interested in finishing the Chabahar port, which will enable them to connect with Central Asia and Afghanistan. Currently, Pakistan impedes India's effort to trade with Afghanistan, despite allowing some Afghan exports to reach India. Having the port, to which India has committed U.S.$100 million after investing U.S.$100 million to construct a 220 kilometer-long road linking Afghanistan and Chabahar, will be a game changer for India and Iran. This is especially so because Chabahar competes with the Pakistani port at Gwadar, which China helped finance to facilitate energy and trade flows to and from its western regions.[52]

Iran is increasingly projecting its economic and political influence in northwestern Afghanistan and southern Turkmenistan, building roads and railways

linking it to Afghanistan and Central Asia. While its investments in Afghanistan are not substantial, its reach is growing, driven as it is by the desire to avoid the impact of international sanctions.[53] Just as the United States, China, India, Central Asian countries, and the current government in Kabul, Shiite Iran is not interested in the comeback to power of the Wahhabi ideology-inspired Taliban in Afghanistan, where Tajiks make up about one third of the country's predominantly Sunni Muslim population. Iran works closely with Tajikistan and Afghanistan to prevent this scenario and break the relative isolation of all the three Persian-speaking countries from regional and global economic networks. This trilateral partnership is unlikely to turn into a political or military alliance soon, but it does enable Iran to increase its influence in Central Asia, allowing Tajikistan and Afghanistan to access regional markets. Such cooperation is expected to promote the reconnection of Central and South Asia within and with the Middle East. In this context, and facing Turkey's relatively active foreign policy in the Middle East and beyond, Tehran has sought to expand its ties with Central Asian countries, primarily by participating in transport and hydro-energy projects. These are the areas of collaboration that Tehran, Dushanbe and Kabul can hardly ignore given their isolation from global markets and post-2014 regional security concerns.

In 2010, Tehran and Dushanbe signed a new defense treaty, agreeing to deepen their economic ties. Iran's trade and investment in Tajikistan stood at U.S.$250 and U.S.$650 million in 2009 and 2010, respectively. Iran helped construct the Anzob tunnel, which runs 5,000 miles and links Dushanbe and Tajikistan's second largest city of Khujand. The tunnel

helps Tajikistan avoid a potential transport blockade by Uzbekistan and ensures Tajikistan's and Iran's further connection to Kazakhstan, Kyrgyzstan, Tajikistan, and South Asian ports through Afghanistan and Pakistan, cutting travel time from Central Asia to Iran by 4-5 hours. In a sign of support to Tajikistan, Tehran threatened to block Uzbek rail cargo running via Iran if Uzbekistan did not lift its 6-month-long blockade on freights en route to Sangtuda-2 hydro-station—Iran's U.S.$180 million investment project in Tajikistan viewed as a tool to rectify Tajikistan's energy shortages and as a threat to Uzbekistan's agriculture and leverage over the upstream Tajikistan. Nevertheless, Iran and Uzbekistan maintain a strong trade relationship. Iran invested in the construction of the corridor linking Tashkent, Mazar-i-Sharif, and Heart, connecting to the Chabahar port in the Gulf of Oman and ending at Bandar Abbas in the Persian Gulf.[54] Iran further cooperates with Turkmenistan and Kazakhstan, which in 2013 completed a 540 mile-long railway line linking Kazkah Ozen with Turkmen Etrek through Uzbekistan and now plan to connect it to the Iranian rail network. The line would give Central Asian countries another outlet to the Persian Gulf.[55]

However, Iran has worked to prevent Kazakhstan and Azerbaijan from building underwater pipelines across the Caspian on environmental grounds, which impedes East-West connections.[56] The unresolved status of the Caspian prevents littoral states from exploiting the region's vast energy resources and delivering them to regional and global energy markets.

Overall, however, regional countries could benefit immensely from Iran's involvement in transcontinental trade, energy, and transit initiatives, enabling Central and South Asian states to access ports and markets

in the Middle East and expand their connectivity with the global economy. The projects mentioned earlier suggest the beginning of what could yet result in a major regional transformation spurred by potentially improved ties between Tehran and the West.

ENDNOTES - CHAPTER 4

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CHAPTER 5

THE ROLE OF THE UNITED STATES: A WAY FORWARD

Не думай, как бы ни был ты велик, Что ты всего достиг и все постиг.
(No matter how great you are, do not think that you have achieved and understood everything).

Юсуф Хас Хаджи баласагуни[1]
(Yusuf Balasagani)

ADJUSTING U.S. GRAND STRATEGY TO NEW ERA DYNAMICS

While the U.S. supremacy is unrivaled and unlikely to end any time soon, the rise of new centers of power has challenged the U.S. traditional role and efforts to shape global and regional security orders. "Multicentricity,"[2] or even "nonpolarity,"[3] as well as the dispersion and fluidity of power spurring new modes of interaction are now the defining features of the international system. This system rests on international economic, financial, and institutional linkages spanning the entire globe and dynamically interacts with the process of globalization. It has neither the place nor the tolerance for unipolarity once ascribed to the United States in the 1900s. Instead, it has plenty of room for numerous actors exercising influence in a variety of areas. This makes it imperative for Washington to adjust the means of its grand strategy in the age of austerity and rely more on diplomacy and multilateral efforts to shape regional trajectories. The U.S. grand strategy should seek to: 1) ensure secure global commons; 2) advance globalization; and 3) forestall

the rise of an actor capable of displacing the United States as the rule-setting global power and disrupting the global security and economic order.

The U.S. Navy's mission as "a global force for good" reflects the increasingly crucial U.S. role in the world[4] as the United States withdraws its troops from Afghanistan, pivots to Asia Pacific, deals with instability in the Middle East, works to support Europe's security, and encourages Central Asia's integration into the global economy on terms that are more favorable to long-term global and regional stability rather than narrow visions of select actors. Doing all this at once, and with similar level of effectiveness, determination, and foresight as during the Cold War, will be no easy task in the new realities of the 21st century. But the United States should not forget its legacy and role in advancing global connectivity and stability. It helped rebuild and accommodate in the international system the now prosperous and secure yet once revisionist, post-World War II Germany and Japan. It has further radically advanced the centuries-old process of globalization—especially after the collapse of the Soviet Union—which has brought millions out of poverty, contributed to the rise of more prosperous societies, and is yet to absorb countries on the periphery of the global economy, including in Central and South Asia. (See Figure 5-1.)

Source: World Bank, taken from Christopher Chase-Dunn, Yukio Kawano, Benjamin Brewer, "Trade Globalization since 1795: Waves of Integration in the World System," *American Sociological Review,* Vol. 65, No 1, February 2000, pp.77-95.

Figure 5-1. Core, Semi-periphery, and Periphery, Late-20th Century.

As Central Asia's connectivity gap shrinks, the region is increasingly moving from the periphery of the global economy to the center of global geopolitics,[5] with China, India, the European Union (EU), and Russia all eyeing opportunities to shape regional outcomes and challenging the United States to channel related processes for the benefit of a more stable regional and global security order. This imperative becomes stronger given the intensifying rivalries among great powers and Central Asian states themselves over access to resources, routes, markets, bases, and opportunities. While Russia has enjoyed a predominant security presence in the region for decades, its position may soon change, as evidenced by the U.S. military involvement after September 11, 2001 (9/11)

and China's expected military expansion to protect its economic interests across the continent.

A potential militarization of the region—without a durable institutional security framework and amid rapid power transitions—threatens not only the regional stability but may result in the imposition of a one-sided vision of the region's economic future and its place in the global economy. Speculations already surface about the possibility of Russia deploying troops to the south of Kyrgyzstan and Tajikistan, or China intervening in Central Asia if Russia is incapable of ensuring regional security after the pull-out of coalition forces from Afghanistan, which may well translate into long-term military presence based on principles of domination and exclusion. Meanwhile, the economic expansion of a rising global power with a zero-sum approach to international affairs may advance the region's external connectivity in a one-dimensional way. While beneficial in many respects for expanding the region's connectivity, China's and Russia's integration efforts can be inward-looking and constrain related processes.

The global and regional trends are thus forcing the United States to develop and pursue "a coherent Eurasian strategy that integrates European, Middle Eastern, South Asian and East Asian policy into a comprehensive design." [6] The United States should work with potential rivals in constructive ways, striving to turn them into partners and allies of the evolving global and regional orders while recognizing that such actors currently seek to challenge its global and regional agenda in the world and Central Asia. In the process, the logic of its grand strategy should be premised on one simple reality: global commons are "central to the maintenance of U.S. power and influence," and the

United States has been committed to global commons as the "connective tissue of the international system" for decades.[7] As part of this commitment, and amid the rise of new powers, it needs to assess long-term economic and military balances and identify likely allies early on in order to focus its current policies on future intended outcomes.[8]

The rise of China, India, and resurgence of Russia—all geopolitically dynamic powers whose rising global influence is inevitably linked with their regional presence in the neighboring Central Asia—call for a more subtle, engaged, long-term, and concerted U.S. regional strategy. Such strategy should naturally feed into the U.S. grand strategy and focus on the pursuit of the following broad vectors to expand Central Asia's external connectivity: calibrating U.S. military role in greater Central Asia; addressing risks of inter- and intrastate conflicts in Central and South Asia; boosting U.S. economic role and presence in the broader region; cooperating with established and rising powers to shape the region's connectivity. As it pursues these vectors, Washington should be mindful of the need to cooperate and, where necessary, compete with established and rising powers in the region, as well as to leverage desires, sometimes necessities, of Central Asian countries in expanding the U.S. long-term role and presence in the region.

CALIBRATING U.S. MILITARY ROLE IN GREATER CENTRAL ASIA POST-AFGHANISTAN

By the end of 2016, the United States plans to withdraw most of its forces from Afghanistan, but its future military role and presence in greater Central Asia

is still uncertain. The United States has committed too much in time, blood, treasure, and credibility to leave Afghanistan and Central Asia to their fate, making it imperative to continue efforts aimed at developing and integrating Central and South Asia with the global economy. Washington would need to apply a certain level of military capability and political finesse to create and sustain conditions for a smooth transition out of Afghanistan in the short term, a stable regional development in the medium term, and prevention of regional militarization and arms race in the long term. The United States has a unique opportunity to prolong its broader regional military presence and advance its agenda—a notable imperative considering the need for possible future missions as other actors increase their own military capabilities, including in Central Asia. If it fails now, the projected military expansion by other actors will make this task far more difficult in the future.

In its military strategy, Washington should afford Central Asia a larger and distinctly regional role. The strategy should focus on:

1. continuing to support counterterrorism, antidrug trafficking, and special operations capabilities of regional states as ends in themselves and as a platform for more substantive military cooperation in the future;

2. arranging for temporary and permanent basing rights;

3. advancing reforms of local armed forces and interoperability as part of the North Atlantic Treaty Organization (NATO) Partnership for Peace (PfP) Programs and bilateral ties;

4. boosting military-to-military and civilian-to-civilian contacts and cooperation in the area of defense

and emergency management through education programs and military exercises;

5. capitalizing on the Northern Distribution Network (NDN) achievements to promote partnerships;

6. preventing further militarization and arms race, especially in the Caspian to the west and the Fergana Valley to the south;

7. encouraging indigenous approaches to managing collective security and related institution building as pillars of regional and global stability; and,

8. cultivating ally and partner military ties with all major players for confidence building purposes and contingencies that may require a joint military action in support of U.S. security interests.

The United States is unlikely to secure heavy or permanent military presence in the region given the objections of Russia, China, Iran, and some elites in Central Asian countries. Any such presence could contribute to the militarization of and arms race in the greater region bordering four nuclear-armed powers (potentially five if Iran "goes nuclear"). But the United States needs to have a military role and presence sufficient to discourage attempts at military domination and protect the region's push for inclusion into the global economy, while retaining the flexibility to choose whether to intervene in any particular situation or conflict in the region.

The conflicts in Ukraine and the South China Sea have shown the need for Washington to reinforce its support for allies and partners in the post-Soviet space and East Asia, as well as for its allies to assume a greater share of responsibility for their defense by relieving the military burden on the United States. This imperative is acute, given the rise of potential military challengers, strong domestic and overseas

opposition to controversial instances of U.S. military presence, and significant cuts in U.S. defense spending. Washington should encourage Japan, South Korea, Germany, France, and the United Kingdom (UK) to contribute a larger share to NATO, the protection of global commons, and their own national defense. A reduction of military burden could allow the United States to focus on military deployment, planned or in response to conflicts, in areas that are critical to its interests but lacking adequate security infrastructure, as in Central Asia.[9]

Any military deployment in Central Asia is bound to be a political, geographic, and logistical challenge, given the potentially unstable regimes, prevalent corruption, complex terrain, weak military infrastructure, remoteness of the United States, and lack of interoperability, not to mention significant security or political influence of other actors, nascent military reforms, and weak armed forces of regional countries. These challenges require Washington to provide targeted military assistance, focus on advancing capabilities allowing for deployment of special or light forces at short notice, and advancing its institutional military ties with the region. Washington should tread with caution: the more it involves itself in Central Asia militarily, the more responsive it is expected to be, potentially putting itself in a complex position obligating it to intervene during an intra- or interstate conflict when a preferred option may be not to do so.[10]

Consequently, boosting military-to-military and civilian-to-civilian contacts and defense cooperation via education programs and military exercises is a forward-looking strategy to ensure sustained military collaboration with counterparts in Central Asian countries without provoking hostile reactions

by other powers to U.S. alleged ambitions in the broader region.

Washington and its Central Asian partners should consider raising the quantity and quality of educational exchange programs involving respective future military and civilian defense leaders. U.S. professional military schools, including staff and war colleges, as well as the Near East South Asia Center at the National Defense University in the United States and the George C. Marshall European Center for Security Studies in Germany already serve as major platforms for such program activities. But these institutions should strengthen their alumni programs in order to retain critical ties with potential leaders. If not done already, engaging alumni in research and development of practical recommendations in the areas of defense and emergency preparedness on an institutional level would enhance the alumni programs and encourage in Central Asia the concept and practice of think tanks as influencers of military and defense policy. Providing financial support and expertise for the purpose of building public policy think tanks would promote and signal a more engaged and lasting presence in the region.

The U.S. Central Command (USCENTCOM) and U.S. European Command (USEUCOM) should, in turn, enhance the frequency and scope of military exercises and general collaboration programming with counterparts in Central and South Asia. The exercises should necessarily rest on multinational collaboration frameworks, emphasizing as they are development and reconstruction, humanitarian aid, emergency preparedness, disaster relief, and anti-terrorism components. Of growing importance will be the need to strengthen collaboration among and between US-

CENTCOM, USEUCOM, and the United States Pacific Command (USPACOM) as well as militaries of Central and South Asian countries. This is important given the transnational nature of security threats, the need to foster interoperability within and between command units, and the position of Central and South Asia as the bridge connecting volatile states in the Middle East, relatively fragile countries in Eastern and Central Europe, and militarily growing powers in Southeast Asia. Unlike permanent deployments, enhancing military exercises and cooperation programs would allow the United States to retain and continue to enhance military and defense ties with partners in Central and South Asia without having to face major financial challenges and objections of local players to U.S. alleged ambitions. Washington should commit a portion of freed-up resources after its military disengagement from Afghanistan toward building more sustained military-to-military and civilian-to-civilian partnerships with regional counterparts. This imperative is critical because U.S. withdrawal is expected to undercut the already low level of military and nonmilitary aid to Central and South Asian states and undermine the perceived importance of the broader region for U.S. security interests, policymakers, strategic planners, and even U.S. allies and partners.

As they pull out of Afghanistan, the United States and its allies plan to move out about 30 percent of International Security Assistance Force (ISAF) material and equipment via NDN. Their reliance on the network is therefore expected to remain steady at least through 2014, though it is likely to eventually decline precipitously or simply end altogether. Washington should assess carefully the type and amount of equipment it leaves in Central Asia in return for

further military ties, assuring its regional counterparts that the United States will continue to provide military assistance in order to build strong regional counter-terrorism, anti-drug trafficking, and deployable peacekeeping capabilities—all in line with the USCENTCOM 2013 Posture Statement.[11]

The NDN has provided a platform for U.S. military and economic cooperation with the region, making it important for Washington to use this legacy to cultivate military ties and advance partner capacity with regional countries on a bilateral and multilateral basis. Given the geopolitical dynamics in the region, the Unites States is likely to seek basing rights in Uzbekistan and Kazakhstan that pursue a more autonomous policy compared to Tajikistan and Kyrgyzstan, which depend heavily on China and Russia for economic and military aid and have declined U.S. efforts at prolonging its presence. The United States entertained plans to establish a military base or Rapid Response Center in Uzbekistan, which suspended its Collective Security Treaty Organization (CSTO) membership in 2012 and now hosts a NATO center tasked with defense planning, military education, and civil emergency preparedness. It also considers the possibility of security of a facility at the Kazakh port city of Aktau on the Caspian Sea. However, littoral Russia and Iran are likely to derail this effort.

While it is inevitable that the United States will deepen its military ties with select Central Asian countries, it should seek to advance its partnerships with all regional states and in a way that genuinely seeks to build multilateral, intraregional initiatives, relationships, and dynamics. This is critical as Washington seeks to promote win-win outcomes as part of New Silk Road Strategy (NSRS) and prevent militari-

zation as spurred by actors from within and outside the region. This is why the U.S. military role should cultivate a more durable and long-term institutional security infrastructure by fostering multilateral partnerships with countries in and outside the region, encouraging Central Asian states to pursue collective solutions to the management of common security challenges. Rivalries of outside powers and conflicts among Central Asian states without a durable institutional framework in place (not imposed, but inclusive and collective) is a recipe for disaster of continental proportions, which Washington should work to avoid.

ADDRESSING RISKS OF INTERSTATE AND INTRASTATE CONFLICTS IN CENTRAL AND SOUTH ASIA

The United States should accompany its military role with a security and political strategy to prevent, mitigate, and address the risks of intra- and interstate conflicts in the wider region of Central and South Asia, which could hamper the region's internal and external connectivity. In Central Asia, it should focus related policies on addressing prevalent poverty, corruption, weak rule of law, and lack of economic development, as well conflict prevention and mitigation specifically tailored for the Fergana Valley, known for potentially volatile disputes involving Uzbekistan, Tajikistan, and Kyrgyzstan over water, energy, land access, and border issues. Encouraging cooperative policies by Uzbekistan, which borders all four Central Asian states plus Afghanistan, in these areas would stimulate regional cooperation. The United States should promote Kazakhstan's regional integration efforts and utilize Astana's growing clout to advance security and stabil-

ity in the broader region, while encouraging Tashkent to do the same.

In the Caspian, the United States should foster cooperation among the littoral states, especially among Kazakhstan, Turkmenistan, Azerbaijan, and Iran (subject to the impending rapprochement between Tehran and the West), which collectively represents one of the world's most energy-rich areas and yet-to-be-developed trade and transit nodes linking Central Asia, the Caucasus, and Europe. Given the growing levels of militarization in the region, Washington should discourage interstate tensions, prevent conflicts over energy resources and their transit, and encourage the littoral states to resolve the status of the Caspian sooner rather than later.

In South Asia, Washington should work with Islamabad and Delhi to mitigate perceptions of the Pakistani-Indian rivalry, advance confidence-building mechanisms, and develop bilateral and multilateral frameworks of response to the risks of international terrorism and proliferation of weapons of mass destruction (WMD). In the process, it should assist Pakistan in building stronger anti-terrorism capabilities to ensure Pakistan's viability as a state and ease the concerns of Central Asian states about developing ties with this nuclear-armed, terrorism-stricken, Islamic state.[12] Of particular importance is the need for the United States to promote economic ties between India and Pakistan, which with time could improve the security relationship between the perceived rivals.

As it seeks to develop policies for Central and South Asia, Washington should continue efforts at developing and imbedding the conveniently located Afghanistan into inter-regional dynamics. However, it needs to commit the necessary level of effort, co-

ordination, leadership, and financial resources to advance this goal in concert with other actors. While U.S. policies may get it right on paper, they lack vigor, not to mention financial resources and long-term strategic commitment. But it is the advancement of Afghanistan's and Pakistan's development that is imperative for boosting the connectivity between Central and South Asia and integrating this wider region into the global economy as an integrated, dynamic economic unit.

Fostering indigenous, collective security cooperation frameworks and institutions within and, with time, between the two regions will be fundamentally important to prevent or mitigate external pressures toward creating exclusive spheres of influence centered on rising powers. Of course, building collective security institutions with rising powers will, too, be important for confidence-building purposes and to manage the rise of these powers. But this process should necessarily factor in the need to ensure appropriate balancing by other actors to maintain stability. Given constrains on its military and economic capabilities, Washington needs to boost the use of diplomacy. This is critical because the rise of new power centers makes the application of U.S. military power harder, increasingly requiring it to rely on diplomacy to advance its goals, including that of enhancing its economic role and presence in Central and South Asia.

BOOSTING U.S. ECONOMIC ROLE AND PRESENCE IN THE BROADER REGION

The United States should recognize the potential of its military and security policies to contribute to militarization of the region, as well as the limits of its

"hard power" in fostering connectivity without relying on economic presence, which is currently and precariously lacking in substance and commitment. It should match its efforts at reforming or advancing global security, financial, and economic institutions in light of the rise of new powers with efforts on the regional level in Central Asia as well. It should be sensitive to concerns of Central Asian countries about risks that are likely to stem from the integration with South Asia, given the instability in Afghanistan and Pakistan. It should also highlight the benefits of economic connectivity between the two regions for prosperity and general stability in what could be a much more volatile broader region.

Washington needs to pursue a more concerted effort to realize the vision of its NSRS, which needs more financial resources, leadership, and coordination. Actors view this economic strategy as a substitute for the military disengagement from Afghanistan, but do not find it resourceful enough, especially as the impending military pull-out threatens to undermine the NDN-generated business activity. The United States needs to support the engagement of American and Western businesses, encourage diversification of energy, trade, and transit links, as well as advance reforms to boost the region's economic development potential. Providing aid will be crucial, but helping advance local business capacity and private sector engagement is a much more durable, long-term, and ultimately self-sustaining approach to regional development.

The United States should develop the "software" component of its economic policies with a view to improve the business climate and expand international flows of regional countries. This entails reducing tariff and nontariff trade barriers as part of the Trade and

Investment Framework Agreement (TIFA) and working with development and financial institutions, nongovernmental organizations (NGOs), and the World Trade Organization (WTO). Improving governance and enhancing transparency as part of related democratization programs will remain critical for promoting and sustaining accountable governments that are keen on intra- and extraregional integration.

In terms of the "hardware" component, it should provide more direct support to Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000), as well as assign priorities and allocate funding for specific energy, trade, and transit regional and inter-regional infrastructure projects. U.S. direct engagement will be a signal for other actors who may be interested in such projects but have security concerns to participate in them. Unfortunately, the lack of commitment to the NSRS by Washington itself reveals a low priority assigned by the United States to the region and its importance for U.S. interests, regardless of theoretical arguments that otherwise require a deeper and more substantive U.S. engagement in the region. While sustaining a military role in the region is important to ensure a more seamless integration of Central and South Asia into the global economy, having no substantial economic stake in the region, puts the United States at a heavy disadvantage in its nascent but increasingly important strategic relationships with Central Asian states.

COOPERATING WITH OTHER ACTORS TO SHAPE CONNECTIVITY OF CENTRAL AND SOUTH ASIA

The United States does not enjoy considerable economic presence in Central Asia. Nor is it expected to commit needed financial, political, and diplomatic resources to promote its global and regional goals by leveraging its regional influence, even if this imperative has grown in urgency. Hence, besides improving on its performance as part of the NSRS and general economic presence, Washington should work with established and rising powers to advance Central Asia's connectivity. Given the current and projected global and regional dynamics, it should find cooperation with Japan, the EU, Turkey, and India especially substantive and important. This does not suggest that Tokyo, Brussels, Istanbul, or Delhi will not pursue their autonomous global and regional roles; they will. But in their search for those roles, their goals in the region are more or less aligned with those of the United States, whose backing they will need to advance their interests. While cooperation with Russia may be strained in the medium term, China's global rise will encourage a more cooperative U.S.-Russian partnership in the long run. Iran is a wild card. If Washington and Tehran pull it off, Washington could rely on Iran as a major bulwark against policies of domination of other players in Central Asia and beyond.

Japan.

Central Asian countries look up to Japan, an Asian partner, a resource-poor yet technologically advanced country, which commands respect for rebuilding its

economy after World War II and relying on soft approach to promote its policies in Central Asia. Its role in advancing global and regional trade is unquestionable. Nor is its role in providing regional countries with leverage vis-à-vis other powers, especially China, as Central Asia is increasingly integrated with the dynamically developing Southeast Asia. Japan is a major global and regional donor, providing assistance to Afghanistan and Central Asia in areas as critical as human development, trade, and transit facilitation, as well as infrastructure development. China's rise calls on Washington and Tokyo to enhance coordination of their regional policies in Central Asia.

The European Union.

Besides being one of the largest trade partners, the EU is a source of substantial development assistance in a wide range of areas important for the region's economic development and integration into the global economy. From governance, public sector reforms, and democratization to border management and conflict prevention, the EU's engagement is critical for the United States, which seeks to advance transparent governments and open societies in Central Asian countries that require urgent political and economic reforms to advance in the modern world. The EU, United States, and India should find cooperation on democratization especially pertinent, given the heavy security and state-led economic roles of Russia and China in the region. The EU's relationship with Central Asia is a must for developing the westward vector of the region's external connectivity by focusing on energy, trade, and transit development.

Turkey.

Turkey has attained a greater global role over the last decade, but it still remains a middle-ranked power. Its regional role and presence is unlikely to meet strong resistance in Central Asia, and Washington should be mindful of this reality in its approach to the region. Turkey's expanding trade and economic relationship with all Shanghai Cooperation Organization (SCO) countries is a strong indicator of Ankara's autonomous role as a NATO ally and its interest to develop economic linkages with actors in the east. Turkey offers lots of positive development experiences for the region, which Washington should use when advancing its regional policies. Turkey has made substantial progress in advancing its democratization and economic development, positioning itself as an energy and trade hub and an integrator keen on connecting the energy-rich Caspian and Central Asia with markets in Europe. Further, Turkey has actively supported security efforts in Afghanistan and, as a NATO ally sharing cultural and regional knowledge of wider Central Asia, assumed and pursued effectively NATO's regional role in the region. Moreover, numerous Western businesses are already relying on Turkey and Turkish firms for operations in Central Asia, making it a critical conduit for Western investment and technology transfers to the region.

India.

India's "connect" policy is in line with the long-standing U.S. strategy of reconnecting Central and South Asia. India is an important military and economic partner in rebuilding Afghanistan and, if

needed, managing China's rise on both the land and the high seas. It can be a greater source of counterterrorism capabilities for the regional countries. Its democratic political tradition and economic success as a developing nation is an important asset for Central Asian states, which both Delhi and Washington should utilize to improve regional political and economic systems. While emerging slowly, India's regional economic presence is set to grow considerably over the next decades if India keeps similar economic growth dynamics. India's involvement in the region will be pronounced in the energy sphere, especially if TAPI, CASA-1000, and other projects materialize. The substantial presence of Russia and China in Central Asia, the uncertainty surrounding the future of Afghanistan, and the region's potential to serve as a transcontinental trade, energy, and transit hub point to the benefits of the United States and India working together to advance the region's stability and connectivity.

Russia.

On the security front, cooperating with Russia as the major regional security actor is important for ensuring regional stability, and the United States should continue advancing cooperation in counterterrorism, anti-drug trafficking, and counterproliferation, while promoting confidence-building measures as part of a broader regional security agenda, not least due to the rise of China. Advancing cooperation on these issues will help gradually build mutual confidence and allow Washington to pursue policies toward Central Asia that are not hostage to Russia's objections or interference. In the current climate of strained ties, do-

ing so may be more difficult than anticipated. This is especially so because Moscow views Washington as a spoiler after a decade of war in Afghanistan that has left behind instability and security risks in the form of expanded drug trafficking, refugee flows, and cross-border militancy. Russia further objects to the U.S. Central Asia Counternarcotics Initiative, viewing as a tool for Washington to augment its regional military presence in Central Asia and gather military intelligence on CSTO members. But long-term trends and China's continued rise as a global economic and, soon, military power suggests more room for a more constructive partnership between the United States and Russia. On the economic front, Washington should welcome Russia's participation in regional projects promoting north-south or south-north connectivity, provided such participation involves multilateral cooperation and is as less politicized, imposing, or one-dimensional as possible.

China.

Cooperating with China is critical for the global stability and the future of the broader region, given Beijing's rapidly growing economic presence, expanding global trade profile, and the need for the United States to encourage China-led energy, trade, and transit connections in all directions to further shrink Central Asia's connectivity gap. China's economic role is also important for Afghanistan and Pakistan. China's growing investment in both countries is becoming increasingly essential for the long-term stability, development, and regional integration of Afghanistan and Pakistan. Washington should therefore encourage China's push for advancing the regions' connectiv-

ity with the global economy. But like in the case with Russia, it should discourage any attempts by Beijing aimed at pursuing policies of economic domination in the region and encourage to the extent possible the economic engagement of actors as diverse as India, Pakistan, Turkey and, with time, Iran. This would provide Central Asian states with more options and room to maneuver on the regional and global stage, which China's growing economic and military clout is bound to redefine sooner than later.

ENDNOTES - CHAPTER 5

1. A quote by Yusuf Khass Hajib Balasaguni, a great poet from Balasaghun, the capital of the Karakhanid Empire, in present-day Kyrgyzstan. Direct, non-literary translation of the quote into English (based on a Russian translation of the Turkic-written quote) is provided here.

2. Daniel Wolfish and Gordon Smith, "Governance and Policy in a Multicentric World," *Canadian Public Policy*, Vol. 26, No. 2, 2006, pp. 51-72.

3. Richard Haass, "The Age of Nonpolarity," *Foreign Affairs,* May-June 2008.

4. Robert Kaplan, "The Gift of American Power," *Stratfor*, May 14, 2014.

5. Pamela Spratlen, "Integrating Central Asia into the World Economy: Perspectives from the Region and the U.S.," Speech at the Carnegie Endowment for International Peace, Washington, DC, October 22, 2007.

6. Walter Russell Mead, "The End of History Ends," *The American Interest,* December 2, 2014.

7. Lynn Davis, Stacie Pettyjohn, Melanie Sisson, Stephen Worman, and Michael McNerney, *U.S. Overseas Military Presence: What Are the Strategic Choices?* Santa Monica, CA: RAND Corporation, 2012, p. 29.

8. Charles Wolf, Siddhartha Dalal, Julie DaVanzo, Eric Larson, Alisher Akhmedjonov, *et al*., *China and India, 2025: A Comparative Assessment*, Santa Monica, CA: RAND Corporation, 2011, p. 112.

9. Davis *et. al*., p. xii.

10. Olga Oliker and Thomas Szayna, eds., *Faultlines of Conflict in Central Asia and the South Caucasus: Implications for the U.S. Army*, Santa Monica, CA: RAND Corporation, 2003, pp. xxii; 240, 299-305.

11. Quoted in Stephen J. Blank, ed., *Central Asia After 2014*, Carlisle, PA: Strategic Studies Institute, U.S. Army War College Press, November 2013, p. 3.

12. Rollie Lal, *Central Asia and Its Asian Neighbors: Security and Commerce at the Crossroads*, Santa Monica, CA: RAND Corporation, 2006, p. 27.

CHAPTER 6

CONCLUSION

Central Asian countries largely had been closed to the outside world during the Soviet times. But the opening up of China in the 1980s, the collapse of the Soviet Union in 1991, and the advance of globalization ever since have enabled them to connect with the global economy as independent units. The U.S. military involvement after September 11, 2001 (9/11) and the engagement by Japan, the European Union (EU), and Turkey have allowed the regional countries to shrink their connectivity gaps even further. More profoundly, it is China's rapidly growing global and regional profile, India's slow but progressing reconnection with the region, and Russia's energized efforts to integrate the former Soviet space that today are shaping profoundly the region's external connectivity.

Central and South Asia are the few remaining areas in the periphery that are rapidly integrating into the global economy. In the 21st century, it is Central Asia that is going to serve as the conduit of the transcontinental integration in Eurasia, following as it is the integrations across the Atlantic and Pacific oceans in previous decades.[1] Information, energy, trade, and transit links are expanding within and between Central Asia, other parts of Eurasia, and the world. Kazakhstan has emerged as the economic powerhouse keen on regional and global integration. Kyrgyzstan has suffered from political instability and a fragile economy, but has relied on its more democratic profile and re-export capacity to build its internal and external linkages. Tajikistan, in turn, has seen its efforts hampered by a weak economy, strained ties with Uzbekistan, and

challenging geographic position that, while constraining its external connectivity in the short term, enables it to serve as a key inter-regional link with South Asia in the long term. Uzbekistan's economy has suffered from pervasive state control that limits severely its potential for regional and global integration, but it has been a strong performer and has significant untapped capacity for more efficient domestic development and extensive connectivity with the broader region. Turkmenistan has suffered from a closed economy, but it has greatly expanded its energy export potential, thereby advancing its external connectivity.

The regional states have a long way to go before they emerge from the periphery of the global economy. Intraregional tensions, ineffective political and economic systems, and the lack of strong will to advance their own viable cooperation system in the region all serve to undermine related efforts. Major technical, economic, and political challenges continue constraining their connectivity. The stalled regional integration processes, the uncertain future of Afghanistan, and the relative isolation of Iran impede their connectivity even further.

While Central Asian states remain relatively weak and continue to rely on external forces and dynamics to shrink their connectivity gaps, they have learned the tricks of power politics and demonstrated their ability to balance interests of great powers while seeking to protect their newly gained sovereignties amid various visions and models offered or imposed from the outside. Russia and China are both neighbors and former imperial masters, with the former maintaining strong links to the region and the latter emerging as a global and regional "economic powerhouse." The United States enjoys military links with the region by

virtue of its operation in Afghanistan, while Turkey and Iran share cultural and expanding economic ties. The EU, Japan, and India, in turn, have been paying growing attention to Central Asia,[2] driven as they are by their own development agendas and geopolitical realities of a rising China, among other factors.

All these countries offer their visions and programs for the region to engage with them and the rest of the world, with Central Asian countries at times eagerly, at times willy-nilly, tagging along. A recent survey found that in terms of imports of consumer goods, investments and labor resources, people in Kazakhstan view the United States, the EU, and Russia as the most economically attractive partners. In terms of the most attractive sources of investment, people in Tajikistan point to China, in Uzbekistan to Japan.[3] According to a survey of perceptions of trust in intra- and extraregional partners, Russia is considered the most trustworthy, and China is considered more trustworthy than the United States. Regional countries received low trust points for each other, with Uzbekistan ranked the lowest. Kazakhstan is viewed as more trustworthy in Kyrgyzstan.[4] Russian, American, European, Chinese, and Islamic civilizational vectors of development are all seen as interacting and competing in the region. India is not yet represented, but is bound to play a major geopolitical role in Eurasia in the mid to long term.

This is not to say that regional countries lack their own visions and strategies to connect with the world; they do. But they grapple with far too many and complex internal, regional, and external challenges, which they find more solvable by pursuing extraregional ties with major players rather than by also advancing intraregional collaboration. As they develop, the Cen-

tral Asian states should keep in mind that intensifying global competition, as well as geopolitical and economic changes in Eurasia and the world, offer them immense opportunities to harness related dynamics and tie them with their intra- and inter-regional development strategies, especially given their vast resources and the growing interests toward the region by major actors.

Russia-led Customs Union (CU) and Eurasian Economic Union (EEU), China's Silk Road Economic Belt strategy, India's "Connect Central Asia" policy, the U.S. Silk Road Strategy, and economic engagement by Japan, the EU, and Turkey all provide important vectors of connectivity for Central and South Asian countries. More choices ensures more opportunities for internal and external integration on terms that will work against exclusive zones, privileged spheres of influences, or one-directional connectivity.

All of the Central Asian states are already reaping advantages of the expanding transcontinental trade and, one way or another, have emphasized their legacy and future roles as conduits of trade and integrators along the ancient and newly sprawling Silk Roads traversing Central and South Asia. But, while they are interested in cooperating with diverse partners and expanding trade opportunities, they also treat with caution the choice, and, in some instances, the necessity of relying on major powers to enhance their connectivity with the global economy for fear of undermining their sovereignties in the process of internal and external integration. This is particularly true of Turkmenistan and Uzbekistan that shun integration initiatives of any kind, but engage with major partners bilaterally on select, strategic projects. In their dealings with outside actors, Central Asian regimes thus seek to

pursue multivector policies. Yet, not all of them have succeeded in pursuing such policies effectively, with the rapidly developing Kazakhstan, relatively closed Uzbekistan, and deliberately "neutral" Turkmenistan being arguably more successful than Tajikistan and Kyrgyzstan that depend heavily on Russia and China.

Russia enjoys the predominant military and security presence in the region and is now advancing the CU and EEU initiatives in the post-Soviet space, in large part in response to the rapidly expanding geoeconomic and geopolitical role of China in the heart of Eurasia. Beijing's role, in turn, will soon entail a much more assertive political and military engagement by China to protect its continental interests. China's growing influence in light of the region's imperial history is thus viewed with caution in Central Asian capitals, in Moscow that seeks to reassert its regional influence, and in Washington whose global and regional influence is on the decline.

Central Asian states will increasingly require more diplomatic finesse to manipulate related dynamics. They would need to benefit from the involvement of outside actors to expand their connectivity, while easing associated challenges to their newly gained sovereignties. This is especially true considering the long-term rivalry between China and India, the traditional interest of Russia to maintain its influence, and the uncertain U.S. military and economic roles in the region. As Central Asia increasingly becomes a point of rivalry over resources, transit routes, bases, and business opportunities, it is facing enhanced prospects of connectivity with the world, as well as related risks that can slow down, derail, or even reverse such connectivity.

Central Asian states perceive Russia's integration initiatives and China's economic expansion as a

blessing and a curse. They need them to connect with the global economy, but they cannot afford to sacrifice their sovereignties in return. In the case of India's initiatives, they welcome infrastructure development that provides them with access to the Indian Ocean and the Middle East, but they fear the spread of instability and accelerated flows of narcotics, refugees, criminal, and terrorist groups that could come with the expanded connectivity. Afghanistan, for instance, is unlikely to achieve stability any time soon, much less to stem the flows of narcotics that can accelerate with the construction of rail and road corridors linking the two regions. Meanwhile, the southward connectivity raises concerns about the spread of Islamism and possible spillovers from lingering tensions between the nuclear-armed India and Pakistan.

As far as the United States, Central Asian countries welcome its presence in order to balance other players in the region, particularly Russia and now increasingly China as well, and to advance their integration with the global economy. However, they perceive Washington as a noncommitted partner, whose underfunded NSRS they view as a façade of "responsible" withdrawal from the region rather than a substantive, long-term strategy. If it fails to enhance its economic influence, and therefore its stake in Central Asia's security, the Central Asian countries will have to rely on geo-economic dynamics driven by Russia, China, India, Turkey, Iran, and Pakistan to shape the region's expanding connectivity with the global economy.

The U.S. future global and regional role and capabilities will depend on how well Washington readjusts its grand strategy in response to the current and projected trends in the new era. The rise of China, India, and the resurgence of Russia—all capable of challeng-

ing regional orders—calls for an engaged, long-term, and concerted U.S. global and, more importantly, regional strategy in Central Asia, which serves as a platform for grand strategies of the major powers. The United States should solidify its regional military role without provoking militarization; advance the external and inter-regional integration of Central and South Asia by cooperating with established and emerging powers and boosting its own economic role and presence; cooperate and, where necessary, compete with other actors to ensure the regional countries have more choices of collaboration as they seek linkages with the global economy; address the risks of intra- and interstate conflicts in Central and South Asia that could threaten or reverse the connectivity of the regions; and leverage the desires, sometimes necessities, of local countries, in expanding the U.S. long-term role and presence in the greater region.

As Washington calibrates its ends and means, its assessment of the importance of Central Asia will hinge on security trends in Afghanistan and Pakistan. Whether Central Asia remains a major pillar of its grand strategy remains unclear. But the U.S. declared goals of supporting sovereignty, democratization, and inter-regional links in the broader region offer some hope.

ENDNOTES - CHAPTER 6

1. Johannes Linn, "Connecting Central Asia and the Caucasus with the World," Paper prepared for the First Eurasian Emerging Market Forum, Thun, Switzerland, January 23-25, 2010, pp. 1-2.

2. Dmitri Trenin, "Contemporary Issues in International Security: Central Asia," Stephen Blank, ed., Central Asian Security Trends: Views from Europe and Russia, Carlisle, PA: Strategic Studies Institute, U.S. Army War College, April 2011, p. 40.

3. Aleksandr Shustov, "Integratsia: za i protiv. Resultaty oprosa na postsovetskom prostranstve okazalis vesma neojidannymi" ("Integration: Pros and Cons. The Survey Reveals Quite Unexpected Results for Post-Soviet Space") *Stoletie*, October 18, 2013.

4. David Kerr, "Central Asian and Russian Perspectives on China's Strategic Emergence," *International Affairs*, Vol. 86, No. 1, January 2010, p. 136.

APPENDIX

The charts in this Appendix are from the DHL 2012 Report on Global Connectedness.[1] They include Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan, India, China, Russia, Turkey, Japan, and the United States. Charts for Turkmenistan, Afghanistan, and the European Union are not available.

ENDNOTES - APPENDIX

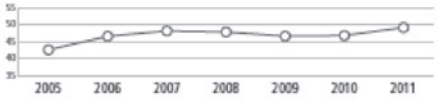
1 . Pankaj Ghemawat and Steven Altman, DHL Global Connectedness Index 2012: Analyzing Global Flows and Their Power to Increase Prosperity, DHL, 2012.

KAZAKHSTAN

Key Scores and Trends

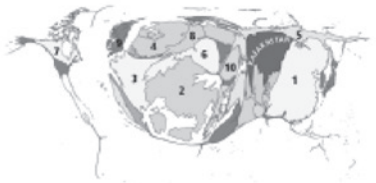
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	54/140	59/140	5	49/100	47/100	2
Depth	61/140	67/140	6	24/50	23/50	1
Breadth	57/140	60/140	3	25/50	24/50	1
Trade Pillar	82/140	91/140	9	46/100	43/100	3
Capital Pillar	16/66	20/66	4	66/100	64/100	2
Information Pillar	89/101	91/101	2	35/100	32/100	3
People Pillar	41/106	36/106	-5	56/100	60/100	-4

Connectedness Score Trend



Rooted Map

Kazakhstan's Merchandise Exports, 2010



Top Export Destinations

1. China (18%)
2. Italy (17%)
3. France (8%)
4. Netherlands (7%)
5. Russia (5%)
6. Austria (4%)
7. Canada (4%)
8. Germany (3%)
9. U.K. (2%)
10. Romania (2%)

Major Export Products

Oil and oil products (59%), ferrous metals, chemicals, machinery, grain, wool, meat, coal

Kazakhstan's Share of Partners' Imports

4% 2% 1% 0.5% 0.2% 0.1% unknown

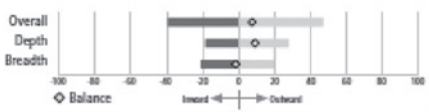
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	91/140		–	
Merchandise Trade (% of GDP)	34/140	119/140	49%	21%
Services Trade (% of GDP)	117/139	91/139	2%	6%
Capital	28/122		–	
FDI Stock (% of GDP)	46/132	40/140	11%	52%
FDI Flows (% of GFCF)	28/133	28/140	12%	30%
Portfolio Equity Stock (% of GDP)	50/102	62/87	3%	2%
Portfolio Equity Flows (% of GDP)	36/129	64/126	0%	0%
Information	86/140		–	
Internet Bandwidth (Bits per Second per Internet User)	52/140		23,590	
International Phone Calls (Minutes per Capita)	89/140	106/140	19	23
Printed Publications Trade (USD per Capita)	108/135	58/135	$0	$10
People	25/116			
Migrants (% of Population)	10/139	19/140	19%	19%
Tourists Dep./Arr. Per Capita	35/93	70/136	0.4	0.2
International Students (% of Tertiary Education Enrollment)	48/130	57/104	6%	2%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	63/140		–	
Merchandise Trade	58/140	73/140	7%	8%
Capital	17/67		–	
FDI Stock	-	-	-	-
FDI Flows	-	-	-	-
Portfolio Equity Stock	22/66	–	1%	–
Information	95/101		–	
International Phone Calls	99/101	95/101	20%	15%
Printed Publications Trade	66/135	85/135	43%	27%
People	73/124		–	
Migrants	117/139	81/139	9%	9%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	46/93	–	46%

Directionality



Summary

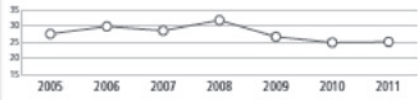
Kazakhstan ranks 54th in overall global connectedness, and is the top ranked country in South & Central Asia. Its connectedness has increased notably from 43 points in 2005 to 49 points in 2011. Kazakhstan's strongest position is on the capital pillar where it ranks 28th (out of 122 countries) on depth and 17th (out of 67) on breadth. Kazakhstan also ranks 25th (out of 116) on depth in the people pillar, based primarily on its high levels of inward and outward migration (inward and outward migrants both accounting for 19% of its population).

KYRGYZ REPUBLIC

Key Scores and Trends

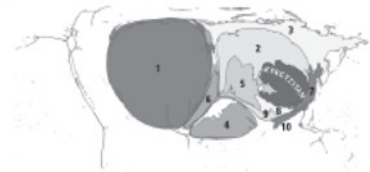
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	124/140	121/140	-3	25/100	25/100	0
Depth	83/140	82/140	-1	20/50	19/50	1
Breadth	135/140	132/140	-3	6/50	6/50	0
Trade Pillar	96/140	94/140	-2	41/100	42/100	-1
Capital Pillar	-	-	-	-	-	-
Information Pillar	80/101	83/101	3	42/100	40/100	2
People Pillar	78/106	79/106	1	39/100	39/100	0

Connectedness Score Trend



Rooted Map

Kyrgystan's Merchandise Exports, 2011



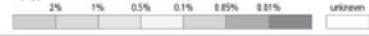
Top Export Destinations

1. Switzerland (44%)
2. Kazakhstan (15%)
3. Russia (14%)
4. U.A.E. (8%)
5. Uzbekistan (6%)
6. Turkey (3%)
7. China (2%)
8. Tajikistan (2%)
9. Afghanistan (1%)
10. India (1%)

Major Export Products

Gold, cotton, wool, garments, meat, tobacco; mercury, uranium, hydropower; machinery; shoes

Kyrgyzstan's Share of Partners' Imports



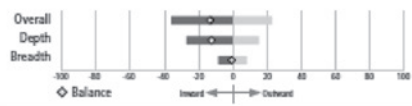
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	21/140		–	
Merchandise Trade (% of GDP)	60/140	14/140	33%	72%
Services Trade (% of GDP)	17/139	10/139	18%	18%
Capital	116/122		–	
FDI Stock (% of GDP)	128/132	96/140	0%	22%
FDI Flows (% of GFCF)	116/133	25/140	0%	32%
Portfolio Equity Stock (% of GDP)	102/102	93/97	-1%	0%
Portfolio Equity Flows (% of GDP)	117/129	110/126	0%	0%
Information	122/140		–	
Internet Bandwidth (Bits per Second per Internet User)	131/140		640	
International Phone Calls (Minutes per Capita)	87/140	103/140	21	25
Printed Publications Trade (USD per Capita)	119/135	97/135	$0	$3
People	56/116			
Migrants (% of Population)	35/139	64/140	11%	4%
Tourists Dep./Arr. Per Capita	48/93	66/136	0.2	0.2
International Students (% of Tertiary Education Enrollment)	104/130	27/104	1%	6%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	139/140		–	
Merchandise Trade	140/140	136/140	28%	11%
Capital	-		–	
FDI Stock	-	-	-	-
FDI Flows	-	-	-	-
Portfolio Equity Stock	-	–	-	–
Information	39/101		–	
International Phone Calls	24/101	21/101	41%	14%
Printed Publications Trade	109/135	103/135	85%	8%
People	112/124		–	
Migrants	118/139	67/139	5%	52%
Tourists Departures/Arrivals	–	107/107	–	85%
International Students	–	61/93	–	90%

Directionality



Summary

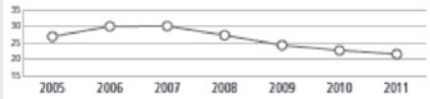
Kyrgyz Republic is the smallest economy in South and Central Asia for which the DHL Global Connectedness Index has been calculated. It ranks 124th globally on overall global connectedness and 10th among the 12 countries in its region. Kyrgyz Republic has higher depth (83rd globally) than breadth (135th). The most notable aspect of Kyrgyz Republic's connectedness profile is its high rank on the depth of trade, and especially trade in services, on which it ranks 17th globally for services exports depth and 10th for services imports depth (each accounting for 18% of its GDP). Kyrgyz Republic ranks 1st within its region on both services exports and imports depth.

TAJIKISTAN

Key Scores and Trends

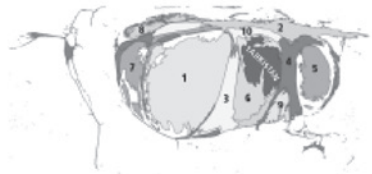
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	132/140	125/140	-7	22/100	23/100	-1
Depth	110/140	95/140	-15	13/50	16/50	-3
Breadth	125/140	129/140	4	9/50	7/50	2
Trade Pillar	131/140	130/140	-1	25/100	25/100	0
Capital Pillar	-	-	-	-	-	-
Information Pillar	67/101	66/101	-1	50/100	51/100	-1
People Pillar	-	-	-	-	-	-

Connectedness Score Trend



Rooted Map

Tajikistan's Merchandise Exports, 2011



Top Export Destinations

1. Turkey (32%)
2. Russia (9%)
3. Iran (7%)
4. China (7%)
5. South Korea (7%)
6. Afghanistan (6%)
7. Italy (5%)
8. Norway (4%)
9. Bangladesh (3%)
10. Kazakhstan (2%)

Major Export Products

Aluminum, electricity, cotton, fruits, vegetable oil, textiles

Tajikistan's Share of Partners' Imports

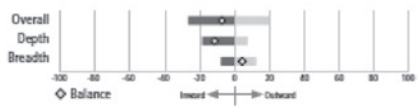
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	84/140		–	
Merchandise Trade (% of GDP)	105/140	40/140	19%	49%
Services Trade (% of GDP)	109/139	90/139	3%	6%
Capital	-		–	
FDI Stock (% of GDP)	-	111/140	-	15%
FDI Flows (% of GFCF)	-	136/140	-	0%
Portfolio Equity Stock (% of GDP)	-	-	-	-
Portfolio Equity Flows (% of GDP)	83/129	75/126	0%	0%
Information	129/140		–	
Internet Bandwidth (Bits per Second per Internet User)	133/140		526	
International Phone Calls (Minutes per Capita)	109/140	97/140	9	33
Printed Publications Trade (USD per Capita)	-	-	-	-
People	-			
Migrants (% of Population)	30/139	63/140	11%	4%
Tourists Dep./Arr. Per Capita	-	-	-	-
International Students (% of Tertiary Education Enrollment)	63/130	53/104	4%	2%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	137/140		–	
Merchandise Trade	130/140	133/140	49%	17%
Capital	-		–	
FDI Stock	-	-	-	-
FDI Flows	-	-	-	-
Portfolio Equity Stock	-	–	-	–
Information	9/101		–	
International Phone Calls	18/101	26/101	27%	9%
Printed Publications Trade	-	-	-	-
People	103/124		–	
Migrants	116/139	84/139	38%	70%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	67/93	–	93%

Directionality



Summary

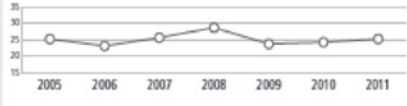
Tajikistan holds the 132nd rank globally on this year's DHL Global Connectedness Index, down 7 places versus last year's ranking. It ranks 11th out of the 12 countries in South & Central Asia. Among Tajikistan's component level depth ranks, its outward migration and merchandise imports are particularly notable. Tajikistan ranks 30th out of 139 countries worldwide on the depth of its outward migration, with emigrants equal to 11% of its population and only 38% remaining within the South & Central Asia region. It also ranks 40th out of 140 countries worldwide on the depth of its merchandise imports, which add up to 49% of its GDP.

UZBEKISTAN

Key Scores and Trends

	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	123/140	122/140	-1	25/100	24/100	1
Depth	123/140	120/140	-3	10/50	10/50	0
Breadth	100/140	107/140	7	15/50	15/50	0
Trade Pillar	132/140	132/140	0	25/100	24/100	1
Capital Pillar	-	-	-	-	-	-
Information Pillar	66/101	65/101	-1	52/100	51/100	1
People Pillar	81/106	81/106	0	38/100	38/100	0

Connectedness Score Trend



Rooted Map

Uzbekistan's Merchandise Exports, 2011

Top Export Destinations

1. Russia (21%)
2. Turkey (17%)
3. China (15%)
4. Kazakhstan (10%)
5. Bangladesh (9%)
6. Ukraine (4%)
7. Kyrgyzstan (4%)
8. Turkmenistan (3%)
9. Iran (2%)
10. Italy (2%)

Major Export Products

Energy products, cotton, gold, mineral fertilizers, ferrous and nonferrous metals, textiles, food products, machinery, automobiles

Uzbekistan's Share of Partners' Imports

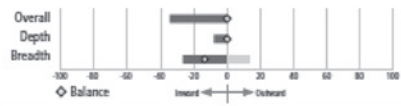
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	116/140		–	
Merchandise Trade (% of GDP)	73/140	117/140	29%	22%
Services Trade (% of GDP)	100/139	139/139	3%	1%
Capital	-		–	
FDI Stock (% of GDP)	-	114/140	-	15%
FDI Flows (% of GFCF)	-	61/140	-	14%
Portfolio Equity Stock (% of GDP)	-	-	-	-
Portfolio Equity Flows (% of GDP)	-	-	-	-
Information	128/140		–	
Internet Bandwidth (Bits per Second per Internet User)	132/140		579	
International Phone Calls (Minutes per Capita)	121/140	88/140	6	42
Printed Publications Trade (USD per Capita)	-	-	-	-
People	73/116			
Migrants (% of Population)	45/139	62/140	9%	4%
Tourists Dep./Arr. Per Capita	71/93	108/136	0.1	0.0
International Students (% of Tertiary Education Enrollment)	34/130	94/104	9%	0%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	107/140		–	
Merchandise Trade	129/140	89/140	45%	15%
Capital	-		–	
FDI Stock	-	-	-	-
FDI Flows	-	-	-	-
Portfolio Equity Stock	-	–	-	–
Information	81/101		–	
International Phone Calls	17/101	20/101	38%	15%
Printed Publications Trade	-	-	-	-
People	86/124		–	
Migrants	109/139	21/139	34%	41%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	79/93	–	75%

Directionality



Summary

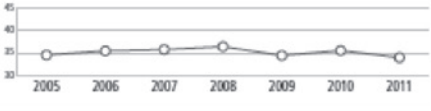
Uzbekistan ranks 123rd on this year's DHL Global Connectedness Index, down one place versus last year's ranking. It is the 9th ranked country out of 12 in South & Central Asia. Uzbekistan's connectedness peaked in 2008 and has since returned to its 2005 level. Focusing on its pillar level depth scores, Uzbekistan's connectedness is deepest on the people pillar where it ranks 73rd out of 116 countries, a position that is driven primarily by its relatively higher ranks on migration and international student flows. Its lowest depth rank is on the information pillar, where it ranks 128th out of 140 countries.

PAKISTAN

Key Scores and Trends

	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	102/140	98/140	-4	34/100	36/100	-2
Depth	132/140	130/140	-2	5/50	6/50	-1
Breadth	45/140	44/140	-1	29/150	29/150	0
Trade Pillar	90/140	82/140	-8	43/100	45/100	-2
Capital Pillar	64/66	63/66	-1	17/100	19/100	-2
Information Pillar	68/101	67/101	-1	50/100	51/100	-1
People Pillar	-	-	-	-	-	-

Connectedness Score Trend



Rooted Map

Pakistan's Merchandise Exports, 2011

Top Export Destinations

1. U.S.A. (15%)
2. Afghanistan (10%)
3. U.A.E. (8%)
4. China (7%)
5. Germany (5%)
6. U.K. (5%)
7. Bangladesh (4%)
8. Italy (3%)
9. Turkey (3%)
10. Belgium (3%)

Major Export Products

Textiles (garments, bed linen, cotton cloth, yarn), rice, leather goods, sports goods, chemicals, manufactures, carpets and rugs

Pakistan's Share of Partners' Imports

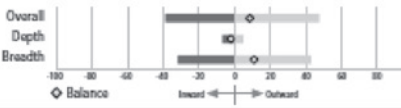
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	136/140		–	
Merchandise Trade (% of GDP)	128/140	121/140	12%	21%
Services Trade (% of GDP)	125/139	125/139	2%	3%
Capital	105/122		–	
FDI Stock (% of GDP)	107/132	125/140	1%	10%
FDI Flows (% of GFCF)	107/133	104/140	0%	7%
Portfolio Equity Stock (% of GDP)	83/102	68/97	0%	1%
Portfolio Equity Flows (% of GDP)	73/129	54/126	0%	0%
Information	108/140		–	
Internet Bandwidth (Bits per Second per Internet User)	106/140		4,752	
International Phone Calls (Minutes per Capita)	90/140	91/140	18	40
Printed Publications Trade (USD per Capita)	123/135	132/135	$0	$0
People	-			
Migrants (% of Population)	112/139	86/140	2%	2%
Tourists Dep./Arr. Per Capita	-	131/136	-	0.0
International Students (% of Tertiary Education Enrollment)	74/130	-	4%	-

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	23/140		–	
Merchandise Trade	11/140	45/140	20%	5%
Capital	58/67		–	
FDI Stock	-	32/46	-	0%
FDI Flows	-	-	-	-
Portfolio Equity Stock	59/66	–	14%	–
Information	34/101		–	
International Phone Calls	11/101	72/101	4%	0%
Printed Publications Trade	39/135	40/135	8%	13%
People	34/124		–	
Migrants	57/139	4/139	42%	62%
Tourists Departures/Arrivals	–	54/107	–	19%
International Students	–	-	–	-

Directionality



Summary

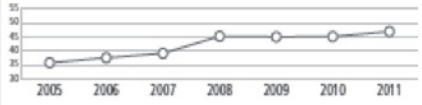
Pakistan ranks 102nd out of 140 countries on this year's DHL Global Connectedness Index and 8th out of the 12th countries in South & Central Asia. It has higher breadth (45th worldwide) than depth (132nd), which in part reflects limited integration within its region and especially its limited trade and investment ties with India due to the conflict between those two countries, the largest two in the region. Pakistan's connectedness has generally remained stable since 2005, though it did decline slightly over the past year, a decline that was driven primarily by the trade pillar.

INDIA

Key Scores and Trends

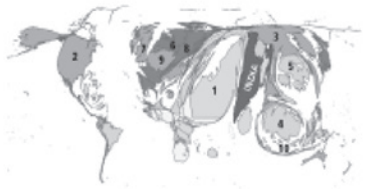
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	62/140	64/140	2	47/100	45/100	2
Depth	119/140	121/140	2	11/50	9/50	2
Breadth	20/140	21/140	1	36/50	36/50	0
Trade Pillar	33/140	49/140	16	60/100	55/100	5
Capital Pillar	39/66	39/66	0	44/100	45/100	-1
Information Pillar	52/101	48/101	-4	58/100	57/100	1
People Pillar	91/106	91/106	0	32/100	32/100	0

Connectedness Score Trend



Rooted Map

India's Merchandise Exports, 2011



Top Export Destinations

1. U.A.E. (13%)
2. U.S.A. (11%)
3. China (7%)
4. Singapore (6%)
5. Hong Kong (4%)
6. Netherlands (3%)
7. U.K. (3%)
8. Germany (3%)
9. Belgium (3%)
10. Indonesia (2%)

Major Export Products

Petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel

India's Share of Partners' Imports

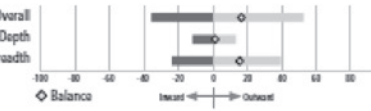
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	106/140		–	
Merchandise Trade (% of GDP)	112/140	101/140	18%	27%
Services Trade (% of GDP)	58/139	66/139	9%	8%
Capital	74/122		–	
FDI Stock (% of GDP)	62/132	126/140	6%	10%
FDI Flows (% of GFCF)	55/133	108/140	3%	6%
Portfolio Equity Stock (% of GDP)	79/102	37/97	0%	8%
Portfolio Equity Flows (% of GDP)	76/129	13/126	0%	1%
Information	112/140		–	
Internet Bandwidth (Bits per Second per Internet User)	102/140		5,423	
International Phone Calls (Minutes per Capita)	120/140	116/140	6	15
Printed Publications Trade (USD per Capita)	102/135	126/135	$0	$1
People	115/116			
Migrants (% of Population)	129/139	124/140	1%	0%
Tourists Dep./Arr. Per Capita	91/93	133/136	0.0	0.0
International Students (% of Tertiary Education Enrollment)	119/130	100/104	1%	0%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	9/140		–	
Merchandise Trade	7/140	26/140	6%	1%
Capital	33/67		–	
FDI Stock	-	41/46	-	0%
FDI Flows	24/38	-	0%	-
Portfolio Equity Stock	25/66	–	1%	–
Information	7/101		–	
International Phone Calls	30/101	17/101	21%	0%
Printed Publications Trade	11/135	14/135	11%	1%
People	40/124		–	
Migrants	40/139	122/139	23%	96%
Tourists Departures/Arrivals	–	24/107	–	18%
International Students	–	38/93	–	22%

Directionality



Summary

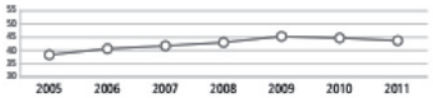
India's connectedness has gradually increased since 2005, though most of its gains over this period took place before the onset of the global financial crisis. Ranked 62nd overall out of 140 countries and 3rd among the 12 countries in South and Central Asia, India's has much higher breadth (20th out of 140) than depth (119th out of 140). India's high breadth score reflects its limited intra-regional connectedness (driven by poor relations with its largest neighbor, Pakistan), forcing India to connect over greater distances than is required in more integrated regions. Among the pillars, India's strongest position is on trade, where it ranks 33rd out of 140 countries globally, first in its region, and 3rd out of the world's ten largest economies.

RUSSIAN FEDERATION

Key Scores and Trends

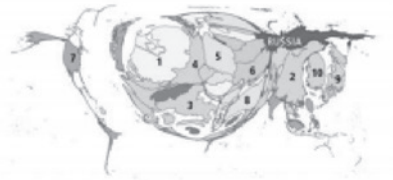
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	68/140	66/140	-2	44/100	45/100	-1
Depth	92/140	91/140	-1	17/50	17/50	0
Breadth	53/140	50/140	-3	27/50	28/50	-1
Trade Pillar	55/140	50/140	-5	55/100	55/100	0
Capital Pillar	51/66	48/66	-3	36/100	39/100	-3
Information Pillar	71/101	70/101	-1	47/100	47/100	0
People Pillar	62/106	62/106	0	47/100	47/100	0

Connectedness Score Trend



Rooted Map

Russia's Merchandise Exports, 2011



Top Export Destinations

1. Netherlands (15%)
2. China (8%)
3. Italy (7%)
4. Germany (6%)
5. Poland (5%)
6. Ukraine (4%)
7. U.S.A. (4%)
8. Turkey (4%)
9. Japan (3%)
10. South Korea (3%)

Major Export Products

Petroleum and petroleum products, natural gas, metals, wood and wood products, chemicals, and a wide variety of civilian and military manufactures

Russia's Share of Partners' Imports

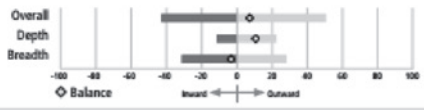
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	121/140		–	
Merchandise Trade (% of GDP)	74/140	128/140	28%	17%
Services Trade (% of GDP)	108/139	109/139	3%	5%
Capital	47/122		–	
FDI Stock (% of GDP)	33/132	91/140	20%	25%
FDI Flows (% of GFCF)	20/133	64/140	17%	14%
Portfolio Equity Stock (% of GDP)	71/102	30/97	0%	13%
Portfolio Equity Flows (% of GDP)	59/129	118/126	0%	0%
Information	80/140		–	
Internet Bandwidth (Bits per Second per Internet User)	44/140		31,911	
International Phone Calls (Minutes per Capita)	88/140	108/140	20	23
Printed Publications Trade (USD per Capita)	73/135	76/135	$2	$6
People	64/116			
Migrants (% of Population)	49/139	47/140	8%	9%
Tourists Dep./Arr. Per Capita	44/93	84/136	0.3	0.1
International Students (% of Tertiary Education Enrollment)	125/130	66/104	1%	1%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	14/140		–	
Merchandise Trade	29/140	11/140	65%	55%
Capital	48/67		–	
FDI Stock	20/41	30/46	74%	86%
FDI Flows	18/38	-	80%	-
Portfolio Equity Stock	61/66	–	49%	–
Information	74/101		–	
International Phone Calls	95/101	65/101	59%	74%
Printed Publications Trade	40/135	32/135	35%	83%
People	60/124		–	
Migrants	105/139	106/139	59%	47%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	31/83	–	34%

Directionality



Summary

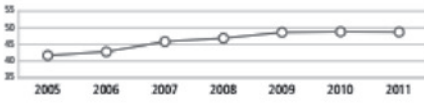
The Russian Federation ranks 68th on this year's DHL Global Connectedness Index. It has higher breadth (53rd) than depth (92nd), which is typical of the pattern observed among large countries. The breadth of the Russian Federation's merchandise trade is particularly noteworthy, ranking 14th overall and 11th with respect to imports only. The Russian Federation's global connectedness rose steadily from 2005 to 2009 before beginning a period of small declines. The Russian Federation fell 2 positions in the rankings from 2010 to 2011 due primarily to the trade and capital pillars.

TURKEY

Key Scores and Trends

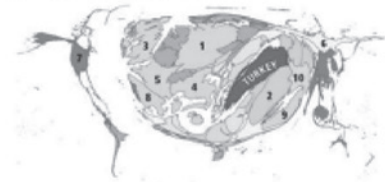
	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	56/140	52/140	-4	49/100	49/100	0
Depth	107/140	110/140	3	14/50	13/50	1
Breadth	24/140	19/140	-5	35/50	36/50	-1
Trade Pillar	50/140	60/140	10	56/100	52/100	4
Capital Pillar	41/66	36/66	-5	42/100	47/100	-5
Information Pillar	28/101	30/101	2	69/100	66/100	3
People Pillar	59/106	59/106	0	48/100	48/100	0

Connectedness Score Trend



Rooted Map

Turkey's Merchandise Exports, 2011



Top Export Destinations

1. Germany (11%)
2. Iraq (6%)
3. U.K. (6%)
4. Italy (6%)
5. France (5%)
6. Russia (5%)
7. U.S.A. (4%)
8. Spain (3%)
9. U.A.E. (3%)
10. Iran (3%)

Major Export Products

Apparel, foodstuffs, textiles, metal manufactures, transport equipment

Turkey's Share of Partners' Imports

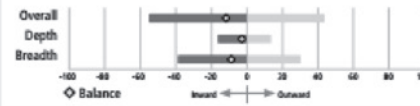
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	115/140		–	
Merchandise Trade (% of GDP)	114/140	88/140	17%	31%
Services Trade (% of GDP)	84/139	134/139	5%	3%
Capital	88/122		–	
FDI Stock (% of GDP)	77/132	103/140	3%	18%
FDI Flows (% of GFCF)	77/133	99/140	1%	8%
Portfolio Equity Stock (% of GDP)	86/102	44/97	0%	5%
Portfolio Equity Flows (% of GDP)	104/129	40/126	0%	0%
Information	74/140		–	
Internet Bandwidth (Bits per Second per Internet User)	41/140		33,938	
International Phone Calls (Minutes per Capita)	95/140	73/140	15	73
Printed Publications Trade (USD per Capita)	81/135	102/135	$1	$2
People	82/116			
Migrants (% of Population)	82/139	95/140	4%	2%
Tourists Dep./Arr. Per Capita	58/93	58/136	0.2	0.4
International Students (% of Tertiary Education Enrollment)	102/130	78/104	2%	1%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	15/140		–	
Merchandise Trade	36/140	7/140	6%	6%
Capital	30/67		–	
FDI Stock	23/41	14/46	29%	0%
FDI Flows	29/38	18/41	17%	1%
Portfolio Equity Stock	33/66	–	1%	–
Information	12/101		–	
International Phone Calls	8/101	49/101	4%	0%
Printed Publications Trade	29/135	4/135	25%	1%
People	43/124		–	
Migrants	72/139	72/139	3%	4%
Tourists Departures/Arrivals	–	32/107	–	8%
International Students	–	42/93	–	42%

Directionality



Summary

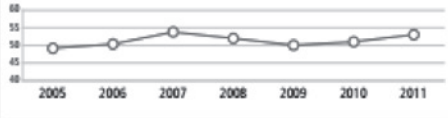
Turkey's global connectedness rose strongly from 2005 to 2009 and has remained stable over the past two years, ranking 56th on this year's DHL Global Connectedness Index. Turkey has higher breadth (24th) than depth (107th), a typical pattern for a large country. Among Turkey's depth scores, its very low services imports (ranked 134th out of 139 countries) may reflect an untapped opportunity. Over the past year, Turkey's stable connectedness score masked significant changes at the pillar level. A decline on the capital pillar was offset by increases on the trade and information pillars.

JAPAN

Key Scores and Trends

	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	42/140	46/140	4	53/100	51/100	2
Depth	113/140	118/140	5	13/50	11/50	2
Breadth	7/140	11/140	4	41/50	40/50	1
Trade Pillar	79/140	77/140	-2	47/100	46/100	1
Capital Pillar	23/66	24/66	1	62/100	58/100	4
Information Pillar	35/101	34/101	-1	66/100	65/100	1
People Pillar	53/106	53/106	0	50/100	50/100	0

Connectedness Score Trend



Rooted Map

Japan's Merchandise Exports, 2011

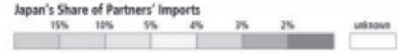
Top Export Destinations

1. China (20%)
2. U.S.A. (16%)
3. South Korea (8%)
4. Taiwan (6%)
5. Hong Kong (5%)
6. Thailand (5%)
7. Singapore (3%)
8. Germany (3%)
9. Malaysia (2%)
10. Netherlands (2%)

Major Export Products

Motor vehicles; semiconductors; iron and steel products; auto parts; plastic materials; power generating machinery

Japan's Share of Partners' Imports



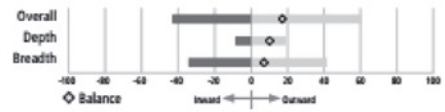
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	138/140		–	
Merchandise Trade (% of GDP)	124/140	136/140	14%	15%
Services Trade (% of GDP)	114/139	132/139	2%	3%
Capital	45/122		–	
FDI Stock (% of GDP)	39/132	137/140	16%	4%
FDI Flows (% of GFCF)	39/133	138/140	7%	0%
Portfolio Equity Stock (% of GDP)	35/102	26/97	11%	14%
Portfolio Equity Flows (% of GDP)	35/129	33/126	0%	0%
Information	69/140		–	
Internet Bandwidth (Bits per Second per Internet User)	53/140		23,111	
International Phone Calls (Minutes per Capita)	63/140	112/140	41	17
Printed Publications Trade (USD per Capita)	53/135	63/135	$6	$9
People	96/116			
Migrants (% of Population)	132/139	102/140	1%	2%
Tourists Dep./Arr. Per Capita	62/93	98/136	0.1	0.1
International Students (% of Tertiary Education Enrollment)	115/130	40/164	1%	3%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	12/140		–	
Merchandise Trade	12/140	22/140	57%	51%
Capital	13/67		–	
FDI Stock	9/41	19/46	30%	12%
FDI Flows	16/38	17/41	38%	9%
Portfolio Equity Stock	12/66	–	12%	–
Information	23/101		–	
International Phone Calls	25/101	52/101	63%	66%
Printed Publications Trade	21/135	12/135	78%	30%
People	26/124		–	
Migrants	20/139	90/139	14%	73%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	17/93	–	89%

Directionality



Summary

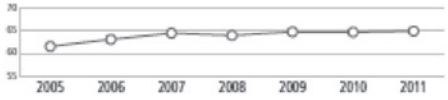
Japan ranks 42nd out of 140 countries in the overall connectedness index (10th out of the 19 countries in East Asia & Pacific). Japan has much higher breadth (7th worldwide) than depth (113th), which is not unusual for a country with a very large internal economy. Japan's trade pillar depth, however, is especially low, ranking 138th out of 140 countries. Japan also has higher outward than inward connectedness. The difference between Japan's outward and inward connectedness is greatest in the capital pillar, where Japan is a much larger source of outward FDI than a recipient of inward FDI. Japan's overall global connectedness has increased modestly from 2005 to 2011.

UNITED STATES

Key Scores and Trends

	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	20/140	21/140	1	65/100	65/100	0
Depth	89/140	87/140	-2	18/50	18/50	0
Breadth	2/140	2/140	0	47/50	47/50	0
Trade Pillar	76/140	73/140	-3	48/100	47/100	1
Capital Pillar	6/166	6/166	0	82/100	82/100	0
Information Pillar	17/101	17/101	0	75/100	75/100	0
People Pillar	31/106	31/106	0	62/100	62/100	0

Connectedness Score Trend



Rooted Map

U.S.A.'s Merchandise Exports, 2011

Top Export Destinations

1. Canada (19%)
2. Mexico (13%)
3. China (7%)
4. Japan (4%)
5. U.K. (4%)
6. Germany (3%)
7. South Korea (3%)
8. Brazil (3%)
9. Netherlands (3%)
10. Hong Kong (2%)

Major Export Products

Agricultural products (soybeans, fruit, corn), industrial supplies (organic chemicals), capital goods (transistors, aircraft)

U.S.A.'s Share of Partners' Imports

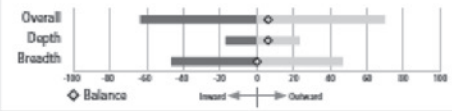
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	139/140		–	
Merchandise Trade (% of GDP)	133/140	134/140	10%	15%
Services Trade (% of GDP)	97/139	133/139	4%	3%
Capital	20/122		–	
FDI Stock (% of GDP)	25/132	94/140	30%	23%
FDI Flows (% of GFCF)	23/133	93/140	15%	9%
Portfolio Equity Stock (% of GDP)	19/102	17/97	30%	23%
Portfolio Equity Flows (% of GDP)	28/129	17/126	1%	1%
Information	34/140		–	
Internet Bandwidth (Bits per Second per Internet User)	33/140		47,174	
International Phone Calls (Minutes per Capita)	24/140	65/140	237	81
Printed Publications Trade (USD per Capita)	33/135	50/135	$19	$14
People	75/116			
Migrants (% of Population)	129/139	27/140	1%	14%
Tourists Dep./Arr. Per Capita	52/93	73/136	0.2	0.2
International Students (% of Tertiary Education Enrollment)	130/130	42/104	0%	3%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	6/140		–	
Merchandise Trade	10/140	16/140	32%	26%
Capital	1/67		–	
FDI Stock	2/41	9/46	17%	10%
FDI Flows	4/38	4/41	15%	11%
Portfolio Equity Stock	2/66	–	13%	–
Information	22/101		–	
International Phone Calls	9/101	59/101	29%	48%
Printed Publications Trade	16/135	31/135	56%	23%
People	13/124		–	
Migrants	30/139	6/139	28%	30%
Tourists Departures/Arrivals	–	49/107	–	56%
International Students	–	2/93	–	6%

Directionality



Summary

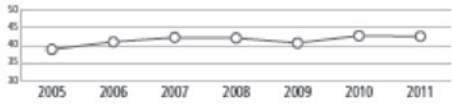
The United States ranks 20th overall and has the world's second highest breadth score, reflecting its significant ties to nearly every other country around the world. It has a more modest rank on depth (89th), which is not unusual for a country with a very large internal market. The U.S. has its strongest position on the capital pillar on which it ranks 6th overall and 1st on breadth. On the other hand, the U.S. has a remarkably low score on the trade pillar, 76th overall and 139th (next to last) on depth. Merchandise and services exports account for only 14% of U.S. GDP and imports add up to only 18%. The U.S. has maintained a stable level of connectedness since 2007.

CHINA

Key Scores and Trends

	Rank			Score		
	2011	2010	Change	2011	2010	Change
Overall	74/140	73/140	-1	43/100	43/100	0
Depth	122/140	119/140	-3	10/60	11/60	-1
Breadth	35/140	35/140	0	32/60	32/60	0
Trade Pillar	40/140	34/140	-6	59/100	59/100	0
Capital Pillar	60/66	59/66	-1	23/100	24/100	-1
Information Pillar	75/101	74/101	-1	46/100	45/100	1
People Pillar	-	-	-	-	-	-

Connectedness Score Trend



Rooted Map

China's Merchandise Exports, 2011

Top Export Destinations

1. U.S.A. (17%)
2. Hong Kong (14%)
3. Japan (8%)
4. South Korea (4%)
5. Germany (4%)
6. Netherlands (3%)
7. India (3%)
8. U.K. (2%)
9. Russia (2%)
10. Singapore (2%)

Major Export Products

Electrical and other machinery, including data processing equipment, apparel, textiles, iron and steel, optical & medical equipment

China's Share of Partners' Imports

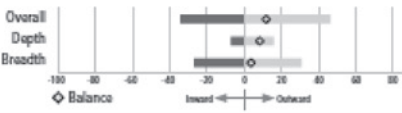
Depth

	Rank		Level	
	Outward	Inward	Outward	Inward
Trade	117/140		–	
Merchandise Trade (% of GDP)	82/140	111/140	26%	24%
Services Trade (% of GDP)	112/139	128/139	2%	3%
Capital	73/122		–	
FDI Stock (% of GDP)	65/132	127/140	5%	10%
FDI Flows (% of GFCF)	64/133	120/140	2%	4%
Portfolio Equity Stock (% of GDP)	58/102	53/97	1%	3%
Portfolio Equity Flows (% of GDP)	43/129	35/126	0%	0%
Information	116/140		–	
Internet Bandwidth (Bits per Second per Internet User)	117/140		2,692	
International Phone Calls (Minutes per Capita)	113/140	121/140	8	12
Printed Publications Trade (USD per Capita)	69/135	115/135	$2	$1
People	112/116			
Migrants (% of Population)	136/139	139/140	1%	0%
Tourists Dep./Arr. Per Capita	81/93	104/136	0.0	0.0
International Students (% of Tertiary Education Enrollment)	99/130	90/104	2%	0%

Breadth

	Rank		% Same Region	
	Outward	Inward	Outward	Inward
Trade	4/140		–	
Merchandise Trade	1/140	19/140	39%	49%
Capital	62/67		–	
FDI Stock	36/41	42/46	78%	70%
FDI Flows	34/38	40/41	77%	81%
Portfolio Equity Stock	-	–	-	–
Information	35/101		–	
International Phone Calls	68/101	41/101	80%	62%
Printed Publications Trade	2/135	21/135	35%	46%
People	-		–	
Migrants	39/139	26/139	64%	61%
Tourists Departures/Arrivals	–	-	–	-
International Students	–	-	–	-

Directionality



Summary

China holds the 74th rank on this year's DHL Global Connectedness Index and ranks 14th within the East Asia & Pacific region. China has much higher breadth (35th) than depth (122nd), which is as expected given its very large domestic economy. China ranked 1st worldwide on the breadth of its merchandise exports, but only 82nd on merchandise exports depth. Only 39% of China's merchandise exports went to other countries in the East Asia & Pacific region. Merchandise exports added up to 26% of China's GDP. China's global connectedness has increased modestly over the period from 2005 to 2011, declining in 2009 in line with global trade flows and then recovering in 2010.

U.S. ARMY WAR COLLEGE

Major General William E. Rapp
Commandant

*****

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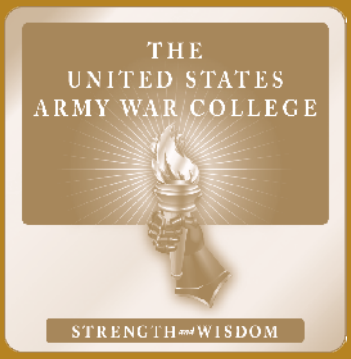

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