

# Central Asia – National Interests and Regional Prospects

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Central Asia<sup>1</sup> is one of the pivotal regions of the world. It is located at the core of the Eurasian continental space and represents a critical connection between the large and dynamic continental economies – China, the European Union, India, Japan and Russia. The Central Asian countries with their large natural and human resources face both an opportunity and a challenge as the Eurasian economic space is now rapidly integrating as part of a new phase of global integration.<sup>2</sup> This note reviews the national interests of key countries inside and outside the region and how they determine the prospects of Central Asia in successfully integrating into the Eurasian and world economy. A full exploration of these interests goes beyond the scope of the paper.<sup>3</sup> Hence, I will summarize here only some key elements that appear to be particularly relevant for the future of the region. I will focus on four sets of actors: (1) the countries in the region; (2) the principal neighbors, China and Russia<sup>4</sup>; (3) other key partners, the EU and the U.S.; and (4) the international institutions (UN agencies and the International Financial Institutions, in particular the Asian Development Bank, EBRD, IMF and the World Bank).

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<sup>1</sup> Central Asia is here defined as the Central Asian CIS republics (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan), as well as Afghanistan.

<sup>2</sup> For more background on Eurasian economic integration, see Johannes Linn and David Tiomkin, “New Impetus towards Economic Integration between Europe and Asia”, *Asia Europe Journal* 4, 1 (2006). One could of course add other big Eurasian economies to the list of significant neighbors, including Iran, Pakistan and Turkey.

<sup>3</sup> A more complete, but by no means exhaustive account of the many and complex interests can be found in UNDP, *Central Asia Human Development Report* (New York: United Nations, 2005) <<http://europeandcis.undp.org/?wspc=CAHDR2005%20>>.

<sup>4</sup> Other neighbors could be added, such as India, Iran, Pakistan and Turkey. The EU could also be counted among the neighbors of Central Asia, since they share the Eurasian continental space. For the current analysis, however, we focus on the two big neighbors bordering on Central Asia.

## Interests

A prosperous and stable Central Asia is a *long-term interest* that is shared by all partners in and around the region.<sup>5</sup> Most obviously this is the case for the Central Asian countries themselves, their governments, elites and broader populace. For the neighbors and for the EU, Central Asia is the hub of a Eurasian wheel the spokes of which are tied together ever more tightly through the forces of economic integration, which have gathered great intensity since the break-up of the Soviet Union. A prosperous and stable Central Asia is an essential land bridge and transit point for trade and communication for the Eurasian continent, while a destabilized, conflict ridden, poor region would present all of Eurasia with significant barriers to integration and with risks of widening conflict.<sup>6</sup> For the rest of the world, including the U.S., failed states in Central Asia would add to the risks and burdens that other such states have created, e.g. in Somalia and elsewhere.

To overcome the barriers created by their fragmented borders and land-locked status, the Central Asian countries need to collaborate, create open borders “with a human face” – to borrow the term used in the UNDP’s *Central Asia Human Development Report* –, use their abundant energy and water resources wisely and cooperatively, and connect with the rest of the world. They also could benefit significantly from cooperation in addressing key human security risks, including threats from natural disasters, epidemics and drug trafficking. The benefits from such a cooperative approach could mean a doubling of the region’s GDP over 10 years over and above the growth that would occur without intensive cooperation.<sup>7</sup>

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

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<sup>5</sup> See also Olga Oliker and David A. Shlapak, *U.S. Interests in Central Asia: Policy Priorities and Military Roles* (Santa Monica, CA: RAND, 2005), p. 21; Richard Weitz “Averting the New Great Game in Central Asia”, *The Washington Quarterly* 29, 3 (2006): p. 156; Eugene B. Rumer, “China, Russia and the Balance of Power in Central Asia”, Institute for National Strategic Studies, National Defense University *Strategic Forum* 223 (2006): p. 1; Jim Nichol, “Central Asia’s Security: Issues and Implications for U.S. Interests”, *CRS Report for Congress*, April 26, 2007.

<sup>6</sup> See Linn and Tiomkin, “New Impetus towards Economic Integration between Europe and Asia”.

<sup>7</sup> See UNDP, *Central Asia Human Development Report*, Chapter 9.

*Central Asian Countries*

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

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

Some of these interests point in the direction of greater economic protection and isolation of the national economy, others – especially the last one – call for openness, integration and cooperation. Turkmenistan and Uzbekistan have traditionally followed the former course, Kazakhstan, Kyrgyz Republic, Tajikistan and, recently, Afghanistan the latter. In any case, most Central Asian countries, particularly those which are new nations, have had difficulty in sharing key aspects of their national sovereignty, which is a key prerequisite for effective regional cooperation among nations.

*China and Russia*

These two big neighbors of Central Asia share a common interest in keeping other geopolitical powers out of what they regard as their “back yards”. They have competing interests in controlling the energy resources and pipelines of the region: China in securing access as a user, Russia in controlling access as a producer and transit country.<sup>8</sup> Firms of both countries have an interest in gaining access to non-energy markets in the region, as well as owning key productive assets in the industrial and commercial sphere. Much of this is a reflection of genuine

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<sup>8</sup> Russia has a special interest in Central Asia’s gas resources since it makes a significant profit in purchasing them at much lower cost than it sells its own gas to its European neighbors; moreover, with stagnant gas resources of its own and growing European demand for gas, it needs Central Asian gas to fill domestic needs. See Ariel Cohen, “U.S. Interests and Central Asia Energy Security”, The Heritage Foundation *Backgrounders* No. 1984 (2006): p. 8.

commercial interests, but national security and regional or geopolitical concerns may also enter, especially when state-controlled enterprises are involved.<sup>9</sup> China and Russia share a much higher tolerance for state intervention in the economy than most other partners from outside the region. They also place a high value on stability in their immediate neighborhoods, which for them means supporting the ruling elites and their power structures against any real or perceived threats from “color revolutions” or Islamic fundamentalist upheavals. Beyond this, China wants to assure that Central Asia harbors no support for possible irredentist movements in its Western provinces. Russia would like to maintain its long-standing role among the CIS countries of the region, and has an interest in protecting the Russian minorities.

#### *EU and U.S.*

Short term national interests also are reflected in the engagement of the EU and the U.S. in Central Asia. Access to Central Asia’s energy resources is usually at the top of the list of concerns, followed by security concerns centered on the protection of NATO engagement in Afghanistan, and in the case of Europe concern about drug trade and migration. Beyond this, EU and U.S. support for democratic norms and liberal market principles is grounded in the belief that they will bring long-term economic benefits and stability to the region.<sup>10</sup> These interests are reflected in the U.S. “southern strategy” (which aims to provide Central Asian energy producers access to South Asian ports and energy markets and links the security of Afghanistan with that of Central Asia)<sup>11</sup> as well as in the elements of the new EU Central Asia strategy (which stresses along with stability in the region, the propagation of “European values” and access to Central Asian energy resources)<sup>12</sup>.

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<sup>9</sup> While the commercial and state interests also often converge in the engagement by the EU, Turkey, the U.S. and other countries in the region (and elsewhere), the prevalence of state enterprise engagement in the case of China and Russia makes the link between commercial and national interests significantly stronger.

<sup>10</sup> But the governments of the region, and China and Russia, tend to see such support more as an expression of an interest in protecting and promoting western ideologies.

<sup>11</sup> See Evan Feigenbaum, “Central Asian Economic Integration: An American Perspective”, Presentation at the W.P. Carey Forums Hosted by CACI, Johns Hopkins University, February 6, 2007 <<http://www.sais-jhu.edu/centers/caci/audio.html>> (August 2007). Note that this statement of U.S. interests in Central Asia’s stresses mostly the long term U.S. objective of supporting Central Asian sovereignty, integration and stability. It does not focus on U.S. short term interests in the region, such access to energy resources and U.S. security interests in Afghanistan.

<sup>12</sup> Council of the European Union, “The EU and Central Asia: Strategy for a New Partnership”, Document 10113/07, Brussels, 31 May 2007 (endorsed by EU Council Presidency Conclusions of the Brussels European Council 21/22 June 2007).

### *The International Institutions*

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

### **Prospects**

Based on the interests presented, two scenarios – one positive and another negative in their implications – can be considered, spanning broadly the range of potential future developments. Other scenarios are possible, of course,<sup>13</sup> but the two presented here represent a useful framework for considering how the prevailing interests of different players may interact to produce quite different outcomes. They can serve as a basis for formulating the recommendations that could help bring about more positive results for the regions, for its immediate neighbors and for the international community.

#### *A Cooperative Scenario*

This benign and, one would hope, more likely scenario represents a bridge between the differing short-term and the converging long-term interests of the various partners in Central Asia. Under this scenario Kazakhstan, Kyrgyz Republic and Tajikistan will pursue a strategy oriented towards integration with each other and the rest of the world, with open borders, predominantly market-based policies, and cooperation

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<sup>13</sup> See, for example, *Central Asia Human Development Report*, Chapter 9

among each other. In their relations with their neighbors and with the international community they take a “multi-vector” approach that is accepted and supported by their many international partners. Their governance system remains dominated by strong presidencies, but gradually develop towards a more open, inclusive and stable democratic form, along the lines of Korea or Singapore. As a result these countries grow and develop successfully. Over time, through their demonstration effect, they provide an incentive to Uzbekistan to follow suit. Turkmenistan manages a peaceful transition from its past repressive and isolationist approach to a more open and cooperative strategy. Afghanistan’s troubles are settled over time by its own efforts and with international support and it serves increasingly as an essential land-bridge for the rest of Central Asia to the ports on the Indian Ocean and the rapidly growing Indian sub-continent.

China and Russia under this scenario will support the cooperative and multi-vector approach of Central Asian countries, they accept a gradual liberalization of the Central Asian governance and economic systems, and they cooperate with each other across a broad range of energy, infrastructure and trade issues. Their cooperation in turn helps facilitate the access of land-locked Central Asian economies to world markets. The EU and the U.S. engage constructively in Central Asia and with China and Russia, by stressing the shared interest of a peaceful and stable integration of the Eurasian continental economic space, by supporting gradual reform, and by engaging in a constructive dialogue on values and policy that is respectful of alternative perspectives. The international institutions proactively play a catalytic and bridging role with a full engagement in the region in support of and in partnership with the countries of the region and their regional organizations such as SCO, EurasEC and CAREC.

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

#### *A Disintegration Scenario*

Under this scenario, hopefully less likely, the Central Asian countries and their partner states do not build bridges among themselves and between their conflicting short-term and shared long-term interests. The currently more open countries become increasingly isolationist and control-oriented in their domestic governance.<sup>14</sup> While stability may be

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<sup>14</sup> For an explanation of this scenario see UNDP *Central Asia Human Development Report*, Chapter 7.

preserved in the short term, the regimes are inherently unstable in the longer term, partly because their economic and social policies undermine growth, and partly because they may result in resentment and radicalization among the populace and possible palace revolts among the elites.

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

### **Implications**

The two scenarios presented above may seem unrealistically far apart. However, one should remember that similar, but even more divergent scenarios characterized the actual history of 20<sup>th</sup> Century Europe: the first half of the century was punctuated by discord, war and disintegration; the second half saw a process of peace, cooperation and integration. The challenge for all engaged in Central Asia will be to avoid the former and achieve the latter.

The implications for the key actors are clear. All of them need to focus on their shared long-term interests and aim to bridge their potentially diverging short-term interest. For the Central Asian states this means moving towards the more open economic and governance model described under the first scenario. It requires that the leaders aim persistently towards market oriented policies and institutions and towards more transparent and accountable governance structures. Externally, they would seek to strengthen their cooperative mechanisms among themselves, maintain control over their energy resources and assets, and follow a multi-vector approach in building balanced partnerships with China, Russia and other international players.

For China and Russia in turn the implication is that they would accept the multi-vector policy of Central Asian states, and also encourage broadly market-based economic policies and cautiously liberalizing reforms. They would support the Central Asian countries in their access to markets through infrastructure investments and improved border and transit management, strengthen cooperative regional institutions and foster commercially based investments by their own firms in Central Asia.

The EU and the U.S. would be well advised to recognize that with limited resources and great distance they have little leverage in the region, although their constructive engagement will likely be welcomed by most Central Asians. The EU and the U.S. can provide access to trade, capital and technology. Rather than leading with their own short-term interests in security, access to Central Asian energy and democracy building – which runs the risk of appearing intrusive and self-serving –, it would help if the EU and the U.S. were to lead with their commitment to the shared long-term goal of a stable, integrated and prosperous Central Asia.

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