

Kyrgyzstan and Tajikistan: Next in Line

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Kyrgyzstan and Tajikistan are in many ways similar countries: they are small and mountainous with the weakest economies among the post-Soviet states. Following the break-up of the Soviet Union, both countries joined the Commonwealth of Independent States (CIS) and signed up to the collective security agreements reached at the May 1992 Tashkent CIS summit. And in 2002, both countries were among the six countries agreeing to formally create the Collective Security Treaty Organization (CSTO) as a military alliance. Kyrgyzstan and Tajikistan also signed the treaty on a Eurasian Customs Union in 1996 and 1997, respectively. While this initial economic integration initiative led by Russia, Kazakhstan, and Belarus remained largely declarative, the same trio of countries renewed their efforts in the mid-2000s, resulting in the creation of the Customs Union in 2010. In May 2014, the Kyrgyz government approved a roadmap for entering the Customs Union by January 2015, while the Tajik government has declared its ambition to join, but not yet committed itself to applying for membership.

In spite of the similarities, there are still differences in the foreign policy trajectories of Kyrgyzstan and Tajikistan. As Kyrgyzstan embarked upon a painful road towards establishing a sovereign state, its first President Askar Akaev balanced the need to maintain good relations with Russia with the search for western aid to support the rebuilding of the state and economy. Indeed, in the first years of independence the Kyrgyz leadership undertook a rather bold positioning towards the West. Supported by the International Monetary Fund (IMF), Kyrgyzstan broke out of the ruble zone of the CIS and introduced its own currency, the *som*, already in May 1993 in order to escape high inflation and decrease its dependence on Russia. By the mid-1990s, the pro-western stance was

relaxed and the contours of what was later to be known as a multi-vector foreign policy began to take shape. During the last years of Akaev's presidency, this policy essentially sought to please all sides, extracting benefits from a variety of diplomatic and military alliances. This policy continued after Akaev was unseated in a popular revolt in 2005, although his successor, Kurmanbek Bakiev, did so by playing different powers against each other in a much more treacherous manner, seeking to extract as many strategic rents as possible for himself and his family.¹ Nonetheless, between 2003 and 2014, the peculiar foreign policy balance act resulted in Kyrgyzstan being the only country in the world simultaneously hosting both U.S. and Russian military troops on its territory. This era came to an end when the Kyrgyz government decided not to renew the U.S. lease of the Manas airbase, and the base was closed in the summer of 2014. By contrast, the deal with Russia for operating the Kant airbase has been extended until 2032.

In the early days of its independence, Tajikistan was more dependent on Russia than Kyrgyzstan was. The government relied heavily on Russian support to survive the devastating civil war in 1992-97, and essentially functioned as a Russian satellite throughout the 1990s. As political power was consolidated and a legitimate political order restored, Tajikistan like the other Central Asian countries attempted to develop a more diversified foreign policy. Tajikistan joined NATO's Partnership for Peace in 2002, and has worked to establish relations with other Asian countries. In 2005, the Russian military presence in Tajikistan was reduced as the Russian border guards that had remained in charge of protecting the border with Afghanistan since independence, were replaced by Tajik forces. Even so, Russia still maintained its 201st military base, which with the deployment of around 7,000 troops remains the largest foreign deployment of Russian troops. In 2013, the Tajik parliament ratified an agreement made between the Tajik and Russian governments to extend Russia's military presence in the country until 2042.

¹ Johan Engvall, *Power and Politics in Kyrgyzstan since Independence*, Silk Road Paper, Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, July 2011.

Economic Prospects

The economies of Kyrgyzstan and Tajikistan are fundamentally different from those of the current members of the Customs Union. With weakly developed domestic production sectors, Kyrgyzstan's and Tajikistan's economies are partially dependent on imports and remittances from labor migrants. The labor, capital and production from Kyrgyzstan and Tajikistan are primarily serving customs union markets. While government representatives are keen on pointing out that membership is primarily based on economic calculations and not political considerations,² the economic effects of accession are contentious.

To start with the expected benefits: these two countries are more dependent on remittances sent from their legions of labor migrants in Russia than any other post-Soviet countries. According to World Bank estimates, remittances from abroad (of which Russia is the primary source) in 2013 accounted for 48 percent of Tajikistan's GDP and 31 percent of Kyrgyzstan's. It is therefore unsurprising that easier movement for labor migrants promised by membership is attractive economically. The governments are also wary of potential social unrest erupting at home as Russia threatens to impose hurdles to migration for countries unwilling to join the Eurasian integration project.

Moreover, access to supplies of duty free oil products and other basic goods from Russia is also emphasized by government officials as a distinct advantage of membership. In past years, Moscow has been no stranger to changing its tariffs on fuel exports to Kyrgyzstan and Tajikistan, and it still remains to be seen whether accession will automatically shelter the countries from such measures in the future. Another argument advanced is that membership will spur the development of local production, particularly in manufacturing. The idea behind this is that low costs, such as a cheap labor force, will provide incentives for businesses to locate their activities in these countries rather than in Russia or Kazakhstan where costs are higher.³

² Leila Saralaeva, "Vitse-prem'er-ministr KR Dzhoormart Otorbaev: 'Rossiya – nash drug, sistemnyi i fundamental'nyi partner,'" *Delo No*, March 6, 2014; "Tajikistan Expresses Readiness to Become Customs Union Member," Interfax – Ukraine, September 26, 2012, available at <http://en.interfax.com.ua/news/economic/118993.html>.

³ Saralaeva, "Vitse-prem'er-ministr KR Dzhoormart Otorbaev."

However, Eurasian Union membership would hit certain economic sectors in Kyrgyzstan and Tajikistan hard. First, Kyrgyzstan has successfully turned into an *entrepôt* for the import and re-export of consumer goods from neighboring China to other CIS countries.⁴ This bustling economic activity has developed thanks to the low import tariffs between WTO members Kyrgyzstan and China. The two major bazaars in Central Asia are both located in Kyrgyzstan—the Dordoi market just outside of the capital Bishkek and the Kara-Suu market outside of the southern city of Osh. According to estimates made by economist Roman Mogilevskii, this shuttle trade was at its peak in 2008 almost double Kyrgyzstan's GDP.⁵ Membership in the Customs Union will eliminate Kyrgyzstan's import advantage, since it would mean complying with the Customs Union's higher external tariffs. In short, the effects of dismantling such a large part of country's economic activity could be devastating in terms of loss of jobs as the major bazaars directly and indirectly employ one-fifth of Kyrgyzstan's work force.⁶ The Kyrgyz government is well aware of this and has worked hard to secure exemptions for the country's major bazaars.

Another risk is that the Customs Union will bring imported inflation and higher living costs to Kyrgyzstan and Tajikistan. For example, Kyrgyzstan currently imports food at zero percent, while Customs Union regulations levy a 10 percent fee on food imports. Thus, while government representatives stress the positive consequence of the lowering of customs duties for both domestic goods exported north and those produced in Russia, Kazakhstan, and Belarus entering the markets in Kyrgyzstan and Tajikistan, the influx of expensive goods from other member states could become a serious cause for discontent in countries with an official GDP per capita that is 12 times (Kyrgyzstan) and 16 times (Tajikistan) lower than in Russia.

⁴ See Roman Mogilevskii, "Re-export Activities in Kyrgyzstan: Issues and Prospects," Working Paper 9, University of Central Asia, 2012; Bartłomiej Kaminski and Gaël Rabal-land, "Entrepôt for Chinese Consumer Goods in Central Asia: The Puzzle of Re-exports through Kyrgyz Bazaars," *Eurasian Geography and Economics* 50, no. 5 (2009), 581-590.

⁵ Mogilevskii, "Re-export Activities in Kyrgyzstan," p. 20.

⁶ Asyl Osmonalieva, "Kyrgyzstan Slows Pace of Customs Bloc Entry," *Institute for War & Peace Reporting*, January 13, 2014, available at <http://iwpr.net/report-news/kyrgyzstan-slows-pace-customs-bloc-entry>.

Evolution of the Governments' Positions

The origins to Kyrgyzstan's strong pro-Customs Union position in the past few years must be traced to the toppling of the Bakiev government in April 2010. As has been extensively documented, the revolt was preceded by a concerted attempt from Moscow to undermine the Bakiev government both through economic sanctions, such as raised energy tariffs on exports to Kyrgyzstan and a media attack denouncing the corrupt nature of the leadership.⁷ The members of the interim government immediately turned to Moscow for backing and protection. Consequently, in return for Moscow's support, the new government promised from the outset to take Kyrgyzstan into the Customs Union. Since then enthusiasm seems to have waned, manifested by persistent attempts at delaying the accession process. Although a formal application was submitted by the Kyrgyz government in May 2013, the first roadmap for accession presented to the Kyrgyz side in December 2013 was heavily criticized by the Kyrgyz authorities. President Almazbek Atambaev clearly stated that since the roadmap had been developed without participation from the Kyrgyz side it failed to consider his country's national interests.⁸ A new roadmap was finally approved in May 2014 after the Kyrgyz government had managed to introduce a financial assistance package to help the country adjust and ease the initial impact of entering the Customs Union. The package includes a promised Russian transfer of \$200 million in grants to help Kyrgyzstan implement the roadmap as well as an agreement to set up a joint Russian-Kyrgyz Development Fund with a capital of \$1 billion.⁹ Thus, the Kyrgyz government has worked hard on securing as beneficial conditions as possible. At the same time its maneuverability is limited: if

⁷ See for example Stephen Blank, "Moscow's Fingerprints in Kyrgyzstan's Storm," *Central Asia-Caucasus Analyst*, April 14, 2010, available at <http://old.cacianalyst.org/?q=node/5305>.

⁸ "Prezident A. Atambaev: Kyrgyzstan budet uchastvovat' v integratsionnykh protsessakh tol'ko s uchetom natsional'nykh interesov," *Kabar*, December 11, 2013, available at <http://kabar.kg/rus/politics/full/68047>.

⁹ Arslan Sarybekov, "Kyrgyz Government Approves Customs Union Road Map," *Central Asia-Caucasus Analyst*, June 4, 2014, available at <http://www.cacianalyst.org/publications/field-reports/item/12985-kyrgyz-government-approves-customs-union-road-mad.html>.

the government would backtrack altogether on the promise to join, Moscow would in all likelihood respond with a very heavy hand.¹⁰

Tajikistan is a step behind Kyrgyzstan in the preparations for the Customs Union. President Emomali Rahmon announced Tajikistan's interest to join the Customs Union in December 2012. The less committed position taken by the Tajik leadership can be explained by the fact that the statutes of the Customs Union hold that a country can only join if they share a common border with a current member state (something that appears to have been ignored in the case of Armenia). Therefore, Tajikistan presumably has to wait until Kyrgyzstan, which borders current member state Kazakhstan, is admitted. Kyrgyzstan's recent commitment is therefore likely to increase the pressure also on Tajikistan to finally commit.

Public Opinion

Turning to public opinions on the Customs Union, an important caveat is warranted since there is a deficit of trustworthy sources in Central Asia mapping public opinion. An attempt to judge the level of public support for joining the Customs Union in Kyrgyzstan and Tajikistan has been carried out by the Eurasian Development Bank's (EDB) Integration Barometer. Yet caution is required in this regard, since the EDB has been noted for its propaganda for the Customs Union.¹¹ In this barometer, between 1,000 and 2,000 people in eleven CIS countries were polled and support for membership in the Customs Union came out as among the strongest in Tajikistan (75 percent in favor in 2013, 76 percent in favor in 2012) and Kyrgyzstan (72 percent in favor in 2013, 67 percent in favor in 2012).¹² A more recent survey organized by Toronto-based M-Vector Consulting as part of its Central Asia Barometer series however paints a similar picture. As reported by the *EurasiaNet* news agency, the poll conducted by telephone inter-

¹⁰ As President Atambaev argued: "Ukraine can choose, but we have little choice." "Kyrgyzstan Won't Join Customs Union on 'Someone Else's' Roadmap," *The Moscow Times*, December 17, 2013.

¹¹ See Anders Åslund, "Ukraine's Choice: European Association Agreement or Eurasian Union?" Policy Brief 13-22, Peterson Institute for International Economics, September 2013.

¹² Eurasian Development Bank Integration Barometer 2013, available at www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=32346.

views among 1000 respondents in each country in late June and early July shows an overwhelming popular support for closer integration with Russia: 80 percent of the respondents in Tajikistan and 71 percent of interviewees in Kyrgyzstan favor membership in the Eurasian Union.¹³ The strong level of support in the two countries should not be too surprising given their high level of economic cooperation with other post-Soviet states, their reliance on labor migrant remittances, and not least the near-monopoly enjoyed by the Russian media in these countries. Moreover, as the poorest among the post-Soviet states, economic and social hardships since independence have resulted in nostalgia for Soviet-era welfare, especially among the older generations.

It is possible to further try to get a sense of local interests in favor of and opposed to the Customs Union, respectively, by looking closer at the various sources of small-scale entrepreneurship in the two countries. Resistance to the Customs Union could primarily be expected among parts of the population making their livelihoods from the thriving cross-border trade with China; although workers in the large Dordoi bazaar seem to be less skeptical compared to previously following Kazakhstan's closure of the border with Kyrgyzstan, so making the re-exportation of cheap Chinese goods northwards practically impossible. There are also many other local entrepreneurs that are making their living from importing goods from beyond the CIS territories, who would be hit equally hard by the protectionist policies of the Customs Union. At the same time there are certainly legitimate local interests in favor of an accession to the Customs Union. For small export-oriented businesses and for the agricultural sector providing for many people's livelihoods in these countries, the Customs Union represents an important market for their products. Among this section of the population, the Customs Union is seen as offering a more secure future demand.¹⁴ Pensioners and families with a high level of dependency on labor remittances would also naturally be in favor of greater predictability from institutionalized ties with Russia. After approving the Customs Union roadmap, the Kyrgyz government initiated a large-scale information campaign in the summer

¹³ David Trilling, "Kyrgyzstan, Tajikistan Full of Putin Fans, New Poll Says," *EurasiaNet*, August 11, 2014, available at <http://www.eurasianet.org/node/69471>.

¹⁴ David Levy, "Is Moscow's Power always Misaligned with Local Interests?," *Registan*, February 12, 2014, available at <http://registan.net/2014/02/12/is-moscows-power-always-misaligned-with-local-interests/>.

of 2014 aiming to convince the public about the benefits of its upcoming membership.

Russian Pressure and Levers

Kyrgyzstan and Tajikistan are among the post-Soviet countries most vulnerable to Russian pressure and levers. The Russian policy of selecting Kyrgyzstan and Tajikistan as client-style states to dominate Central Asia is manifested both militarily and economically. Russia has in recent years expanded its military presence through new base agreements in both countries. As for Kyrgyzstan, a package in 2012 included renewed lease of the military base in Kant until 2032 and a further promised \$1.5 billion in military assistance. The contract for the bigger military base complex in Tajikistan was extended for an even longer period, until 2042, and was complemented by promises of upgrading Tajikistan's military capacity.¹⁵

Russia has further ensured control over several strategically important economic assets in sectors such as energy, infrastructure, and transportation. In the end of 2013, a controversial deal was concluded to sell Kyrgyzstan's effectively bankrupt national gas company, Kyrgyzgaz, to Gazprom for one dollar.¹⁶ In 2013, a Russian holding company bought Zalkar Bank, the successor to Kyrgyzstan's former largest bank AsiaUniversalBank, and renamed it Rosinbank. Russian investors have further shown interest in Kyrgyzstan's Manas International Airport. In Tajikistan, Russia has particularly invested in the construction of hydroelectric power plants and in the banking sector.

Since both Kyrgyzstan and Tajikistan have tense relations with their larger, more powerful neighbor Uzbekistan, Russia is seen as a security guarantor

¹⁵ "Ratification of Russian Military Base Deal Provides Tajikistan with Important Security Guarantees," *Jane's Intelligence Weekly*, October 1, 2013; "Russia Ratifies Central Asia Base Deals," *RIA Novosti*, April 19, 2013, available at http://en.ria.ru/military_news/20130419/180732956.html.

¹⁶ Kyrgyz authorities defended the sale by arguing that it would finally ensure Kyrgyzstan's uninterrupted supply of gas. So far, however, the outcome has been anything but that. Not long after the deal was made, Uzbekistan turned off gas deliveries arguing that it had no contract to supply Gazprom. Uzbekistan and Gazprom have not been able to reach an agreement on the issue, leaving southern Kyrgyzstan without gas supplies for months. If the dispute continues, as appears likely, southern Kyrgyzstan will have a challenging winter ahead.

against potential Uzbek aggression. This support is not unconditional, however, as it is exchanged for exclusive political loyalty to Moscow. A major source of controversy vis-à-vis Uzbekistan is the issue of water management, and here Russia has clearly taken sides by making investments in hydropower projects in the upstream countries of Kyrgyzstan and Tajikistan, much to the frustration of downstream Uzbekistan, which is dependent on water from these countries for its agriculture and especially cotton fields.

Perhaps the most influential of all Russia's levers is the ability to manipulate the remittance economy. In December 2012, Putin issued the following warning:

We still have a practice that citizens of CIS states enter the Russian Federation using their domestic passports ... In such circumstances ... it is almost impossible to ensure effective immigration control. I believe that no later than 2015 entry to Russia should be allowed only with the use of foreign-travel [passports]... not the domestic passports of other countries. ... However, without a doubt, within the framework of the Customs Union and the Common Economic Space the current system will continue to apply – maximally simplified rules for crossing the border and staying on the territory of member countries of the Customs Union and the Common Economic Space.¹⁷

In the past, in Central Asia and elsewhere, Russia has demonstrated its willingness to use energy sanctions to subsume disobedient foreign governments. The introduction of a 100 percent tariff increase on petroleum products exported to Kyrgyzstan that preceded the fall of the Bakiev administration in 2010 represents the most telling illustration in this regard.

Possible Alternative Policies

Increasingly, Russia's influence in Central Asia has been rivaled by China. And it is no secret that the increasingly aggressive Russian pursuance of its integration project in Central Asia is in part a response to Chinese inroads in the region. While Russia mainly uses various forms of hard and soft power to retain its influence in the region, China has pursued a very different tactic, relying on

¹⁷ David Trilling, "Putin to Central Asia: Join Customs Union, Nudge Nudge, Wink Wink," *Eurasianet*, December 12, 2012, available at <http://www.eurasianet.org/node/66290>.

trade, investment and low-key diplomacy. While Chinese investments into the energy-rich states of Central Asia have been the most visible element, Beijing has also been very active in Kyrgyzstan and Tajikistan, through investments as well as by providing aid for much needed infrastructural projects of high quality. In stark contrast to Russia, the Chinese have also established a track record of delivering on their promised investments. What is clear is that Russia's attempt to re-integrate Central Asia has not deterred China. As a matter of fact, in September 2013, Chinese President Xi Jinping, in a rare high-level effort, visited four Central Asian countries before attending the SCO summit in Bishkek meeting all five leaders and pledging over \$50 billion in Chinese funding for energy and infrastructure projects.¹⁸ Despite its economic muscles, to a certain extent Chinese influence in Central Asia is checked by a lingering, historically rooted fear of the powerful neighbor.

The Chinese dimension is also complemented by a steadily growing Turkish presence in Central Asia. All Central Asian states except Tajikistan speak Turkic languages and a Cooperation Council of Turkic-Speaking States was established in 2009. While far from wielding influence on a scale near that of Russia or China, Turkey has nevertheless become a player in the region, and its influence has quite a broad span, from schools and universities to trade and investments. For Tajikistan, Turkey is also a major trade partner, but since the country enjoys close linguistic and cultural ties to Iran, this has spurred relatively high levels of Iranian investments into the country. Iran has invested in the construction of a hydropower station in southern Tajikistan and announced in 2013 that it will start the construction of a second station in the north of the country. Finally, western actors, including the U.S., the EU, and various international organizations, certainly continue to engage with these countries. In the absence of a geographical proximity to the region, however, the West has been increasingly unable to compete with Russia and China. In Kyrgyzstan, there were high expectations that its steps carried out toward parliamentary democracy since 2010 would attract massive western support. While this hope was probably unrealistic, Kyrgyz authorities nevertheless communicate a feeling of be-

¹⁸ Richard Pomfret, "Central Asia: Landbridge between East Asia and the EU, OR Stuck in the Middle?," Paper presented in a session on *Asia and Its External Relations* organized by the American Committee on Asian Economic Studies at the American Economic Association annual conference in Philadelphia, January 4, 2014, p. 10.

ing abandoned by the West. In the past decade it seems that the U.S., but also the EU, came to perceive the region as little more than a corridor for the operations in Afghanistan. As a result, the public in both Kyrgyzstan and Tajikistan hold increasingly negative opinions toward the West.

In short, Russia no longer has a monopoly on wielding cultural, economic and political influence in Kyrgyzstan and Tajikistan. And it is partly in this context that Russia's push to re-integrate these countries and curb the influence of other actors, particularly China, must be understood.

Outlook for the Future

Kyrgyzstan has committed to joining the Customs Union in the near future and Tajikistan is generally seen as next in line for membership. Integrating further with Russia will come at a political, military, and economic expense for poor countries like Kyrgyzstan and Tajikistan, effectively turning them into client states. At the same time, the bargaining positions of Kyrgyzstan and Tajikistan are weak: Russia possesses many tools that could be used for severely harming their economies, and recent events elsewhere in the post-Soviet territories have made it perfectly clear that Moscow is playing a much harder game than before. The foreign policy of maximizing the benefits from balancing different external powers seems to have reached the end of the road for Bishkek and Dushanbe as Moscow is forcing them to choose sides.

From an economic perspective, Kyrgyzstan and Tajikistan are unimportant to Moscow; they are seen purely from a geopolitical strategic point of view. Central Asian leaders are of course aware that this project is first and foremost a geopolitical alliance and not based on Russia's eagerness to access Central Asian markets. The price for Moscow's geopolitical ambitions would therefore be the long-term subsidization of these countries. This raises the question of whether Moscow really will deliver on its political and economic promises. If judged by past promises there are all the reasons for Central Asian leaders to be cautious in this regard. Recall for example how in early 2009 Moscow agreed to provide Kyrgyzstan with a loan worth over \$2 billion. But as relations with the Bakiev

government turned sour over the decision to let the U.S. military continue using Manas as a transit center, Moscow simply terminated payments.¹⁹

There is also a security component to the integration process. Both Kyrgyzstan and Tajikistan have weak military capacities and share a concern over what will happen in Afghanistan after the withdrawal of NATO troops in 2014. This concern is shared by Moscow fearing an increase in Islamic militancy in Central Asia. Kyrgyzstan and Tajikistan have relied on Russia for security guarantees and embraced the CSTO regional mutual defense alliance designed to promote peace, strengthen international and regional security and stability, and secure collective defense of the member states' territorial integrity and sovereignty. Again, similar to broken promises on economic aid, it should be noted that the CSTO's track record in exactly these areas has been far from impressive. During the violent ethnic clashes in southern Kyrgyzstan in June 2010, Kyrgyzstan's interim government explicitly called on the CSTO to get involved and stop the bloodshed, but to no avail. The CSTO has proven equally toothless in addressing the increasingly frequent outbreaks of violence along the poorly demarcated Kyrgyz-Tajik border.

In light of Russia's military intervention in Ukraine, there are other potential dangers for these countries. In case the EU and the U.S. impose severe sanctions on the Russian economy this would unintentionally also hit the Kyrgyz and Tajik economies due to their interdependence on the state of the Russian economy. This suggests the risk of pinning the future on joining a protectionist regional economic bloc, led by a country increasingly isolating itself from the norms of international relations, and going against the tide of the ever increasingly globalized world economy.

¹⁹ For this story and other cases of Moscow's broken economic promises, see Charles Recknagel, "Promises, Promises: Moscow's Record of Broken Aid Pledges," *RFE/RL*, December 17, 2013, available at <http://www.rferl.org/content/russia-promises-aid-unfilled/25203488.html>.