

Conference Report

Central Asia, Afghanistan

and the New Silk Road:

Political, Economic and Security Challenges



November 14, 2011

Conference Report

**Central Asia, Afghanistan
and the New Silk Road:
Political, Economic and Security Challenges**

Featuring Ambassador Robert O. Blake,
Assistant Secretary for South and Central Asian Affairs

Monday, November 14, 2011

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Conference Agenda

INTRODUCTION

Glen E. Howard

President, The Jamestown Foundation

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OPENING KEYNOTE

“A Strategy for Central Asia after the US Military Withdrawal from Afghanistan”

S. Frederick Starr

Chairman, Central Asia-Caucasus Institute

* * *

PANEL ONE: CHALLENGES TO SECURITY IN CENTRAL ASIA

Moderator: **Ambassador Joseph A. Presel**

Former US Ambassador to Uzbekistan

“The International Players in Central Asia”

Stephen Blank

US Army War College

“Security and Political Development”

Paul Goble

Azerbaijan Diplomatic Academy

“Security and Economic Development”

Birgit Brauer

Jamestown Foundation

“Water Security and Climate Change”

Thomas Crisman

University of South Florida

* * *

PANEL TWO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE

Moderator: **Ariel Cohen**

Senior Research Fellow, The Heritage Foundation

“The Need for Coherent Long-term Security and
Integration Strategy for Wider Central Asia”

Ambassador William Courtney

Former US Ambassador to Kazakhstan

“Transportation Networks: The New Silk Road”

Martine-Sophie Fouvez

United Nations Economic Commission for Europe

“Energy Corridors and Energy Security”

Vladimir Socor

Jamestown Foundation

“Water Management: Avoiding Conflict”

Melanie Nakagawa

Professional Staff Member, US Senate Foreign Relations Committee

Discussant: **Ambassador Askar Tazhiyev**

Ministry of Foreign Affairs of Kazakhstan

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LUNCHEON KEYNOTE

“US Administration’s Commitments to Stabilization and
Development of the Wider Central Asian Region”

Ambassador Robert O. Blake

Assistant Secretary for South and Central Asian Affairs

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***PANEL THREE: MAJOR CHALLENGES TO REGIONAL COOPERATION AND
ECONOMIC DEVELOPMENT – VIEWS FROM THE CENTRAL ASIAN COUNTRIES***

Chair: Ambassador John Ordway
Former US Ambassador to Kazakhstan

Ambassador Erlan Idrissov
Ambassador of Kazakhstan

Ambassador Muktar Djumaliev
Ambassador of Kyrgyzstan

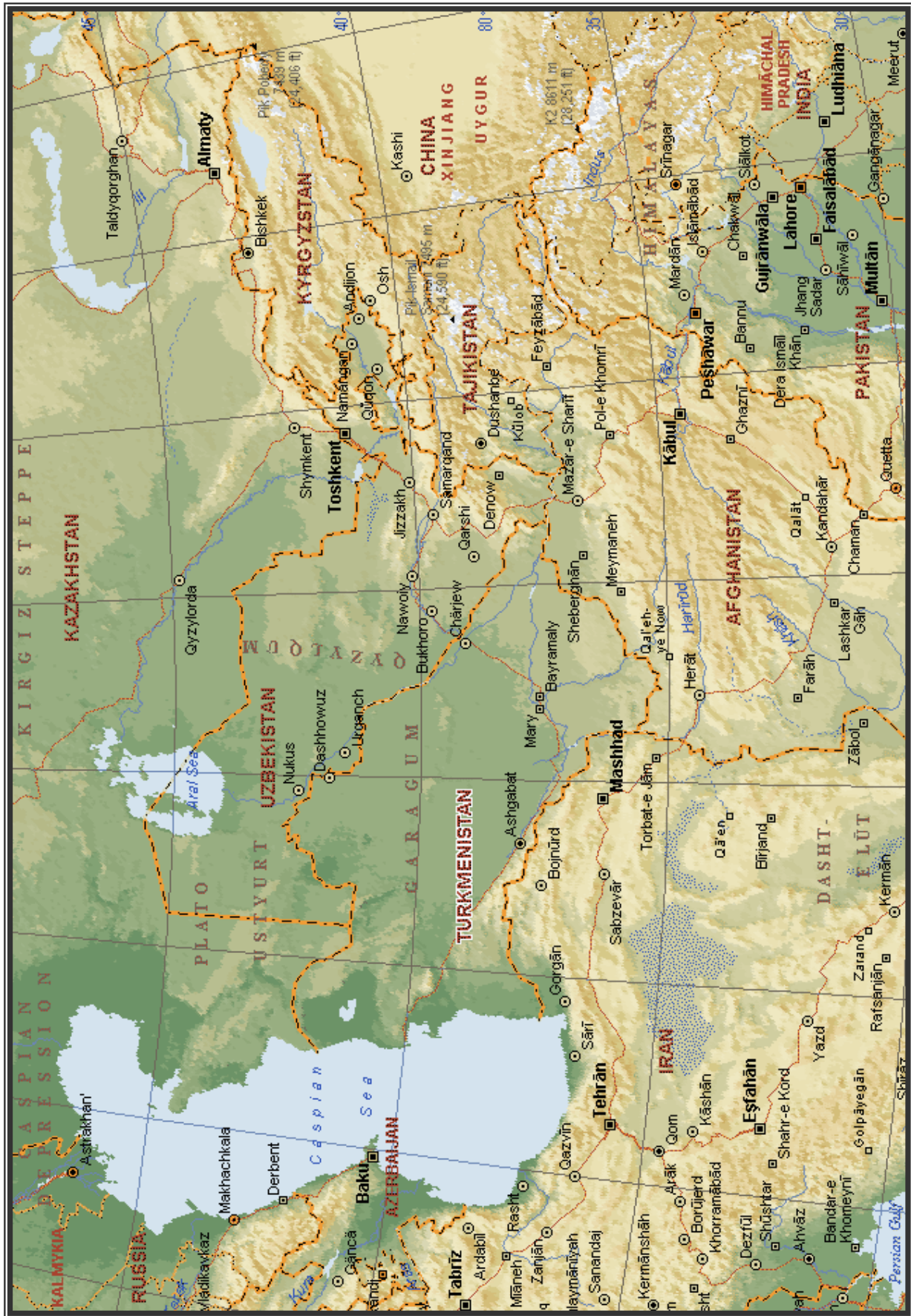
Ambassador Abdujabbor Shirinov
Ambassador of Tajikistan

Alessandro Pio
Resident Director General North American Representative Office, Asian Development Bank

Discussant: Fatima Kukeeva
Al-Farabi Kazakh National University

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CONCLUDING REMARKS



Source: Siantours

Conference Conclusions and Recommendations

On November 14, 2011, The Jamestown Foundation held a conference on Central Asia entitled, “**Central Asia, Afghanistan and the New Silk Road: Political Economic and Security Challenges,**” at the University Club in Washington, DC.

The conference highlighted the challenges to Central Asia, US strategic interests in the region, the state of regional cooperation, and the need for a long-term strategy for regional security, economic development and conflict resolution. Participants exchanged views on security and economic development problems, including the threats that stem from the situation in Afghanistan and the impact of the US military withdrawal. Conference speakers assessed the danger of potential political instability and ethnic tensions in Central Asia, the threat of regional conflicts deriving from water management and energy distribution, the potential for unstable, weak, and fractured states, and the need for integration of the region in the global market economy through sufficient transportation and infrastructure development.

The conference paid specific attention to the New Silk Road initiative of the US administration as a potential strategy for stabilizing Afghanistan while promoting trade and economic development in the wider Central Asian region. The New Silk Road strategy proposes to align the United States’ actions with the emerging continental corridors, which pass thru Afghanistan and Central Asia, and use that development as the key to a positive long-term outcome of its policies in Afghanistan and in Central Asia.

The reopening of the great East-West transport and trade corridors started in 1991, and many of its components – rail, roads and energy pipelines – are already operational. The US Operation Enduring Freedom in Afghanistan made possible the opening of routes across Afghanistan, connecting Europe, the Middle East, Russia, and even China with Pakistan, India and Southeast Asia by land routes. As these infrastructure projects under way are funded by the Asian Development Bank, the World Bank and many governments, the US should assume the leadership position in projects to improve conditions to continental trade: removing barriers at border crossings, eliminating delays and curbing corruption, which will help promote foreign investment and economic development.

Central Asia should be an integral part of this strategy, because regional and internal problems in the five post-Soviet republics can jeopardize plans for stabilization in Afghanistan. At the same time, Afghanistan will need a secure and friendly regional

environment to support its integration and economic development. The New Silk Road strategy gives Central Asia a chance to remain relevant to the United States and retain US presence that is vital for balancing the external power struggle over the region and improving regional cooperation. US commitment to the region is also critical for continuing political reforms that would eventually lead to more stable participatory political systems.

The Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are facing serious security, economic and political problems that are likely to deepen after US military withdrawal from Afghanistan. The pending withdrawal from Afghanistan raises concerns among the Central Asian republics that the role of the United States in the region will diminish, opening the way for a more aggressive regional power struggle between Russia and China. Continuing US presence in Central Asia is vital for balancing external power interests, supporting political reforms, and preserving the sovereignty of the young Central Asian states.

The US administration's New Silk Road initiative for the stabilization of Afghanistan and economic development of the wider region is welcomed by all states in Central Asia. If the initiative becomes a fully-fledged strategy with committed resources, it can have a positive effect on economic and political reforms in the Central Asian republics.

Although financial constraints will limit US spending in the region, American leadership will be critical for the success of the New Silk Road strategy. This strategy must focus on the development of continental trade between Asia and Europe along with eliminating barriers to trade and encouraging private investment.

Western Strategy in Central Asia

Not long after the USSR collapsed, the West coalesced around a grand strategy, one that in most respect has endured for two decades. It has four main elements.

1. Political support for the independent sovereignty and territorial integrity of the countries of the former USSR.
2. Integration of these countries into international institutions such as the United Nations, the OSCE, NATO through the Partnership for Peace program, and the European Union through partnership and cooperation agreements.
3. Diplomatic and financial support for the development of Caspian energy and its export to world markets through multiple routes.

4. Political engagement and technical assistance to advance democratic and economic reform and respect for human and minority rights.

Security Threats to Central Asia

- Security threats related to terrorism and Islamic radicalism are increasing with recent incidents of bombings and shootings in Kazakhstan and continuing vulnerability of Tajikistan and Kyrgyzstan.
- The new Great Game in Central Asia, unlike the 19th century Great Game, is a multilevel, multidimensional, and multiplayer game where the Central Asian states are as much subject as they are object. The United States' position in this great game is of paramount importance, because when the US troops leave Afghanistan, Central Asia states fear that they are going to be exposed to at least two threats: one, the Taliban-allied groups of Islamic terrorists trying to take power; two, the absence of a US policy and leadership. The latter threat, in particular, puts the Central Asian states in danger of strong Russian and/or Chinese pressure to conform to Moscow's and Beijing's dictates and join one or another bloc or network of satellite states.
- Regional rivalries and lack of regional cooperation, particularly in water management and energy security, create conditions for regional conflicts.

Political Instability

- The slow pace of political transformation in the region has its roots in historical reasons. The Soviet takeover of the region in the 1920s ended the liberalization that was taking place politically and religiously in Central Asia, destroyed the reformers, and created a model in which there could be no dissent.
- Political instability is a factor in most Central Asian states due to an insufficient transformation of the political systems to democratic and participatory models. Leadership succession in several Central Asian republics is a concern for foreign investors and can impact economic development. The emergence of a dynamic and real opposition has been impossible in most Central Asian states, due to authoritarian rule.
- State building has taken priority over democratization. The pursuit of security has precluded the opening up of participatory political systems. The biggest argument for

promoting democracy, however, is that democratic forms of political systems have the effect of promoting stability during regime changes.

- State institutions are weak in Kyrgyzstan and Tajikistan. Their security and/or inter-ethnic problems threaten to lead to failed or fractured states.
- Corruption is a problem in all Central Asian countries. Transparency International put rated Kazakhstan 105th out of 178 in 2010 – the highest place ranking among its Central Asian neighbors. Turkmenistan and Uzbekistan were ranked near the very bottom, tied at 172nd place.
- The best prospect for the Central Asian republics would be a gradual decreasing of authoritarianism, and a gradual shift to more open and participatory political systems, which would allow for democratic transition rather than a series of revolutions. However, justifying resistance to political Islam can lead to more authoritarianism followed by a collapse. Such a state collapse could itself bring about either new authoritarianism or Islamic governments, at least for a time.

Economic Development, Infrastructure, and Investment

- After the financial crisis, the region has been recovering, and key growth drivers have been exports of oil and gas, metal, and minerals.
- Foreign direct investment has been mostly in the hydrocarbon extracting industry.
- The countries that do not have oil and gas resources, Kyrgyzstan and Tajikistan, have seen growth largely due to remittances from labor migrants in Russia or Kazakhstan. Tajikistan was the top recipient of remittances in the world in 2010; 33 percent of its GDP comes from remittances. Kyrgyzstan is in third position; 31 percent of its GDP comes from remittances.
- Labor disputes start arising as the region develops its natural resources that can create conditions for instability and can spread to more enterprises.
- The region faces the challenge of diversifying its economies to overcome dependence on natural resources.
- Each county is in need of modernizing its infrastructure, which must be brought up to date as required by a more integrated economy.

Regional Challenges and Regional Cooperation

- Competition for the region's water resources can lead to conflict. Kyrgyzstan and Tajikistan have high mountains and significant water resources that are needed for agriculture in the rest of Central Asia. The construction of dams in the upstream countries, which need water power for generating electricity, reduces the water supply to the downstream countries and causes constant tensions between neighbors. Water management initiatives have produced few agreements.
- Water security and water resource management are affected by the climate change that is taking place in the region.
- The water quality problems in Central Asia are industrial, associated with heavy metals pollution from industries along the rivers, pollution coming from agriculture, and mining.
- The five republics are landlocked countries. The challenge is to go from being landlocked to being land linked and how to use this land and the land links as a way of integrating these markets. It can only be effective by expanding regional cooperation beyond the relatively small markets of the five republics.
- Another challenge is optimizing the energy network. If the countries are able to trade energy through an integrated transmission network, this could generate significant savings for the whole region.
- Transportation projects linking all countries in the region are being carried out by the Asian Development Bank (ADB), the World Bank and individual governments, and will be completed by 2017.
- Railroads need to be built in Afghanistan to connect the country with the region and beyond.
- About \$15 billion so far have been committed to regional cooperation projects in the region. International financial institutions like the ADB and the World Bank have been very prominent in this, but increasingly, they are relying on the countries themselves to align through this process of consultation their investment programs in a way that can contribute to the development of the region as a whole.

- Trade expansion and improving competitiveness in the region are the next important challenges faced by the region.

Recommendations

- The New Silk Road initiative needs to become a full-fledged strategy for economic development of the Central Asian region and its integration into the global economy.
- The strategy must focus on developing mechanisms to enable continental trade between Asia and Europe, including transport corridors through the South Caucasus, and transportation links with South Asia. The strategy should focus not only on economic development and stabilization of Afghanistan and its integration with Central Asia, but on developing Central Asia and integrating it with Europe and South Asia.
- US policy toward Central Asia, just like US policy toward the South Caucasus, works at its most effective when it is tied to Washington's policy toward Europe, with European energy security, and with a joint Transatlantic interest. The United States cannot stand by and allow European allies to become over-dependent on Russian-delivered energy. This will have the reputed effect on the political cohesion of the Transatlantic community and specifically of NATO.
- The United States should be careful about raising undue expectations. US leaders are promoting two major foreign policy initiatives relevant to Central Asia: One is the New Silk Road strategy, and the other is America's intention to increase its focus on the Asia-Pacific region. The latter combined with likely cuts in foreign assistance budget imply reduction in US exertion in south and southwest Asia and probably Central Asia.
- The New Silk Road strategy should not be too Afghanistan-centric. When Western grand strategy in Central Asia took shape two decades ago, Afghanistan was not a central element. Internal conflict, weak governance, terrain challenges, skimpy economic infrastructure, narcotics activity, and corruption explained this omission. Today, these problems remain a heavy burden on Afghanistan.
- The strategy ought to be sustainable even if Afghanistan's participation falters. This probably means that Central Asia, rather than Afghanistan, should be the more important focal point of the strategy.

- The US should focus on reform in Central Asia. Cooperation among Central Asia countries, in contrast, is often harmed by weak governance and the tendency of authoritarian leaders to resent or envy neighbors. The New Silk Road strategy will yield disappointing results without more democratic reform and an open economy.
- The New Silk Road strategy should be a joint European-US endeavor. With exceptions in the energy and mineral industries, US firms will not be the main foreign investors or traders in Central Asia and Afghanistan.
- Strategy implementation should start with modest, practical cooperation. It should leverage momentum from the Northern Distribution Network and OSCE programs that foster regional cooperation such as border guard training.
- The New Silk Road strategy should incorporate or parallel more vigorous US and European efforts to support economic and democratic reform.
- The United States should not pursue the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline at the expense of the Trans-Caspian pipeline from Turkmenistan. As new Turkmen production comes on stream, it is important to have a sense of priorities and of sequencing. The two projects should be properly sequenced – first Trans-Caspian and then TAPI – because Europe needs both additional volumes and availability of supplies to move away from overdependence on Russia.
- International institutions and Western governments should continue encouraging regional development through emphasis on infrastructure and investment in transport and energy; promoting transport facilitation along the corridors; modernizing customs and border crossing; speeding up cross-border agreements; as well as creating a “single-window” trade system that can be coordinated in the region.
- Developing a model and an analytical base to begin addressing the challenges of water resources and energy needs will be a key to regional cooperation.
- The ultimate goal of transport corridor expansion should be building logistics corridors that can then become development and economic corridors.

The Central Asian republics must take up their share of the burden in implementing a strategy that will benefit the region. They must put past rivalries behind them and seize the opportunity afforded by greater integration to bring many of these plans to fruition. The Central Asian governments must work to build stable political systems based on democratic principles and rule of law. Carrying out these projects and reforms will not be easy, but they

alone will ensure that Central Asia will enjoy both security and prosperity in the decades ahead.

Conference Report

Opening Keynote: “A Strategy for Central Asia After the US Military Withdrawal from Afghanistan”

Professor S. Frederick Starr,
Chairman, Central Asia-Caucasus Institute

At the outset, let us draw a crucial distinction that has been utterly confused by policymakers and journalists alike: between the emergence of new east-west transport corridors – the misnamed “New Silk Roads,” (note plural: as in the name of the book we published in 2008) – and the NEW SILK ROAD STRATEGY that Secretary of State Clinton announced in Chennai, India, in July. The first is a continent-wide development that is already underway and, I would contend, unstoppable. The second is a US strategy that proposes to align the US’s actions with the emerging continental corridors, which pass through Afghanistan and Central Asia, and use that development as the key to a positive long-term outcome of its policies in Afghanistan and in Central Asia.

The great east-west land corridors of transport and trade existed for 1,500 years, but they broke down some 400 years ago and remained closed down until the collapse of the USSR in 1991. The eastern and southern border of the USSR was the longest and most closed border in the world. Equally serious, all transport in Soviet times was based on a one-hub model centered on Moscow.

The reopening of the great east-west transport and trader corridors is occurring in two phases. First, immediately after 1991 China approached the Asian Development Bank with a proposal to fund work leading to road and rail connections between China and Europe via Kazakhstan and the Caucasus. The EU responded with the Transport Corridor Europe Caucasus Asia (TRASECA). In the West this will connect via container ship from the new ports at Aktau and Baku, via the new railroads to Batumi and Istanbul and beyond, and by ships via the new port at Batumi to Odessa and the new rail line to the Baltic, which is now functioning – the “Viking Railroad.” It can also link with two north-south routes between Russia and Iran, which are under construction. This is also reinforced by new pipelines from Kazakhstan and Turkmenistan to China, which broke Gazprom’s export monopoly, and the

Baku-Ceyhan pipeline to the west. All this is nearing completion at a cost of well over 30 billion dollars.

The second phase began only with the success of the US Operation Enduring Freedom in Afghanistan. For the first time in generations it was possible to open routes across Afghanistan connecting Europe, the Middle East, Russia, and even China with Pakistan, India and Southeast Asia by land routes. The western side of this route also goes to the Caucasus and onward by all the channels I just mentioned, and also Iran. On the eastern and northern connections, investments of the same scale as the China-Europe route have already been made by the US, China, Iran, Japan, India, Pakistan and Saudi Arabia; and the Asian Development Bank and World Bank have already committed to these routes, which will carry roads, railroads, pipelines and hydro-electric lines. Again, these are not hypothetical.

By now there is no doubt that in time both the China-Europe and the India/Southeast Asia-to-Europe connections will be completed. There remain many obstacles but all are being addressed. In most cases, alternatives exist for any corridors that remain blocked. Indeed, all the corridors I am speaking about will rise or fall on the basis of competition, not by the dictates of planners or politicians anywhere, including Washington. The only questions are 1) How long will it take? 2) Will they be done in such a way as to strengthen the process of peace-building in Afghanistan? and 3) Will they give Afghanistan and Central Asian countries a major new income stream?

Here is where the US comes in.

Secretary of State Hillary Clinton announced the US's NEW SILK ROAD STRATEGY in Chennai, India in July, and followed up with a ministerial meeting at the UN sessions last month. The appointment of Ambassador Marc Grossman as Special Representative for Afghanistan and Pakistan early last spring was a crucial step forward, for he and his able staff began to move aggressively on several fronts, coordinating with the Government of Afghanistan, which has long embraced such a strategy, and the international financial institutions, notably the Asian Development Bank, which has already pumped billions into infrastructure. Moreover, US CENTCOM in Tampa continues its active involvement with the Silk Road Strategy, as do many other offices of the US government.

Having devoted myself for many years to advancing continental transport and trade across this region, I obviously welcome and strongly support these important steps by the US government. I congratulate Secretary of State Clinton, Ambassador Grossman, and all the others who have moved so boldly on the New Silk Road Strategy and wish them all success.

Precisely because I support this initiative, and have done so publicly for more than a decade, let me raise a few points about the effort and to ask how it might be made better.

Let me begin with the strategy itself. I may have missed it, but I have seen no concise definition of this strategy. So let me offer one of my own:

The Silk Road Strategy is a comprehensive strategy for achieving security and sustainable economic development in Afghanistan and Greater Central Asia, of which Afghanistan is the heart. The Silk Road Strategy seeks to reestablish continental corridors for the transport of goods and energy to connect Europe, the Indian sub-continent and Southeast Asia. Afghanistan is the pivot and, to now, the missing link in such a Eurasian network. Working with governments and international financial institutions, the US seeks to remove trade barriers. Where necessary, it participates in projects to build key road, railroads, pipelines and power lines. At the same time, the Silk Road Strategy opens lucrative prospects for the private sector, including American firms. Individual Afghans will also benefit from improved access to foreign markets and their government will gain a continuous income stream from duties and tariffs, especially from continental commerce. Both are pre-requisites for the reduction of violence and the creation of post-conflict prosperity in the region.

Now to the issue of tactics. We all know that a list of projects is not a tactical plan. The existing list is drawn largely from what was already on USAID's drawing boards. It includes many important projects, such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, the ring road and connections, railroads, and so forth. But the list needs a fresh look, at least on its edges.

The biggest problem of the list is that it is so short on software projects. This is not a criticism of infrastructure projects, which I support, but a call for more attention to projects that demand US leadership more than US money. What do I mean by software? Above all, border crossings, whether for roads, railroads, or power transmission. Why is this important? I offer three reasons.

First, throughout the region from the Black Sea to the Indian sub-continent and Southeast Asia, and especially in Afghanistan and its neighbors, bureaucratic delay at borders is the chief impediment to trade: a far more serious impediment than insecurity or bad infrastructure. If you fail to solve this problem at the outset, your fancy new roads, railroads, and pipelines will bring no benefit at all.

Second, let us humbly acknowledge that the US is a latecomer to continental transport and trade across the belt of South Asia. There are reasons for this, of course, but they need not

concern us this morning. But as a result, skeptics abound. We must prove to them that the US can deliver tangible results that positively affect peoples' lives, and do so in the short term. This will not be easy, due to the prevailing corruption at many key corridors. I do not mean just outright theft and illegal charges, but the systematic undervaluation of cargoes that over time generates huge oligarchic fortunes and denies the Afghan government the revenues it needs to wean itself off the US budget.

Our regional partners cannot crack these closed systems on their own. They need the combined pressure and power of the US and other international partners, including the private sector, for this to happen. Fortunately, we are not referring to all border crossings, only those on a very few key CORRIDORS.

Third, members of Congress on both sides of the aisle break out in hives at the very mention of infrastructure projects stretching into the future. The US must therefore lead with non-infrastructure projects that will produce early successes. They must be used to provide a proof of concept, to validate the larger strategy. Early successes achieved by speeding transit at key corridors in the region will be a bold signal to the world that US economic strategy can make a real difference, that it can succeed. This can be done by running well-publicized caravans of trucks into and across Afghanistan from every direction. This reopening of age-old routes will create a more receptive audience on the Hill and among the public.

Let me turn now to the core issue of priorities. The laundry list of projects must be supplemented in the ways I just suggested. But the projects must also be broken down by phases and then prioritized. Without priorities and phasing, you have only a big "to do" list, not tactics. Since I have already touched briefly on phasing, let me focus briefly on priorities.

Most discussion to date has been about the export of Afghan agricultural produce and minerals abroad. These will be a plus, but will not generate enough taxes and duties to fund the government in Kabul. You will not succeed with the NEW SILK ROAD strategy by thinking solely in terms of traffic between Afghanistan and its neighbors. As Under Secretary of State for Economic Affairs Robert Hormats said at SAIS in September, we must talk about corridors of continental transport and trade that cross Afghanistan. Hamburg to Hanoi via Afghanistan! This means that the Central and South Asia Bureau at State must engage the European Bureau, especially to speed transit across the Caspian and across the Caucasus to the Black Sea. Failure to do this will mean that the US will have richly subsidized the transportation sector of Iran, and given the ayatollahs a veto over US strategy, at the expense of our friends in Azerbaijan and Georgia. The Indians and Southeast Asians must also be actively engaged, both as partners and investors.

Similarly, the outreach to the private sector should have begun long before now. What we are trying to achieve cannot be created by governmental action alone. It needs the active participation of the major freight forwarders, logistics companies, insurers, energy firms, and many others. There are great opportunities here for American companies and investors, but also for others in Europe, China, Russia, Pakistan and India, and Southeast Asia. Success will involve getting them all on board. If American firms do not jump at this, others will, and are in fact doing so.

All these challenges require American-sponsored forums where such issues can be discussed among all parties. The Chinese, Russians, Japanese, and European Union all have regular presidential and minister-level forums at which they can discuss common interests with regional states, and at which regional states can confer with one another. The US does not, and this puts us at a loss throughout the region. But we do have the Trade and Investment Framework Agreements (TIFAs). Even though these have been sadly neglected throughout the region in recent years, TIFAs could be quickly revived and transformed into a regular forum for discussing issues of trade and investment along the New Silk Roads, and US activity in the region as a whole.

In closing, let me repeat my urgent call for a greater role for software projects, fast demonstration projects that validate concept, for rigorous prioritizing, and for careful phasing. These will not be achieved through fancy speeches or ponderous international gatherings at which everyone approves lofty resolutions and then does nothing. They call for active and business-like US leadership. They are now the “keys to success” of the US’s NEW SILK ROAD STRATEGY. They will enable the US to build constructively on its achievement in 2001-2002 and on the great sacrifice in lives and resources we have made since then, and to do so in a way that benefits all and is against no one. If we do not do it, others will, but more slowly, and without the same level of concern for the fate of Afghanistan and of Central Asia as a whole.

Discussion

Question: You didn’t mention the Taliban until the very end. The title of the presentation is “...After the US Military Withdrawal from Afghanistan.” So, what are the military assumptions; what will the situation look like?

Mr. Starr: Let me say that you can divide everyone on this issue into two groups. One group says you do security, and when security is done, you then do economics. The other group, of which I’m certainly an active part, says you do both simultaneously and in such a way that they become mutually reinforcing. Let me give you an example of how this works in practice.

I've heard from truckers directly: "Look, if you send three trucks through a given area, a dangerous area, one gets blown up, one gets damaged, and one get through." My response to that is "See, that proves the point that you do security and then you do economics." "No," they say, "you're wrong. If you send 100 trucks through, one gets blown up, one gets damaged, then 98 get through. And if you do that, then two or three day later you have people out selling food along the road. And within a week or two, you have people bringing goods to the roads, flagging down trucks, 'Can you take me to the next town.' And over this process, then you have other services; and in time, you have more people locally who are supporting an open road than opposing it, and you've shifted the game."

That is a rather simple example. There are a lot more sophisticated ones in other areas, but it shows that the possibility of economic strategy and military strategy being mutually reinforcing when done simultaneously.

Question: There are skeptics who look at Pakistan's and India's relations and view the Silk Road initiative with a great reluctance that it can succeed, especially with those states getting involved. How would you answer that?

Mr. Starr: The viability of transport through and to Afghanistan depends on borders, not just the next border, but it could be two or three borders beyond. That will shape the pattern. And in the case of Afghanistan, clearly one of the biggest bottlenecks, biggest plugs in the bottle, has been the India-Pakistan border. That is been considered hopeless for years, and maybe it still it, but in the last months, there have been some very interesting developments that you really have to pay attention to. One, for example, the most favored nation status that Pakistan finally granted to India, India did it to Pakistan many years ago; but coming right now when it did, this is I would submit a very significant step.

Beyond that, Prime Minister Yousuf Raza Gilani said that he would take up the Pakistan-Tajikistan road project with Afghan President Karzai. So if you're going to run further on the India-Pakistan border, last year you had \$5 billion of legal trade, registered trade across that border in spite of Kashmir. Last year, you had over \$10 billion, probably around \$15 billion of unregistered trade, which is not drug trade. It is the same refrigerators and stuff like that but going through border crossing where they don't have a station. So you have somewhere around \$15 billion worth of trade going on across a supposedly closed border, which is why you've had meetings in the last two months on both sides of the border of large groups of Indian and Pakistani businessmen together all say, "What can we do to increase trade?" So what they seem to be edging toward is a situation in which they agree to disagree forever on Kashmir and some other issues and at the same time open a corridor and make it work.

Now that then has a bump-on effect with Pakistan, Afghanistan, all the way up to Central Asia or Iran border. Why? Because suddenly you have the new Pakistan-Afghanistan trade and transport agreement. It's not being applied, but it's there; it's workable; with some muscle, it could be applied. That would then open the big route.

So what I'm saying here is that the Pakistan-India thing is an area where there seems to be some movement that should be not only followed, but warmly supported in the context of this policy. That's why you can't talk about this with just Afghanistan and its immediate neighbors as the State Department started to do. You've got to follow Hormats' concepts and think of it in continental terms and think of it in big, systemic terms.

Question: One of the things you have to understand is that you've got to break down on this transport through Afghanistan, Pakistan. Everybody involved is a Pashtun, and they're from the same clan, and they've been exacting tolls since before Alexander the Great passed through. So this toll is legitimate, \$1,000 a truck. The truck goes forward up to Kabul; they come down empty to Lahore and down to Karachi. Similarly, trucks come forth from Central Asia into Kabul, and they go back empty. So I think things are moving, and we should build on these developments. One of the things I find strange is there is no mention of any oil or gas pipeline. And that's going to be the biggest single commodity of trade, and the Chinese have got it.

Mr. Starr: The TAPI pipeline exhausted every Western official in the game for 15 years, and anyone who got near it now views it as a kind of road to nowhere. This is the endless dream. But the reality is Turkmenistan – and Ambassador Orazov can fill you in on this in detail; he's here – Turkmenistan has never flagged on its support for this. It's built its relations in Afghanistan very carefully. It has several consulates around the country. It has very cordial relations with both India and Pakistan, and just recently, they announced that they'd worked out a pricing agreement with Pakistan. That's a big deal.

So, yes, is it financed? No. Have they chosen a lead Western company? No. But there's much more motion in this today than there has ever been before; thanks, by the way, largely not to the US, which lost interest for 10 years, and never spent a minute of time worrying about it until very recently again, but to the Asian Development Bank, which has been doing feasibility studies and so forth.

Again, I'm not saying all this is easy, but there are some things that we can get behind that require leadership and not just money; whereas an only-infrastructure approach to this, a kind of "Bless their hearts if they think they can get the money or raise it privately or from

other countries” that’s wonderful. But you have got to deliver real results in areas like this, which require leadership; push it through. Whereas the CASA-1000 electricity project to bring electricity from Tajikistan to Afghanistan and Pakistan, that too, great progress has been made. There are serious impediments. In each of these things, it seems to me the challenge is whether the US is prepared to be serious as a diplomat, as an enabler.

And again, none of these is against anyone. All we’re doing is, in a sense, opening up all the natural corridors, transport, and so on for energy, for people, for goods that should have been opened forever. We’re making up for lost time. We’re playing a facilitating role. As an outsider, we can do that more legitimately than many of the insiders because we’re not pushing just this route or that route except on the issue of Iran, where there is obviously a concern. But I assume at some point all these routes including the Iran routes are going to be opened.

The route for Chabahar, the Iranian port that competes with the Pakistani port at Gwadar, the route from Chabahar up to the Ring Road, that road has been rebuilt by the Indians. We obviously support that. The fact that we’ve done nothing to open the route from Kandahar to Gwadar shows that we actually actively supported the Iranian port.

I assume the road west from Herat is being rebuilt. The railroad is being rebuilt. All these will open in time. Though, also there will be the route through the Caucasus. It’s not either or. All these things are going to end up being opened, and they’ll have to compete. There are going to be people – there are people right now starting to put up tables. How many hours does it take goods to move across this border, this border, this border? People know. You can’t hide this. If it takes six days at this border and two days at this border, you go to the second one. And countries that can’t sort these things out, they lose. Simple as that. The US should be the honest facilitator as well as the funder and putting together financial packages of infrastructure projects.

Panel One: Challenges to Security in Central Asia

Stephen Blank,

US Army War College

“The New Great Game in Central Asia”

In comparison to the 19th century Great Game, the new Great Game is a multilevel, multidimensional and multiplayer game where the Central Asian states are as much subject as they are object. As the great powers, the US, China, Russia, to some degree the EU, India, Pakistan, Iran, maybe Turkey, are competing for niches of influences in Central Asia, the Central Asian states are themselves soliciting their assistance.

Every Central Asia government is pursuing a multi-objective policy, some more successfully than others. Multi-objective policies are an attempt to balance among not just the competing foreign players, but also among competing clans, factions, groups within their political systems, all claiming resources and demanding influence.

The Great Game among foreign states is of benefit to the states in Central Asia, because it allows them to extract from the competing players the resources they need in order to satisfy domestic claimants on those resources. It allows them to meet their main primary concern, which is domestic security and the stability of the existing regime by getting resources from the US, China, Russia and others in order to keep everybody in motion, but in motion that is controlled.

If a country is playing the game the right way, it is enriched and strengthened. If a country is not successful at playing this game due to internal weakness or outsources too much of its security to foreign providers in order to keep the situation stable at home, it runs the risk of losing some of its sovereignty. We see it in the outsourcing of security by Tajikistan and to a large degree Kyrgyzstan by bringing in foreign bases in order to calm down the internal situation and satisfy foreign states, particularly Moscow.

The new Great Game is occurring at a time when Central Asia is on the verge of profound and far-reaching changes and where the reigning paradigm indicates that stability and security in these countries is quite precarious for a variety of reasons.

There is a lack of democratic government throughout the area, widespread corruption,

poverty, and rising Islamic fundamentalism or terrorism. However, there is no real way to gauge terrorism, because all political opposition is thus labeled and incarcerated when found.

There is the widespread belief in Central Asia that once the United States pulls out of Afghanistan, the Karzai government may not be able to keep it together and may lose to the Taliban, opening the way to Islamic terrorism.

The Russians are invigorating the CSTO and the Customs Union to try and build their empire. China is building up its economic and political positions across the area and is now the largest importer of Central Asia gas. With the completion of the pipeline from Uzbekistan and Turkmenistan to China, it will be receiving more gas annually than Russia does, which is not commonly known.

There is the threat of something like the Arab Spring, which scares the hell out of governments from Moscow to Beijing including Central Asia.

There is the possibility of protracted succession crises in Uzbekistan and Kazakhstan. In Kyrgyzstan, the state is barely consolidated. Furthermore, there is a widespread belief that contingencies in one Central Asian state could have a spillover effect in others.

Given the local rivalries over water among Uzbekistan, Kyrgyzstan and Tajikistan, the Uzbek-Kazakh rivalry for primacy in Central Asia, and the fact that militaries in all these countries are growing and that the neighbors are seen to be as threatening as are the Taliban or potential great power influence, we have also another source of regional instability.

The United States' position in this great game is of paramount importance, because when we leave Afghanistan, Central Asian states fear that they are going to be exposed to at least two threats: one, the Taliban-allied groups of Islamic terrorists trying to take power; two, the absence of a US policy and leadership that will help them evade or avoid the dangers of being placed under strong Russian and/or Chinese pressure to conform to Moscow's and Beijing's dictates and join one or another bloc or network of satellite states.

The US also is going to need to face up to its own domestic responsibilities, and budgetary allocations for Central Asia projects are probably going to be cut. There is little understanding in the country of the value of Central Asia. The budget deficit is severe. The process is going to cut into defense and to all kinds of other programs, and Central Asia is not a priority in the way that Europe, the Middle East, or East Asia are.

Therefore, the region stands on the brink of profound, serious structural changes. Its geostrategic contour is in flux. The great game is real, serious, multilevel and

multidimensional.

Paul Goble,

Azerbaijan Diplomatic Academy

“Security and Political Development”

While the Soviet system promoted the economic modernization of Central Asia during its occupation of the region, it also promoted its political archaization, thus throwing the region backward. The Soviets ended the liberalization that was taking place politically and religiously in Central Asia, destroyed the reformers, and created a model in which there could be no dissent; all dissent had to be suppressed.

In addition, the Soviet system in Central Asia created a series of poison pills, perhaps the worst being ethnic Muslims, a group of people who knew that they were Muslims but had no idea what it meant; and, therefore, were available for mobilization by people who came in from the outside as has happened since 1991. Second, there is the poison pill of the way in which the Soviets managed identity and split peoples apart, drawing lines on the map that create enormous problems in terms of management of water and political identity.

And finally, the Soviet power in Central Asia ended without the emergence of strong national movements in that region that could address many of the questions that any nation and any state has to ask about itself. As a result, many of the struggles that we have seen since 1991 in Central Asia were dealt with earlier in the Western republics.

Since 1991, the whole region has been struggling with that inheritance. Unfortunately, we are blaming the victims of that process rather than blaming the people who were responsible for it. Worse, that notion has become so widespread that many of the people in the region blame themselves and their cultures for the problems that Central Asia has rather than blaming the way the region was managed by Moscow. In addition, the Russian promotion of the CIS, which is nothing more than a leadership protection organization, has reinforced the worst kind of archaic political system that the Soviet Union produced.

And finally, the West bears an enormous responsibility because our fears of Islamism have contributed to a notion where as long as any leader in the region labels his opponent as an Islamist then the West will look the other way when he is suppressed. That has the effect of making it impossible to have the emergence of a dynamic and real opposition, which could provide the basis for organized succession.

There have been a variety of responses in the region on the question of politics and security. Vafa Guluzade, who is currently a columnist in the Azeri press and who was earlier the national security advisor to Heydar Aliyev, observed that a country cannot become a democratic country until it becomes a country, and there is always the risk that the pursuit of security will have the effect of precluding opening up for participatory political systems. But the biggest argument for promoting democracy in the world is that democratic forms of political systems have the effect of promoting stability of regime change. If you do not have that, you will have breaks in the system, and sometimes they will go off in very much the wrong way.

The United States is going to be less relevant in this part of the world and everywhere else. While the US had 50 percent of the world's GDP in 1946, now it is down to 22 percent, and in 2020, it will be 10 percent. What a country can do in terms of economic influence with 10 percent of the world's GDP is fundamentally different than what it can do with 50 or even 22.

There are three big prospects for the Central Asia countries, and I believe politics matter more than economics.

The first possibility: we will see justifying resistance to political Islam followed by ever-greater authoritarianism followed by collapse and then leading to a new authoritarianism as we see in Russia in response to chaos.

The second possibility: in some of these countries may be increased authoritarianism followed by collapse and a shift at least for a time to precisely the Islamist option that we fear most. That is entirely possible.

And third, there is a possibility, rather slender, and one that we would have to play a role, although it would not be this overwhelming role that we seem to think is ours by right, a gradual decreasing of authoritarianism, a gradual shift to more open and participatory political systems, so that there would be democratic transition rather than a series of one revolution after another.

Birgit Brauer,

Jamestown Foundation

“Security and Economic Development”

After independence 20 years ago, it was widely expected that Uzbekistan, the most populous state in the region, would become the leading economic power. But as it turned out, it was

Kazakhstan that has taken the lead – and, perhaps, because President Nazarbayev firmly declared that economics come first; only after those come politics. How this will work in the end we will see. But economically speaking, he has actually been very successful at developing the country.

In terms of population, Uzbekistan has over 28 million people. The next biggest country is Kazakhstan with 16 million. The other three have 7 million or less. In terms of GDP per capita, Kazakhstan had over \$9,000 in 2010, which was about three times as much as the next country, Turkmenistan, which is over \$3,000; Uzbekistan over \$1,300; and the other two under \$1,000.

After 20 years of independence Kazakhstan is now considered an upper-middle income country. Uzbekistan is a low middle-income country. Turkmenistan has not really received any sort of a designation, but I would offer you it would be a lower-middle income; and Kyrgyzstan and Tajikistan are both lower-income countries.

Kazakhstan has more than tripled its oil production since independence. Kazakhstan's aim has been to increase oil production significantly until 2015. Turkmenistan obviously has a lot of gas; they make much of it. Uzbekistan also has gas, but Kyrgyzstan and Tajikistan have neither substantial oil nor gas reserves unlike the other three countries.

In terms of economic development, Kazakhstan has, in part, achieved success because it has attracted foreign investment. It is interesting to look at the percent of GDP for the role foreign direct investment (FDI) has in the economy. In Kazakhstan in 2010, it was 60 percent of GDP. This is a very high figure, so Kazakhstan is a very much dependent oil economy. Kyrgyzstan has 21 percent of GDP in FDI; Tajikistan, 16.2 percent; Turkmenistan, 40 percent; Uzbekistan, 11 percent.

Corruption is a problem in all Central Asian countries. Transparency International put Kazakhstan in the best position [regionally] in 2010, with Turkmenistan, Uzbekistan at the very bottom, at 172nd place out of 178. In the Ease of Doing Business Index from The World Bank, Kazakhstan finally made it into the top 50, which is considered an achievement. The other countries in the region are not doing as well. The Global Competitive Report of the World Economic Forum put Kazakhstan in 77th position, which is not quite what the country had hoped for. President Nazarbayev has been speaking many times that Kazakhstan should be among the top 50 most competitive economies, so it still has some way to go, but others in the region have even further to go.

Overall, after the financial crisis, the region has been recovering, and key growth drivers have been exports of oil and gas, metal, and minerals. The countries that do not have oil and gas

resources, Kyrgyzstan and Tajikistan, have seen growth largely due to remittances from labor migrants in Russia or Kazakhstan. As Russia's economy is improving, there are more opportunities again for labor migrants, and the figures show an increase of remittances. Tajikistan was the top recipient of remittances in the world last year; 33 percent of its GDP comes from remittances. Kyrgyzstan is in third position; 31 percent of its GDP comes from remittances. Uzbekistan also has labor migrants, but only 4 percent of GDP comes from remittances; Turkmenistan is less than 1 percent.

I would like to talk about three security threats in Kazakhstan. One was already mentioned, the bomb explosions we have seen in the course of the year. It is relatively unclear who is actually behind all these attacks. Over the summer, when Kazakhstan had the first two attacks, it seemed that it was really more criminal elements that had nothing to do with Islamist extremists whatsoever.

The latest attacks were claimed by an organization called Soldiers of the Caliphate, and it was an organization we had never heard of before. We know very little about it. Considering how well Kazakhstan had done economically, I do not believe that there is a reason for people to go the extremist way in many respects. The attacks were all geared toward administrative buildings or police offices, people that worked for the state organs, the security services.

The next thing is succession, which was briefly touched upon. For Kazakhstan, it is not quite clear who will be the successor. There is a certain frontrunner, but I think the decision has not yet been made. People in Kazakhstan and foreign investors alike do not know what will actually happen after Nazarbayev. Will all the contracts stay the way they are with foreign investors? The people in Kazakhstan are not sure about their own property and savings. I know a number of people, even middle class people, who buy property abroad just to have something safely put aside just in case because they do not know how things will turn out.

And thirdly and lastly, the work conflict at Zhanaozen that has been going on for several months in western Kazakhstan. It is a conflict that has not been resolved, and it does not look like it is going to be resolved any time soon. It started in May over some wage differences. The workers at Zhanaozen who worked at a field called Uzen, which is a big, but aging oilfield, demanded more money, and this was not the first time. It is the third year in a row that they were asking for money, and Kazmunaigas, the state oil company, has rejected the demands. As a result of the strike, Kazmunaigas Oil and Gas Explorations has seen a 10-percent reduction in production over the first nine months of this year. The danger with this conflict is that, if it is not resolved, it may spread to other big companies. Kazakhstan has

other big enterprises such as Kazakhmys, where copper workers are also not satisfied.*

Figure 1: Economic Overview of Central Asia – Wealth and Resources

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Population (mln.)	16.4	5.5	7.7	5.4	28.2
Real GDP (%)					
2010	7.3	-1.4	6.5	9.2	8.5
2011 (proj.)	6.5	7.0	6.0	9.9	7.1
GDP per capita (US\$)	9,009	843	734	3,677	1,380
Income category	upper middle income	low income	low income	...	lower middle income
Oil production (mln tons/thousand bpd)					
2008	72.0 / 1554	...	...	10.3 / 207	4.8 / 114
2009	78.2 / 1688	...	...	10.4 / 210	4.5 / 114
2010	81.6 / 1757	...	...	10.7 / 216	3.7 / 87
Gas production					
2008	29.8	...	...	66.1	62.2
2009	32.5	...	...	36.4	60.0
2010	33.6	...	...	42.4	58.1

Sources: IMF, World Bank, World Economic Forum, BP Statistical Review of World Energy 2011

* Editor's Note: The situation in Zhanaozen exploded violently on December 16, 2011, when mass demonstrations involving Kazmunaigas workers turned into destructive rioting and clashes with local police and security services, leaving at least 16 dead.

Figure 2: Economic Overview of Central Asia – FDI and Business Climate

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
FDI Inward (US\$ mln., %)					
2008	14,322	377	376	1,277	711
2009	13,771	190	16	3,867	711
2010	9,961	234	45	2,083	822
;% of GDP					
2008	44.2	20.7	27.8	30.6	11.2
2009	66.5	21.9	17.5	35.2	11.0
2010	61.1	21.6	16.2	40.7	11.7
Rankings					
Corruption Perception Index 2011 (out of 178 countries, Transparency International)	105	164	154	172	172
Doing Business 2012 (out of 183 countries, World Bank)	47	70	147	...	166
Global Competitive Report 2011-2012 (out of 142 countries, World Economic Forum)	72	126	105	...	...

Sources: IMF, World Bank, World Economic Forum, BP Statistical Review of World Energy 2011

Thomas Crisman,

University of South Florida

“Water Security and Climate Change”

For the past two years, the University of South Florida has been working with Central Command on water and environment in the context of security. We operated under the assumption that water insecurity in a country leads to political insecurity. A prime example of that is in the recent floods in Pakistan, where the Taliban was passing out water to the flood victims.

There are four countries on Earth that are the real focal points for multiple linkages of water to countries.

Number one, Switzerland, which controls the water of Europe for the Rhone, the Rhine and the Danube.

Second, would be Afghanistan. Afghanistan controls the water for Central Asia.

Three, even though it is not as big of a link, Turkey, which controls the waters for the Tigris and Euphrates; and, therefore, before the US invasion, Saddam Hussein was thinking of invading Turkey, because they were beginning to build huge dams, including the Atatürk Dam, that in turn would tie the water back.

And fourth, China, because it is a broad front, and it controls the water of Southeast Asia and much of it into South Asia as well.

There are two aspects to water that we have to consider, water quantity and water quality. For most of my life, the concern internationally has been water quality. Now, it is quantity more so than quality. We are running out of water. The human population is not where the water is.

Under water quality, the problems that we have in Central Asia are industrial, and they are associated with a lot of heavy metals coming in from industries along the rivers. Two, would be agriculture. And agriculture is putting in nutrients, nitrogen and phosphorus, which is causing eutrophication. They are leading to desalination. They are leading to heavy metals. And the third would be mining.

When you view water, there is not going to be one management strategy that will take the whole basin from top to bottom and from east to west. One has to consider altitude, where

you are in the position, and how that is going to affect everything in an additive process. In Afghanistan, for example, the Taliban control the water. They are in the mountains where most of the water is, where it starts. The glaciers in the country have been retreating at an alarming rate. The glaciers are the source of the water going to the north.

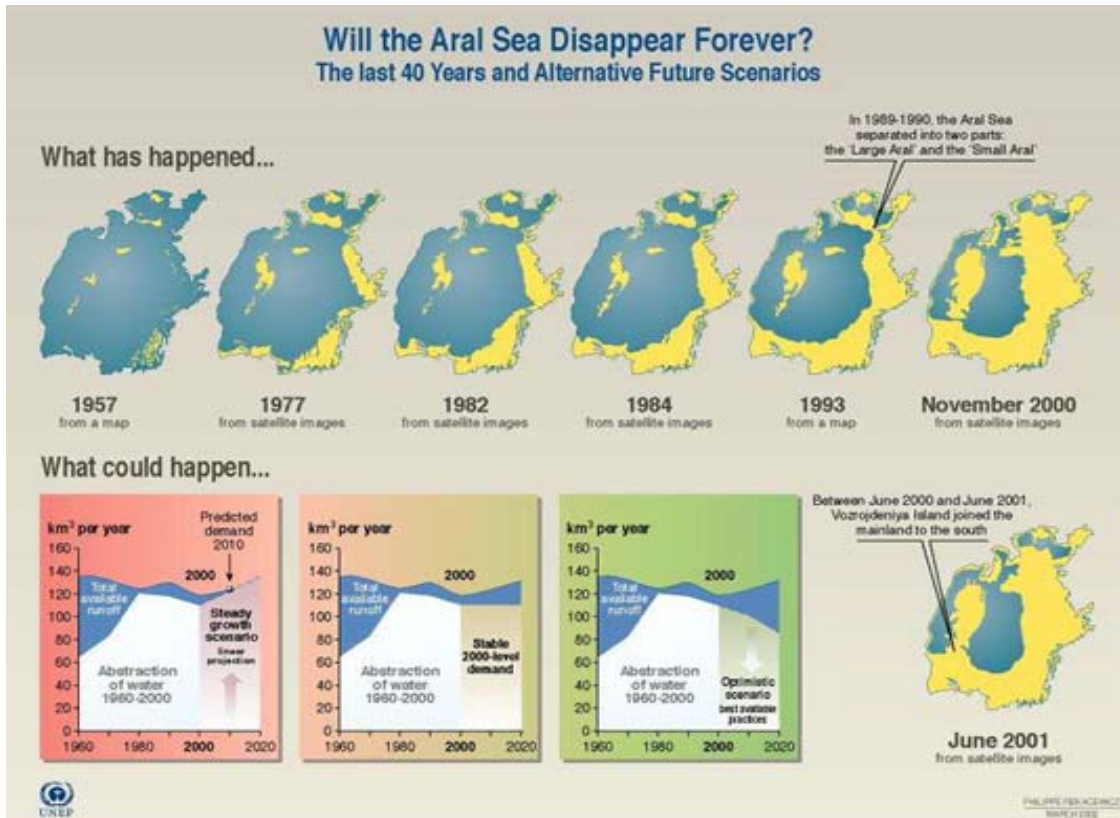
We are seeing major droughts and increases of temperature in Central Asia. We are also concerned with what happens during the cold period, because for much of the resources and ecology that depends on it, we have to be concerned with ultimately what is going to happen during the winter months.

I was going to show you the usual horror stories from the Aral Sea as well as what is going on in the Caspian: Both of our end points are in big trouble. The question is not to project what is going to happen but to project what can we save; what can you reverse. If you can reverse governance, if you can reverse the allocation of water resources, can you get to a point that it is going to bounce back?

I am fascinated with Kazakhstan, where we see a rebirth of part of the Aral Sea, and the fishing cultures that depended on it are also coming back. But did the culture come back at the same time? What is the memory of a culture? It is usually for people who are in their 50s and 60s; they are teaching the next generation. And if you lose that generation, in fact you have lost the ability to manage the system.

There are no pristine ecosystems on Earth. They are all managed. If we can manage them correctly using traditional methods, that should be the legacy. We are learning that some of the actions taken by the US military in Afghanistan have been extremely effective by doing water management by traditional methods. If you build Corps-of-Engineers-type structures that are with all kinds of bells and whistles, they could be destroyed. They will not destroy what has been put in as traditional water management techniques. When it comes to water our strategy should be not one of teaching Central Asia, but learning from Central Asia.

Figure 3: Aral Sea Depletion over Time



Sources: Nikolai Denisov, GRID-Arendal, Norway; Scientific Information Center of International Coordination Water Commission (SIC ICWC); International Fund for Saving the Aral Sea (IFAS); The World Bank; National Aeronautics and Space Administration (NASA); United States Geological Survey (USGS), Earthshots; Satellite images of environmental change, State Department of the Interior, 2000

Panel Two: Economic Development and Infrastructure

Moderator: Ariel Cohen,
The Heritage Foundation

This is really an important subject on the economic development in Central Asia. I came back from Moscow yesterday and was part of the Valdai Club discussion, and I have to tell you: for Russia, the creation of the Eurasian Union is a big priority now, and this will affect the future of Central Asia tremendously if and when and how the Eurasian Union is going to materialize, especially in view of the developments in Afghanistan if President Obama withdraws the troops by 2014. And if the Taliban is successful in toppling the Karzai regime, we will get a frontline phase in Tajikistan and Kyrgyzstan by the 2015-2016 timeframe. The Chinese presence and expansion in Central Asia is also important, and, therefore, there is Sino-Russian competition or cooperation in Central Asia if countries like India, Iran, or Pakistan are all playing a role; if the European Union survives by 2015 – which is an “if” – they may play a role there too.

So we have a very qualified panel here to address these issues including Ambassador William Courtney, the Director of Strategy and Development for Computer Sciences Corporation. He has an illustrious bio that you have in your packages. Martine-Sophie Fouvez, who is a regional advisor for transport in the UN Economic Commission for Europe in Geneva since October 2008. Melanie Nakagawa, a professional staff member, working for the Chairman of the Senate Foreign Relations Committee. Vladimir Socor, a veteran analyst and Senior Fellow of the Jamestown Foundation, and he writes for its flagship publication, *Eurasian Daily Monitor*. And last but not least, our discussant, Ambassador Askar Tazhiyev, Ambassador at Large, Director of the Americas Department in the Ministry of Foreign Affairs of Kazakhstan.

Ambassador William Courtney,
Former US Ambassador to Kazakhstan

“The Need for Coherent Long-term Security and Integration Strategy for Wider Central Asia”

The discussion thus far has been fascinating, and I hope to enrich it a little bit by outlining Western grand strategy in Central Asia and how a properly designed Silk Road strategy might

help.

Not long after the USSR collapsed, the West coalesced around a grand strategy, one that in most respect has endured for two decades. It has four main elements.

One: Political support for the independent sovereignty and territorial integrity of the countries of the former USSR.

Two: Integration of these countries into international institutions such as the United Nations, the OSCE, NATO through the Partnership for Peace program, and the European Union through partnership and cooperation agreements.

Three: Diplomatic and financial support for the development of Caspian energy and its export to world markets through multiple routes.

Four: Political engagement and technical assistance to advance democratic and economic reform and respect for human and minority rights.

On balance, this grand strategy, with one exception, has great benefit. Central Asia countries have stayed independent and become integrated internationally. Kazakhstan even served as the first former Soviet state to lead the OSCE. Western investment has helped unlock the huge potential of Caspian energy, especially from Kazakhstan. Multiple export routes for energy have emerged.

But the fourth element of the Western grand strategy, reform and human rights, has a mixed record. Economic reform, especially in Kazakhstan, has laid a better basis for economic gain, but corruption among power elites has impeded them. Political progress, on the other hand, has been halting. Dictators jail and torture opponents, muzzle media, block electoral reform, and independent NGOs, and hold the OSCE at arm's length.

Nonetheless, Western grand strategy has succeeded more than many of us expected at the outset. After 9/11, accumulated goodwill toward the West and coincident strategic interests caused key Central Asia countries to facilitate logistic support for US and NATO operations in Afghanistan. The northern distribution network is a recent and vital dimension. Caspian energy exports are increasing and diversifying world energy supply.

In addition, Central Asian countries, largely on their own, have furthered key goals of Western grand strategy. Kyrgyzstan, despite poverty and geographic and ethnic divide, has a major political openness. Kazakhstan, employing wise diplomacy and economic cooperation, has maintained peaceful ties with Russia.

In contrast, to illustrate, tensions between Russia and Georgia or Russia and Ukraine show how relations if mishandled could have been different. Finally, Turkmenistan, Uzbekistan and Kazakhstan have made possible Central Asia energy exports to China, a stabilizing alternative.

Two decades of Western grand strategy in Central Asia have taught several lessons relevant to the New Silk Road strategy.

First, be careful about raising undue expectation. US leaders are promoting two major foreign policy initiatives relevant to Central Asia: one is the New Silk Road strategy, and the other is America's intention to increase its focus on the Asia-Pacific region. The latter combined with likely cuts in its foreign assistance budget imply reduction in US exertion in south and southwest Asia and probably Central Asia.

Second, do not make the New Silk Road strategy too Afghanistan-centric. When Western grand strategy in Central Asia took shape two decades ago, Afghanistan was not a central element. Internal conflict, weak governance, terrain challenges, skimpy economic infrastructure, narcotics activity, and corruption explained this omission. Today, these problems remain as heavy burden on Afghanistan.

Third, focus on reform as well as projects. European countries cooperate with each other so well in great part because they are democracies and they have an open economy. Cooperation among Central Asia countries, in contrast, is often harmed by weak governance and a tendency of dictators to resent or envy neighbors. The New Silk Road strategy will yield disappointing results without more democratic reform and open economy.

Fourth, make the New Silk Road strategy a joint European-US endeavor. With exceptions in the energy and mineral industries, US firms will not be the main foreign investors or traders in Central Asia and Afghanistan.

These four lessons do not mean the New Silk Road strategy is fatally flawed. What they do mean is that the strategy ought to be more realistic than it has been framed thus far.

First, the strategy should be described in more modulated tones, and implementation ought to start with modest, practical cooperation. It should leverage momentum from the Northern Distribution Network and OSCE programs that foster regional cooperation such as border guards training.

Second, the strategy ought to be designed as sustainable if Afghanistan's participation falters.

This probably means that Central Asia rather than Afghanistan ought to be the more important focal point of the strategy.

Third, the New Silk Road strategy should incorporate or parallel more vigorous US and European efforts to support economic and democratic reform.

Finally, success will likely require the dedicated labor of US and European diplomats and some technical assistance even if modest.

Martine-Sophie Fouvez,

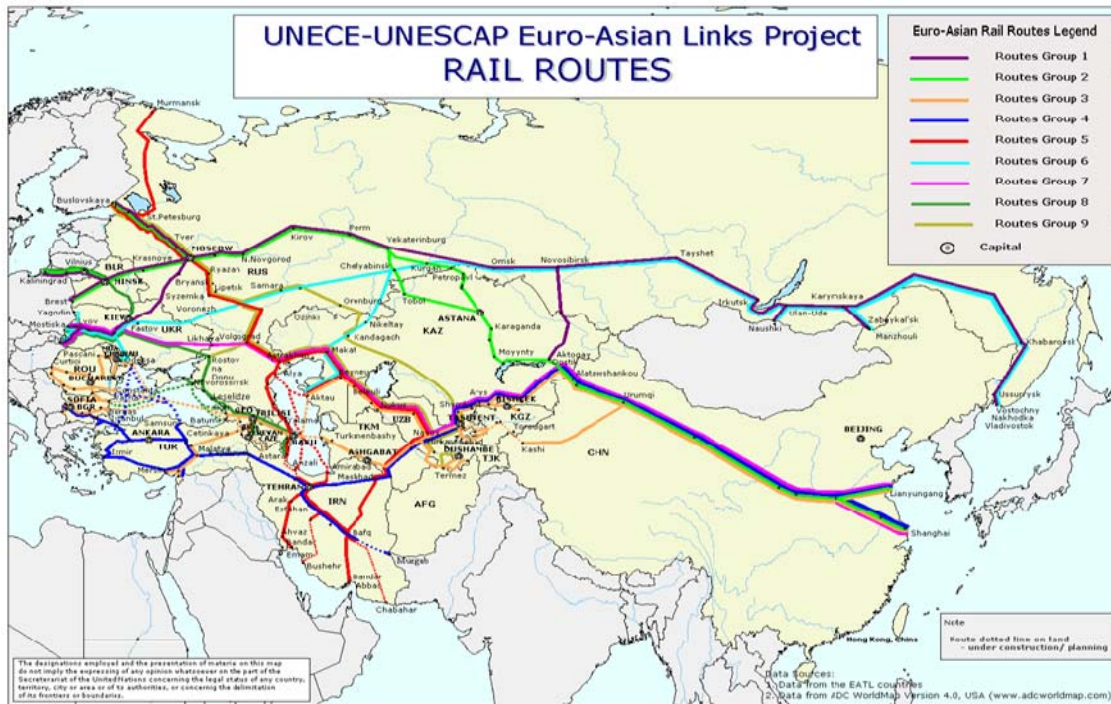
United Nations Economic Commission for Europe

“Transportation Networks: The New Silk Road”

The United Nations Economic Commission for Europe (UNECE) is one of five regional commissions within the UN system. The Central Asia countries, former members of the Soviet Union, are included in it but not Afghanistan. It is the second by size after the UN Economic and Social Commission for Asia and the Pacific (UNESCAP), which Afghanistan belongs to.

Since its creation in 1947, UNECE Inland Transport Committee has been a framework principle for inter-governmental cooperation and concerted actions in order to facilitate international transport while improving its safety.

The Euro-Asian Transport Links (EATL) project is a joint undertaking between the UNECE and the UNESCAP. In close cooperation with designated national focal points from 18 countries in the Euro-Asian region, the EATL project has identified main Euro-Asian road and rail routes for priority development and cooperation. The Silk Roads, which Professor Starr was referring to, are the different corridors identified within the EATL phase I, which was carried out from 2002 to 2007 and completed in 2008. Its main achievements are the selection of main Euro-Asian road, rail, and inland water transport routes and transport points. Sixteen countries were involved, from China in the east to Greece at its westernmost point.



Out of 230 submitted projects exceeding \$42 billion, railway projects account for 54 percent of total investments cost. Road projects accounted for 29 percent, maritime projects for 13 percent, and inland water transport projects for 4 percent.

Submissions have been prioritized in four categories: with confirmed funding; with funding to be confirmed; low priority projects; and projects requiring additional data before further

required for evaluation.

Funding for 50 percent of the total investment costs, \$21 billion, is secured for the implementation of 130 projects. Another 31 percent of planned investment, some \$13 billion, is associated with high-priority projects that lack secure funding to date. Remaining infrastructure investment planned by the authorities is associated with the projects that were either classified in a low-priority category or could not be evaluated due to insufficient data.

The EATL phase II is underway and is scheduled to last until 2012, next year. Its purpose is to refine the findings of phase I and broaden the scope. Over 20 countries are involved including China, Finland, Germany, Greece, Latvia and Mongolia.

Among the expected accomplishments are enhanced cooperation in transport among the countries concerned; development of trade and tourism between Europe and Asia; reduction of border crossing delays and transport cost, and improvement of international transit through harmonizing border-crossing procedures along the Euro-Asian transport corridors based on UNECE and UNESCAP conventions.

The UNECE legal framework has proved its usefulness in Europe over the last 50 years. These agreements and conventions, a large number of which are kept constantly updated, are legally binding for the states, which become contracting parties. They appear to be today of most importance for governments of the newly independent states. We need to build their transport regulation in compliance with those existing in the other European countries. Additionally, the majority if the legal regulation is applicable anywhere in the world. It is therefore a major European legacy to the whole international community.

Vladimir Socor,

Jamestown Foundation

“Energy Corridors and Energy Security”

The Silk Road is by definition an East-West concept with Europe. The US administration’s rebranding and reformatting of the Silk Road concept without Europe, reflects the reduced attention to Europe in US policy overall, a matter that frustrates many European countries and countries in Europe’s eastern neighborhood. Without denying the potential economic benefit to Central Asian countries that might flow from a north-south New Silk Road, I propose to keep alive the concept of an East-West Silk Road and remind this audience about the East-West energy supply corridors for Turkmen gas and Kazakhstani oil to Europe.

US policy toward Central Asia is at its most effective when pursued in connection with US policy toward Europe. Afghanistan has provided a narrow and temporary rationale for US engagement in Central Asia. Europe remains the broader and permanent rationale for US engagement in Central Asia.

The most recent audit of gas fields in Turkmenistan has revealed probably a reserve of 19 trillion cubic meters of gas. Turkmenistan proposes to produce more than 200 billion cubic meters per year throughout 2030 onward. This makes Turkmenistan export potentially comparable to that of Russia. Russia has lost its former monopoly on Turkmen gas. It is now the third largest customer of Turkmen gas behind China and Iran. The pipeline from Turkmenistan to China is scheduled to carry 30 billion cubic meters (bcm) per year starting in about 2015. It already functions, operates at a capacity of 10 bcm at present. Pipeline capacity to Iran is about 18 bcm per year. Export to Russia is 10.5 bcm per year.

Turkmenistan's declared top priority in its gas export policy is to open the westward outlet to Europe for Turkmen gas via a trans-Caspian pipeline in Nabucco, which would provide the fourth direction of export for Turkmen gas. It is the declared top priority. This is not a political project. It is not an anti-Russian project. President Gurbanguly Berdimukhamedov defined this project as a top national interest for Turkmenistan and the basis for its future prosperity as a gas transporter.

There has been a true revolution in Turkmenistani thinking about gas export in the last two years. President Berdimukhamedov has commissioned the construction of an east-west pipeline from Turkmenistan's prolific gas fields in the east to the Caspian shore for a capacity of 30 bcm per year. The pipeline is to become operational in 2016 for the declared purpose of connecting with the trans-Caspian pipeline, which would in turn plug into Nabucco via Azerbaijan.

Turkmenistan continues its policy of selling its gas at the border with becoming directly involved in transportation solution. However, Turkmenistan is engaging with the European Union and with Azerbaijan in a trilateral framework to devise a trans-Caspian transport solution. Turkmenistan has delinked the issue of border delineation with Azerbaijan in the Caspian Sea from the issue of building the pipeline. Turkmenistan insists as does Azerbaijan, and Kazakhstan sometimes, that any trans-Caspian pipeline project is a matter that concerns the two countries involved, not all five Caspian Sea countries, which is the Russian and Iranian ambition.

Turkmenistan has over the past year hosted several ecological conferences in Ashgabat to refute the Russian/Iranian argument that the trans-Caspian pipeline would damage the maritime environment.

In a convergent trend, the European Union through the European Commission has finally found its role in the East Caspian shore. After many years of lacking a policy, the EU Commission is now pursuing the project head-on. On September 12, 2011, the European Union's 27 countries authorized the European Commission to start trilateral negotiations with Turkmenistan and Azerbaijan for a trans-Caspian pipeline that would plug into Nabucco.

Kazakhstan currently produces 80 million tons of oil per year, plans to produce 95 million tons per year by 2015, and 130 million tons per year by 2020. This increase, largely on the strength of the Kashagan project, is due on stream for the first commercial oil by 2012.

At the present time, the lion's share of Kazakhstan's oil exports reach their market destination via Russia. This is a completely unnatural situation. It is an unprecedented situation in which one large oil-producing country absorbs the lion's share of the production of another oil-producing country in order to provide transit for export. Kazakhstan cannot be entirely sure of its security of export route under this consideration. Oil is vulnerable to pressure.

The share of Russia in Kazakhstan's oil export transit will increase with the increasing capacity of the CPC pipeline from 27 million tons per year at present to 67 million tons per year by 2015–2016. This will absorb most of the additional production that is due on stream from mainly Western projects in Kazakhstan by 2015–2016. To rectify this situation, it will be necessary to organize the westbound export of oil from Kashagan when that super giant field comes on stream. The first commercial production is due on stream between December 2015-June 2016.

The trans-Caspian oil export system from Kazakhstan to Azerbaijan and onward into the Baku-Ceyhan pipeline has been under discussion since 2006. There is an agreement of intent signed by the presidents of the two countries, Aliyev and Nazarbayev, and there are several agreements of intent signed by the two governments. This system would involve as some sort of option the construction of a group of tankers with 55,000 tons capacity, each that would shuttle between the base in Kazakhstan and Baku. It is an expensive option, but it a frontrunner option for ecological reasons.

The suboptimal option would be a pipeline on the seabed of the Black Sea – more cost effective but psychologically more objectionable, particularly to Russia. The capacity of the system would up to 56 million tons a year. There is a danger however to the available or newly opened capacity in the CPC pipeline from Tengiz to Novorossiysk could create a suction effect on the future production from Kashagan, thereby dividing Kashagan's export again between Russia and the West rather than directing the main flow of Kashagan to the

West.

The European Commission encourages Kazakhstan – it did so most recently in October 2011 – to build a pipeline link from the Kazakh coast to the projected trans-Caspian pipeline from Turkmenistan and put at least a symbolic volume of Kazakh gas into these connectors. There will be a political benefit to this. That would be that Turkmenistan and Kazakhstan would jointly face possible Russian displeasure rather than Turkmenistan bearing that brunt alone.

Different Kazakh officials have had different reactions to the European Commission's proposal. Some have said publicly that Kazakhstan does not and will not in the foreseeable future have the necessary export volume. And other Kazakhstani officials say this will be very beneficial for Kazakhstan to open an outlet directly to Europe via the trans-Caspian pipeline in Azerbaijan, and it would not present any ecological danger.

I would like to conclude with a couple of recommendations for US policy. Regarding Turkmenistan, Ashgabat needs political support not only from the European Commission and the European Union, but from a tandem work of Brussels and Washington. This will be far more effective in forestalling any kind of reckless Russian move against Turkmenistan, which is not to be feared but needs to be forestalled.

Second, the United States should join the European Union in encouraging the Turkmen government to accept an onshore production-sharing agreement with major Western companies. Turkmenistan thus far accepts only offshore production-sharing agreements.

Thirdly, the United States should not pursue the Turkmenistan-Afghanistan-Pakistan-India gas pipeline (TAPI) at the expense of the trans-Caspian pipeline from Turkmenistan. As new Turkmen production comes on stream, it is important to have a sense of priorities and of sequencing. In my view, the two projects should be sequenced first trans-Caspian and then TAPI, because Europe needs both additional volumes and availability of supplies away from overdependence on Russia. So, proper sequencing as Turkmen's new production comes on stream would be first trans-Caspian and then TAPI.

With regards to Kazakhstan and the trans-Caspian transport system, the United States and US companies should work with US companies in Kazakhstan to encourage the rebalancing of Kazakhstan's export policy and make sure that the commensurate share of Kashagan's future production is routed westward into the Baku-Ceyhan pipeline and projected parallel pipeline to Baku-Ceyhan to accommodate the extract of Kazakhstan's production.

And finally, regarding US policy toward Europe and Central Asia for the Silk Road concept as such, US policy toward Central Asia, just like US policy toward the South Caucasus, works at

its most effective when it is tied with US policy toward Europe, with European energy security, and with a joint trans-Atlantic interest, which in this situation focuses on Europe's energy security. The United States cannot stand by and allow European allies to become over-dependent on Russian-delivered energy. This will have the reputed effect on the political cohesion of the Transatlantic community and specifically of NATO.

Melanie Nakagawa,

Professional Staff Member, US Senate Foreign Relations Committee

“Water Management: Avoiding Conflict”

In 2011, the US Senate Foreign Relations Committee produced a report, compiled by the majority staff, addressing water scarcity and its reasons. The topic of the report is avoiding water wars, water scarcity, and Central Asia's growing importance for stability in Afghanistan and Pakistan.

We all know that water is a fundamental need, necessary in life as well as in production of energy and agriculture irrigation. We also know that water is a finite resource, and that it is also a shared resource. You may not know some of the more critical statistics to this matter, which highlight just how drastic this resource is and how important it is in terms of trans-boundary, national security, and foreign policy implications.

For example, even though the majority of our planet is water, most of it is either too salty or too deep to be accessed. That leaves roughly 0.75 percent of fresh water available for production, consumption, energy, and irrigation, out of the total water supply.

To further complicate matters, very little of this is solely controlled by one country, one region, or one nation. Instead, there are over 260 shared international river basins. This is in roughly 145 countries, 40 percent of the world's population, 50 percent of our landmass, and, most interestingly, 60 percent of all that water is lost in these shared trans-boundary resources.

Water management is critical to economic development. Increasing productivity in either agriculture or hydropower, particularly for the Central Asian region, relies upon increasing efficiencies in production, water use, and water supply. However, as water is a finite resource, we need to think about other ways to increase productivity for these demands and as well try to increase supply – although that is limited in many circumstances, particularly when energy is lacking.

With this as background, let me now turn to the key finding in the Senate report that talked about improving water management in this region and its national security implication. Let me give you a quick picture of the current US strategy on water.

In March of 2010, Secretary Hillary Clinton outlined the US policy on international water engagement. This was called the five streams approach. Briefly, the five streams were, first, capacity building at the local, national, and regional level; second, it was coordination among UN agencies, international financial institutions, donors and stakeholders; third was financial support, this is public sector financial support specifically; fourth was scientific technology around water engagement; and the fifth was the private sector and how to leverage the private sector.

As we heard in the opening remarks, we are in a time of limiting US public sector fiscal engagement in the region perhaps because of that shift to south Asia, the shift to other parts of the region, and perhaps due to a lessening of the focus on Afghanistan further down the line and what that means about financing in the region, and as has already been pointed out, the life after the post-Afghanistan US engagement in the region.

Let me now talk about where we are and what the US has done in foreign policy aspects of US water engagement.

To date, millions of dollars have been spent by the United States into the region on trans-boundary water cooperation and water sharing, but there has been too little agreement or any type of treaty. Compared to all the agreements that exist on transportation, for instance, there is a very limited number in the water sector. This is due to a variety of factors. And therefore, I would like to focus on what are the ways the US engagement could actually be used to leverage private sector, promote cooperation, and enhance this regional security as it relates to this resource.

The report highlights four recommendations. Let me just drill down on three specific ones that are particularly relevant. The first is improving water management with benchmark data; the second is focusing on water demand, a shift away from the focus on water supply; and the third would be strengthening institutions within the region.

On the first point: focusing US efforts on the need for world-strength expertise in science and technology. This also relates to the five streams I just mentioned. We really need to focus more on how the US can help provide expertise on water data management, and it seems like a bit of a trivial issue and a bit in the weeds; but, one of the things I gathered from my travel to the region was the need for a comprehensive third party or a common baseline of water data.

And to further what Professor Crisman has mentioned, which was on water quality and water quantity, I am looking more at volume and stream flow specifically, trans-boundary water volume, trans-boundary stream flow, and having accepted by all parties, all countries, data on those particular elements.

In addition: professional exchanges, student exchanges, a way to broker US expertise in the region and a sharing of that with local universities, the American University in Central Asia, for instance, or something along the lines of these professional exchanges. The United States has several agencies with a particular interest and expertise in water management.

Another angle fused to this data perspective is technical partnership on helping improve the technical ability. The US could help strengthen cooperation and help create the basis for a discussion on a water agreement within the region or between two countries that are currently struggling with intention.

On the second recommendation that was highlighted – water demand management – there has been a strong focus lately on supply management, but I think there is something now that we really need to start recognizing on demand side management, specifically looking at demand on agriculture in particular, irrigation demands, crop demand as well as, to a smaller extent, the human demand for water, which is a much smaller portion of water demand generally in the region as agriculture is the primary source of demand.

But focusing on demand will create some space for a discussion to begin, because the immediacy and the urgency is not as great if you can help reduce some of the drivers of this demand to allow negotiations on how to manage the water in the region.

Another key piece would be focusing on holistic solutions. Oftentimes we focus just on energy and the water use for hydropower or we focus solely on agriculture and the water use there for irrigation. What is needed, given the complexity of the region and the interconnectivity of hydropower, agriculture, irrigation, all along the shared resources, is a more holistic approach to addressing the water demand within the region.

This process has been started in some cases. The UN Regional Center for Preventive Diplomacy for Central Asia has actually begun looking into ways to encourage water management and demand management, considering a host of solutions, looking at negotiations, simulations, and trans-boundary water dispute management as a way to bring all stakeholders together in a particular region to address this issue.

One example that I saw when traveling in the region was the work of water use associations. USAID has supported a program in Tajikistan with water use associations, which has actually

promoted decreasing usage in the region, increasing efficiencies and actually helping engage in a much more democratic discussion on how to address the water.

Finally, on issues of capacity building: strengthening the institutions that are already existing in the region and helping promote increased capacity for those institutions to start addressing water issues. I am not suggesting an Amu Darya basin-wide river discussion as that is still quite a contentious issue, and I think that would not be something in the short-term perspective. But these regional cooperation dialogues in the communities along the borders, which have a common heritage, common language, shared resources, are starting to establish smaller successes and victories in an effort to create a patchwork of regional cooperative engagement that can then be scaled up at a larger level.

Finally, I want to be clear. I am not proposing that the US or any other country compel cooperation, but rather incentivize it through various smaller efforts on the margin to help create that dialogue space, that negotiating space for these independent countries to come together and have a dialogue with common data, common principles. I do believe that the interdependence of these countries necessitates a holistic solution to the water supply and water demand issue.

Ambassador Askar Tazhiyev,
Ministry of Foreign Affairs of Kazakhstan

There are various dimensions of security in our region that need to be strengthened: energy security, water security and food security, as well security issues in the wider region. On long-term security and integration strategy for wider Central Asia, which Ambassador Courtney already commented on as well as what has already been done in this regard during the years, the interesting point is that he put forward the Silk Road together with the US strategy in Asia-Pacific, which is important to highlight the so-called continental approach, which Fred Starr already discussed and announced as an important thing for everybody.

I would also tell you in regard to the New Silk Road that, of course, we support the idea, the goal, which is to ensure free movement of goods, capital and people. In this regard, I should mention that Kazakhstan is already implementing the project Western Europe-western China together with ADB, the World Bank and many other international bodies. And we have already committed \$3 billion to this project.

Today, there were several remarks and opinions expressed that some elements and mechanisms are already in place in Central Asia and they are very effective. At the same time,

the issue is how to coordinate, how to give a new breath to those mechanisms including the last point about the water use associations in Central Asia.

The other is, of course, TIFA, the Trade and Investment Framework Agreement. It was already mentioned today, and we support completely its mechanisms especially involving Afghanistan. We talked about the Central Asia Regional Information and Coordination Center for combating illegal traffic of drugs, which plays an important role in combating drug production and trafficking in the region or through the region as well.

Also, as far as food security, Afghanistan already officially offered, and our Foreign Minister in Istanbul recently announced, that Kazakhstan is ready to provide more grain and food to Afghanistan through the engagement of the United Nations food and agriculture organization and the World Food Program, but also granting quantities of food products. And this offer corresponds with the United Nations and the US initiative on global food security, which was introduced in 2009, and we consider it very important that Afghanistan should be in the center of such an initiative because 42 percent of the population lives at about \$1 a day.

You are aware of our education program for 1,000 Afghan citizens in Kazakhstan that started in 2010. We have heard from various experts that it is a unique initiative, because it inspired other newly independent states to also develop or implement programs on education for Afghanistan.

On transportation issues, I would inform you – and many of you already know about this – that in a few weeks the ceremony of launching the Kazakhstan-Turkmenistan railway link is going to take place. That link will come into operation. And now we will have all roads from Europe, Russia, Kazakhstan, Turkmenistan and the Afghanistan border already in place. What does it mean? What about the railroads inside Afghanistan? There is no developed network or even just railroad system. But it is exactly the matter we should focus on together, all interested parties, whether they are financial institutions in the United States, Afghanistan itself, Kazakhstan or others to make it happen, to develop the missing links inside Afghanistan. This will give additional access for the Afghani goods all the way to Europe, if you want, to China, and the other way around, in the opposite direction as well.

Regarding water security, this actually is covered completely in details. We need an honest broker, I would say, in this situation, and it is really high time for this. The World Bank, for instance, is a well-established, well-recognized institution and authority, which could play an important role in this regard. Otherwise, we will get stuck; for years already this has been the situation.

Luncheon Keynote: “US Administration’s Commitments to Stabilization and Development of the Wider Central Asian Region”

Keynote address by Robert O. Blake, Jr.

Assistant Secretary, Bureau of South and Central Asian Affairs

Thank you very much for that introduction, Ambassador Ordway. And thanks to the Jamestown Foundation for allowing me the chance to speak with you this afternoon. I would especially like to thank Glen Howard for the gracious invitation.

The past few months have been an incredibly busy period for those of us involved in advancing US interests in South and Central Asia, starting with the UN General Assembly in New York; followed by Secretary Clinton’s trip to Central Asia, Afghanistan and Pakistan; the Istanbul Conference on Afghanistan and Regional Security at the beginning of this month; and the recently concluded SAARC [South Asian Association For Regional Cooperation] summit in the Maldives. As we meet today, some of my colleagues are in Astana at the International Contact Group meeting, and the Bonn Conference is coming up very quickly. So my time here with you today provides an excellent opportunity to reflect on all of those events, and to talk with you about a number of promising developments in the region.

As Secretary Clinton first outlined in her February 18, 2011 speech at the Asia Society in New York City, a secure, stable, and prosperous Afghanistan requires a secure, stable, and prosperous region.

All of Afghanistan’s neighbors and near-neighbors stand to benefit from an end to the insurgency, a political solution, and a transition to a sustainable economy in Afghanistan. And, of course, during her speech in Chennai, India in July of this year, Secretary Clinton laid out her vision of the New Silk Road.

This vision is deeply rooted in history. For centuries, a sprawling network crisscrossed Asia – connecting East and West, North and South. These routes linked the various areas of what is now Central and South Asia, providing a mechanism for the transit of goods, peoples, and ideas. In short, it was this dense network that made these places a crossroads for traders from so many disparate parts of the world.

The vision of a New Silk Road represents both an expansion and, to an important degree, a reworking of the original model. It builds upon that rich history and, in a frank acknowledgement of geographic reality, envisions ways in which a new network might facilitate an absolutely necessary job, that of embedding Afghanistan more firmly into its neighborhood and strengthening the web of economic and transit connections running throughout the region.

While improving roads, bridges, pipelines, and rail lines with available resources is important to facilitate economic linkages, the New Silk Road vision is not just about building new infrastructure. We must also seek to reduce barriers to the efficient exchange of goods across borders, open markets, and promote private sector investment in the region.

We see the New Silk Road vision as an integral part of supporting Afghanistan and its greater region. For if Afghanistan is firmly integrated into the economic life of the region, it will be better able to attract private investment, continue to develop and benefit from its vast mineral resources, and provide increasing economic opportunity for its people, men and women alike.

One recent helpful initiative was the recent Afghan and German effort to promote investment in Afghanistan's mining sector at a meeting in Brussels on October 26 with private sector firms, including significant participation from the United States.

There are a number of upcoming high-level engagements in the region, including the Central Asia Regional Economic Cooperation Ministerial on November 22 in Tajikistan, to support and develop this vision.

The support of the private sector must be a critical component of any effort that aims to develop the markets that will form the bedrock of regional economic cooperation. Cotton and other materials from Central Asia can be turned into garments in factories in South Asia, which can then be sent to Central Asia and around the world.

Central Asia can also export its surplus energy supplies to feed hungry energy markets in South Asia to continue to power economic growth. Already Turkmenistan, Afghanistan, Pakistan, and India are making steady progress on the TAPI gas pipeline.

Regional collaboration does not need to and certainly should not end with those specific areas – new and different markets are certain to arise; regional entrepreneurs are likely to define and develop those markets, with the end result being greater economic opportunity for all, including women. In today's world, you cannot build a modern economy when you exclude half of your human capital from participating in the economic life of the country.

In July, the US hosted the Central Asia and Afghanistan Women's Economic Symposium in Kyrgyzstan, which brought together women leaders from throughout the region and Afghanistan to discuss critical economic challenges.

The success of the New Silk Road absolutely requires the full and active inclusion of all the region's citizens, including women and girls. As business and civil society leaders in the region, women have the potential to be key drivers of economic and political progress and can play a critical role in advancing many of the reforms and initiatives we have mentioned.

This vision of the New Silk Road is not confined to one country. It is a regional vision, where a stable and peaceful Afghanistan is firmly embedded in a stable and peaceful region. In signing onto the Istanbul Process on Regional Security and Cooperation for a Secure and Stable Afghanistan on November 2nd, the region took an important step forward in its support of this vision.

The outcome in Istanbul is part of a series of connected diplomatic efforts to support Afghanistan as it begins to take full responsibility for its security by the end of 2014. The conference in Istanbul was organized by the region, for the region.

Istanbul marked the first time this grouping of countries – Afghanistan's neighbors and near neighbors – came together to speak with one voice to assure Afghanistan of their support for Afghan-led reconciliation and transition to Afghan national security forces. The United States, as well as several of our European allies and the Japanese, attended as supporters of the region's efforts.

The Bonn conference in December, and the NATO summit in Chicago in May provide opportunities for the international community to become more specific and clearer over time about their support to Afghanistan ahead of transition. We see the International Afghanistan Conference in Bonn as an opportunity for the international community to welcome the Istanbul declaration and to reiterate its commitment to Afghanistan after 2014.

For the United States, that means reiterating President Obama's commitment to a long-term relationship that extends beyond the security transition that will be completed by the end of 2014.

The Afghan government will chair the Bonn conference, illustrating its sovereignty and improved capacity to manage its own affairs and advocate for its best interests. The Afghan delegation itself, made up of all members of Afghan society, including women, will showcase the democratic progress Afghanistan has made over the past decade.

Bonn also provides an opportunity to review how the international community can work

together with Afghanistan to create a brighter political and economic future for Afghanistan. The Afghans will talk about their progress in pursuing their priorities, including their efforts to achieve a political solution to the conflict. As in London, Kabul and Lisbon last year, we expect the international community to continue to offer broad support to an Afghan-led reconciliation process.

Bonn will also provide an important chance for the Afghan government to discuss its vision for sustained economic growth and reduced dependence on foreign assistance, and the important and difficult policy choices it will take to realize those goals. This growth will be led by private sector investment and increased regional economic integration that are made possible by continued legal and regulatory reforms that Afghans are currently undertaking. It involves building on the last decade of international assistance, and developing a sustainable plan for Afghanistan's economic development to support transition.

The goal is for countries throughout the region, as well as other international partners, to help Afghanistan move from aid to trade. One key part of that trade will be to further open markets between India and Pakistan.

We have been encouraged by the positive recent steps taken by the Governments of India and Pakistan to initiate closer trade and commercial ties. We welcome Pakistan's cabinet decision to unanimously approve the path to normalize trade relations with India, and that Prime Ministers Singh and Gilani reaffirmed this opening of a new chapter in their relations when they met on the margins of the SAARC Summit last week.

It is our hope that this process of normalization in both directions, will lead to expanded economic opportunity and stability for the people of both countries. We look forward to seeing further progress, including when the Indian and Pakistani Commerce Secretaries meet this week.

Increased economic linkages between India and Pakistan and the rest of the region will create a natural foundation for a stronger relationship and yield dividends for citizens from both countries and the greater region. The economic potential of a more open and integrated South Asia – home to one-fifth of the world's population – is virtually unlimited.

We also welcome the historic transit trade agreement between Afghanistan and Pakistan, and encourage its full implementation. More recently, we were encouraged by the announcement in August of agreement in principle on the Afghan-Tajik-Kyrgyz Cross-Border Transit Agreement. Future bilateral agreements and outreach efforts will help accelerate the integration of South and Central Asia.

As we work to create these economic and people-to-people linkages, we must be mindful that the road ahead will be tough. Challenges remain, including:

- instability, violence and extremism that spill across borders, too much trafficking, too little trade and too many people living in poverty;
- less than equal rights for women, especially in employment and business circles;
- countries acting in ways that exacerbate rather than work to solve problems.

It will take a concerted effort from the Afghans, regional partners and the international community to put past rivalries behind them and seize the enormous opportunity afforded by greater integration to bring many of these plans to fruition.

In Istanbul, Deputy Secretary Burns compared the current state of Central and South Asia to that of Southeast Asia a few years ago. Southeast Asia was also the site of entrenched poverty, deep divisions and ongoing conflict. But the countries resolved their differences, opened their markets and created regional institutions to preserve peace and security.

There are still great challenges in that region, but by and large, the people of Southeast Asia now live in peace and security in one of the fastest growing regions in the world. We should not doubt that, despite the challenges that we face, the same is possible for Afghanistan, and for Central Asia and South Asia.

We understand that the vision of the New Silk Road is a long-term vision, and that many challenges lay ahead in transforming this vision to a reality. Afghanistan must make the transition from an economy based on donor assistance to a sustainable economy. The international community must support the important steps Afghanistan and the countries in the region must take to do this. Despite these concerns, I am hopeful that Afghan integration into the greater region, and the region's integration with the global economy, will yield tremendous benefits for the people of the region.

As security and stability are restored throughout the region, as linkages are created across borders and trade from north to south and east to west increases, a rising tide of economic growth can lift all countries of the region.

Thank you for the opportunity to speak with you today. I look forward to your questions.

Panel Three: Major Challenges to Regional Cooperation and Economic Development – Views from the Central Asian Countries

Chair: Ambassador John Ordway,
Former US Ambassador to Kazakhstan

The theme of our final panel of the day is major challenges to regional cooperation and economic development – views from the Central Asian countries. I think it is really both important and fitting that we not only take the time during this conference, but conclude with the views from the countries themselves.

One of the key points of US policy has always been that we are partners with our friends in Central Asia; we have a dialogue with them; we listen to them. I am not sure they think that we listen as much as we talk, but we do want it to be a dialogue, and I think it is very, very fitting that we end up with the views of the reactions from our friends from the region.

Ambassador Erlan Idrissov,
Ambassador of Kazakhstan

It is gratifying to be at this kind of events because this is a moment of education, and listening to the earlier panels, I always registered that there is a lot of room to be educated further. Stereotypes and clichés still cling. We heard today an expert on our part of the world, Steve Blank, Paul Goble, and they painted a picture of danger with the unrolling Customs Union, Eurasian Union, and the imposition of our space by Russia, again, and the history.

But still, I think these are old thoughts on our plate we have to debate, to discuss, and we are absolutely happy always to give our own perspective how we feel about that. I once again what to thank The Jamestown Foundation for giving all of us this opportunity to discuss, and I am very heartened to see a big audience. Actually, if Jamestown would venture to call a conference of this type 10 years ago in the University Club next to the Russian Ambassador's residence, I doubt whether you would be able to call such a huge audience and whether you would be able to get the attention and presence by an assistant Secretary of State.

So there is a change, a very good change, and we are grateful to our American friends from all quarters.

The topic of today's conference is the New Silk Road initiative, and as Bob Blake said, we strongly consider ourselves a part of this initiative. And tomorrow, making our own contribution in the form of our Contact Group we are hosting in Kazakhstan as part of the series leading to the Bonn conference and to the NATO summit in Chicago next year.

So we feel quite at ease with this initiative, and held our breath when a US massive assault happened in New York at that UN General Assembly session where you had everyone from the US administration, starting from the President down to assistant secretaries left behind in Washington, focusing on presenting this initiative.

We have a role to play in Afghanistan and there is a full appreciation of the huge role Kazakhstan is playing. We are the country, which had the special Afghanistan assistance plan, which runs from the year 2006. We provide lots of humanitarian aid. For example, we are the largest provider of wheat flour to Afghanistan, and we will be absolutely happy to continue with those programs focusing on the future commitment to Afghanistan and inviting others to pay attention to long-term elements of growth in Afghanistan.

Two years ago, we initiated the project of education for Afghanistan. We allocated \$50 million for a single project of providing education to 1,000 Afghan students in several subjects: engineering, healthcare, education, agriculture; and annually, we accept 200 students from Afghanistan to study in our universities, and we believe that this is a smart investment into the future of a stable Afghanistan.

I listened to a talk at the Center for the National Interest, and they enumerated 10 reasons why Russia matters. One was that all the transit routes go through Russia. It struck me that all the routes go through Kazakhstan too.

There are many reasons for Kazakhstan to be a strong proponent of the New Silk Road initiative. First of all, we are by nature a strong supporter of integrational trends. And, in reply to Steve Blank, I would say that Kazakhstan and its President back in the mid-'90s came up with the idea of the Eurasian Union. I was personally present there. The President was talking at Moscow University, and he addressed the academics over there, and he offered the idea of the Eurasian Union. And then at that time and later when Prime Minister Putin came up with his article on the Eurasian Union, there was no doubt that issues like political sovereignty and political independence will never be compromised.

The idea is about trying to find the benefits of living together and working together and creating better economic conditions for ourselves, and I do not think that it is a smart policy to try to build a new culture for foreign relations in our part of the world if one will continue to think in terms of the Cold War mentality where Russia is being suspected of persistently building or restoring the empire in our part of the world. We in Kazakhstan – at least maybe me personally – I am not a believer in the appetites of Russia to rebuild the former Soviet Union.

We are the fastest growing [regional] economy as my American journalist friend from Kazakhstan, pointed out today. Thank you for giving the statistics. Sometimes we hate to give the statistics because it is believed by the audience that we fake the statistics.

And we now understand that having weak neighbors to the south is a huge obstacle to our future growth – long-term, sustainable growth. Therefore, we sincerely believe in trying to put practical policies on the ground to help them grow. There are many ways of helping them grow, and we believe that this is where the West and America can play a very positive and useful role to empower those countries to enable them to grow on a sustainable basis.

We are the largest landlocked country in that part of the world. Therefore, we need markets, and we need markets on all sides. Today, we heard Fred Starr talking about the East-West corridors. We were the first to support the China-Frankfurt corridor. In the '90s we connected the railway links between Kazakhstan and China.

We are building the second project, which goes slightly to the south, which is more diverse; it is a multimodal railroad and motorway and logistical corridor called West China-West Europe. We are committing \$2.5 billion of our own money into the huge multi-building project, partnering with ADB, World Bank and other donors.

This is an opportunity to strike corridors not only east-west, but also north-south, because, as I said, we are the largest landlocked country; therefore, we need space. We need easy, unimpeded access to all kinds of markets. We are not painting markets into any political case.

Of course, we are concerned about the security threats, which are coming from the south. And unfortunately, these threats started to reach Kazakhstan, very unfortunate. This is shock for our society. We do not even understand what is going on, and we are trying to digest the situation and find the best way of addressing it, but it is really a very disturbing signal for us.

We, therefore, are holding our breath at the US initiative. We heard today of a very pragmatic approach from Fred Starr. I would hope that the US Government will take Fred Starr's recommendations, maybe not the definition for the strategy, but recommendations as he

formulated them to be more practical, to be more focused, and to go not only for money but for soft power; these are very good pieces of advice.

We believe that in general the New Silk Road initiative gives us an opportunity, all of us, to address all those challenges, which I identified before.

We want to see greater practical commitment from the United States, and actually, since this initiative is such a huge undertaking and it is, of course, not a one-year endeavor, it is definitely going to take a lot of years and effort and money and resources. Therefore, without leadership, this endeavor is going to fail. Therefore, we want our partners, we want Washington to take the leadership since you have initiated it. We have a saying: “Those who initiate the idea have the responsibility of implementing it.”

As Fred Starr formulated today, it is not only lofty speeches and ponderous announcements or statements. We want to see meat on the bones, and we hope for that after a series of tactics consultations in Istanbul, Bonn and Chicago. One way to view this initiative is as a smart exit strategy for the United States from Afghanistan. We accept that. We may take it, but we believe that it is better to view it as a new, smart entry strategy of the United States anew into our part of the world. So we vote for that.

Ambassador Muktar Djumaliev

Ambassador of Kyrgyzstan

Today, we are talking about the Silk Road initiative and its challenges for Central Asians. I will concentrate in my speech on two basic challenges: political and economical.

In my country, we have good news today. The central election commission announced the winner of the election of the president Mr. Almazbek Atambayev. This is the first case since Kyrgyzstan’s independence that we have a peaceful transfer of power taking place. I believe that this is good news, and we really thank the international community for supporting the political and democratic reforms in our country. Just one year ago, no expert believed that Kyrgyzstan would be able to build such a new parliamentary democracy in the Central Asian region.

Speaking about Kyrgyzstan’s experience in terms of economic reforms, Kyrgyzstan has open, liberal trade in this region, so we benefit from regional bilateral agreements. We share good cooperation with our neighbors. Mostly, our trade is with regional partners. Kazakhstan takes

almost 20 percent in our trade turnover; Uzbekistan, 7 percent; Russia, 25 percent; then Tajikistan and Turkmenistan, would have about 5 percent together.

We believe that the region is abundant in resources – oil, gas, water, human resources – and we all accept today that these resources should be more effectively used in the region. The Central Asian countries face unique challenges in the region, because we are landlocked countries. And if Kazakhstan is the biggest landlocked country in this region, we are the smallest landlocked country surrounded by landlocked countries, so double landlocked countries.

Kyrgyzstan is the only member of the World Trade Organization in this region. We joined the WTO in 1996, and we believed back then that this would push our trade. Today we realize that if the neighborhood is not a member of the WTO, then our membership is irrelevant for the liberalization of trade in the region. As Russia is joining the WTO by the end of 2011, it will open doors for the agreements which we were talking a lot today about: the Customs Union, the Eurasian Union. The free trade agreements should be subject to the FTA Committee in the WTO.

There were many discussions on whether Kyrgyzstan will join to the Customs Union while being a member of the World Trade Organization. We see that there are no restrictions for it. Since our main trading partners are Russia, Kazakhstan, Uzbekistan, Tajikistan, the existence of such a regional trade agreement is quite logical and will push the trade between our countries.

Speaking about the security challenges, I believe that the biggest challenge, which was neglected in the previous sessions today, is the risk of uranium waste, which is located on the territory of Central Asia. We were talking about water supply issues. If we will not be able to solve the problem with uranium waste on the territory of Kyrgyzstan and Tajikistan, there will be no water at all for the region. This can impact almost 50 million people.

During the 1970s, more than 30 percent of uranium production of the Soviet Union came from the Central Asian republics, which left behind a huge legacy of mining and processing waste. For over 50 years, Central Asia was one of the main sources of uranium and rare earth elements in the former USSR. The waste is affecting large land masses in Tajikistan and Kyrgyzstan.

We were talking about the New Silk Road initiative in the region, but there was no discussion about the resources available for the implementation of this strategy. Kyrgyzstan wishes to contribute to Afghanistan's economic integration process, but our own economic situation is problematic.

Our foreign debt is about equal to our GDP – almost \$2 billion. I am not sure that Kyrgyzstan will be able to pay this huge amount of foreign debt in the next 50 years or 100 years, but we are paying the interest rate.

Kyrgyzstan has asked for debt forgiveness and alternatively proposed to pay for projects in Afghanistan instead of re-paying debts to the donor countries. For example, we owe Russia \$300 million, so we are initiating bilateral debt forgiveness, so we can also use these resources for environmental protection. We owe Turkey \$49 million and Denmark about \$200 million. These are resources, which would be available to support the Silk Road initiative, if our donor partners agree to swap Kyrgyzstan's debt for assistance to Silk Road projects.

Ambassador Abdujabbor Shirinov,
Ambassador of Tajikistan

This conference is very important to highlight the processes, which are ongoing in Central Asian region, and to emphasize questions about what kind of problem we are faced with in our region.

One of the main challenges we face in Central Asia is regional cooperation. Our main concern is the situation in Afghanistan. We are interested in sustainable peace in Afghanistan and further development of the economy of this country.

Another problem, which was mentioned by my colleague Ambassador Djumaliev, is that the Central Asian states are landlocked. Tajikistan is also a landlocked country, and we feel every day how this chocks the economy.

The problems with water and energy issues in Central Asia are still is not well regulated. Some of the countries in Central Asia have very rich deposits of energy sources and some lack this energy, and because of this, it creates tensions in the relations between countries. We also have problems with the environment, which was mentioned by Ambassador Djumaliev.

Regional cooperation in Central Asia could be developed in very good ways when there are established good relations between economies. These relations could create a climate for sustainable development in Central Asia, and we hope that the idea of the New Silk Road will make its very impact on this issue because, first of all it, creates roads which will make good links between our countries. For example, for Tajikistan it will be beneficial, because it will

create links between our economies, our industries to the south, and it will create a shorter link of Tajikistan to the seas.

About the situation with peacemaking in Afghanistan, we in Tajikistan were in that situation. We had our own civil war, and we know how it can devastate the country and economy, and because of this, we are one of the very candid countries who are keen to work for peacemaking in Afghanistan. It also is very important for security reasons for our country because it can be a source of instability at our borders and also in our country, and we work together with the Afghan government to strengthen security.

One of the main things from our point of view is cooperation in the framework of the United States-Afghanistan Trade and Investment Framework Agreement (TIFA), which can create good opportunities for cooperation and for the development of our relations. We hope that the activity of TIFA will make more impact in our relations in resolving the problems of Central Asia.

I wanted also to mention about one of the projects which could play a very big role in Central Asia - South Asia relations – the energy supply between Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan. CASA 1000, which also could play a big role, is one part of this New Silk Road initiative.

The last thing, which I wanted to mention, is about the problem of radionuclides mentioned by Ambassador Djumaliev. Tajikistan is working on this issue with the IAEA, and according to the most recent information, which I have, there was an inspection of one of these sites, which found that the levels of radionuclides there are safe.

Alessandro Pio,
Asian Development Bank

As a regional bank, the Asian Development Bank works both at the country level and at the regional level. I would like to briefly mention some individual country challenges and some regional challenges as well.

There are four individual country challenges that need to be faced. One is the general improvement of the legal policy/regulatory framework to support the stronger development of the private sector and therefore of the economy as a whole. The second one is modernizing infrastructure, which all these countries have but it clearly needs to be brought up to date to the requirements of a more integrated economy. The third one is the fact that even though many of these are very large countries, each of them, relatively speaking, has a reasonably

small population and market size, and, therefore, the challenge of going beyond the market size of the individual country. And then, finally, the challenge of diversification the natural resource base whether it is agriculture, energy, or mining is very strong, but the question is how to go beyond this emphasis and this dependence on natural resources. And that is where the regional economic integration can play an important role.

I would like to mention four challenges at the regional level. The first one is how to integrate the markets. Each country taken by itself may not be as large as to sustain some economies, but the Central Asia Regional Economic Cooperation (CAREC) program, an association of ten countries, provides a sizable market.

All ambassadors have mentioned that these are landlocked countries. The challenge there is to go from being landlocked to being land linked and how to use this land and the land links as a way of integrating these markets. I think this is one of the first challenges.

The second challenge, I think, is to optimize the energy network. There has been a study done by the World Bank, which estimates that integrating the energy networks in the region would save \$1.5 billion over a three-year period. If you have a country that has a surplus of energy in the summer, a country that has an energy surplus in the winter, and if they are able to trade energy through an integrated transmission network, this can generate significant savings for the whole region.

The third challenge in the land-linked dimension is how to not only create the infrastructure and put the infrastructure in place, but how to address some of the softer constraints. I believe Professor Starr has certainly spoken about it and about the fact that, yes, you may shave off 5, 6, 10 hours by improving the road network, but the truck spends 24 hours or 25 hours at the border crossing; and, therefore, the money you may spend in significant infrastructure improvements can be even more saved by spending on cross-border agreements and facilitation of trade on things that will make it possible for the trucks when they reach the border to cross very quickly.

And the fourth and final challenge is the one of water security and water resources management in light of the climate change that is taking place in the region.

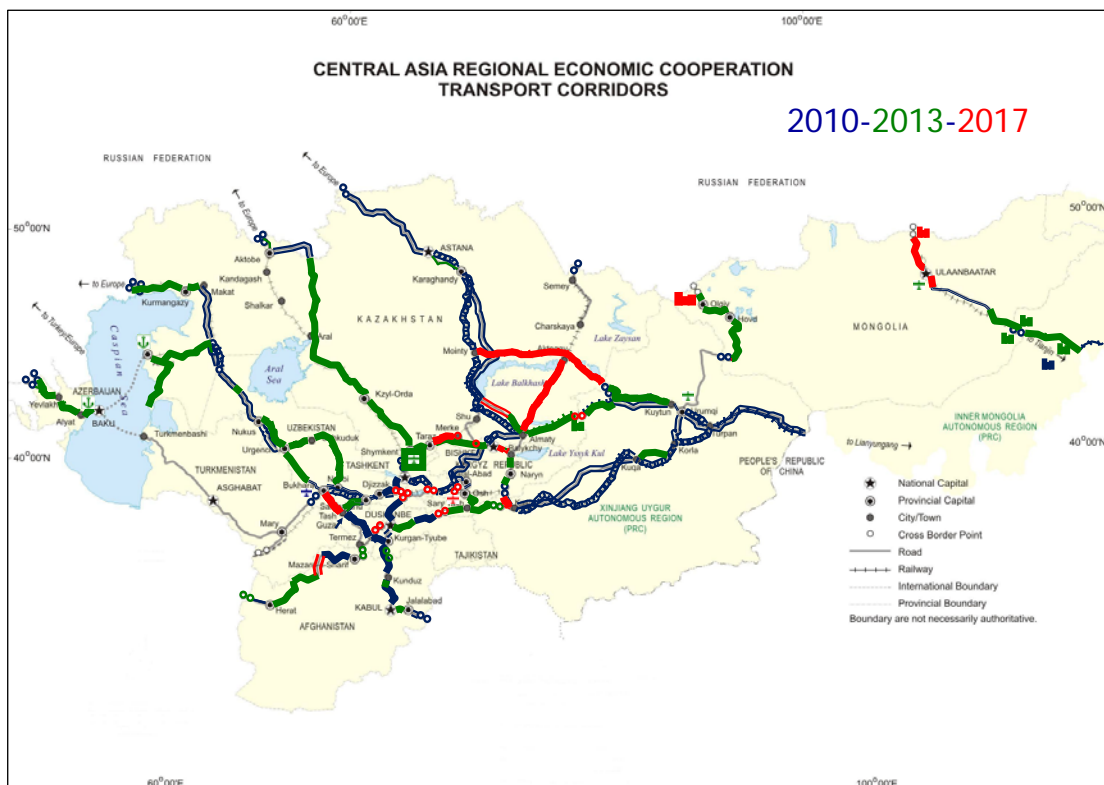
I would like to briefly touch on the CAREC experience. We talked about how the region can be integrated not only within itself but as a bridge between East and West and between North and South. The mechanism that can help facilitate this is the Central Asia Regional Economic Cooperation program. This is a mechanism that has 10 countries represented in it: Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, but also Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. So it is a sizeable number of countries.

There are six international organizations that are part of this arrangement, not only ADB, but the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank, the World Bank, the IMF, and the United Nations Development Program (UNDP). So there is quite a group of agencies and individual countries that are rotating this area, and there is an arrangement that works through a fairly simple organizational mechanism, which is essentially a ministerial conference that decides at the highest level what are the priorities; senior officials that meet regularly to discuss and iron out what these priorities are; and then sector coordination committees that in the five sectors of operation actually carry the agenda forward into very practical details.

And one of the things that I have heard mentioned often in the conference today is how do we go from the high-level vision that everybody can see, and relate to the very practical nitty-gritty, day-to-day, the-devil-in-the-details kind of solution of some of these regional integration problems. And that is where organizations and mechanisms such as these can help because there is an ongoing mechanism that tries to facilitate that.

I also would like to mention that, as an organization, CAREC has been in operation now for about 10 years. Many of the Central Asian republics and Central Asian countries joined ADB over 10 year ago, and we did give priority to the regional integration agenda.

There are essentially three areas of activity: transportation, energy integration and trade facilitation.



Transportation projects as illustrated above have been largely approved; financing has been achieved or is in the process of being achieved. The projects will be completed and we will have a sizeable transport infrastructure in place by 2017, which is almost around the corner.

But, as many people in the room have mentioned it, the hard infrastructure is only part of the deal, and I think cross-border transport agreements are an important component. The Kyrgyz Republic and Tajikistan signed one in December 2010. Afghanistan joined it in November 2011, so it is going to be a three-country agreement. And this, we hope, will set a platform for many other countries to join this senior level of cross-border agreements.

Customs cooperation is being promoted; analysis has been done about how long it takes for vehicles to cross the border and, therefore where the key bottlenecks are and how they can be improved. Border services improvements should follow. And organizations or the private sector, like the regional Federation of Carriers and Freight Forwarders, should help identify what these bottlenecks are and address them.

Energy is the second pillar, and there we have seen that the countries can be in many ways complementary. Some countries have very strong thermal energy and fossil fuels resources. Some countries have very strong hydropower resources, and by interconnecting the networks, a lot of more efficient use of the resources can be achieved.

An Uzbekistan-Afghanistan connection is already in place. A Turkmenistan-Afghanistan one is progressing, so we can see that when you attempt integration in the network, quite a bit of progress can be made.

Here again soft connections are very important. There is a power sector regional master plan to which Kazakhstan, Kyrgyzstan and Uzbekistan have agreed to participate, and we hope other countries will gradually join. They will look at how, by interconnecting the transmission networks, more economizing can be achieved.

There is a regional dispatch started that is looking at, once the networks are connected, what is the most effective way of arranging the dispatch. There is a regulators' forum that is looking at how progress in regulation reform at the system and national level can be merged with a regional perspective. And dialogue is beginning on energy-to-water linkages, which is a very sensitive topic.

Going forward, what are some of the challenges? About \$15 billion so far has been committed to regional cooperation projects in the region. International financial institutions like ADB and the World Bank have been very prominent in this, but increasingly we are relying on the

countries themselves to align through this process of consultation their investment programs in a way that can contribute to the development of the region as a whole.

The next challenges are basically in two directions: one is trade expansion, and the other is improving competitiveness in the region. The direction we have received from the member countries is clear: continued emphasis on infrastructure and investment in transport and energy; promoting transport facilitation along the corridors; modernizing customs and border crossing; looking at national- or single-window modalities for speeding up the cross-border agreements as well as a regional platform for a single window that can be coordinated in the region; and also having a model and an analytical base to begin discussing addressing the challenges of water resources and energy, and water and energy needs.

The second dimension that will be promoted is moving from transport corridors to logistics corridors, and then from logistics corridors to development and economic corridors, I think that is the challenge. Therefore, how to use these links across regions to build up policies that would improve the investment climate that would make it possible for these roads to be conveying goods and services and how to build trade centers and logistics centers, logistics parks: that will make it possible for the traffic on these networks to develop.

And as that happens, as these towns on the border or along the corridors develop, then you will see areas for private investors coming up. You will see business services coming up, and you will see some of the impediments in policy terms also start to crumble under the pressure of increased private sector cooperation. And this is what will strengthen the links and make it so that the regional cohesion will be built up.

So it is still a bit of a vision, but you can see there is a vision that does start having some feet on the ground, some concrete initiative happening; and with the goodwill of the countries in the regions, we hope it will really translate into much more viable and vibrant economies for the region as a whole.

Fatima Kukeeva,

Al-Farabi Kazakh National University

After 20 years of independence, it is time to analyze some results of Central Asian regional cooperation. The Central Asian nations always maintain close socioeconomic relations not least through the Silk Road. I think the main message of our distinguished speakers is that regional cooperation is vitally important for sustainable development of Central Asia.

It has become clear to me from our speakers' notes that cooperation requires the following important factors: shared vision on the purpose and value of cooperation; joint identification of opportunities and challenges; the political will of the parties for integration, and trust between the states.

From my perspective, all challenges can be divided into two levels: regional, including five former Soviet republics or classical Central Asia; and wider Central Asia including Afghanistan. At this level, there are a number of problems both on bilateral and multilateral levels, which could be characterized as internal within the region. Among them, interstate contradictions in bilateral and multilateral level, internal political and socioeconomic problems of some Central Asian states; it growing problem of resources, food, water on a regional scope; increasing of religious activities in a political context; uncontrolled demographics and migration processes, which have a cross-border nature; the existence and escalation of illegal activities such as drug trafficking and smuggling. All these problems could be resolved mostly among the Central Asian countries.

The second level, the wider Central Asian region includes and is surrounded by several important regional powers and has considerable geographical importance. The prospects of turning the wider Central Asian region into a land-breach of the Eurasian continent will depend on the collaboration among the countries of the region themselves and the greater region.

I would like to mention the Great Game from the perspective of regional security. Regional security has been strongly affected by the ongoing events as a part of the Great Game. Major global actors have been involved in pursuing their interests, sometimes exploiting the regional problems. We will see an increased competition between the great powers in the future with an unpredictable outcome. The plans of regional leaders to play on the contradictions between the leading geopolitical actors would only erode the regional integration basis and will decrease the level of regional security. It would significantly limit the opportunities of multi-vector foreign policy of the countries in the region.

As for Afghanistan, after the US and NATO transition from Afghanistan, the regional states and Russia will have to cope with the complexity of Afghanistan-related issues. And one of the possible effects is the emergence of a new wave of Islamic radicalism throughout the region and renewed activities of the Islamists in Central Asia.

The report today of the panel analyzed the big challenges that affect regional cooperation from Kazakhstan's, Kyrgyzstan's and Tajikistan's perspective and regional development in the wider Central Asian region focusing on the critical connections between these issues. Speakers analyzed selective areas of cooperation with good prospects for progress in the

short-run and which may help generate breakthroughs in dealing with the more difficult issues. Because of the conceptual basis, the reports provide an opportunity for future research to analyze a number of important issues, which have not been discussed in detail. These are the environmental issues. The democracy process is a challenge for Central Asian cooperation and religious extremism.

Our speakers pointed out in their speeches that there are a number of common and shared challenges such as cooperation in economy, trade and access to world markets, business and the investment climate, transport, and the management of shared natural resources. Management of shared natural resources will help balance the uneven distribution and avoid potential conflicts in this sphere.

Our speakers also pointed out security issues as an important challenge to regional cooperation. I want to say that the unpredictable social, economic and political situation in Kyrgyzstan, and the economic and social problems in Tajikistan are some of the main challenges for Central Asian security. Political Islam is also considered a challenge to the stability and security of our region.

Social development and poverty reduction remain among the major challenges. According to the UN Human Development reports for the region, the rates of poverty remain high throughout Central Asia. When addressing these challenges, our governments and partners in the region should first keep in mind the connection between regional cooperation and development.

Governments and partners should identify and agree on the areas where there are good possibilities for short-term success based on mutually beneficial, less controversial projects, which may serve as the entry points for further progress. Capacity building will be essential, most notably in the case of Afghanistan.

All reports of our panel highlighted the advantages of Afghanistan's inclusion in regional cooperation initiatives in Central Asia. The idea that the stabilization of Afghanistan needs to be framed in a regional context is not new. More than five years ago, US experts suggested developing a regional approach for facing the countries' challenges. As a new geopolitical condition of international relations, great attention is devoted to the idea of stronger military strategy that engages a broader set of original access.

The New Silk Road initiative stresses the need for non-military cooperation based on the development of trans-regional trade and transit including progress in the field of energy and transport cooperation with the participation of regional countries and regional and global

organizations. The Asian Development Bank is among the most significant international financial institutions involved in the trade and transport development.

I would like to conclude with a point that today all Central Asia countries are in need of greater cooperation in terms of regional integration, which will help them address their common diverse challenges.

Participant Biographies

Ambassador Robert O. Blake, Jr.

Mr. Blake was appointed Assistant Secretary for South and Central Asian Affairs in May 2009. As Assistant Secretary, he oversees US foreign policy with India, Bangladesh, Sri Lanka, Nepal, Maldives, Bhutan, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan. He previously served as Ambassador to Sri Lanka and Maldives from 2006 to mid-2009 and Deputy Chief of Mission at the US Mission in New Delhi, India from 2003-2006. Since he entered the Foreign Service in 1985, he has served at the American Embassies in Tunisia, Algeria, Nigeria and Egypt. He has also held a number of positions at the State Department in Washington, including Senior Desk Officer for Turkey; Deputy Executive Secretary; and Executive Assistant to the Under Secretary for Political Affairs.

Mr. Blake earned a B.A. from Harvard College in 1980 and an M.A. in international relations from Johns Hopkins School of Advanced International Studies (SAIS) in 1984. He is married to Sofia Blake, with whom he has three daughters.

Stephen J. Blank

Dr. Stephen J. Blank has served as the Strategic Studies Institute's expert on the Soviet bloc and the post-Soviet world since 1989. Prior to that he was Associate Professor of Soviet Studies at the Center for Aerospace Doctrine, Research, and Education, Maxwell Air Force Base, and taught at the University of Texas, San Antonio, and at the University of California, Riverside. Dr. Blank is the editor of *Imperial Decline: Russia's Changing Position in Asia*, coeditor of *Soviet Military and the Future*, and author of *The Sorcerer as Apprentice: Stalin's Commissariat of Nationalities, 1917-1924*. He has also written many articles and conference papers on Russian, Commonwealth of Independent States, and Eastern European security issues. Dr. Blank's current research deals with proliferation and the revolution in military affairs, and energy and security in Eurasia. His two most recent books are *Russo-Chinese Energy Relations: Politics in Command*, London: Global Markets Briefing, 2006 and *Natural Allies?: Regional Security in Asia and Prospects for Indo-American Strategic Cooperation*, Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2005. He holds a B.A. in History from the University of Pennsylvania, and a M.A. and Ph.D. in History from the University of Chicago.

Birgit Brauer

Birgit Brauer has over 15 years of experience in international journalism, writing for some of the world's leading publications, including *The Economist* and *The New York Times*, particularly on Central Asia. She has covered politics, geopolitics, economics, environmental issues, ethnic problems, and energy. In addition, she has served as an expert for NGOs on revenue transparency and media relations. Ms. Brauer's specialties are energy (oil and gas) and the ex-Soviet countries of the Caspian Sea region. She graduated from Harvard University Extension School and received her Master's degree in Journalism from American University. She has a Ph.D. in Political Economy from the University of Birmingham in the UK, having written her dissertation on foreign direct investment in the oil sectors of Azerbaijan, Kazakhstan and Russia. She is fluent in English, German, Russian, French and Spanish, and has a working knowledge of Kazakh.

Ambassador William Courtney

William Courtney is director of strategy and development for Computer Sciences Corporation (CSC). He was senior vice president for national security programs at DynCorp from 2000 until CSC acquired it in 2003. Prior to retiring from the Foreign Service, he was co-chair of the US delegation to the review conference of the Organization for Security and Cooperation in Europe which prepared for its 1999 summit in Istanbul. He was an adviser on the 1999 reorganization of foreign affairs agencies, special assistant to the president for Russia, Ukraine, and Eurasia, and ambassador to Kazakhstan and Georgia. He led negotiations to eliminate strategic nuclear weapons in Kazakhstan, and to remove a large cache there of highly enriched uranium (project sapphire). Earlier he headed the US delegation to the implementation commission of the Threshold Test Ban Treaty, and co-chaired the US delegation in initial talks with the USSR and Russia on nuclear weapons safety, security, and dismantlement. It helped pave the way for the Nunn-Lugar cooperative threat reduction program. He graduated from West Virginia University with a B.A. and Brown University with a Ph.D. in economics, and was an international affairs fellow at the Council on Foreign Relations. He is a member of the Council, the American Academy of Diplomacy, and the board of directors of the World Affairs Council of Washington DC.

Thomas L. Crisman

Thomas L. Crisman is a broadly trained aquatic ecologist specializing in ecohydrology, climate change projections and responses, and sustainable management of water resources in

subtropical and tropical landscapes. Prior to joining the University of South Florida in 2007, he was professor of Environmental Engineering Sciences at University of Florida for 30 years and director of the Howard T. Odum Center for Wetlands for 10 years. His long-term research program in the Balkans and Greece focuses on watershed management, transboundary water issues and landscape responses to long term over-exploitation of groundwater resources. He has been a Fulbright scholar in Greece and Turkey regarding water resources, team leader for a UNDP assessment of water use and the sustainability of the Azraq Oasis in Jordan, and consultant to the State Department on water management in Greece, the Balkans and the Middle East. He is co-organizer of a series of workshops in cooperation with US Central Command addressing water and security issues in Afghanistan and Central Asia.

Ambassador Muktar Djumaliev

Muktar Djumaliev is the Ambassador of Kyrgyzstan to the United States and Canada. Before his appointment to Washington in December 2010, he served as First Deputy Chief of Staff of the Administration of President Roza Otumbayeva. Previously, Muktar Djumaliev served as Ambassador to Switzerland and permanent representative to the World Trade Organization and the United Nations Office in Geneva (2004-2010). His previous appointments include First Deputy Minister of Foreign Trade and Industry, economic adviser of the President, and Deputy Director of the National Bank of Kyrgyzstan. He has degrees in economics and law from the National University of Kyrgyzstan and a Master's degree in International Law and Economics from the World Trade Institute, Bern University.

Martine-Sophie Fouvez

Martine-Sophie Fouvez has been working as Regional Adviser for Transport in the UN Economic Commission for Europe in Geneva since October 2008. Previously she was with the Organization for Economic Cooperation and Development (OECD) for 30 years. Her latest position within OECD was Principal Administrator in the European Conference of Ministers of Transport (ECMT), which recently turned into the International Transport Forum (ITF), in charge of road transport, road safety, and combined transport, inland waterways and international traffic trends. Ms. Fouvez is of French nationality. She holds a Diploma of "Ecole Supérieure de Commerce de Paris" (ESCP) in International Affairs. She also holds a DEA in Monetary Economy, and a DESS in Maritime and Air Transport from the University of Paris I, Sorbonne.

Paul Goble

Paul Goble is a longtime specialist on ethnic and religious questions in Eurasia. He currently serves as a director for studies on the Baltic Countries, Ukraine and Poland at the US Department of State's Foreign Service Institute. Prior to that, he was director of research and publications at the Azerbaijan Diplomatic Academy. Earlier, he served as vice dean for the social sciences and humanities at Audentes University in Tallinn and a senior research associate at the Euro College of the University of Tartu. While there, he launched the "Window on Eurasia" series (www.windowoneurasia.blogspot.com). Prior to joining the faculty therein 2004, he served in various capacities in the US State Department, the Central Intelligence Agency and the International Broadcasting Bureau as well as at the Voice of America and Radio Free Europe/Radio Liberty and at the Carnegie Endowment for International Peace. He writes frequently on ethnic and religious issues and has edited five volumes on ethnicity and religion in the former Soviet space. Trained at Miami University in Ohio and the University of Chicago, he has been decorated by the governments of Estonia, Latvia and Lithuania for his work in promoting Baltic independence and the withdrawal of Russian forces from those formerly occupied lands.

Ambassador Erlan A. Idrissov

Erlan A. Idrissov is Kazakhstan's ambassador to the United States and has served in this position since 2007. Mr. Idrissov worked in Pakistan and different diplomatic positions. In 1992 he was appointed to the position of Secretary of the Permanent Mission of Kazakhstan to the United Nations in New York. Three years later, he began work for the Ministry of Foreign Affairs of Kazakhstan as the Head of the American Department while also acting as the Ambassador-at-Large. Mr. Idrissov later became an assistant to the President of Kazakhstan, focusing on international issues, and, in 1997, was nominated to become the First Vice-Minister of Foreign Affairs of Kazakhstan. Following his service in this position, he was appointed Minister of Foreign Affairs of Kazakhstan in October 1999. Mr. Idrissov was posted to London in 2002 to serve as Ambassador to the United Kingdom, Norway, and Sweden. He continued to work in Europe until he was appointed Ambassador to the United States on July 7, 2007.

Fatima Kukeyeva

Fatima T. Kukeyeva is a professor in the International Relations and World Economy Department at al-Farabi Kazakh National University, specializing in foreign and security

policy, transatlantic relations, American studies, issues of globalization and democracy. She is the author of two monographs and numerous articles on the US-EU transatlantic partnership, US policy in Central Asia, and US foreign policy and international engagement more broadly. Kukeyeva also directs the al-Farabi University's Resource Center for American and Democratic Studies, which she founded in 2004 to promote American studies in Kazakhstan.

Professor Kukeyeva is co-director of the "al-Farabi Carnegie" Program on Central Asia, established by al-Farabi Kazakh National University and the Carnegie Endowment for International Peace in 2011. She is an alumni of Fulbright program of the US State Department (2001, 2010). She is a recipient of the presidential "Best Lecturer of the Year" fellowship (2007), and "Outstanding Scholar" fellowship (2008).

Melanie Nakagawa

Melanie Nakagawa is a Professional Staff Member with the US Senate Foreign Relations Committee. She advises the Chairman, Senator John Kerry, on issues involving the environment, energy, natural resources and climate change. She analyzes and drafts legislation in these areas, including extensive work in the last Congress on comprehensive climate change legislation. Earlier this year, she served as lead author for a majority staff report developing policy recommendations to promote trans-boundary water security titled, *Avoiding Water Wars: Water Scarcity and Central Asia's Growing Importance for Stability in Afghanistan and Pakistan*.

Prior to joining the Senate, Ms. Nakagawa was attorney with the International Program of the Natural Resources Defense Council (NRDC) in Washington, DC. She served as NRDC's lead representative at several international negotiations and meetings. She was also the director of NRDC's Global Safe Water Project, which promotes US leadership in addressing water security in developing countries. Ms. Nakagawa earned a Juris Doctor and Master's of Arts in International Affairs from American University's Washington College of Law and School of International Service. She received a Bachelor of Arts from Brown University.

Ambassador John Ordway

John Ordway is a retired Foreign Service Officer who is serving as the US Commissioner to the US-Russian Bilateral Consultative Commission under the New START Treaty. He served as Ambassador to Kazakhstan (2004-2008) and to Armenia (2001-2004). He was Director of

African Affairs at the National Security Council during the first Bush Administration, as well as Deputy Chief of Mission at the US Embassy in Moscow from 1999-2001. More recently he was chargé d'affaires at the US Embassy in Vienna, Austria from May to July 2009, chargé d'affaires at the US Embassy in Sofia, Bulgaria from August to November 2009, chargé d'affaires at the US Embassy in Kathmandu, Nepal from December 2009 to January 2010, and chargé d'affaires at the US Embassy in Prague, Czech Republic from May to October 2010. He returned to Kazakhstan and was chargé d'affaires at the US Embassy in Astana from January to September 2011. Earlier in his career, Ambassador Ordway was a participant in the US negotiating team that resolved the Angola-Namibia conflict, leading to the withdrawal of Cuban troops from Angola and the independence of Namibia. Ambassador Ordway has received numerous State Department awards.

Alessandro Pio

Alessandro Pio is the Resident Director General of the Asian Development Bank's (ADB) North American Representative Office (NARO) in Washington DC. Before his appointment in Washington in May 2011, Mr. Pio led ADB-wide operations planning in the Strategy and Policy Department, and was Senior Advisor in ADB's Budget, Personnel and Management Systems Department. From 2004 to 2011, he served as Country Director of the Sri Lanka Resident Mission, where he co-chaired coordination of the aid agencies post-tsunami reconstruction response, and oversaw implementation of ADB's country program, including operations in the conflict-affected northeastern provinces. Other positions within ADB included country economist for Sri Lanka and the Maldives, and programs economist for Viet Nam, where he was posted from 2000 to 2004. Before joining ADB in 1993, he was a professor at Bocconi University in Milano, Italy, where he taught macroeconomics and development economics and coordinated research activities at the Institute for Latin American Studies. In the early years of his career, he worked in Latin America with the Economic Commission for Latin America and UNICEF.

Ambassador Joseph A. Presel

Joseph A. Presel is an American diplomat and was United States Ambassador to Uzbekistan between November 1997 and October 2000. Joseph Presel joined the Foreign Service in 1963 and has specialized in Russian, multilateral diplomacy, and political military affairs. He has served in Turkey, France, Moscow, Belgrade (as Deputy Chief of Mission), and twice in the US Arms Control Delegation in Vienna (the second time as Deputy US Representative). Ambassador Presel, of Rhode Island, has served as the Coordinator for Regional Affairs in

the New Independent States since 1993 and became Special Negotiator for Nagorno-Karabakh in 1995, with the rank of Ambassador. His Washington service includes two assignments to the Arms Control and Disarmament Agency, service in the European, Politico-Military, International Organizations and INR bureaus, as well as several assignments in the offices of Department of State principals. He is a graduate of Harvard College, and studied at St. Antony's College, Oxford University. He is married to Claire-Lise Junod Presel.

Ambassador Abdujabbor Shirinov

Abdujabbor Shirinov was appointed as the Ambassador of Tajikistan to the United States in February 2007. Previously, he served as First Deputy Director of the Agency for State Finance Control and Anti-Corruption (2006-2007) and First Deputy Chairman of the National Bank of Tajikistan (2000-2006). He also chaired the Committee for State Financial Control of Tajikistan in 2006. From 1998 to 2000, Mr. Shirinov was First Deputy Chairman of the Executive Board of the Joint-Stock Commerce Agro-Industrial Investment Bank. During the six years before that he held several positions at the National Bank of Tajikistan – from Chief Engineer to Director of the Settlement Department. He graduated in mathematics from the Tajik National University in 1974 and returned to earn a degree in economics in 1999.

Vladimir Socor

Vladimir Socor is a Senior Fellow of the Washington-based Jamestown Foundation and its flagship publication, Eurasia Daily Monitor (1995 to present), where he writes analytical articles on a daily basis. An internationally recognized expert on former Soviet-ruled countries in Eastern Europe, the South Caucasus, and Central Asia, he covers Russian and Western policies there, focusing on energy policies, regional security issues, secessionist conflicts, and NATO policies and programs.

Mr. Socor is a frequent speaker at US and European policy conferences and think-tank institutions. He is a regular guest lecturer at the NATO Defense College and at Harvard University's National Security Program's Black Sea Program (Kennedy School of Government). He is also a frequent contributor to edited volumes. Mr. Socor was previously an analyst with the Radio Free Europe/Radio Liberty Research Institute (1983-1994). He is a Romanian-born citizen of the United States based in Munich, Germany.

S. Frederick Starr

Dr. S. Frederick Starr is Chairman of the Central Asia-Caucasus Institute and Silk Road Studies Program. He is a Research Professor at the Paul H. Nitze School of Advanced International Studies, Johns Hopkins University. Dr. Starr for several years served as Rector Pro Tem of the University of Central Asia, and is a Trustee of the Eurasia Foundation. Prior to founding the Central Asia-Caucasus Institute, he served as founding Director of the Kennan Institute for Advanced Russian Studies 1974-79; as Vice-President for Academic Affairs at Tulane University in 1979-1982; as Scholar-in-Residence of the Historical New Orleans Foundation in 1982-83. He was appointed President of Oberlin College in 1983, a position he held for eleven years. In 1994-96, he served as President of the Aspen Institute. Dr. Starr served as an advisor on Soviet Affairs to President Reagan in 1985-86 and to President George H.W. Bush in 1990-92. Starr holds a Ph.D. in History from Princeton University, an M.A. from King's College, Cambridge University, and a BA from Yale University.

Ambassador Askar S. Tazhiyev

Askar Tazhiev is Ambassador-at-Large and Director of the Americas Department at the Ministry of Foreign Affairs (MFA) of Kazakhstan. He was responsible for the OSCE issues at MFA in 2008-2009 during the preparation for Kazakhstan's Chairmanship of the organization. Mr. Tazhiyev joined the MFA in 1992 and served twice at the Embassy of Kazakhstan in Washington – as Deputy Chief of Mission in 2003-2005 and First Secretary in 1996-1999. He has previously worked as a senior engineer at Telecom, Kazakhstan. Mr. Tazhiyev graduated from the Institute of Foreign Languages in Almaty and has a degree in Telecommunication Engineering from the Institute of Telecommunications in St. Petersburg, Russia.



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