16

Central Asia

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After a decade of competition for influence in Central Asia, the region's future path is now clearly tied to China. While Russia retains some roles in the region, the trend toward China is likely to continue without strong contestation. The United States has an interest in meaningful economic development and can help shape some aspects of China's involvement in the region.

With the winding down of the war in Afghanistan and low oil prices, Central Asia is no longer visible in the forefront of U.S. foreign policy. U.S. priorities in the region have already been through two distinct phases. First, U.S. attention to the region from independence to the terrorist attacks of September 11, 2001, focused on consolidation of independence and state-building. Then from 9/11 to 2014, Central Asia was a focus because of its proximity to Afghanistan. Now, in a third and post-Afghanistan phase, the United States is reassessing the distant, landlocked region and how it does—or does not—tie to U.S. national interests.

The United States continues to be concerned about political instability in the region, the persistence of drug-trafficking, and the prospects for the rise of violent extremism. In each of these areas, concerns are not matched with clear U.S. levers for influencing the outcome. In the Afghan War era, the United States was the third party in what was commonly referred to as the "Great Game" for influence. The United States is no longer a key player in the new Great Game that is unfolding between Russia and China, but it is still likely to be called on to referee and can play a role in ensuring that Central Asia benefits from the overlapping and sometimes competing interests of its powerful neighbors.

The states of Central Asia face a "connect or die" challenge. Longstanding grievances, which are personal (among the leaders) and historical (among the nations), make cooperation difficult. Yet regardless of which hegemon wins the most influence, Central Asia's future success rests on economic integration and to some extent political and security integration.

The Central Asian states are not yet persuaded of this. In February 2014, aging Kazakh President Nursultan Nazarbayev floated the idea of changing his country's name from Kazakhstan to Kazak Yeli, omitting the "-stan" suffix in favor of its Kazakh equivalent.[1] This idea may be the vanity of an aging ruler, but it also reflects a sense, common in Kazakhstan, that as the most successful state in the region, Kazakhstan benefits from distancing itself (as much as possible) from its more troubled neighbors.[2] The fact that Kazakhstan's name is even a point of discussion illustrates a problem that is somewhat perplexing to outsiders: Central Asia's core question for the coming decade is what sense will be made of its region—and if it is a region at all. Although Central Asia is always described as a crossroads, a renewed competition is now under way to define the crossroads, what forms of government and security provision will prevail, what markets will now be connected to what producers, and what physical infrastructure and rules will shape the trade within the region and beyond.

The United States framed its efforts to integrate Afghanistan into the region as a "New Silk Road Strategy," but that gained little traction beyond supply for and retrograde from the war in Afghanistan. The U.S. New Silk Road Strategy did not promise or provide major investment in the region, and the signature project, the Turkmenistan-Afghanistan-Pakistan-India gas pipeline, failed to move forward due to a persistently problematic security climate and lack of investors. While the North Atlantic Treaty Organization and European nations sought to connect Central Asia to its south, Russia is seeking to integrate some (but not all) Central Asian states into its Eurasian Economic Union (EEU). Moreover, China has launched an ambitious program of investment tying the region to its own Xinjiang Province. Central Asia has established itself as an energy powerhouse with growing exports in oil, gas, and electricity, but the direction of these exports is evolving unexpectedly. Economically, the only other significant export besides resources is labor, and the migration of labor is going in a different direction than resource exports. Security is largely contingent on economic and governance success or failure, but the alliances promising security, such as the Collective Security Treaty Organization (CSTO), are not the same as the ones promising prosperity, such as the EEU.

This chapter provides a brief overview of governance, oil and gas development, and emerging security challenges, but its emphasis is on the question of the competitive evolution of the crossroads themselves. Re-

Table 1. Indicators of Governance in the Region					
Country	Human Development Report 2015 (of 188 countries)[1]	Corruption Perceptions Index 2015 (of 167 countries)[2]	World Bank Ease of Doing Business 2015[3]	Freedom in the World 2016[4]	Per Capita Electricity Consumption (kilowatt hours per year)[5]
Kazakhstan	56 (high)	123	77	6/5: not free (aggregate score 24)	5,085
Kyrgyzstan	120 (medium)	123	102	5/5: partly free (aggregate score 38)	1,809
Tajikistan	129 (medium)	136	166	7/6: not free (aggregate score 16)	1,732
Turkmenistan	109 (medium)	154	Not rated	7/7: not free (aggregate score 4)	2,384
Uzbekistan	114 (medium)	153	141	7/7: not free (aggregate score 3)	1,605
Afghanistan	171 (low)	166	Not rated	6/6: not free (aggregate score 24)	78

Source: Jane's World Armies Database.

[1] *Human Development Report 2015: Work for Human Development* (New York: United Nations Development Programme, 2015), 208–211.

[2] Transparency International, "Corruption Perceptions Index 2015," available at <www.transparency.org/cpi2015#results-table>.

[3] World Bank, *Doing Business 2016: Measuring Regulatory Quality and Efficie*ncy, 13th ed. (Washington, DC: World Bank, 2016), available at <www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB16-Full-Report.pdf>.

[4] Freedom House, "Freedom in the World 2016," Table of Country Scores, available at <https://freedomhouse.org/report/freedom-world-2016/table-scores>. Political rights and civil liberties are scored on a 1 to 7 scale, with 7 being least free. Aggregate score of 0 is worst, aggregate score of 100 is best.

[5] Data (except Afghanistan) are from International Energy Agency, "Statistics," available at <www.iea.org/statistics/statisticssearch/>. For Afghanistan consumption, see Index Mundi, "Electricity Consumption Per Capita," available at <www.indexmundi.com/g/r.aspx?v=81000>. By comparison, Russia's consumption per capita is 8,763 and U.S. consumption per capita is 12,884.

gional scholar Alexander Cooley frames the problem as "Great Games, Local Rules," arguing that Central Asian leaders have been highly successful at serving their own interests while the United States, China, and Russia vie for influence.[3] Although the leaders have managed to entrench themselves and gain extensive side payments, the economic and political development of the region has not been well served by the way the game has been played to date. Central Asia's future prospects for success lie in managing that overlap of great power and local interests strategically rather than in the narrow personal interests of the leaders. A critical component of this is improved integration among the Central Asian states.

Development Traps and Central Asia

Despite more than 25 years of independence that coincided with a period of world economic growth during which many states experienced a dramatic rise in standard of living, Central Asia as a region continues to be plagued by slow, uneven development and poor governance. The Human Development Index for each of the five states is higher than that of Afghanistan (and in some of the past 20 years has shown marginal improvement), but as table 1 shows, other indicators of governance, corruption, and ease of doing business make it clear that the capitals of Central Asian states have much in common with Kabul. The Soviet legacy of education has been preserved to the extent that literacy in the region remains high, but many aspects of public health, education, and domestic infrastructure have continued to deteriorate over the years. The states have not succeeded in diversifying their economies, and remain economically hostage to commodities prices and poor governance.

Electricity per capita is provided in table 1 as one illustration of development level. Although electricity generation has increased in all Central Asian states since 1992, supply per capita in Kyrgyzstan, Tajikistan, and Uzbekistan is low enough to suggest that (in spite of Soviet claims to the contrary) the region was never fully electrified and still has significant gaps in electricity provision. World Bank survey data provide additional support for this, finding in 2015 that many rural households in Tajikistan were not connected to the grid at all and that 38 to 58 percent of the connected rural households experienced regular outages even in the May–September season,[4] which is particularly striking since Tajikistan and Kyrgyzstan are large-scale exporters of electricity during that season.

Examination of the World Bank's "Ease of Doing Business 2015" data provides more evidence that the states are poor performers. Uzbekistan ranks lowest in the broader region for its performance in registering property and in trading across its borders, and Tajikistan has the lowest regional performance in paying taxes and highest cost (per container) to export or import. Kazakhstan, despite its higher level of development, has the worst regional score in number of days needed to export a container (79) while Uzbekistan has the worst regional score in number of days needed to import (104).[5] These numbers point to a striking problem: the Central Asian states continue to make it difficult to engage in commerce within their countries, but even more so, they make it difficult to engage in commerce across the states. Not only is this "great crossroads" poorly connected to larger markets, but it also connects poorly across even the local boundaries.

Three of the five Central Asian states are highly dependent on remittances from labor migration. For Tajikistan, Kyrgyzstan, and to a lesser extent Uzbekistan, participation in the regional economy is through the export of mostly unskilled labor, and mostly to Russia. Indeed, Tajikistan is the most remittance-dependent country on Earth.

In his landmark work *The Bottom Billion*, development scholar and World Bank expert Paul Collier identifies four key traps that continue to prevent some nations from experiencing development even in periods of rising global prosperity. Although his expertise is concentrated in Africa, Collier's work makes frequent reference to Central Asia because the region is home to three of the four classic "development traps" he identifies. They include the problem of poor governance in a small state, the problem of being landlocked with bad neighbors, and the natural resources trap.[6] The fourth development trap he identifies—the conflict trap—is less relevant to the Central Asian cases (except for Tajikistan).

Poor governance is more problematic in small states than in large ones, he argues, because a rapacious state with small territory has a tendency to extract wealth from any region or business that tends to succeed, thereby discouraging entrepreneurship that might rise from below. (Larger states with poor governance, by contrast, often have pockets of economic prosperity far from the central government.) Being landlocked with bad neighbors is particularly problematic because access to international markets—for export or for import—depends not only on the state's own infrastructure (roads, electricity, rule of law) but also on the infrastructure of neighboring states. According to Collier, the landlocked trap is particularly associated with labor migration, with the home state often becoming over-reliant on remittances. This is highly visible in Central Asia: Tajikistan's remittances in 2014 constituted 36.6 percent of gross domestic product (GDP)—the highest proportion of remittance reliance in the world. Kyrgyzstan was not far behind, with remittances constituting 30 percent of GDP in 2014, and remittances in Uzbekistan (although Uzbekistan denies that labor migration is a problem) appear to have constituted 9.3 percent of GDP in 2014.[7] The regional governments do a relatively poor job of promoting fair or safe migration through good policy compared to the governments of South or East Asia, which leads to unintended consequences. A recent U.S. Government study identifies labor migrants from Central Asia as a source of highly valued foreign volunteers for violent extremist organizations in Iraq and Syria, according to the Islamic State of Iraq and the Levant.[8]

Collier's third trap, the natural resources trap, offers states the option of deriving state revenues from commodities extraction rather than development of the people. Hence natural resource riches can lead to a tendency on the part of a government to ignore the people. Only three of the Central Asian states are rich in oil or gas: gas provides 81 percent of export revenues in Turkmenistan, gas and minerals provide 44 percent of export revenues in Uzbekistan, and oil provides 58 percent of revenues in Kazakhstan.[9] Despite these facts, it is instructive to note that exports of hydroelectricity have been significant sources of income for the state in both Kyrgyzstan and Tajikistan and that exports of commodities are central in the economies of all five states.[10]

Collier's framework aptly characterizes the regional development challenge in Central Asia. The states discourage entrepreneurship within, make it difficult to trade across states, and base their revenues on commodities rather than development of human capital. Commodities booms and labor remittances have provided what economic success the region has enjoyed. The problem of being landlocked has been exacerbated for Central Asian states by their difficult regional relations—the Kazakhs focus on Russian and Chinese relations, with some investment in Kyrgyzstan but with difficult relations with Uzbekistan. The Uzbeks have contentious relations with all neighbors but especially with Kyrgyzstan (motivated by Uzbek ethnic minority politics) and with Tajikistan (motivated by the politics of water and dams). The Turkmen, registered as permanently neutral before the United Nations, refuse to engage in any regional agreements. Although there have been international efforts to better integrate the region since 1992, tensions among the various states make such integration problematic.

Choosing a Leviathan

With the problems of non-integration plaguing the region, the role of outside actors in connecting the Central Asian states to each other—if only to reach markets beyond Central Asia—is critical. The low levels of trust among the states cause each Central Asian state to place hopes in outside actors to moderate the behavior of its immediate neighbors. The two leading competitors in the region—Russia and China—have each taken a different approach.

For Russia the preferred approach is for the Central Asian states to join the EEU. This union, which came into being in January 2015, allows for a common customs area. The common market envisioned by the EEU is expected to go into effect in 2025, with the intervening years being used to harmonize legislation and practices.[11] Kazakhstan was a founding member, as was Kyrgyzstan, but each state had some skepticism about the future of the EEU from the outset. Kazakhstan joined the World Trade Organization (WTO) prior to joining the EEU to ensure that it would be bound by international rules and regulations, limiting Russia's power to fundamentally reshape markets. Kyrgyzstan (long a member of the WTO) secured a clause in its agreement with the EEU that ensured it would be able to continue with its economic ties to China without interference. Russia has indicated (although not yet implemented) that it will give preference to labor migrants from EEU countries over non-EEU ones, a factor that strongly shaped Kyrgyzstan's decision to join. Although Tajikistan is exploring the possibility of membership, it is unclear how eager Russia is to add further to the union at this time—and a closer economic relationship with impoverished Tajikistan is not necessarily in the Kremlin's interests. There has been no evident discussion about expanding the EEU to include Uzbekistan (whose relations with Russia are off and on) or Turkmenistan (which remains permanently neutral and therefore does not belong even to the Shanghai Cooperation Organization [SCO]). Meanwhile the economic recession in Russia has somewhat reduced its attractiveness to Central Asian migrants. According to World Bank data, Tajik migrants to Russia decreased by 3.8 percent and Uzbek migrants decreased by 18.6 percent in 2015.[12]

While Russia's current economic offering, the EEU, focuses on institutions, China's efforts in the region clearly focus on something more immediately attractive to the region: infrastructure. In September 2013, Chinese President Xi Jinping took the opportunity of a speech at Nazarbayev University in Astana, Kazakhstan, to announce China's plans to build a "Silk Road Economic Belt" across Eurasia. This Silk Road became the land-based component of China's subsequent "One Belt, One Road" (OBOR) strategy, which envisions land-based infrastructure connecting China to Europe via Central Asia (One Belt) as well as a maritime network linking Asia to Africa via the Indian Ocean (One Road).[13] The policy envisions long-term political cooperation and cultural exchange, but physical blueprints focus on infrastructure in three areas: transportation, energy, and telecommunications.[14]

Physical aspects of the OBOR include pipelines, railways, and highways. The entire program is exceedingly ambitious—involving some 68 nations—but Central Asia does seem to be enjoying some pride of place in the project to date. Analysts of China's OBOR strategy in Central Asia note that China's infrastructure development in the region serves several purposes at once: China is able to export its current overcapacity in infrastructure development to neighboring states, this new infrastructure potentially helps stabilize the Xinjiang region by better linking it economically to its nearest neighbors, and it helps China reap the benefits of access to natural resource markets as well as to consumer markets that have been isolated.

As envisioned, financing will come from China bilaterally, from Chinese private investors, and from multilateral funds. China often cites the Asian Infrastructure Investment Bank (AIIB) as an important multilateral source for Silk Road project financing. China holds a 30 percent stake in the AIIB, which is expecting to have a $100 billion capital base. Since the articles of agreement for the AIIB require 75 percent support to make major decisions, China's priorities will be well reflected in funding. China is also expecting to use the BRICS (Brazil, Russia, India, China, and South Africa) New Development Bank (which also expects to establish a capital base of $100 billion), although it will have less clout in that organization. China is also believed to be pressuring the SCO to establish funding available for these projects.[15] Although the ambition and scope of China's OBOR strategy are striking, Central Asia has an important place. Oil and gas pipelines from Central Asia to China are already well established (this point is discussed in the next section), and China has established a $40 billion Silk Road Fund for additional projects in the region. Analysts note that even if China does not follow through on all its investment promises, projects already undertaken with Chinese funding represent more investment than Central Asia has received from any other source since independence.

Oil and Gas

Efforts to acquire energy resources have played a large and early role in China's attention to Central Asia. Much international attention in the past decade was drawn to Central Asia because it contains large untapped reserves of oil and gas, located in countries that are not members of the Organization of the Petroleum Exporting Countries cartel. The Caspian Sea, when first opened to development in the 1990s, was the scene of scrambles from major oil companies all over the world, and the celebrated "deal of the century" signed in 1994 gave rights to develop the Azeri-Chirag-Gunashli field offshore of Azerbaijan.[16] Central Asia was more difficult, but promising, and attracted large investment, particularly from Chevron, in the early years.

In the decade between 2004 and 2014, production continued to rise, although not as rapidly as anticipated, delayed by the global economic downturn and low prices. Production of oil from Kazakhstan rose from 1.2 to 1.7 million barrels a day. Production of gas in Turkmenistan rose from 52.9 billion cubic meters per annum (BCMA) to 69.3 BCMA.[17] China was closely involved in increases of production from both states. China is a key investor in Kazakhstan's oil sector, and Kazakhstan sent 16 percent of its 2013 oil exports to China.[18] China is also the key investor in Turkmenistan's natural gas sector, and imports more than 50 percent of all Turkmenistan exports. In both cases, China is continuing to invest and has expectations of increasing import levels. When we examine the

Table 2. Central Asia Exports in Natural Gas: 2008, 2010, and 2014 in Billion Cubic Meters per Annum (BCMA)						
Origin > Destination	2008 BCMA	2008 as %	2010 BCMA	2010 as %	2014 BCMA	2014 as %
Turkmenistan > Russia	47.1	86 trade*/71 production**	9.68	49 trade*/23 production**	9	22 trade*/13 production**
Uzbekistan > Russia	13.5	100 trade/22 production	10.32	76 trade/17 production	4.1	48 trade/7 production
Kazakhstan > Russia	9.6	100 trade/32 production	11.95	100 trade/35.5 production	10.9	96 trade/56 production
Turkmenistan > China	N/A		3.55	18 trade/ 8 production	25.5	61 trade/37 production
Uzbekistan > China	N/A		N/A		2.4	23.5 trade/3 production
Kazakhstan > China	N/A		N/A		0.4	3.5 trade/2 production

Source: For 2008 data, see *BP Statistical Review of World Energy June 2009* (London: British Petroleum, 2009), 24, 27, 30. For 2010 data, see *BP Statistical Review of World Energy June 2011* (London: British Petroleum, 2011), 22, 28. For 2014 data, see *BP Statistical Review of World Energy June 2015* (London: British Petroleum, 2014), 22, 28.

*Percentage of natural gas trade.

**Trade relationship as percentage of overall natural gas production.

years since 2009, a striking pattern emerges: Russia lost Central Asia, at least in energy transit terms.

Historically, Russia had been the transit state for all exports of oil and gas from the region, using its power to allow and disallow access to markets. Early after the breakup of the Soviet Union, Russia established a practice of using Central Asian production as "swing" capacity, which allowed access to the pipelines only when demand in European markets was high enough to use full Russian production plus Central Asia. The rapid development of pipelines, which began coming on line in 2001, began to change that, and by 2010 the picture of energy in the region was starkly different. Kazakhstan's oil production increased and its natural gas production declined (as it increasingly used reinjected gas to improve the productivity of the oil fields). Uzbekistan's production remained relatively constant, but its export of oil and gas declined sharply, as it used more of its natural endowments to support autarkic industries within Uzbekistan. Turkmenistan's production of natural gas rose sharply, but it simultaneously reduced exports and developed entirely new routes in an effort to secure independence and prosperity. Table 2 gives a sense of the changes and shifts in natural gas flows from the region.

As table 2 shows, the clear winner in this development has been China, particularly with regard to Turkmenistan. It is instructive how much of China's relationship with Turkmenistan resulted from a Russian policy blunder. China did not so much "win" Turkmenistan as Russia "lost" it. During the global economic downturn, in an effort to preserve scarce profits, Gazprom responded slowly to a rupture on the main Turkmenistan pipeline (and, some argue, caused it). Turkmenistan was unable to export any gas via its main line for several months, throwing the nation into a severe economic crisis. By the end of that crisis, Turkmenistan had committed to completing pipeline infrastructure to China—infrastructure that had been discussed for years but on which there had been little progress. In short, the cost to Russia of Gazprom using Turkmenistan as its "swing" capacity was the geostrategic loss of Turkmenistan as an energy ally. Although Turkmenistan accounted for only 2 percent of global production in 2015, it has the fourth largest proven reserves of natural gas in the world, indicating a promising future.[19]

Construction of Turkmenistan's first pipeline to China preceded articulation of the OBOR strategy, but now the network of natural gas pipelines connecting Central Asian gas to markets in China is seen as an important component of the strategy. The Central Asia–China gas pipeline, the longest pipeline in the world, transits Uzbekistan and Kazakhstan on its way to China. It is currently comprised of three lines, with a total capacity of 55 BCMA. A fourth line, currently under construction, will take a different route, flowing through Uzbekistan, Tajikistan, and Kyrgyzstan, and will add another 25-BCMA capacity. Since the completion of the Central Asia–China gas pipeline, Turkmenistan's production has risen by over 25 BCMA.

This infrastructure is especially attractive to China as it provides for an expansion of supply that is overland (and therefore not involved in growing pressures on the Strait of Malacca), and it enables China to tap into—and presumably become a near-monopsony for—available but landlocked natural gas in Central Asia. At the outset, Turkmenistan provided all the natural gas that traverses the Central Asia–China gas pipelines, but China has since pursued development of natural gas supply in Uzbekistan and in Kazakhstan, with the intention of these nations becoming suppliers rather than merely transit states for China. At the same time, China is involved in infrastructure improvement that will help gasify regions of these countries that do not currently have such infrastructure.[20]

The fourth line of the gas pipeline, Line D, which takes a new route and is still under construction in late 2016, is particularly attractive to the energy-poor states of Kyrgyzstan and Tajikistan. They will receive both transit fees and lower dependence on their historical gas supplier, Uzbekistan.[21] China is billing this route choice as an aspect of regional development. This route also helps discipline the main transit states by ensuring there is an alternate route in the event of unrest or dispute. It is also most likely a reflection of China's interest in Tajikistan's natural gas potential. Although recent efforts to exploit Tajik gas have proved uneconomic (the gas reserves are at an unusual depth and believed to lie under a salt layer), the China National Petroleum Corporation (CNPC) and Russia's Gazprom both remain investors in spite of the departure of Western firms (most notably the American firm Tethys).

Oil is also being developed by China, albeit more slowly. Kazakhstan, the most important producer of oil in the region, has seen an increase of 30 percent in its production. The light sweet crude characteristic of Kazakhstan is highly desirable, and although the Kazakhstan-China pipeline completed in 2006 was not filled to capacity until January 2011, China remains interested in investing in the oil sector in Kazakhstan.[22] CNPC has an 8.3 percent stake in the Kashagan oil field, the largest oil field outside the Middle East, expected to begin producing in 2016 (although it has experienced significant delays already).[23] Once the considerable technical hurdles are overcome, Kashagan is likely to produce 1.5 million barrels a day.[24] CNPC is currently the majority owner of two major oil companies, AktobeMunai and PetroKazakhstan.[25] Another Chinese parastatal, Sinopec, has a memorandum of understanding with KazMunayGas (Kazakhstan's State Oil and Gas Company) for cooperation in exploration and development.[26]

China is interested not only in production but also in long-term arrangements that bind the Kazakh energy sector more closely to Chinese interests. For example, during the low oil prices that caused the Kazakh oil industry to be cash-strapped, in December 2015 the private Chinese firm CEFC Energy agreed to take control of one unit of KazMunayGas. This agreement, valued at between $500 million and $1 billion, was part of a $4 billion agreement that focused on oil and gas but also involved uranium mining and telecommunications.[27]

Other Trade and Economic Activity

Trade between China and Central Asia is estimated to have been $350 to $750 million per year in the 1990s.[28] From 2000 to 2010, estimates of China's overall annual trade rose from $1 billion to $30 billion. In subsequent years, Central Asia trade with China surpassed trade with Russia, and in 2013 stood at $50 billion. During that period, time required for import and export declined significantly, although Central Asia continues to take more time for imports and exports than most of China's other trade partners.[29]

Although commodities have so far dominated the trade from Central Asia, China emphasizes that its interests are much broader in the long term. China's investments in the transportation sector in Uzbekistan, extension of scholarships to students from SCO countries,[30] and investment in telecommunications in the region are all evidence of broader interests. China also characterizes the OBOR investments as encouraging economic growth and integration rather than an effort to expand its own political influence. One goal of China's strategy, according to regional scholar Thomas Zimmerman, is to leverage greater economic integration with neighboring states to promote the use of the renminbi in global trade.[31]

China's investments in Kazakhstan—in uranium, telecommunications, the dry port in Khorgos, asphalt factories, and free-trade zones on the border—do demonstrate an interest beyond energy trade. But China's asymmetric advantage in trade will not likely change. Kazakhstan, which has received the most investment so far from China, represents a tiny portion of China's overall trade. The *Washington Post* reported that in the first quarter of 2015, trade with Kazakhstan represented 0.25 percent of China's global trade.[32] Meanwhile, for Kazakhstan, China represents 15.9 percent of all exports. For Turkmenistan, the relationship is even more strikingly asymmetric, with China purchasing 69.7 percent of its exports.[33] Concern that China will become a monopsony for Turkmen gas is well founded.

Security Climate

Although Central Asia trade has shifted decisively toward China, Russia continues to play a soft-power and a security role. To date Russia retains the soft power of language: news services in Russian remain popular, Russian remains one of two official languages in Tajikistan, Kazakhstan, and Kyrgyzstan, and Russia provides almost the only coverage in the region of international affairs. It also retains security relationships with most Central Asian states, as reflected in table 3. The Collective Security Treaty Organization, led by Russia, was established in 1992 and includes three of the five states. China shares some (minimal) security relations with Russia through the SCO, established in 2001 and including four of the five Central Asian states. The security obligations of the SCO have in recent years expanded somewhat and include military cooperation and intelligence-sharing. The SCO, however, focuses on countering separatism and extremism, while the CSTO is a more comprehensive intergovernmental military alliance.

While Uzbekistan and Turkmenistan have opted out of security infrastructure linking with Russia, the other three states retain military and

Table 3. Central Asia Militaries					
	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Armed Forces Personnel	31,000 army 12,000 air force 3,000 navy	8,500 army	6,800 army 800 air force	18,500 army 4,300 air force 700 navy	40,000 army 13,700 air force
Cooperation with Russia	Collective Security Treaty Organization (CSTO) joint exercises	CSTO joint exercises	CSTO joint exercises	Not a CTSO member	Withdrew from CSTO in June 2012
Russian Military Presence	Joint air defense Baikonur Space Facility	Kant Kara-Balta Communications Center Submarine test site	201st Motor Rifle Division in Dushanbe	None	None
Shanghai Cooperation Organization (SCO)	Founding member	Founding member	Founding member	Not an SCO member	Founding member

state security links. Military security is arguably the only sphere in Central Asia where Russia actively plays a leading role. Russia seems eager to maintain these relationships but has limited resources available to intervene in ethnic or sectarian conflicts, as evidenced by Russia's choice to stay out of 2010 ethnic clashes in Kyrgyzstan, despite the Kyrgyz government's requests for assistance.[34]

Beyond threats from each other, and concerns about their militarily powerful northern neighbor, threats to Central Asian states are largely internal. Central Asian governments voice growing concern about the threat of Islamic extremism, but these risks are often exaggerated. As some analysts note, the governments often misrepresent political protest in order to justify repression. Also, because of relatively effective state repression in Central Asia, several militant groups (including the Islamic Movement of Uzbekistan) have moved the base of their operations from Central Asia to South Asia.[35] While not an existential threat to the state in Central Asia in the near term, foreign fighters from Central Asia have been and are a source of instability in Afghanistan and Pakistan as well as in Iraq and Syria. Their return home to Central Asia is a concern for the long term. The role of opium routes in financing both extremism and criminal organizations is another key issue that the Central Asian states remain poorly equipped to address.

Beyond the commitments of the SCO, China has not sought to project military power into the Central Asian region, but most analysts expect that China will protect its growing economic stakes and that China will remain vigilant against terrorism, separatism, and extremism.[36] China is positioning itself to, at a minimum, mediate between the Central Asian states. Regional scholar Alexander Cooley notes that the legal structure of Central Asia's pipelines gives China an unusual role: each country along the Central Asia–China pipeline route has a separate joint venture agreement with China concerning the pipeline on its territory. China owns 50 percent, while the host nation owns the other. This means that any regional dispute that interferes with the flow of gas will be mediated by China.[37] While the implications of this for price, volume, and maintenance are obvious, it also suggests that China itself will take responsibility—and hold each transit state individually responsible—for continuing the flow of natural gas regardless of other problems among the states.

U.S. Interests in Central Asia

The United States does not have stakes in the region comparable to either China or Russia. Assistance for transitions to democratic rule has tapered off throughout the region, a reflection of diminished hopes for governance transformation given the levels of Central Asian corruption, human rights violations, and the consolidation of state structures in most states to prevent the rise of further "color revolutions." Between 1992 and 2014, total U.S. economic and military assistance to Central Asia amounted to approximately $6.8 billion. In 2010, during the Afghanistan surge, assistance reached its high point of $648 million. As the war in Afghanistan began to wind down, so did U.S. assistance, which totaled about $148 million in 2014.[38] In spite of its diminished contributions, are there useful roles for the United States to play in refereeing this phase of a Great Game in Central Asia?

As noted by some analysts' recommendations on the future of U.S. policy in Central Asia:

> *few of Russia's former client states in the region are likely to seek an outright confrontation with Moscow. But all can be counted upon to seek partners elsewhere to help balance their difficult northern neighbor. Russia's goal of securing a privileged sphere of interest in Central Asia will prove elusive.*[39]

The United States need not be concerned about the Russia-China competition. These states will, to some extent, balance each other. China displays some reluctance to become involved in security affairs of the region, while Russia has ongoing security involvement but displays little effort to develop coherent economic strategy in the region (other than the EEU, which has not yet enjoyed any economic success). Infrastructure sponsored by China offers better development prospects than continued isolation, and Russia's economic interests in China are likely to moderate the competition.

It is possible, however, for the United States to help ensure that Central Asia benefits from the competition and that U.S. interests in the rules of global trade are served as well. The United States could help the region with designing better remittance transfer systems and fairer practices for migrant labor in order to ensure better treatment and therefore lower levels of radicalization. The "Beijing Consensus," in which China focuses on economic relations with scant attention to politics, is welcomed by Central Asian leaders, but it makes all of China's projects vulnerable to corruption. The United States, in spite of its distance from the region, has comparative advantages in rule of law, helping states develop the ability to contract and supervise effectively. As Alexander Cooley notes, China's skill with the "hardware" of infrastructure is not matched with skill in the "software" of market institutions and norms.[40] The United States may play a useful role in helping the states of Central Asia better develop their software skills in designing, monitoring, and enforcing infrastructure contracts more effectively.

Both China, which wants the infrastructure completed, and the Central Asian states, which want quality control, could benefit from technical assistance in design and supervision of major contracts. The Pakistanis have discovered (through U.S. technical assistance) that the quality of China's infrastructure construction depends in great measure on the host country's ability and willingness to provide oversight and enforce quality control.

The United States could also share its rule-of-law approach with the multilateral development banks which China now leads. Since the AIIB is poised to play an important role in development projects in the region, membership would provide the United States with some insight into its investment decisions and conditions, and Central Asia would benefit from the higher level of transparency that an investment bank following best practices could offer. One specific example is China's expressed interest in the Central Asia South Asia–1000 project (the U.S.-supported effort to make it possible for Kyrgyzstan and Tajikistan to sell hydropower in the southern markets of Afghanistan and Pakistan). China was involved in early discussions on the project and retains an interest in participation. The president of the World Bank has expressed enthusiasm for cooperating with AIIB on this project.[41] To do so would further promote the sharing of best practices.

Only Central Asian actors can reduce the role of corruption and its ability to undermine the benefits of development efforts. A U.S. role of referee, however, in which U.S. assistance focuses on better agreements and enforcement of contracts, can help Central Asia along a path toward development. The United States will retain concerns with the weakness of states in the region, but the political-economic success of the states is the best bulwark against spreading extremism. After decades of inability to make their own way to world markets, Central Asia countries seem to welcome China's ability to do so. If China offers Central Asia the best route out of its development traps, helping Central Asia play the Great Game in its own long-term interests is perhaps the best contribution to security in the region.

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Notes

[1] The name in either formulation means "place of the Kazakhs."

[2] "Don't Call Me Stan," *The Economist*, February 22, 2014. This article does not note the fact that, in the Soviet era, the region was often termed "Kazakhstan and Central Asia," a reflection of Kazakhstan's higher status in Moscow's eyes.

[3] See Alexander Cooley, *Great Games, Local Rules: The New Great Power Contest in Central Asia* (Oxford: Oxford University Press, 2012).

[4] See World Bank Report, "Listening2Tajikistan: Survey of Wellbeing," April 25, 2016, based on a survey of 3000 households, available at <www.worldbank.org/en/country/tajikistan/brief/listening2tajikistan>.

[5] The World Bank defines Europe and Central Asia as a region that includes Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Latvia, Lithuania, Moldova, Montenegro, Romania, Russian Federation, San Marino, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan. Turkmenistan is not included in the region, presumably for lack of reliable data. See *Doing Business 2015: Going Beyond Efficiency*, 12th ed. (Washington, DC: World Bank Group, 2014).

[6] See Paul Collier, *The Bottom Billion* (Oxford: Oxford University Press, 2007).

[7] *Migration and Remittances: Recent Developments and Outlook*, World Bank Migration and Development Brief #26 (Washington, DC: World Bank, April 2016), annexes, 22.

[8] Noah Tucker, *Central Asian Involvement in the Conflict in Syria and Iraq: Drivers and Responses* (Arlington, VA: Management Systems International, May 4, 2015).

[9] Based on 2014 data as provided on the "Observatory of Economic Complexity," MIT Media Atlas, available at: <http://atlas.media.mit.edu/en/>.

[10] Kyrgyzstan exported 12 percent of its electricity production and Tajikistan exported 6 percent of its electricity production in 2012, even though both states faced domestic

electricity crises. See Central Intelligence Agency (CIA), *The World Factbook*, available at <www.cia.gov/library/publications/the-world-factbook/>.

[11] Eugene Rumer, Richard Sokolsky, and Paul Stronski, *U.S. Policy Toward Central Asia 3.0* (Washington, DC: Carnegie Endowment for International Peace, January 2016), 12.

[12] *Migration and Remittances*, 23.

[13] Thomas Zimmerman, *The New Silk Roads: China, the U.S., and the Future of Central Asia* (New York: New York University Center on International Cooperation, October 2015), introduction.

[14] Ibid., 7.

[15] Ibid., 8.

[16] For a full discussion of the negotiations, see Daniel Yergin, *The Quest: Energy, Security, and the Remaking of the Modern World* (New York: Penguin Press, 2011), 43–63.

[17] See *BP Statistical Review of World Energy June 2015*, 64th ed. (London: British Petroleum, 2014), 8, 22.

[18] Department of Energy, Energy Information Administration, "Kazakhstan International Energy Data and Analysis," January 14, 2015 edition, available at <www.eia.gov/beta/international/analysis.cfm?iso=KAZ>.

[19] Turkmenistan contains 9.4 percent of world reserves and supplied only 2 percent of global production in 2014. Data according to *BP Statistical Review of World Energy June 2015*, 20, 22.

[20] Martha Brill Olcott, "China's Unmatched Influence in Central Asia," Carnegie Endowment for International Peace, September 18, 2013.

[21] Ibid.

[22] Kazakhstan-China Crude Oil Pipeline, Kazakhstan, data available at <www.hydrocarbons-technology.com/projects>.

[23] Usen Suleimen, "Energy Cooperation between Kazakhstan and China," *Astana Times* (Kazakhstan), January 14, 2014, available at: <http://astanatimes.com/2014/01/energy-cooperation-kazakhstan-china/>.

[24] Department of Energy, Energy Information Administration, "Kazakhstan Country Analysis," available at <www.eia.gov/beta/international/analysis.cfm?iso=KAZ>. Other international corporate investors in Kashagan include Eni, ExxonMobil, Shell, Total, and Inpex.

[25] Bobo Lo, *China's Energy Policy Toward Central Asia*, Short Term Policy Brief #54, Europe-China Research and Advice Network, April 2012.

[26] Chen Aizhu and Adam Rose, "Private Chinese Firm to Take Control of Unit of Kazakh State Oil Company," Reuters, December 15, 2015.

[27] Ibid.

[28] Rumer, Sokolsky, and Stronski, 9.

[29] For a full discussion of this transformation and its significance, see Alexander Cooley, "China's Changing Role in Central Asia and Implications for U.S. Policy: From Trading Partner to Collective Goods Provider," prepared remarks for "Looking West: China and Central Asia," U.S.-China Economic and Security Review Commission, March 18, 2015, available at <www.uscc.gov/sites/default/files/Cooley%20Testimony_3.18.15.pdf>.

[30] For these and other examples, see Olcott.

[31] Zimmerman, 6.

[32] Simon Denyer, "In Central Asia, Chinese Inroads in Russia's Back Yard," *Washington Post*, December 27, 2015.

[33] *The World Factbook*.

[34] Rumer, Sokolsky, and Stronski, 13.

[35] Ibid., 9.

[36] Ibid., 10.

[37] Cooley, "China's Changing Role," 2.

[38] For a detailed discussion of U.S. assistance, see Rumer, Sokolsky, and Stronski, 17.

[39] Ibid., 13.

[40] Cooley, "China's Changing Role," 4.

[41] Zimmerman, 15.