ABSTRACT

The rising tide of the “Asian Century” is exerting a profound influence in shaping new commercial and political connections throughout the Asian, Eurasian and European regions. Incipient infrastructure projects point toward significant improvement in transportation, communication and energy connections throughout Eurasia connecting East and West in a way reminiscent of the “Great Silk Road” of antiquity. China’s dynamic initiative — “One Belt, One Road” — is utilizing the Asian Infrastructure Investment Bank (AIIB) to project a qualitatively new phase of infrastructure-led economic development throughout Asia. Iran’s exit from economic isolation by disavowing nuclear weapon ambitions creates great new opportunities for transportation routes and energy development projects. These infrastructure projects are predicated upon a transformation which inclines the Central Asian countries toward a more eastern-oriented foreign policy posture. The international security implications of these changes in Eurasia are significant. This paper analyzes the geostrategic implications of pivot toward Asia.

* Gregory Gleason is Professor Emeritus, University of New Mexico (USA) and Professor, George C. Marshall European Center for Security Studies. The Marshall Center is a partnership between the German Ministry of Defense and the U.S. Department of Defense. This paper represents the author’s personal views.
THE “ASIAN CENTURY” AND THE CENTER OF GRAVITY

The center of gravity of international relations appears to be shifting in a way that it could eventually settle someplace in the East. This drift is abundantly apparent. The economic and political indicators are clear. All major global leaders have acknowledged they are reordering their foreign policy priorities in ways taking into account the rising importance of Asia in world affairs. Political, economic and military leaders have articulated this refocus in different ways, referring to a “pivot”, “rebalance”, “refocus” and “recalculation” among other things. In all cases shifting attention not only to the Asian countries but to all the various foreign policy partners in the process. It is hard to determine whether the shift to the East by the Great Powers of the West is a cause or a consequence of changes in the international balance of power. It may be both. The U.S., Canada and many Latin American countries have significant exposure to the East by virtue of their shared Pacific Ocean connections. The Great Powers of Europe have significant trade interdependencies with Asian countries, particularly China. Russia has both trade and territorial interconnections with China and other Asian countries. Foreign policies cannot in such circumstances be reassigned without affecting the balance of all countries in today’s interconnected world.

Recent events have made shifts in international priorities look more like major realignments. Leaders in the Russian Federation in this century have become basically dissatisfied with Russia’s position in the global order. Russia in the last decade has emerged as the principal critic of international standards and norms, railing against the role of the American dollar as a currency standard and against the influence of major international economic organizations such as the World Bank and major security organizations such as NATO as being driven by the particular economic and security interests of major western powers, particularly the U.S. In 2009 Russia’s President called for the replacement of Europe’s “security infrastructure” with a new set of institutions and even circulated a proposal of a plan to replace NATO, substituting the “North Atlantic” configuration with a more “European-Eurasian” configuration. In 2008 Russia went beyond declarations by conducting a war in Georgia that resulted in effectively annexing territory, pushing Russian land forces to the south of the Caucasus Mountains territorial dividing line. In 2014 Russia went further by annexing Crimea and underwriting a military separatist campaign in the Donetsk region of Ukraine. For the first time in the history of the United Nations, a veto-wielding Security Council permanent member extended its territorial boundaries and then used its veto to forestall corrective action by the UN.

China’s foreign policy actions during this period have been less provocative but also suggest very real shifts in the global balance of power. China’s emergence in the 1990s as the world’s most dynamic and rapidly growing major economy, dramatically shifted China’s position as a major supplier of consumer goods, a major consumer of primary commodities and advanced technology and as a country which brought hundreds of millions of people out of poverty in a decade. As it entered the 21st century, China’s foreign policy emphasized cooperation and mutual benefit. Chinese leaders spoke of peaceful development and peaceful rise. In 2004, Premier Wen Jiabao said China's rise "will not come at the cost of any other country, will not stand in the way of any other country, nor pose a threat to any other country.” China reached
diplomatic territorial agreements with its fourteen bordering neighbors and emphasized its non-expansive foreign policy even as its state-oriented commercial enterprises began an exceptional acquisition drive in countries around the world to procure commodities and capture influence in newly emerging markets.

The rising tide of the “Asian Century” has wrought profound economic changes defining new commercial and political connections throughout the entire Asian region. The pace of economic change throughout Asian countries has created immense infrastructure needs to facilitate changes in transportation, energy and communication. China’s peaceful rise and economic extension into Central Asia has in a very short time created vast new opportunities. But to date China’s infrastructure projects in highways, rail, and ports have been the results almost exclusively of bilateral agreements. In contrast to road projects, telecommunications projects are inherently regional in scope and scale. China’s leading role in the establishment of the Asian Infrastructure Investment Bank (AIIB) signals a new era in the dynamic transformation underway throughout Asia. All of the Central Asian states except Turkmenistan were quick to respond to the AIIB’s invitation to become founding members. However, the two largest shareholders in the Asian Development Bank, that is the U.S. and Japan, did not join the AIIB. The shifting economic influence of China drew political recognition. Russia began seeking close association with China in the form of a phalanx of emerging Global Powers, the BRICs—Brazil, Russia, India, and China—which were expected to be the locomotives of new markets while, not only incidentally, undermining the position of Western countries.

The shifting influence of China in the region was most vividly illustrated by the new political leadership that took office after the May 2016 presidential elections in the Philippines. China’s extensive expansion in taking maritime control over the South China Sea, a major trade channel between East and West, created great consternation throughout South East Asia. The Philippines government appealed to an international tribunal in the Hague, after China seized a strategic reef off its coast, preventing Philippines from oil exploration and fishing. In response to appeals from Philippines leaders, the U.S. negotiated a new military agreement with the Philippines, the “Enhanced Defense Cooperation Agreement,” which took effect in April 2016 and the Hague Court did find in favor of the Philippines. But this was in the same period that presidential elections brought Rodrigo Duterte to power, a populist politician who quickly emerged as an outspoken critic of the U.S. and commenced diplomatic relations with China, calling for “separation” from the U.S. and alignment with China and Russia. The shift in balance in the Asian region was so dramatic that as Doug Bandow put it in The National Interest, a major American foreign policy journal, “Look Out, Asia: China's Peaceful Rise is Over.”

GEOPOLITICS AND WORLD ORDER

In the brief introduction to his recent book “World Order”, Henry Kissinger offered a succinct analysis of differing values, assumptions and proclivities as they affect international security in contemporary circumstances. Kissinger argued that, despite the fact that we frequently speak about the “international community” and make references to the idea of a “world order, in fact “no truly global world order has ever existed.” What passes for order in our time was
devised in Western Europe nearly four centuries ago, at a peace conference in the German region of Westphalia, conducted without the involvement or even the awareness of most other continents or civilizations.” Kissinger went on to note “The Westphalian peace reflected a practical accommodation to reality, not a unique moral insight. It relied on a system of independent states refraining from interference in each other’s domestic affairs and checking each other’s ambitions through a general equilibrium of power.” The Westphalian system endured, to be sure with many flaws, to become the foundation for the assumptions of the international system exemplified by the UN and other institutions of global governance. These institutions emerged after WWII to shape the basic global security architecture that endured until the present day.

But Kissinger went on to argue that not all societies around the globe shared these same Westphalian assumptions and principles or at least did not interpret them in the same way. Kissinger reflected that “At the opposite end of the Eurasian landmass from Europe, China was the center of its own hierarchical and theoretically universal concept of order. This system had operated for millennia—it had been in place when the Roman Empire governed Europe as a unity—basing itself not on the sovereign equality of states but on the presumed boundlessness of the Emperor’s reach. In this concept, sovereignty in the European sense did not exist, because the Emperor held sway over ‘All under Heaven’.” Kissinger also noted “In much of the region between Europe and China, Islam’s different universal concept of world order held sway, with its own vision of a single divinely sanctioned governance uniting and pacifying the world.” Finally, Kissinger pointed to the emergence of a distinct version of world order that evolved out of the “New World” in the 17th century in which “the American vision rested not on an embrace of the European balance-of-power system but on the achievement of peace through the spread of democratic principles.”

The leading institutions of the international security architecture in present circumstances—the UN, the World Bank, the IMF, the IAEA, and many other regional security institutions—derive their legitimacy from the basic Grotian foundations of the Westphalian peace. Yet Kissinger speaks today of these Westphalian principles “being challenged on all sides, sometimes in the name of world order itself.” The urgent, practical and theoretical problems of world order, if one follows Kissinger’s logic, are related to challenges that arise from competing visions of how the world can and should be governed and how disputes can be resolved. States and regions that are situated territorially or conceptually between the competing visions of world order are of pivotal significance.

Europe and North America represents a major centers of civilization and interconnected global markets which have a great deal to win and lose due to shifts in global balance between East and West. But the countries of Eurasia, the states of the former Soviet Union, Russia and its neighbors as well as the countries of the Caucasus and Central Asia, have much more at stake. These countries are physically located between East and West and will be more directly and immediately influenced by shifts in alignments. An assessment of the implications for changes in security alignments through the region encourages us to look both behind and ahead.
THE INFRASTRUCTURE GAMBIT

The articulation of new frameworks of exchange across the Asian and Eurasian regions, tying ports in eastern China with ports connecting to the Middle East and Europe have the Central Eurasia region in the transverse space. Harkening back to the ancient trade routes that connected the East and West before the days of Marco Polo conjure up the image of a road network through Central Asia in the “Age of Discovery” when starting in the early 15th century and continuing into the early 17th century the Europeans engaged in intensive exploration of the world, establishing direct contact with Africa, the Americas, Asia and Oceania and circumnavigating the planet. But this image of the “Silk Road” creates some false impressions. This was not a road network but simply a patchwork of paths across the plains and deserts, connected by passes through the mountains and stopping points where there were oases. There was no infrastructure other that the reciprocal arrangements among local chieftains who controlled some territory. The “Silk Road” of the 21st Century will be very different. It is fixed and maintained infrastructure of transportation, communication and power. A fixed infrastructure is very specific in its maintenance and its countenance. It will be specific in the respect that it is an excludable good.3

One of the main thoroughfares of the modern “Silk Road” is the telecommunications highway. The most advanced of these thoroughfares is modern telephony. As the engineering community prepares for the transition to the next stage in rapidly evolving telecommunications technology, political leaders are scrambling to take advantage of the new super-fast, wide-spectrum, fiber-wireless mobile 5G network. If 5G lives up to the expectations of the cyber visionaries promoting this new use of the electromagnetic spectrum, it will permit unprecedented transfer rates and create an entirely new level of connectivity with the internet-of-things and mobile devices. Ignoring the new 5G technology threatens to leave the Central Asian countries further behind in the race to overcome the digital divide. The 5G transition has great importance for the developing world because it renders information and communication cheaper and more affordable by intensifying informatized economic activity. Yet the expansion of the Silk Road with massive investments in this cutting-edge technology will come at vast expense—something none of the Central Asian states currently will be able to bear by themselves. This situation naturally turns attention to the newly established Asian Infrastructure Investment Bank (AIIB).

The world’s leading international financial institutions (IFIs) at work in the Central Asian countries—the World Bank, the International Monetary Fund, and the Asian Development Bank—have sought to mobilize capital for development and, at the same time, establish a virtuous circle of change, promoting good governance, fiscal accountability, environmental protection, human rights, and social equity. But many of the IFIs have been criticized for not working boldly and swiftly enough to meet the Eurasian region’s development challenges. The work of China’s two largest bilateral development banks — the China Development Bank and the Export-Import Bank of China have brought considerable project-related investments to external infrastructure projects. Soon after assuming power as General Secretary and President, China’s paramount leader, the Xi Jinping introduced a number of new initiatives
including the idea of the Asian Infrastructure Investment Bank and the OBOR. These now join other relatively new development initiatives including the Eurasian Development Bank and the New Development Bank (previously called the BRICS bank).

The China-led Asian Infrastructure Investment Bank has pledged to join the world’s other major multilateral lending investment institutions in such a way that will bring major public international infrastructure rapidly into line with national development agendas, with regional development with private commercial interests. When the AIIB’s first Central Asian loan projects are announced in the months ahead, telecommunications is almost certain to be one of them.

Skeptics of the AIIB question whether the new capital projects will be regional in design, regional in implementation, and regional in impact or whether the projects will simply be an extension of China’s foreign economic policy conducted in a more broadly legitimized format. Some skeptics see the AIIB as a consequence of growing pressures on China to move from the export-oriented foreign trade policy which was successful in the first era of post-communist transition to a more balanced foreign macroeconomic posture. Over the past three decades the exchange value of the Chinese Yuan was tied to export-led growth priorities. During this period, China’s central bank managed exchange values in order to encourage exports through discouraging domestic consumer markets. The advantages inherent in this centrally managed exchange rate are now being increasingly eroded by western stimulus policies. Chinese economic authorities have recognized the importance of shifting from domestic infrastructure investment priorities to priorities oriented towards promoting international infrastructure. The role of currency is key in this transition. For the past two years China’s central bank managers have been publically discussing mechanisms to undertake the gradual shift to a fully-tradable currency such that the Yuan could be openly exchanged in secondary markets independent of central bank managers. The IMF’s announcement of accepting the Yuan freely usable currency and taking a position as one of the currencies that make up the IMF’s Special Drawing Rights.

COMPETITIVE FOREIGN POLICIES: CHINA

China is a vast county with many subtleties and many distinct features but its governance policy—either despite multiplicity of the features or because of them—is very compact, relatively simple, easily implemented by its ministry officials, by its military and security services, by its government-directed commercial enterprises. China’s core governance principles are simple. China is itself. China’s governance maintains Chinese characteristics. These are important, given and fixed. They are not changeable by others. As such, China is concerned first and foremost with protecting its own values and interests and, as such, is devoted to national independence and national sovereignty. China is opposed to control by others and, accordingly, naturally opposes hegemony and global power designs and aspirations by other countries. China adheres to the idea of peaceful coexistence. China maintains a sympathetic relationship with developing countries in opposing external interference such as colonialism and imperialism. China maintains a flexible and pragmatic view toward economic development and international organizations in which it takes a role.
China has a pragmatic foreign policy. China’s diplomatic influence dramatically increased with the shift during the 1990s from the teleologically-driven communist foreign policy premised by the goal of establishing world communism. China has abandoned these aspirations in favor of a more traditional, pragmatic, realistic foreign policy aimed at stabilizing relations with immediate neighbors and sustaining commercial relations with its major consumers, in particular the U.S. From an academic perspective, China’s foreign policy may be described as “textbook realism with Chinese features.” China’s leaders make calculations based on modestly defined and scrupulously narrow idea of national interest. Debate over China’s foreign policy has not become a battleground of partisan, commercial or ideological interests. Rather, foreign policy is defined as a prerogative of the state. China as a government is sufficiently consolidated to have the means to define and pursue its state interests. Chinese diplomats appear to regard the rest of the world as outside its area of claim to sovereignty and as essentially unimportant except insofar as they have significance for China’s internal goals. China’s diplomats and foreign policy planners thus attach very little importance to ideological or ideational values, views or aspirations. China has unique historical qualities that make its policies different from other the policies of other states that seek to position, influence or compete.

China maintains a narrow concept of its national sovereignty and opposes any effort to challenge its internal sphere. The internal sphere is distinctly defined and Chinese political leaders insist upon reunification. Political control is centralized by commercial relationships are protected as represented in the principle referring to differentiated entities such as Hong Kong as evidence of the principle of “one country, two systems”. China is opposed to separatism, terrorism, and extremism and China does not seek to extend its system or its values to other countries. China eschewed foreign influence and criticism following the 1989 Tiananmen Square events but continued to maintain an active role in international affairs. China led the 1986-1996 negotiations that culminated in the Shanghai Treaty and then pushed the cooperative and good neighbor agenda yet further in the establishment of the Shanghai Five and, later, the Shanghai Cooperation Organization. China sought to stabilize its relations with its northern neighbor and trade partner Russia with the conclusion in July 2001 of the Treaty of Friendship with Russia.

Xinjiang, or the “New Frontier” region, is the largest political subdivision in China, making up one sixth of the territory of the country. Xinjiang borders the Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, and the Pakistan- and India-controlled parts of Kashmir. China holds control of most of Aksai Chin, a region claimed by India as part of Jammu and Kashmir. China holds control of most of Aksai Chin, a region claimed by India as part of Jammu and Kashmir. Political control in China is jointly exercised by the Communist Party of China and the state, through the practice of party officials holding high state posts, constituting an interlocking directorate. This is only true at the national level. At the regional level the party and state posts are divided to ensure limited powers. The Xinjiang Uyghur Autonomous Region has followed a general principle in which the chief executive official of state is typically a member of the local ethnic group while the party general secretary is non-local and usually Han Chinese. Responsibilities in
Xinjiang for foreign relations reside in Beijing and decisions with respect to trade and diplomatic relations on the local level are derivative of national strategy.

The isolating effect of western sanctions against Russia raises the question of the Eurasian single economic space with respect to trade cooperation or even trade integration with China. The step with the highest potential risk and the highest potential gain for the Kremlin will be to push forward with a new currency replacing the American dollar. As it is viewed as the symbol of “Yankee Imperialism”, the dollar is considered the *sine quo non* instrument of American power. According to its Russian critics, the privileged position of the dollar in international markets essentially behooves people to use the dollars as the means of exchange and, when the dollar is replaced as international currency by a gold-backed or internationally negotiated currency, Eurasian producers, consumers and investors will be free from the hegemonic control of the American dollar.

The replacement of the dollar has been a consistent Moscow theme for many years, but only a few years ago, the European “Euro” was championed by Russian leaders as the transition currency to replace the dollar. Russian legislation forbade trade and even pricing in the dollar as a reference currency throughout the Russian Federation. Prices for goods and services, if not specified in terms of Russian rubles, were required to be specified in terms of Euros. The Russian Central Bank and the economic ministries began gradually moving their calculations to the estimation of the Euro as the standard world currency. The shift to the Euro did not follow the course the Kremlin sought or desired.

The European Union, of course, maintains a currency union but does not represent a fiscal union. Accordingly, the internal problems of adjustment within Europe created incentives for the weaker economies to slough off problems to the stronger states rather than taking steps to bring their own national accounts into balance. For the EU’s underperformers, European Central Bank and private investment bank borrowing became the easiest way out of economic disequilibria in the short-term. Excessive borrowing in some of the EU countries resulted in the Euro crisis that called into question the very existence of the European currency union in the summer 2011. The event chastened Russian zeal at replacing the dollar with the Euro. Now Russian leadership has turned to the Yuan as the alternative.

China is in the initial stages of a very significant shift in its posture with respect to both domestic and external affairs. China has started a gradual transition from an investment model to a consumer model. China's currency, the Yuan renminbi, has been tradable for the purposes of international commerce since 1994 (when official and market exchange rates were unified), but only in the context of central bank managed exchanges. For the past year China’s central bank managers have been discussing and in a limited fashion exploring gradual mechanisms to undertake the shift to a fully-tradable currency, a currency which can be exchanged in secondary markets independent of central bank managers. This would constitute a significant change in China’s macroeconomic policies.
Chinese economic authorities are anticipating a shift from investment priorities focused on infrastructure development and the facilitation of export-led growth to a consumer-led emphasis on domestic markets and public services. The Yuan, which has been continuously maintained at an internally overvalued level to encourage export markets and discourage domestic consumer markets, has been gradually eroded by western so-called stimulus policies. China’s shift in economic posture is also both a cause and a consequence of its changing role in the global community. China’s peaceful rise brings about new responsibilities in international organizations and in world trade.

China’s changing posture may hold the answers to many of the questions on Russia’s foreign policy agenda. Is Russia’s drive to overcome sanctions by product substitution and achieve insulating economic self-sufficiency going to have the effect of diversifying Russia’s economy both domestically and in the context of the larger Eurasian Union trading space? Or is Russia’s drive to overcome sanctions likely to push Russia in the direction of greater reliance on China’s policies of repositioning? Will China’s fully tradable Yuan make it possible for Russia to seek an Asian alternative to its European vector? Is China’s foreign policy now and in the future compatible with Russia’s eastern pivot? The timely and urgent character of these questions indicate a great deal will depend upon China’s policy decisions in the future.

THE EURASIAN UNION AND CHINA

For nearly fifteen years Russia’s political leaders have rhetorically championed Eurasian cooperation in the form of new and invigorated principles of multi-polar political organization and greater economic integration. In the previous five years Russia’s leaders have shifted from rhetoric to practice, announcing a number of concrete proposals in the form of international conventions and treaties. The latest stage in this process is the planned adoption in January 2015 of a new political-economic community known as the Eurasian Union. The goal of the Eurasian Union is to form a political framework for new standards, processes and adjudication mechanisms for commercial and public interactions throughout a large measure of the Eurasian continental landmass.

The Eurasian Union is represented by most Eurasian political leaders solely as a mechanism to facilitate economic integration, but sometimes it is represented by some leaders as a prototype for a new, more closely integrated and interdependent political community which will stand behind the economic integration. Whatever nexus emerges between economic integration and political consolidation in the future, the most important and most likely enduring aspect of the Eurasian project is the advancement of a common set of norms and standards throughout Eurasia. New standardization of policy and practice throughout the Eurasian region is intended by its promoters to include everything from measurement standards to accounting rules and procedures and even to extend to the acceptable standards which will serve as the basis for regulating the use of currency and the conduct of financial transactions. The adoption of new Eurasia banking requirements for currency transactions has immediate implications for central banks in all Eurasian states, Central Asia and the Caucasus included. The adoption of new rating
agencies has immediate implications for banking practices. The adoption of new jurisdiction has immediate implications for commercial arbitration and dispute resolution.

One relatively easily organized step in adopting new financial regulation is to create new operational entities more directly under the control of the Eurasian Union. Business practices often depend on transparency of financial activity. One instrument for generating transparency is commercial rating agencies. Rating agencies typically are private and independent commercial entities that offer objective analysis of corporate operational risk. The ratings developed by ratings agencies are used by investors, financial institutions, governments and other entities to make judgments as reflected in interest rates or insurability. Fifty years ago virtually all rating agencies functioned in national contexts. Starting about forty years ago in recognition of accelerating globalization the most influential US-based rating agencies of the US began acting internationally. Standard & Poor's (S&P) and Moody's continue to be based in the US while Fitch is dual-headquartered in New York City and London, and is controlled by the France-based FIMALAC.

Many foreign observers and foreign governments have been critical of the objectivity of ratings agencies assessments. Russian political leaders in particular have objected to the practical authority of ratings agencies and called for the establishment of alternative ratings agencies which could assure their objectivity, purportedly, through the guarantee of independent government oversight. A number of ratings agencies, for instance, RusRating, have functioned in Russia in the past but have not have not broadly won the confidence of investors. In 2012, the Russian government sponsored the development of an alternative ratings institution, the Universal Credit Rating Group, which would combine national rating agencies such as Russia’s RusRating and China’s Dagong. The agenda of the Eurasian Union includes displacing the currently used commercial rating agencies with officially recognized ratings agencies.

A steeper gradient than the shift in ratings agencies is the adoption of a new, universal currency which will replace the US dollar as the Eurasian reference currency and possibly as the global reference currency. Russia’s leaders have indeed imposed new levels of regulatory control over currency transactions to stem capital flight and have intervened in currency markets, selling dollars and Euros in order to shore up the Russian Ruble against downward pressure. But these measures can only be temporary palliatives. Russia’s resolve to counter western pressure through the adoption of new regulatory and managerial institutions and the shift from European and, in general, western-oriented markets to producers elsewhere has discernible effects, but the most important step would be the adoption of a new currency. If new currency regulations come into effect, all the other financial institutions will adapt in conformance with the new regulations and practices it introduces. Russia is currently not capable of doing this by itself. Nor is the Eurasian Union capable of adopting a single currency which will supplant the US dollar. For this reason, all the attention is currently focused on China.
Vladimir Putin’s return in May 2012 to the position of power in Russia as President represents a new stage in the rapidly changing relationships between the countries of Central Asia and Russia. Central Asia is important for Russia. As one Russian foreign affairs analyst recently expressed it, “if Russia loses its preeminent positions in Central Asia, it would lose control of the southern sector of its traditional sphere of influence. This, in turn, would create entirely new conditions in which immense challenges and risks emanating from Central Asia could threaten the stable and steady development of Russia itself.” As well, Russia is important for the Central Asian states. The Tsarist colonial period and the 73 years of Soviet practice have left a deep imprint on Central Asian societies. Even after the independence of all the five Central Asian countries—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—in December 1991 with the break-up of the USSR, Russia remains a major commercial partner for all the Central Asian states.

In addition to the close economic relationships Russia and the Central Asian states there is also an important political dimension to the relationship. But the political relationship is much more complicated. The rising influence of Russia in international affairs, often referred to in the Russian language expression of usiliye or “resurgence”, is highly visible in Central Asia. What might be called Russia’s “political-gravitational field” is palpable throughout the Central Asian states, where many of the media, financial and technological influences originate primarily from Russia. Much of the competition pits Russian-based firms against the commercial prowess of firms from other countries of the world, including China, India, Europe, Turkey, the U.S. and others. There is clearly competition over Central Asia’s resources, markets and future prospects. But despite the competition, the Central Asian states are not merely balancing “East against West” as was often rightly or wrongly perceived as the key foreign policy choices in the past two decades since independence. Today there are many competing sectors of influence: the energy sector, chiefly gas and oil but also electric power; the minerals sector; the agricultural sector; and, at least in Kazakhstan, the emerging banking sector. Today there are many vectors of influence—the Slavic relationship to the north is paralleled by a strong Turkic-language and cultural relationship to the west and a Persian cultural relationship to the south. China represents a new and rapidly accelerating commercial influence on Central Asia.

Moreover, the Central Asian states have conflictual relations with one another in ways that magnify the influences of foreign countries. These conflicts do not seem to be alleviating but rather to be growing in intensity and importance.

In this context, the role of Russia is not simply one of dominance or competition; it is more complex than that. It is based on a subtle but important—and quite possibly impractical—distinction between leading and dominating. Russian leaders are attempting to exert a leading but not dominating role within the former Soviet space. In theory it is possible to recognize a distinction that in practice does not exit; in practice leading is often synonymous with dominating. Russian political leaders and doctrines of political guidance expressly state that Russia has no intention of occupying a position of dominance in the space of the countries of the former Soviet Union. Yet for Russia to fully relinquish the dominating role of the past while assuming a new leadership role as first among equals is invariably fraught with misunderstanding and conflict.
CENTRAL ASIAN STATES

The Central Asian countries have very different sets of domestic influences on foreign policy formulation. These differences are reflected in the strategies developed in each of the Central Asian states.

Kazakhstan’s objectives and capabilities defined what may be called its pro-globalization strategy. Kazakhstan emerged from the USSR with a deliberate goal of establishing a democratic system and a market oriented economy. Kazakhstan's nuclear status, its oil and mineral wealth, its enthusiasm for structural reform, and its mixed Kazakh and Russian populations were defining influences on the domestic political context of foreign policy making during the first years of independence. Kazakhstan's integration into the fabric of institutions of the international community proceeded more swiftly and more fully than did that of its neighbors. The city of Almaty quickly became the most significant diplomatic center the region, home to Embassies from all the major countries of the world, and the regional offices of many international organizations and multinational companies.

During the first years of tenure of Kazakhstan’s president, Nursultan Nazarbayev, diplomatic efforts were consistently associated with the concept of "Eurasian-ness", the idea of the close linkages among the peoples of the Central Eurasian landmass. Based on the idea of "Eurasian integration", Kazakhstan’s foreign policy followed a careful line, balancing interests based upon many factors. Balancing interests implied not turning away from Russia while at the same time not permitting Russia to dominate decision making for Kazakhstan. For Kazakhstan this meant maintaining a balanced distance from Russia, remaining neither too close nor too distant. Maintaining good relations with the west and international organizations was an ideal instrument for achieving what Kazakh policy makers eventually began to refer to as Kazakhstan’s “multi-vector” foreign policy. A primary motive, perhaps the primary motive, for Kazakhstan’s globalization policy was the goal of preventing the reemergence of Russian domination in the region.

Kyrgyzstan’s foreign policy was limited by the country’s modest resource base and internally divided political situation. After independence, Kyrgyzstan quickly developed a reputation for being the most pro-reform country in the Central Asian region. It was the first ex-Soviet country to follow the advice of the international donor community and withdraw from the ruble zone. It was the first post-Soviet country to adopt a western style civil code, a modern legal and regulatory framework, to liberalize prices, to privatize industry, to open the door to foreign civic organizations, and to undertake electoral reform. It was the first country of the CIS to join the World Trade Organization. However, Kyrgyzstan's limited resources constrained Kyrgyzstan's progress. By the late 1990s the International Monetary Fund began to impose limits on Kyrgyzstan sovereign borrowing. Kyrgyzstan’s reputation as the “island of democracy” in Central Asia grew tarnished.7
Corruption and favoritism by the leaders of the government led to intense criticism of the Akaev government and eventually to the ouster of Akaev in the so-called “Tulip revolution” in March 2005. A former Prime Minister, Kurmanbek Bakiev, set a course for political renewal, but Kyrgyzstan’s fractious internal politics led to scandals and internal divisions. Bakiev found that Kyrgyzstan was dependent upon foreign assistance for economic help and security protection. Bakiev also found that foreign influence often pushed in opposing directions. Rather than choose an eastern orientation over a western orientation, or vice versa, Kyrgyzstan authorities sought to support both. Russian military forces were allowed to locate at the Kant airbase not far from Bishkek and U.S. forces were allowed to be stationed at the Manas Ganci airbase on the other side of Bishkek. Kyrgyzstan’s east-west formula was balanced only in the sense that it represented a dynamic tension between two continually contending influences on the Kyrgyz government. This tension continues to be the most salient feature of Kyrgyzstan’s foreign policy.

Tajikistan was the smallest, poorest, and most geographically constrained countries of the Eurasian region. Tajikistan would likely have also moved swiftly in the direction of post-Soviet reform initially if the country had not fallen victim to an internal contest for power in the first year of independence. The contest plunged the country into Civil War. Tajikistan is a landlocked, mountainous country lacking good transportation routes. The war resulted in a blockade by its neighbors, further compressing the already collapsing Tajikistan economy. CIS peacekeeping forces succeeded in stabilizing the country under a leadership of Emomali Rahmon, who was well disposed toward Moscow. The Moscow-Dushanbe compact continued to be an irritant with neighboring Uzbekistan for several years, blocking improvement in relations between Moscow and Tashkent. Tajikistan’s struggling legal economy was based almost exclusively on a few mammoth Soviet-era enterprises such as the Turzonzade aluminum smelter and the Vaksh cascade hydroelectric stations.

Turkmenistan’s foreign policy goals soon after independence became closely tied to the persona goals of the country’s leader, “Saparmurad Niyazov Turkmenbashi the Great.” Niyazov adopted an assertive posture of national self-reliance based on Turkmenistan’s natural gas revenues. Niyazov eventually came to refer to his policy as one of “positive neutrality.” In practice, the policy meant three things. First, Turkmenistan sought to maintain as much distance as possible from Russia without giving up the big Russian gas market and, most of all, without giving up access to western gas markets that, by virtue of the possession of the fixed pipeline system, Russia in large measure continued to control. Second, it meant wary policies of self-interest with Turkmenistan’s Central Asian and Caucasus neighbors. Third, it meant drawing in foreign investment to the extent possible to revitalize the gas-related industry and build a Kuwait-style emirate in Turkmenistan.

When Turkmenistan’s self-imposed isolation—conceived of as a policy of self-reliance—proved unsuccessful, Turkmenbashi reversed his position 180 degrees. He began championing positive neutrality as the rationale for reestablishing close and friendly relations with Russia. Turkmenbashi then proceeded to conclude a 25 year marketing contract with Russia’s towering natural gas monopoly, Gazprom. Turkmen officials who expressed qualms over the
contradictions in this policy were removed from positions of influence, usually by accusations of corruption followed by prison sentences. When Turkmenbashi expired in late December 2006, a close aide, Gurbanguly Berdymukhamedov, assumed authority and then managed to arrange a legitimizing election naming him president. Berdymukhamedov oversaw a cautious, gradual consolidation of power. He took office with promises of honoring the contractual commitments of the previous government. A series of commercial consultations with Russia and Kazakhstan have led to the construction of a pipeline from Turkmenistan to Russia, via Kazakhstan.

Uzbekistan has a pivotal role in Central Asia, given its physical location in the heart of the region. Uzbekistan is the only Central Asian country that borders all other Central Asian countries, located at a converging point for energy, water, and transportation infrastructure. Uzbekistan quickly established itself as defiantly nationalist after independence. In a few short years the country jettisoned the entire legacy of seventy years of Soviet—and thus essentially Russian—political control and cultural influence. Uzbekistan’s heavy-handed president, Islam Karimov, who had been a dutiful communist in his Soviet-era incarnation, soon became an enthusiastic champion of an independent political path and an Uzbek cultural renewal.10 In ways reminiscent of Turkey’s Kemal Ataturk, Karimov engineered a determined national consolidation, a new “Uzbek path.” Government, economics, culture, and essentially the entire spectrum of policy arenas, was harnessed in a drive to “recover” Uzbekistan. After the events of September 11, 2001, Uzbekistan formed a strategic partnership with the U.S. in order to aid in ousting the Taliban from Afghanistan.11 But the U.S. partnership came with a host of conditions relating to standards of practice, governance and civil rights. After chafing at insistent reminders from U.S. officials over civil rights and the right of free association, Uzbekistan reversed its position 180 degrees, abandoning the U.S. partnership and shifting back in favor of closer relations with Russia.12 The opprobrium that had been heaped on Russia for years turned virtually overnight into dithyrambs. After signing the agreement to join the Eurasian Economic Community, Karimov proudly proclaimed that the reestablishment of close relations with Russia went beyond mere cooperation. He said the new relationship was akin to restoring “union relations”, an expression clearly harkening back to the Soviet period.

While the Central Asian states were linked by common traditions, common cultures and closely related languages, there were many differences. Borders were artificial in a sense. No Central Asian state had ever existed in its present borders prior to the Soviet period. There were also regional differences that were amplified by differing policy approaches, particularly with respect to the rate at which market reforms were adopted. Between 1991 and 1992 relations were fairly relatively open and collaborative among the Central Asian countries as they emerged from the former USSR with a certain measure of euphoria and even naïveté.13 But by 1993 the countries—at the urging of international organizations—began shaping new, independent foreign policies. In spring 1993 Kyrgyzstan, encouraged by advisors from international organizations who thought Kyrgyzstan was sufficiently tractable to provide a demonstration case for the rest of the reluctant governments of the region, was persuaded to withdraw from the ruble zone by introducing its own national currency. Uzbekistan, fearing
unrest from economic dislocation, insisted on a regionally coordinated and controlled liberalization process. Uzbekistan first objected to Kyrgyzstan’s independent path and then quickly turned to retaliation, hurriedly closing its borders, interrupting commerce, transport and energy transfers and, for a period of time, freezing all currency relations. Once these retaliatory measures had been taken, similar responses began to resonate throughout the entire region.

As the situation deteriorated in late 1993 several of the leaders sought to forge a new post-Soviet consensus on a regional level. In March 1994 the presidents of Kyrgyzstan, Uzbekistan and Kazakhstan met in Cholpan Ata, Kyrgyzstan to adopt a new set of principles to guide cooperation. They concluded the meeting with the announcement of the formation of a new Central Asian Union that they predicted would lead to the virtually elimination of borders among the states. This rosy prognosis proved to be chimerical. As time went by, the borders became in many cases almost impassable, as transit was weighed down by complex border regulations and by ever present rent-seeking local officials.

It soon became clear that close interstate cooperation hinged on close interpersonal cooperation among high level officials. There were reasons for leaders to cooperate. But there were also many reasons for officials to drag their feet or even scuttle cooperation. In the personalized context of policy making, many of these policy disputes led to personal animosity which was often translated into state-to-state roadblocks. Eventually some of the leaders began to suspect one another as encouraging plots or even instigating coups. In Tajikistan, president Rahmon accused Uzbekistan’s Karimov of underwriting the coup attempt against him in 1998. Rahmon ousted ethnic Uzbek officials from high level positions in northern Tajikistan, replacing them with his kith and kin from southern Tajikistan.

In Uzbekistan, Karimov responded to the Tajik accusations by charging the Tajik government with aiding and abetting revolutionaries. Uzbekistan deployed landmines on sections of its border with Tajikistan. In Kazakhstan, officials grew anxious over the Tajiks’ reported abuse of diplomatic immunity. In May 2000, Kazakh officials reported apprehending the car of the Tajik Ambassador to Kazakhstan, Sadullodjon Negmatov, with 62 kilograms of heroin and $54,000 in cash. Negmatov succeeded in escaping the country before being arrested. In Uzbekistan, President Karimov had endorsed greater cooperation in the early years of independence, but he eventually grew weary of what he considered to be failed initiatives. In 2001, even as Nazarbayev was redoubling his effort to encourage regional cooperation, Karimov ridiculed Nazarbayev’s idea of creating a new economic cooperation organization as simply “an attempt to garner the laurels of a regional leader.” In Turkmenistan in December 2002, president Niyazov accused Uzbek officials of aiding and abetting an assassination attempt against him and ordered troops to storm the Uzbek Embassy in Ashgabat. The Turkmenistan General Prosecutor, Gurbanbibi Atajanova, claimed that a former Minister of Foreign Affairs, Boris Shikhmuradov, had plotted an assassination of the president of Turkmenistan with the help of the Uzbek Ambassador to Turkmenistan, Abdurashid Kadyrov.

HYPOTHESES IN LIEU OF CONCLUSIONS
The motivations of policy makers in the Central Asian states are not always open to easy
comprehension by outside analysts. But there are a few general principles that are applicable
to the analysis of foreign policy making throughout the region. First, the Central Asian
countries share a number of common traditions. These countries are occupying a common
geographical space, and are closely linked in terms of mutual dependence upon the physical
infrastructure for transportation and communication. Second, the countries share a common
set of advantages and risks associated with the nexus between water and energy. Third, the
countries are also alike in that they all have political systems which are marked by an
extraordinary concentration of power in the hands of the executive. These common features
incline the countries to act similarly. But as policy influences these common features can cut
both ways. For example, the concentration of executive power implies that countries can arrive
at international agreement when there is the will at the executive level. It also implies—and
the record amply illustrates—that this can lead to exceptionally bitter conflicts when state
interests are personified.

This essay began with the observation that recent international relations in Central Asia raises
three sets of questions: to what extent the countries of the region have divergent interests; to
what extent do treaty rather than “integration” mechanisms offer solutions to conflicts; and
how do outside influences affect regional political dynamics. The events and trends surveyed in
the proceeding pages provide an explanation for the general conclusion that the Central Asian
countries’ national interests are predominantly divergent. These trends explain why sentiment
in favor of integrationist strategies has grown in importance at the political level. Central Asian
leaders measure their skills in this forum not by their ability to move forces but position
themselves with respect to the forces in ways that are advantageous to them. This explains
why integration has been motivated and sustained mainly by the intention of partner states to
push divisive issues up the ladder of significance so that the forum is truly multilateral and no
one dominating country has the ability to unilaterally determine outcomes. In such
circumstances, it is preferable to stay in such an alliance structure rather than to allow one of
the dominant countries to divide the others into competing blocs. Thus integration partners
have a countervailing interest in preventing the integration from continuing too far. This is
why integration in Eurasia has reached a zenith and can be expected to become marginally less
useful than other cooperation strategies in the time to come. The countries can be expected to
continue to hedge their commitments by retaining multiple associations. Multi-vector
approaches will continue to involve multiple commitments. In a crisis situation, these
commitments run the risk of becoming entanglements.

There is no doubt that there are advantages to cooperation. Cooperation is good. But if it were
always easy, it would always succeed. National interests sometimes push states in opposing
directions. As the events and trends surveyed in the preceding pages suggest, the insurgency
threats in Central Asia have compounded and magnified differences among states and have
undermined many efforts at reform. The looming emergence of Iran as a nuclear power in the
region can be expected to activate traditional security dilemmas in the region, pushing the
states into quandaries in which they must chose camps. It is true that a course of enhanced
regional cooperation and integration can “improve cross-border connectivity, increase regional trade and investment, mobilize regional savings for regional investment, reduce macroeconomic vulnerability to shocks, facilitate cooperation in regional public goods, and improve the overall governance standards across the region.”¹⁷ But under present conditions, pronouncements about the benefits of greater cooperation are not likely to speak as loudly as deeds.

Modernizing countries welcome economic integration through the framework of open, democratically organized international organizations which promote commercially practical exchange, but the US does will not assent to trading blocs, finance communities, and alternative currency blocs which are designed to fashion mercantilist and statist producer and transportation cartels. Open, competitive, and efficient markets are based on diversified sources of production, transportation, and consumption. State-managed producers monopolies discourage efficiency and fairness and eventually bear costs that are economic, political and environmental.

Economic and political forms of organization tend to be interrelated and the forms of foreign policy which countries adopt with respect to their foreign partners tend to reflect these differences. Those states which possess horizontal, deliberative and civil forms of government tend to have market-based economies. Those states which possess vertical, summary and praetorian forms of government tend to have concentrated and state administered economies. As it is common for like entities to associate with like entities, the vertical states tend to associate more readily with vertical states in the political aspects of their foreign policy even when the supply and demand requirements of their economy might incline them otherwise. Because many of the formal and policy-oriented relationships of trade agreements have a political character about them, the trade agreements of vertical states tend to incline them in the direction of forming and maintaining partner relations with similar states. Formal trade agreements bundle a variety of values, norms, standards, policies, instruments, mechanisms and channels of trade. Currency arrangements, customs controls, health and safety standards, banking practices, financial regulatory institutions such as ratings agencies and certification bodies, and many, many other administrative details are resolved in the format of state policies and state-to-state agreements. Trading communities emerge out of precisely these bundles of policies.

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² Ibid., p. 3.
⁵ The East-versus-West competition is an important aspect of Bertil Nygren’s arguments in his comprehensive study of Russia’s interaction with the post-Soviet “near abroad.” Bertil Nygren, *The Rebuilding of Greater Russia: Putin’s Foreign Policy Towards the CIS Countries* Routledge, 2007.


In a specific legal sense, Uzbekistan did not “abandon the U.S. strategic partnership.” The Memorandum of Understanding that established this relationship still has not been officially nullified and, consequently, continues to remain in force. On the background of U.S.-Uzbek relations, see John Daly, Kurt Meppen, Vladimir Socor, and S. Frederick Starr, *Anatomy of a Crisis: U.S.-Uzbekistan Relations, 2001-2005* . Silk Road Paper, Central Asia-Caucasus Institute & Silk Road Studies Program (February 2006).


An account of these events is available in Emmanuel Decaux, “OSCE Rapporteur’s Report on Turkmenistan.” OSCE Office for Democratic Institutions and Human Rights (Vienna, March 12, 2003).
