

Taking Stock of Central Asia

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One man's loss can be another man's gain, and it seemed this might be the case with the Central Asian states in the aftermath of the terrorist attacks of 11 September 2001. In assembling a coalition for the war on terrorism, the United States reached out to a number of national leaders with whom Washington previously had limited interaction, promising that the United States would be more attentive to their problems in return for their support. United States policy makers spoke of more assistance, and the leaders of most of the states in the region recommitted themselves to the goals of economic and political reform.

Many, including this author, saw this as a chance for a new beginning for the Central Asian states, an opportunity for the leaders of the region to distance themselves from the mistakes of the past decade. The ouster of the Taliban and the Al Qaeda network changed the security environment in the region. So too did the international campaign to dry up the funding provided to terrorist groups by international Muslim charities.

All of this provided these states with the very breathing room that they previously claimed they lacked and that had prevented further economic and political reforms. It also brought them a much desired recommitment by the principal multilateral organizations, the United Nations Development Program (UNDP), the World Bank, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB), to devote more resources to help these states work through the problems of economic, political and social reform. Many of the region's leaders hoped this would mean more grants in aid and debt relief than before.

The Central Asian leaders also had great hopes that the reconstruction of Afghanistan would work to their direct short- and long-term economic benefit. They hoped in the short

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run they could profit from the supply and the transit of humanitarian assistance to Afghanistan, and that in the long term the opening of new transit routes across Afghanistan would spur foreign direct investment (FDI) in their region. Easy access to the ports of Pakistan would substantially shorten the time needed to move goods from Central Asia to Europe and Asia and would make goods manufactured in the region more competitive. Turkmenistan in particular hoped to finally be able to ship its gas freely to market, across Afghanistan to Pakistan and even India, a potential windfall for a land-locked energy producer forced to ship to market across the territory of competitors.

At its inception, the war on terrorism looked like it would mark the beginning of a major geopolitical shift in Central Asia. The establishment of two new U.S. airbases in the region, located outside of Bishkek in Kyrgyzstan and in Khanabad-Karsi in Uzbekistan, implied that Washington was replacing Moscow as the security guarantor in the region. This increased U.S. presence seemed to diminish China's role as well.

From the point of view of many American and European observers, this change was a positive one. They thought it would free the Central Asian states to pursue independent foreign policies. There was also some hope that the Central Asian states would use the leeway created by Russia's withdrawal to try to address more effectively a number of unresolved regional problems, such as the shared water system and partially delineated national boundaries.

Resolving some of these issues would alleviate many of the major security threats facing these states and could prove to be a stimulant for greater regional cooperation in areas of trade and economic development. As much as the leadership in the Central Asian states was committed to the idea that each country had to define the expression of its autonomy, the realities of geography and the region's relative physical isolation meant that all would gain from greater cooperation.

More than one year after the beginning of the war on terrorism, many of the hopes for a new beginning in Central Asia appear to remain unfulfilled. Some of the blame lies with the international community, which has been slow to provide funds, but most of the responsibility lies within the states themselves.

HAVE GEOPOLITICS CHANGED?

The region may be changing less than a cursory glance would suggest. Russia's influence in the region was waning steadily well before the September 11th attacks, while the influence of the United States in the region had been steadily on the rise.

The United States seems unlikely to reduce its presence in Central Asia in the near future. Washington is sure to want to preserve its ability to achieve quick response times in Afghanistan. The bases in this region are consistent with the new security doctrine of the

Bush administration, which calls for the maintenance of U.S. military outposts abroad.¹ The United States has also signed a long-term security partnership with Uzbekistan, which seems at a minimum to ensure continued U.S. commitment to the reform of that country's military.² Moreover, the United States is slowly extending similar offers to the other Central Asian states, and it has increased spending on upgrading border security and improving narcotics interdiction throughout the region. At the same time, it is clear that U.S. interests in the region seek to serve more wide-ranging strategic goals. Washington's courting of these states is designed to compel them to fulfill U.S. interests, and assistance is offered with little expectation of actually solving most of the region's political and economic problems. If in the first few months of the war on terrorism Central Asia's leaders thought that coffers of foreign assistance from Washington would be placed at their feet, they now have few illusions about how much U.S. aid to expect. There has been a dramatic increase in U.S. foreign assistance, but it still represents a fraction of the needs of these states.

It is also clear that Russia does not intend to be fully eclipsed in Central Asia, a goal that seems to coincide with the foreign policy priorities of many of the states in the region as well. If anything, the relationships between most of the Central Asian states and Moscow are better today than they were before the United States opened their bases, because now these ties are being integrated into the far more complicated strategic landscape of the region.

Well before September 2001, Russia was being overshadowed in the region by the United States and by the Central Asian states' own broader engagement with other European and Asian states. For the last several years, the cash-strapped Russian government has been able to do little to help the various states of the region meet their most pressing problems. Russian nationalists and intellectuals may have clung to the opinion that Russia's historic destiny was still inextricably tied to these former colonies, but those making and implementing Russian policy concentrated on more practical goals.

Since coming to power in December 1999, Russian President Vladimir Putin has sought to make virtue out of necessity, working to redefine the Kremlin's relationships with its near neighbors in Central Asia and grounding it in at least a public show of more mutual respect. Unlike his predecessor Boris Yeltsin, Russia's second president was not a former Politburo member, nor even a Kremlin insider, so he has not been party to the traditionally strained relations between senior party officials in Moscow and their Central Asian colleagues. By contrast, long a rival of Soviet President Mikhail Gorbachev, Boris Yeltsin came to the Russian presidency with a strong sense of neo-imperial if not imperial ambition and a long history of often strained relationships with his seemingly more passive Soviet-era colleagues from Central Asia.

Even under Yeltsin, however, at virtually every point when tough choices had to be made,

¹ George W. Bush, *The National Security Strategy of the United States of America*, September 2002, 26.

² "Declaration on the Strategic Partnership and Cooperation Framework Between the United States of America and the Republic of Uzbekistan," 12 March 2002, at <http://www.state.gov/p/eur/rls/or/2002/11711.htm>.

the Russians opted for non-engagement. Consider, for example, the question of supporting the ruble zone, which Moscow began to dismember in July 1993.³ Had the Russians been willing to continue to subsidize the price-support structure of the Central Asian economies, all but Kyrgyzstan would have stayed in the ruble zone. However, economic reformers strongly believed that underwriting the fiscal climate of the Central Asian states would sacrifice the cause of Russian reform for the attainment of more ephemeral neo-imperialist goals.

The policy pursued toward those persons considered stranded Russian nationals provides another strong example. During the early Yeltsin years, Moscow vigorously insisted that local Russian populations should be offered dual citizenship: local citizenship to allow them a share of the division of state assets, and Russian citizenship to afford them Moscow's protection. Nonetheless, little came of this campaign.⁴ Local Russians either left or accepted de facto second-class status—even in Kazakhstan, where the first Russian settlements were more than four hundred years old.⁵

Even more telling is that Russia's level of military engagement and cooperation with these states has also steadily diminished from its peak during the Russian intervention in Tajikistan in late 1992. The Tashkent Collective Security agreement (CST) seemed dead after the Uzbeks themselves pulled out in February 1999. Russia was also expending diminishing resources to try to ensure that the Commonwealth of Independent States (CIS) became a viable multilateral institution after strong-armed reluctant states like Georgia and Azerbaijan joined in the early 1990s.⁶

Nonetheless, the U.S.-led war on terrorism gave the Russians an excuse to reinvigorate collective security arrangements involving Kyrgyzstan, Tajikistan and Kazakhstan, as well as those of the Shanghai Cooperation Organization (SCO), which includes China and Uzbekistan as well. Initially these efforts appeared to be mostly blustering, but the opening of a Russian air base at Kant, Kyrgyzstan in late 2002 demonstrates that the increased level of Russian activity involves more than mere talk. The United States did not offer any formal objections to this, but Uzbekistan's president, Islam Karimov, publicly warned that the stationing of Russian troops in Kyrgyzstan could lead to unnecessary escalations of the level of tension in the region.

Russians are also playing an increased role in bolstering the internal security of the Kyrgyz regime, something that U.S. policy makers are tacitly accepting. Russian advisors are now helping to shore up the capacity of Kyrgyzstan's internal security forces. By contrast, Moscow offered very little assistance to Bishkek following the incursions by the Islamic Movement of

³ The Central Bank of Russia decided to withdraw old ruble notes from circulation on 26 July 1993. U.S. Department of State, Russia Economic Policy and Trade Practices, February 1994, at http://dosfan.lib.uic.edu/ERC/economics/trade_reports/1993/Russia.html.

⁴ A Russia-Turkmenistan dual citizenship agreement was signed in Ashgabat on 23 December 1993.

⁵ Of 409,120 people that left Kazakhstan in 1998-1999, 58% are Russians, a quarter of the country's Russian population. Agentstvo Respubliki Kazakhstan po Statistike, *a migratsii naseleniya respubliky Kazakhstan*, Almaty, 1 March 2000.

⁶ Martha Brill Olcott, Anders Aslund, and Sherman W. Garnett, *Getting It Wrong: Regional Cooperation and the Commonwealth of Independent States* (Washington, D.C.: Carnegie Endowment for International Peace, 1999).

Uzbekistan (IMU) in the summers of 1999 and 2000.⁷

Kazakh-Russian relations also have improved markedly over the past year, so much so that President Nursultan Nazarbayev defines it as without problem. President Putin did not concur with this conclusion and argued that both countries must work harder to reverse downward trends in foreign trade. Nonetheless, Putin is making a real effort to demonstrate how special the Kazakh-Russian friendship is. It is rumored that this includes pressuring Russian television stations to avoid critical coverage of the Kazakh president and the ongoing U.S. and other investigations against alleged official corruption.

Geography demands that the Central Asian states and Russia reach some form of accommodation, and that they also build bridges to China as well. The SCO, established in 1996, was initially conceived as a confidence-building measure for the five border states (China, Russia, Tajikistan, Kyrgyzstan and Kazakhstan) that inherited the never fully demarcated Sino-Soviet border. The goal was to both delineate and demilitarize these borders. The delineation of the Kazakh and Kyrgyz borders with China has been controversial and involves substantial land transfers favoring the Chinese. Opposition politicians in Kyrgyzstan have called for President Akayev's impeachment because of the territory that Kyrgyzstan has ceded.⁸ There have also been small transfers in the case of Tajikistan.

The concession of territory by the Central Asian states was a recognition of China's potential for hegemonic power in the region, and all of the region's leaders were eager to ingratiate themselves with leaders in Beijing. Kazakhstan and Kyrgyzstan have had foreign ministers who speak Chinese, as have some of the ambassadors that they have sent to Beijing. For all the nervousness about China's intentions, there is great admiration for the Chinese leaders' ability to promote high rates of economic growth while maintaining a tightly controlled political regime. The Chinese are also a major trading presence throughout the region, though this is not always reflected in official statistics that record their share of trade.⁹

The thrust of China's policy in Central Asia in the first decade of these states' independence has been to position Beijing to protect its vital security interests in the region. The opening of U.S. bases in the region has done little to change Chinese plans or to challenge their confidence that their regional influence will gradually and steadily increase. The war on terrorism has also helped advance some important Chinese foreign policy goals. Eager to wipe out the political threat posed by Uighurs and other Turkic Muslim minorities living in Western China, after the September 11 attacks the Chinese government induced the United

⁷ In the summer of 1999, IMU members launched an incursion into southern Kyrgyzstan and took hostage four Japanese geologists (later released). One year later, some 200 Islamic rebels led by Uzbek warlord Djuma Namangani attacked the southern border regions of Kyrgyzstan and Uzbekistan again.

⁸ The Kyrgyz parliament eventually ratified the border agreement in May 2002, which gave the Chinese much of the disputed Uzeng-Kuush drainage area, along the 1100-kilometer Kyrgyz-Chinese border.

⁹ In 2000 Chinese exports to Kazakhstan accounted for \$599 million, while China's imports from Kazakhstan were \$958 million. Exports to Kyrgyzstan totaled \$110 million and imports \$67 million. With Tajikistan, exports were just \$7 million and imports were \$10 million; the numbers for Turkmenistan were \$12 million and \$4 million, for Uzbekistan \$39 and \$12 million respectively. International Monetary Fund, *Direction of Trade Statistics Quarterly* (March 2002): 2. These figures, however, do not include the "shuttle trade" of small entrepreneurs.

States to add Uighur groups to its list of foreign terrorist organizations. China also worked with other SCO states to increase their collective efforts to cope with security threats posed by terrorist groups. To this end, joint Kyrgyz-Chinese and Kazakh-Chinese military exercises have been or are being organized.

HAVE HOPES FOR DEMOCRATIC REFORM IMPROVED?

If geopolitics appear more static than at first glance, political life in the region is less so, but developments are not moving in directions that the United States would want them to go. Central Asian leaders have made many promises that they would support democratic reform, but most of them are proving to be quite hollow. (see *Central Asian Leaders box below*) The Uzbek regime has probably offered the greatest promises of change. The Karimov regime has agreed in principle to support democratic reforms and signed a new security cooperation framework with the United States in which

Uzbekistan reaffirmed its commitment to further intensify the democratic transformation of its society politically and economically...[and set] priority areas such as building a strong and open civil society, establishing a genuine multi-party system and independence of the media, strengthening non-governmental structures and improving the judicial system...improve the legislative process, develop a law-based government system, further reform the judicial system and enhance the legal culture.¹⁰

The first milestone planned for the process is what Uzbeks promise will be free and fair

CENTRAL ASIAN LEADERS

- Nursultan Nazarbayev's path to power was typical for most Communist Party leaders yet unusual for ethnic Kazakhs. Born into a herder's family, Nazarbayev received his degree in metallurgy in Ukraine. Rising to prominence first through Komsomol, and later through the Communist Party, he became First Secretary of the Kazakh Communist party in 1989, and served as Chairman of the Kazakh Supreme Soviet in 1989-1990 and later as President of the Kazakh Soviet Socialist Republic in 1990-1991. In 1991 he was elected President of independent Kazakhstan. On 30 April 1995 Nazarbayev extended his term until 2000 in a nationwide referendum. His last reelection took place hastily on 10 January 1999, one year earlier than it was previously scheduled.
- Askar Akayev, the current president of the Kyrgyz Republic, is generally referred to as an intellectual. His political career did not begin until 1986, when this former head of the Kyrgyz Soviet Socialist Republic (SSR) Academy of Sciences with a doctorate degree in technical sciences was elected a member of the Central Committee of the Communist Party of the Kyrgyz Republic. In 1989 he became the delegate from the Osh Oblast to the Supreme Council of the USSR. His prominent involvement in the Supreme Council promoted his election as the President of the Kyrgyz SSR on 28 October 1990. As the Soviet Union fell apart, Akayev ran uncontested for the presidency of independent Kyrgyzstan and assumed office on 12 October 1991. He was reelected in December 1995 and again on 29 October 2000.

Table prepared by Zhanara Nauruzbayeva

¹⁰ "United States-Uzbekistan Declaration on the Strategic Partnership and Cooperation Framework," 12 March 2002, at <http://www.state.gov/r/pa/prs/ps/2002/8736pf.htm>.

elections for the new bicameral legislature to be chosen in 2004. To date, though, there is little progress in allowing truly independent political groups to freely operate in the country. The same is true of the media. The government promised to eliminate formal press censorship, but it still requires state-registered media to file annual broadcast and publications plans. Unfettered access to the Internet has improved, but objectionable sites are still occasionally blocked. Human rights groups are finding it a bit easier to operate, but human rights abuses remain commonplace, although, for the first time, a few Uzbek law enforcement officials have been held legally responsible for abuses against prisoners. Radical Islamic groups continue to be persecuted, and some 4,500 members of Hizb ut-Tahrir (HuT) were said to still be in prison in mid-2002.¹¹

In Kazakhstan and Kyrgyzstan, the political environment has been contracting. A group of key reformers left the Kazakh government in November 2001 and formed a political movement called Democratic Choice, in part over a dispute with the president over the role played by one of President Nazarbayev's sons-in-law, Rakhat Aliyev. The Democratic Choice movement itself proved a short-lived force, as two of its organizers, Mukhtar Ablyazov and Gaklimzhan Shakiyev, the former akim of Pavlodar Olbast, were arrested for various forms of malfeasance and eventually were given long prison terms. The treatment of Shakiyev and Ablyazov seemed to have given some of the Democratic Choice founders cause for wonder. Some key figures left, while two other organizers—former First Deputy Prime Minister Uraz Zhandosov and former Labor Minister Alikhan Beymanov—created the "Ak Zhol" (White Way) party. In early 2003, Zhandosov agreed to work as an adviser to President Nazarbayev.

■ Saparmurat Niyazov, the Turkmen president notorious for his megalomania, also propelled himself to power through his involvement in the upper echelon of the Communist Party. Initially the first secretary of the Communist Party of Turkmenistan, he was elected to the presidency of the Turkmen Soviet Socialist Republic on 27 October 1990. On 21 June 1992 he became President of independent Turkmenistan. In January 1994, Niyazov extended his rule until 2002 and again extended it for an indefinite period on 28 December 1999.

■ Islam Karimov, the native of Samarkand, became First Secretary of the Communist Party of Uzbekistan in 1989. In December 1991, he was elected President of independent Uzbekistan. President Karimov's original term was extended for additional five years in a national referendum held 27 March 1995. He was again reelected on 9 January 2000. In January 2002, the Uzbek government held yet another referendum to extend President Karimov's term to 2007 by amending Uzbekistan's constitution to allow for seven-year presidential terms.

■ Emomali Rahmonov is somewhat of an exception when compared to other Central Asia leaders in his non-Communist Party background. He began his professional activity in 1971 as an electrician of the creamery of Kurgan-Tube. He arose from a Soviet-era collective farm chairmanship in Dangara, a relatively remote part of Tajikistan. In November 1992, he was elected a chairman of the executive committee of Kulob Regional Council of people deputies. He served as the head of state and the chairman of the Supreme Council of Tajikistan from 19 November 1992 until 6 November 1994 before his election as the President. He was last reelected for another seven-year term on 6 November 1999.

¹¹ Elver Ramazanov, "Fresh Allegations Continue Pattern of Repression in Uzbekistan," 1 May 2002, at <http://www.eurasianet.org/departments/rights/articles/eav050102.shtml>.

There have been disturbing developments in Kyrgyzstan as well. In March 2002 peaceful demonstrations took place during the trial of a Kyrgyz legislator, Azimbek Beknazarov, who was arrested after demanding that impeachment charges be brought against President Akayev for ceding land to China. Police broke up the protests, leaving several demonstrators dead. This in turn caused mounting public protests throughout the spring and summer of 2002, including repeated calls for Akayev's resignation. In an effort to restore order and retain control until his term expires in 2005, President Akayev created a constitutional reform commission with the promise that the changes introduced would lead to some dispersal of power from the president to the government and the parliament. Throughout the run up to the referendum, independent political groups and media outlets found themselves under increasing official pressure to cease their activities. The reforms reaffirmed by Kyrgyzstan's voters in February 2003 will not substantially weaken the office of the president, and most will not be introduced during Akayev's current term. More important, though, was the referendum's endorsement of President Akayev's right to complete his term.

Since 2002, strong pressure from the various states of the Organization for Security and Co-operation in Europe (OSCE) on President Akayev to pardon or otherwise release his former vice-president (and most prominent political opponent), Feliks Kulov, now head of the Ar Namys (Dignity) party, had the opposite of the desired effect. Kulov, whose family now lives in exile, was convicted in May 2002 of three separate charges of embezzlement and was sentenced to serve a new 10-year term, concurrent with his previous seven-year sentence, for abuse of an official position.¹²

The political situation in Turkmenistan has gone from bad to unsupportable since 2002, with a failed coup attempt on 25 November 2002 that led to the arrest of dozens of senior political figures and their families. These were followed by a modern-day version of show trials, the best publicized of which was that of former Foreign Minister Boris Shikhmuradov, sentenced to 25 years in prison after seemingly being drugged or beaten into confessing his guilt in a statement which included the implausible admission that he was also a heroin addict. Shikhmuradov had broken with Niyazov a year before.

In fact, there may even have been multiple plots to overthrow President Niyazov. Niyazov's former security chief, Muhammad Nazarov, dismissed in March 2002, and charged in May 2002 with, among other things "premeditated murder, procurement of women, abuse of power, and bribe-taking," was sentenced to 25 years as well.¹³ His arrest, as well as that of 21 men formerly under his charge, may have led to an effort by officials in Turkmenistan's security organs to oust the president as well. An opposition group also coalesced around former Turkmen Deputy Prime Minister in charge of the financial sector, Khudaiberdy Orazov, and a former deputy minister of agriculture living in Sweden organized yet another group. Turkmen security forces are now trying to rout out supporters of all these men, an effort that

¹² Kulov was said to have abused his position as head of National Security in 1997-1998.

¹³ Radio Free Europe/Radio Liberty, "Ex-security Chief and Henchmen to Face Trial in Turkmenistan," Central Asia Report 2, no. 18 (9 May 2002), at <http://www.rferl.org/centralasia/2002/05/18-090502.asp>.

is leaving the Turkmen intelligentsia diminished in numbers and bereft of its ability to function.

IS THE ECONOMIC POTENTIAL OF THE REGION BEING BETTER REALIZED?

The region's political problems are making many of their economic problems more difficult to solve. Even with recent heightened international interest in the region, the Central Asian states have done little to capitalize on the potential size of their market. This quite naturally extends into Siberia and into Afghanistan as well (with China and Iran being more competitors than part of a single marketplace).

The leaders of each state want to stimulate investment in their own countries, but they seem almost blind to the advantages accrued through the mounting of projects that serve an expanded regional market. Most of the conditions that hinder the development of a regional market are mutually reinforcing. Chief among them is the absence of an attractive investment climate in the region. The legal protections afforded private property vary dramatically across the region, with Kazakhstan and Kyrgyzstan offering the best protection to investors. Both states have developed small middle classes, but it is difficult for independent entrepreneurs to acquire and expand capital, and both states still lack an independent judiciary system.

An atmosphere of corruption is pervasive throughout Central Asia. In all five countries businessmen are forced to pay bribes and purchase protection in some form or another. Only the largest projects seem exempt from this, but even they remain vulnerable to national governments redefining contractual terms and pressuring "payoffs" in the form of social services. For example, in 2002 TengizChevroil temporarily put the next phase of its project on hold after the Kazakh government attempted to change the terms of the joint venture.¹⁴

Trade restrictions within the region frustrate the efforts of entrepreneurs in one Central Asian state to sell their goods in neighboring states. Kyrgyzstan is the only state in the region that is a World Trade Organization (WTO) member, and the only one to subscribe to WTO standards for uniform tariffs and an open and predictable trade regime. Transit trade across Kazakhstan is also difficult, and goods are subject to high tariffs at the national border and separate fees for shipping across each of the country's provinces.

This has also made it very difficult for all of the states in the region to benefit from through-trade across Central Asia. In addition, Uzbekistan and Turkmenistan both have very tight border and trade regimes. This creates difficulties for both Tajikistan and Kyrgyzstan, whose citizens have traditionally depended upon the Uzbeks for sale of agricultural and

¹⁴ TengizChevroil is a joint venture of Chevron (United States), Kazakhoil (Kazakhstan), LUKoil (Russia) and Exxon-Mobil (United States) to develop 6 to 9 billion barrels of oil reserves at the Tengiz and Korolev fields, while Kashagan field, which was recently declared commercial, is to be developed by the contracting companies of the North Caspian Sea Production Sharing Agreement—Agip (Italy), Exxon Mobil (United States), Shell (Netherlands), British Gas (United Kingdom), TotalFinaElf (France), Phillips (United States) and Inpex (Japan)—in conjunction with KazMunayGas (Kazakhstan).

industrial products. In Turkmenistan and Uzbekistan currency is not convertible, complicating the efforts of local entrepreneurs to accumulate capital and of foreign investors to recoup their capital and even realize enough profit to maintain viable projects.

Many trade barriers result from Uzbekistan's reluctance to engage in macroeconomic reform, its maintenance of a system of state orders and supply, price supports for basic commodities and a multi-tiered currency exchange system. The process of lifting trade restrictions has been slow and disappointing. In December 2001, the Uzbek government and the IMF Managing Director signed a letter of intent designed to cover a six-month period, ending on 30 June 2002, with the stated goal of lifting all restrictions on access to foreign exchange for current account transactions. It also promised to eliminate the state procurement and price system, under which Uzbek farmers (who are still largely organized in collective or communal farms) have production targets set for them and seriously deflated purchase prices offered for their harvest. This was to occur in stages, with the liberalization process to begin with the 2002 harvest. The Uzbek government also made a commitment to liberalize the country's highly restrictive trade policy, promising to simplify the import tariff system in 2002.¹⁵ In virtually all of these areas the performance of the Uzbek government has been disappointing, and major funding by the IMF for structural economic reform in Uzbekistan is still largely withheld. Moreover, the Uzbek government faces a difficult situation, as living standards continue to fall. The same situation is present in varying degrees throughout the region.

CAN THE REGION BETTER COPE WITH TRANSNATIONAL PROBLEMS?

The region remains rife with a host of transnational risks. Despite the steadily improving security capacities of all of the states in the region, none is immune to the reach of Islamic critics of the state.¹⁶ Radical Islamic groups are increasing in popularity, sparked in part by these countries' growing economic and social problems. Their presence makes the risk of Islamic terrorism a real one, especially since repressive policies are being pursued even among members of Islamic groups that do not advocate the use of force.

The largest radical Islamic group in the region is HuT, which calls for believers to unite and return Islam to the purity of its founding through the creation of a new caliphate. Following massive arrests, adherents of the movement have gone underground in Uzbekistan, but their numbers are increasing in the border regions of Kazakhstan and Kyrgyzstan, partic-

¹⁵ See "Letter of Intent" signed by Rutam Azimov, Deputy Prime Minister and Minister of Macroeconomics, Mamarizo Nurmuradov, Minister of Finance, and Faizulla Mulladjanov, Chairman of the Central Bank of Uzbekistan, 31 January 2001, at <http://www.imf.org/external/np/loi/2002/uzb/01/index.htm>.

¹⁶ See Martha Brill Olcott and Baktiyar Babajanov, "Notes of a Terrorist," *Foreign Policy*, March/April 2003, 718.

ularly among unemployed youth who are paid to distribute the movement's religious tracts—despite the fact that the movement is illegal in both countries.¹⁷ The Tajik government has also complained about the spread of the movement in its territory as well, and they too have banned it.

Given the population dynamics in these countries, the potential audience for extremist ideological groups is expanding throughout the region, and the potential for new recruits remains high.¹⁸ These groups also continue to find financial support. The war on terrorism has led to greater international scrutiny of the finances of various Islamic charities funding activities of anti-state groups, including those in Central Asia, but money from the Middle East continues to find ways in to the region.

The opium and heroin trade from Afghanistan helps fund some of these groups as well. The drug trade affects all five states of the region as well as Russia, and is the most invidious source of corruption in the region. Turkmenistan developed into a major transit state when the Taliban ruled Afghanistan, while the Tajiks have prospered from their ties to Tajik commanders in northern Afghanistan. The transit income has had a highly corrupting influence on Tajikistan's already weakened law enforcement institutions, as well as in those of Kyrgyzstan as well.

Improving the quality of law enforcement in Central Asia is a critical challenge, given the strength of organized crime networks in this region. The longer the drug trade goes on relatively unchecked, the harder it will be for the states of the region to create incentives for legitimate forms of economic pursuits.

Central Asian states must also manage a host of other regional problems, including border disputes and the allocation of water resources. In both areas, personal relationships between leaders have played an important role in conflict resolution, but relations between the leaders of the region still remain tenuous at best. Turkmenistan refuses to participate in most regional initiatives, while the Central Asian Union of the other four states continually renames itself and searches for functions that a multilateral institution made up of these states can successfully discharge.¹⁹

At the same time, some headway has been made on regional problems in the past year,

¹⁷ According to the State Department's 2002 International Religious Freedom Report, between 6,500 and 7,000 individuals in Uzbekistan were arrested and convicted for political and religious reasons. In Kyrgyzstan, police were reported to have detained 49 people in the Osh region and 86 people in the Jalal-Abad region on charges of membership in HuT. U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, International Religious Freedom Report, 2002, at <http://www.state.gov/g/drl/rls/irf/2002>.

¹⁸ According to the Statistical Agency of the Republic of Kazakhstan, 25.3% of population of Kazakhstan was between the ages of 15 and 30 in 1999. The National Statistical Committee of Kyrgyz Republic reported in 2000 that 37% of population was made up of children and adolescents.

¹⁹ Initially established as the Central Asian Union by Kyrgyzstan, Uzbekistan and Kazakhstan in 1994, the organization later expanded to include Tajikistan and became the Central Asian Economic Community, and subsequently transformed into the Central Asian Cooperation organization (CACO) in December 2001. CACO, whose latest meeting took place in Dushanbe (Tajikistan) on 5 October 2002, seeks to coordinate political, economic, military and humanitarian cooperation between the four member states.

and relations between the region's leaders are generally not deteriorating, the one exception being the Uzbek-Turkmen relationship.²⁰ In fact, Uzbek-Kazakh relations have improved somewhat, despite fears that they would worsen after the introduction of the U.S. base in Uzbekistan.

National, bilateral and multilateral efforts to better manage Central Asia's complicated and interlinked energy system all hold some promise for the future and provide a potentially fruitful focus for increased international assistance. Water management, however, is an enormous common problem. Central Asia's downstream users—Kazakhstan, Uzbekistan and Turkmenistan—are all dependent upon upstream water sources found mainly in Kyrgyzstan and Tajikistan, but also in Afghanistan and in China. All five Central Asian states still rely on the Soviet-era reservoir system, which had most of its water storage facilities in Tajikistan and Kyrgyzstan.²¹ International efforts to sponsor the creation of a new regional water system have been rebuffed by the states of the region, which have announced their intention to manage this problem themselves.

Things have grown no worse since 2002. A five-year plan introduced a new regional management system for the Syr Darya water basin in 1998; it is negotiated annually and works reasonably well. There is talk of extending it to the Amu Darya water basin if peace in Afghanistan holds. Preliminary discussions about a new cooperative water and hydroelectric project involving Tajikistan, Uzbekistan and Kazakhstan also have begun. Nonetheless, each of the five Central Asian states also pursues water-related projects that will limit availability to other users, and they do so with little or no consultation with the affected parties.

WHAT LIES AHEAD?

On closer examination the Central Asian states appear likely to experience much the same fates that they would have had the tragedies of 11 September 2001 never occurred.

United States aid and other forms of foreign assistance to the area have increased. Some of this has come in the form of debt relief, for Kyrgyzstan and Tajikistan in particular. But most of the increase in funding, from the United States at least, has been in the area of security assistance, where the allocated monies at best allow these countries to begin a decades-long process of rebuilding their militaries and security forces. (see U.S. Assistance to Central Asia Table 1)

²⁰ In the aftermath of the failed November 2002 coup in Turkmenistan, Uzbekistan's ambassador to Turkmenistan was forced to return home, allegedly for helping to facilitate Boris Shikhmuradov's entry into Turkmenistan.

²¹ International Crisis Group, *Central Asia: Water and Conflict*, ICG Asia Report, no. 34 (30 May 2002), at http://www.intl-crisis-group.org/projects/asia/centralasia/reports/A400668_30052002.pdf.

**Table 1: U.S. Assistance to Central Asia
(in millions of dollars)**

Central Asian Country	Cumulative Obligations FY1992-2002 ⁱ	FY 2001 Obligations ⁱ	FY 2002 Budgeted		FY 2003 Request ⁱⁱ
Kazakhstan	886	75.5	Security & Law Enforcement	41.6	51.4
			Market Reforms	14.0	
			Democracy Programs ⁱⁱⁱ	13.7	
			Community Development	11.5	
			Social Services	6.0	
			Humanitarian Assistance	3.2	
			Total	90.0	
Kyrgyzstan	634	36.7	Security & Law Enforcement	37.4	43.3
			Market Reforms	17.6	
			Democracy Programs	16.1	
			Community Development	6.0	
			Social Services	11.7	
			Humanitarian Assistance	6.2	
			Total	95.0	
Tajikistan	508	67.4	Security & Law Enforcement	21.5	22.9
			Market Reforms	9.4	
			Democracy Programs	12.4	
			Community Development	10.4	
			Social Services	12.2	
			Humanitarian Assistance	75.6	
			Total	141.5	
Turkmenistan	218	13.7	Security & Law Enforcement	8.0	9.4
			Market Reforms	0.9	
			Democracy Programs	5.2	
			Community Development	1.7	
			Social Services	1.8	
			Humanitarian Assistance	0.5	
			Total	18.1	
Uzbekistan	508	54.7	Security & Law Enforcement	79.0	43.9
			Market Reforms	10.9	
			Democracy Programs	26.2	
			Community Development	5.5	
			Social Services	45.5	
			Humanitarian Assistance	52.7	
			Total	219.8	
Totals	2,754	248.0	564.6	170.9	

Table prepared by Zhanara Nauruzbayeva.

Sources: Issue Brief for Congress, Central Asia's New States: Political Developments and Implications for U.S. Interests, by Jim Nichol, Foreign Affairs, Defense and Trade Division, December 11, 2002; 2002 Fact Sheets on U.S. Assistance to Central Asia, Bureau of European and Eurasian Affairs, U.S. Department of State at www.state.gov/p/eur/rls/fs/c5738.htm

ⁱ Freedom Support Act, other Function 150 funds, and Agency funds.

ⁱⁱ Freedom Support Act and other Function 150 funds (does not include Defense or Energy Department funding).

ⁱⁱⁱ Democracy programs vary from academic and professional exchanges to projects that support independent media, political parties and nongovernmental organizations (NGOs) to programs such as Community Connection and Internet Access and Training. For more detailed information, please refer to 2002 Fact Sheets on U.S. Assistance to Central Asia, Bureau of European and Eurasian Affairs, U.S. Department of State.

Similarly, the EBRD and ADB have promised increased funding for a number of major infrastructure projects in the areas of energy and transport.²² The funding levels and pace for the realization of these projects, however, will take years, if not decades, to impact the lives of Central Asia's residents. The IMF and World Bank have signaled their willingness to be more active in the region, but they have found few takers willing to meet the conditions for increased assistance.

With the exception of Kazakhstan, whose energy sector is still a magnet for foreigners, major increases in foreign investment to the region remain merely promises. In general this has been a time of caution in international investment. Moreover, few new incentives have been offered to potential investors. Plans to speed up the pace of economic reform in the region have been more talk than action. Even economies that have opened the door to market forces, like those of Kazakhstan and Kyrgyzstan, have shown little progress in reducing corruption or breaking up the concentration of economic power in the hands of a few political power holders. Turkmenistan's president is unwilling even to discuss beginning serious economic reform, while Uzbekistan's government has had serious difficulty moving from promises to deeds in the area of fiscal restructuring and macroeconomic reform.

The amount of money being spent by the United States and the European nations on democracy assistance has increased substantially. Here too, however, the projects being introduced—a new privately controlled printing press in Kyrgyzstan, as well as regional projects designed to improve training for independent journalists, to work with independent political groups and human rights organizations and to upgrade the work of local governmental and judicial authorities—remain limited in scope and by necessity take the long-term view of the problem. They are all predicated on the assumption that democratic reform in these countries can be attained by slow and steady progress. While it is difficult to see a downside to these programs, there also may not be an upside. The past year has shown the rules of politics in Central Asia to be more like a real-life version of Chutes and Ladders. Unlike in the children's game, however, where pieces on a board can be picked up and resume their journey forward, the flesh-and-blood political figures who criticize the current regimes are being physically broken. In this regard, the past year has been a dismal one for anyone who supports the goal of democratic transition in Central Asia. In most parts of Central Asia, despite the increase in funding, the alternative political elite is finding its work more difficult today than it did one year ago, when prospects for democratic reform in the region were already steadily diminishing.

The political challenges facing these regimes remain unchanged, and political uncertainty increases as these leaders age and in some cases become visibly frailer. The next few years are

²² The most comprehensive plan is the TRACECA (Transport Corridor-Europe-Caucasus-Asia) project. Launched in May 1993, TRACECA is an EU-funded technical assistance program that implements development of a transport corridor on a west-east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. Through 2001 TRACECA financed 39 Technical Assistance projects (57,405,000 EURO) and 14 investment projects for the rehabilitation of infrastructure (52,300,000 EURO).

likely to be uncertain ones for the various states of the region. Each state still faces the challenge of political transition. Soviet-era figures still rule each of the Central Asian countries, and no mechanisms for an orderly transfer of power have been put in place, even in Kyrgyzstan, where the incumbent president has promised to step down when his term expires in 2005.

If one year ago some hoped that the United States would be a positive influence on the developmental trajectories of the states of this region, there is now far less reason for any such optimism. Rather than being frightened of the United States, the Central Asian leaders generally see their role in the war on terrorism as making themselves less rather than more vulnerable to U.S. criticism. Each leader seems to have convinced himself that his role is vital, whether the contribution is in the form of airbases (in Kyrgyzstan and in Uzbekistan), or of overflight and limited landing rights (in Tajikistan and in Kazakhstan), or of facilitating the transfer of humanitarian assistance (in Turkmenistan). This message has been reinforced by the treatment that many of them have received during official visits to the United States in the past year. The heads of the region's most fragile regimes may find their authority temporarily bolstered by the increased U.S. attention, but Washington will not take any steps that could have potential international consequence to extend the longevity of Central Asia's leaders. What Russia may do is clearly another question, and as long as Moscow intervenes with the explicit support of the country's sitting president, this seems to be fine with Washington.

At the same time, there is little evidence that the leaders of these states believe that a strategic reorientation has occurred. None seem to feel that Washington's assertion of itself as a lone superpower on a global mission to rid the world of evil has strong implications for them or for the geopolitical orientation of their countries. The role accorded to them in the war on terrorism has led to a new self-confidence among the leaders—and not just the presidents—of the region, as it has allowed them to bring something to the international community and not just take from it. The Central Asian states have found a mission for themselves and have demonstrated the strategic importance of their region, but their leaders have yet to demonstrate that they are capable of ruling in ways that maximize their publics' interest. 🏰