

Center for Strategic and International Studies

A Global or Regional Future for Central Asia?

Featuring:

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OLGA OLIKER: Let's get started. All right, let's get started. Thank you, everybody, for being here. I am very pleased at this turnout.

Very pleased especially, though, to have with us today Ivan Safranchuk – who is not, as his nameplate says, at the Diplomatic Academy of Moscow, although he was. He is here representing the Moscow State Institute of International Relations, but Ivan is a man of many talents and a number of affiliations. He is actually now working with the Diplomatic Academy in Kyrgyzstan.

Ivan will be talking about Central Asia. He is going to give us some perspectives from the neighborhood as opposed to the perspectives we generally get here in Washington, which are from within the Beltway. And my colleague here at CSIS, Jeff Mankoff, will provide some comments afterwards.

I don't want to waste our time – spend most of our time talking about – introducing. I'd rather we move on to the actual presentation, so I'm going to turn it over to Ivan. And I'm also looking forward to giving all of you plenty of time to ask questions and engage in a discussion. I think we have a very capable and knowledgeable group here in the audience, and I'm also looking forward to hearing what all of you have to say.

So, Ivan?

IVAN SAFRANCHUK: Thank you very much, Olga. It's a big honor for me to be invited and speak at CSIS and address this distinguished audience.

It looks like you have a Russian week these days at CSIS. Yesterday there was also an event related to Russia. I will speak mostly on Central Asia and on the Russian policy in Central Asia, but in the context of how this Russian policy (intercounts ?) policies of the United States and China.

Unfortunately, or fortunately for some others, a big player who was present in Central Asia is now – looks more like a shadow rather than a real player, and that is European Union. It was active for a while 10 years ago, in the mid-2000 years. They adopted a strategy for Central Asia in 2007. However, by now the EU policy in Central Asia is not very active. And that's why we have primarily three players present – that is, the United States, Russia and China.

Some regional players who were present and active in the past – like, for example, Turkey and Iran – are also not really matching the competition at this very moment. We can expect that maybe Turkey may become a little bit more active in Central Asia, Iran may become, but I don't think that either Turkey or Iran may really become an important player in Central Asia in the next years to come.

And between these three players – Russia, the United States and China – there is a sort of, if not competition, then a dancing around competition. The countries are not very eager to cooperate and they do not want to openly compete, and that creates a very strange relationship

between these three countries in the region. I usually say that there are three projects – that is, Russia, the U.S. and Chinese project – in Central Asia, but only two ideas behind these projects.

What are – what are the projects? The U.S. project – well, back in the ‘90s it was the United States was supporting sort of European future for Central Asia because in the late ‘90s Central Asia was regarded as part of the extended, bigger Europe. And that was probably a (delusion ?) coming from the collapse of Soviet Union, because if Soviet Union was part of European structures all countries coming out of the Soviet Union also became members of the European structures, first of all of the Organization for Cooperation and Security in Europe. And that was leading Europe to think that this is part of Europe if it is – if these are members of the Organization for Cooperation and Security in Europe.

However, the question was how to connect these very far Europe, Central Asia, to Europe itself, to the core Europe. And the idea was coming like this can be done through Turkey and through Caucasus. And that’s why Central Asia and Caucasus were regarded as actually one region, and that was term widely used: “Central Asia and Caucasus.” There were even publications under that name. And that was very popular for nearly two decades, and by now it’s less popular.

So initially, the United States was supporting this vision, like Central Asia should be connected to Europe. However, in the 2000 years, after the United States went to Afghanistan, another vision came up, and that was the vision to redirect Central Asia to South Asia. It’s not clear what was more important in this vision – the vision itself, or just the pragmatic interest to give some basis for leaving for Afghanistan, because by the time when the idea was introduced it was 2005. Afghanistan looked not that bad as it looks now. There was even the notion victory mentioned by the Bush administration. And the idea was, well, how now to make Afghanistan sustainable and what means it has to leave? And the idea was if actually Central Asia and South Asia are connected through Afghanistan, Afghanistan will have some means to leave, earning from these connections and earning from links between Central Asia and South Asia.

By now it’s not clear, actually, whether the United States remain committed to that idea of redirecting Central Asia to South Asia or not. However, I think that the primary idea behind that project was to bring Central Asia to global – to global connections, to global market, because Central Asia is landlocked; that’s a well-known reality. However, how to unlock Central Asia? How to bring Central Asia to oceans, to world ports, important ports, the world economic routes? How to connect Central Asia to globalization, to put it in short.

That was the primary idea of the U.S. project. And in this regard it’s not that important whether the United States want to connect Central Asia to globalization through Europe or through South Asia or through Middle East. The interest, I think, remains the same: to connect Central Asia to globalization. And that, by the way, at least in the ‘90s and 2000 years, did coincide with the interest of Central Asian elites themselves. And so the idea exists in the – in the American project. However, the project itself seems to be not very active.

The Chinese – the Chinese policy in Central Asia is based on a little bit different idea. First, they will go in there for – probably for resources. And that was the story of 2000 years,

when they were competing for – when they were competing for gas and oil contracts, and for building infrastructure to bring raw materials to China. But with the introduction of this One Road, One Route (sic; One Belt, One Road) vision, I think that China shifts a little bit with the major idea of what they want from Central Asia. Of course, they still want raw materials. They want as many activities in Central Asia, economical activities, to be connected to the Chinese economy. However, the more important for them is not to have Central Asia as periphery of the Chinese economic system. That is true, but that is not the primary – the primary interest. As far as I understand, the primary interest for China is to get through Central Asia – to get through Central Asia to Europe and to the Middle East; so to build well-established and sustainable land routes to important global places of development, the Middle East and Europe.

And in that regard, the Chinese project is also about globalization. They want to have open routes of access to the Middle East and Europe. That is a globalization idea. So in that regard they are – we can say broadly that the Chinese basic idea and the U.S. basic idea coincide; that is, to bring some globalization to Central Asia. However, there is a difference between the – because, as I said, the United States wanted to bring Central Asia to globalization. However, China wants just – China doesn't want to bring Central Asia anywhere; China just wants to get through Central Asia and to have it like a free space available for the operation of their infrastructure, to be built by the Chinese projects.

And the Russian – so that is one idea which I say behind the projects, the globalization idea. And the Russian idea is very much different from that. Russia is more thinking in terms of regionalization. And inside Russia there is a debate that probably globalization is at some – globalization is in decline as a big trend in the world and regional dynamics become more important, and the sort of regionalization trend is getting more important.

And what Russia is doing – and Russia is building an economic community, although it is called union officially. I would prefer to call it community. So Russia is building this economic union in Central Asia, in Caucasus, in Eastern Europe with the idea that ideally it should look like, actually, Europe, which means that to have weak borders inside the community you should have more or less strong outside borders of the community. And that's why what is going on when new countries are joining the Eurasian Economic Union is that they have more opportunities for trade and travel inside the union, however tariffs and other economic barriers on the – on the external border of this economic union become more strict.

And in that regard, we can say that Russia is somehow consolidating this region. I don't want to say that Russia is locking the region inside the region itself, but definitely Russia prevents some of the outside links of the Eurasian Union, because once again the experience is the experience of the European Union: to have really free markets inside the union, you need to have strong outside borders of the community.

So two ideas are globalization and regionalization, and we have three projects for that. And once again, although the U.S. and China's projects on globalization coincide in the basic idea, there are some differences in detail. The paradox is that, although Russian and China's projects are – as I said, do not really coincide in the basic ideas, we see more cooperation

between Russia and China in Central Asia rather than between the United States and – rather than between the United States and China.

And I think that this may be misperceived in Washington. The very fact that China and the United States both have some globalization vision for Central Asia does not mean necessarily that these two projects, the Chinese and the U.S. ones, can be merged or can be implemented together. And although Russian and Chinese projects do not coincide in the very basic idea, paradoxically they probably can be implemented somehow in parallel.

There is a lot of discussion right now inside Russia how the two projects – the Chinese and the Russian projects – can be merged. There are different options discussed. For example, the option which I am promoting is the option that actually would not need to merge them; we just need to trade off between them. Like, if China wants to get through Central Asia, that's fine. If Russia wants to develop Central Asia, to invest in development of Central Asia, that is also – that is also fine. What if we help Russia – what if Russia helps China with its infrastructure project and access interests, and in its turn China invests in the Russian-promoted projects of reindustrialization?

And here I want to come to the point that although I as somebody who looks at the world globally do support the globalization vision for Central Asia, still I think that only the globalization vision for Central Asia will not – will not be enough. There are 60 million people in Central Asia. And whatever economy built on transit and infrastructure will not be enough for creating enough jobs and social stability for 60 million.

That's why what is necessary for Central Asia is some sort of reindustrialization. Of course, with elements of modernization, but still reindustrialization is very important. Because what happens right now is that millions and millions of people of Central Asia – from Central Asia find jobs in Russia, and it becomes harder and harder for them. More people will return home. And taking into account the high birth rates in Central Asia, we can see that by 2050 or something like that the Central Asian population may double from now. So some redevelopment of Central Asia, reindustrialization, and also some modernization of Central Asia, that is absolutely essential.

And I think that the narrative of the Russian projects is that is speaking about reindustrialization and about creating jobs in the region, while the Chinese and the American projects are less focused on that. And that makes – that makes elites of Central Asian republics, if not fully committed to the Russian projects, then they do see merit in that.

However, I would make a distinction here. I think that, for example, for the elites of Central Asian republics, their globalization projects, as they are proposed by the United States and China, are very lucrative, and there is a lot of interest from the elites to the projects. However, the elites are also interested in social stability, and for that they need broad development, not only big projects but which elites can profit themselves. They also need some broad development which would create prosperity for millions of population. And in that regard, they see merit in the – in the Eurasian Economic Union.

And then – well, it's – it may be a hard choice for the elites of the Central Asian republics if they are forced to choose. More likely they will prefer to have elements of both. And to have elements of both is actually driving them to be interested in Russian-Chinese cooperation on Central Asia, because China will bring them some globalization and Russia will bring them regional development, to put it in a little bit simplified way. So I would repeat again that, paradoxically, although we can see some coincidence in basic ideas between the U.S. and Chinese – and Chinese projects, on a practical level Russia and China, despite many, many disagreements in Central Asia, find some common interest for cooperation.

And before I stop, Jeff was asking me – Jeffrey was asking me to give a little bit more comments on particularly the Russian policy in Central Asia. And I think that we are in a very interesting moment of the Russian policy in Central Asia. Resources are in decline, but commitment remains very, very high. And in that regard, cooperation with China may be even more – even more interesting because China may bring resources which Russia may lack alone.

But there is another interesting element in the current moment of the Russian policy in Central Asia. I think that for many years the Russian political leadership was committed to what can be titled in business terms organic growth of Russia. What do I mean by that? I mean that I think that there is inconsistency between three very important elements of Russia: territory, population – the size of territory, the size of population, and the size of the economy.

The size of territory is well known. (Chuckles.) It's one-fifth of the Earth, on the planet, of the land. However, as soon as you have such a big territory, you think how to defend it. To defend such a big territory you need either relatively cheap but massive army, or you need quite expensive, high-tech and less massive army. For massive and not very expensive army, there is not enough size of population. For high-tech, expensive but not really massive army, there is not enough size of the economy to fund the military budget, which would be OK for high-tech and expensive money.

That's why from the very beginning when Putin came to power he was committed to two – to two policies: that is, increase of birthrates to adjust demographics, and to rapid economic growth. And you remember that his first slogan was to double the Russian GDP, which he nearly did. The economic crisis of 2008 interrupted those efforts, but he nearly did that. However, by now he – and actually, the economic growth was quite good and spectacular. Russia moved into the six biggest economies and everything was fine with the economic growth.

With the – with the demographics, the situation was not that good because the process was very slow. However, by now I think it's – it becomes accepted like organic growth is not quick enough. The demographic growth is stagnating and the economic growth is also stagnating. However, the appetite of result remains very high. And that's why I think we're at the moment when Russia may shift from organic growth to mergers and acquisitions. (Laughter.)

And Eurasian Economic Union and all these policy of establishing a common economic space first was initiated as giving more space for the organic growth. Rather, I think at the moment, when the organic growth is stagnating in two very important elements – that is,

demographics and the economics – there may be thinking that Russia can shift to support the growth from organic growth to mergers and acquisitions. And then the Eurasian integration can be rewritten into the policy of mergers and acquisitions. And that would actually contribute to the growth because Russia doesn't need territories and doesn't need political sovereignties of those countries, but access to the economically active population and access to their economic infrastructure and economic facilities in the region may support the rates of the growth.

And in this sense, I think we are in the interesting moment, whether the Russian authorities will shift from organic growth to mergers and acquisitions, and revisit how they take the Eurasian integration from a space for organic growth into being a method for mergers and acquisitions.

And here I stop.

MS. OLIKER: OK. Thank you very much, Ivan. That was really a very interesting framework sort of a lens to look at the situation and think about both the goals of these countries and how they align and don't align with one another.

I want to ask Jeff to provide a few comments before beginning our discussion.

JEFFREY MANKOFF: OK, thank you.

Oh yeah, and thanks, Ivan. That was a really comprehensive picture of how the different major players – the U.S., China and Russia – are approaching this part of the world right now, and it's a time when there is a lot of rethinking and reconceptualizing about what role Central Asia is going to play in the bigger political and economic strategies of these countries.

That said, I guess what I want to focus on is more the political than the economic because I think in the medium- to longer-term which of these approaches that you laid out – the globalization or the regionalization; or the U.S., the Chinese or the Russian – is going to succeed and in what way it's going to succeed is going to depend as much on political factors as on economic factors, and that's political factors that are indigenous to the region as well as political factors that are indigenous to those three countries themselves.

And I would say with regard to the countries themselves – that is, the U.S., China and Russia – one of the big questions is what priority does Central Asia get in their overall geopolitical and geoeconomic strategy. Certainly in the United States one of the big problems that we've been facing ever since the New Silk Road initiative was announced in 2011 is figuring out just how much attention and how many resources we have available to give to Central Asia. So there's a vision, and as you rightly described it it focused on tying – on tying Central Asia to South Asia as part of a strategy for integrating and stabilizing Afghanistan. But since 2011 – and this is true up until the present day – we've struggled to resource that vision – to provide the political support for it, not to mention the financial support to create the infrastructure, to create the relationships that would actually allow that vision to come to fruition. And I don't think that, you know, at least here we have gotten to a point where we have made a

fundamental decision and have committed ourselves to making the resources available to actually do that.

Now, for Russia and China, of course, this is a region that's much closer to their own borders. It's part of their own shared neighborhood, and so it is a higher priority. But at the same time, I think both Russia and China have to figure out in terms of their own strategies how much attention and resources to give to Central Asia, especially when they have multiplying commitments in other places – whether that's the Western Pacific for China, whether that's Ukraine and the Middle East for Russia. And so Central Asia is one challenge among many, and I think we have to see it in the context of all of these other challenges.

The other issue, of course, is the politics of Central Asia itself. And you know, here I think we often – and this is a problem that you see in Washington as much as you see in Moscow or Beijing – but we tend to look at the region through the lens of our own politics and our own interests, and give short shrift to the perspectives of the elites and the people who live in the region itself. And so figuring out how they want to view their relationship with the outside powers, how they view cooperation among themselves, I think is going to be one of the key factors in determining if any of the visions that you laid out or that our respective governments have laid out is going to come to fruition.

Certainly, if you think about the American approach, there are a lot of questions about American staying power and also about America's proclivity for interfering in the domestic politics of these countries in ways that the elites often view as destabilizing. Democracy promotion or the specter of democracy promotion has been a perpetual source of tension in the relationship between the United States and the various Central Asian countries that makes them less willing, I think, to take risks in order to move towards cooperation with Washington, especially at a time when there's a perception that Washington is pulling out of the region.

And with regard to Russia, I think it works in a slightly different way because the perception in a number of these countries is that Russia's vision – and I absolutely agree with the way that you characterized it as regionalization – but that it's not only about creating larger markets, it's not only about lowering barriers to trade, but that, at least as much as the European Union and possibly even more so, it's also about politics. It's about, if you will, a sort of neo-imperial vision for how the world works, and it's connected to Russia's larger geopolitical ambitions and the idea of creating a multipolar world with spheres of political influence. And there's resistance in a lot of the Central Asian countries to going down a path that they worry would compromise their sovereignty. And so, in thinking about what kind of regionalization is going to happen, what the Eurasian Economic Union is ultimately going to look like, one of the big challenges is figuring out how do you strike the balance between what the EU they would have called federalism versus intergovernmentalism. And I think the Russian vision for that and the vision of many of the Central Asian states remains fairly far apart. And for some of the Central Asians, working with China, working with the United States, working with other outside powers is in part a way to compensate for fears about the loss of sovereignty in this more politicized vision of Eurasia that they see coming out of Moscow.

And then, for China, you know, I guess the question really is, how do these countries avoid finding themselves completely swallowed up, given the extent of China's – of Chinese resources and the amounts of money that China seems to be interested in putting into these countries? You know, right now there's a belief that the political strings that come with Chinese investment are limited, that this is really all about trade and infrastructure promotion. It's about, as you said, going through Central Asia so that China can access markets in Europe and the Middle East. But money's not free. And not only does it have an economic cost in terms of loans that need to be paid back at some point, but at some point there may be political costs too. And I think we're still in the learning process in terms of figuring out what those might be. Certainly that's – I think that's true in Central Asia.

And so, you know, going forward, I think you're right that there are these three approaches and that the DNA, if you will, of the U.S. and the Chinese approaches is quite similar, in that it envisions trying to connect Central Asia to the outside world, whether that's north-south as the U.S. initially wanted to do it or if it's east-west as China has been advocating. But it's about going outward, while the Russian vision is more about consolidating this area as a region, and then having it participate in global networks and global trade as a region.

But figuring out how the economic imperatives that are driving all of these approaches interact with the political necessities in Moscow, Washington and Beijing, as well as in the region, I think is going to be the challenge that all of these powers, as well as the countries in Central Asia themselves, have to struggle with in the years to come. So I will leave it there.

MS. OLIKER: Thanks, Jeff, for kind of – I feel like Ivan gave us a nice – a really nice broad overview, and Jeff brought us back to the pragmatic of, OK, well, how does this actually work and what are some of the things that make it work or not work. Do you want to respond to that, Ivan?

MR. SAFRANCHUK: Exactly on the pragmatic side of the political considerations which exist in Central Asia, I think that – I agree with Jeffrey on broad terms that – how Jeffrey described Central Asian thinking about the U.S., Russia and China's policies and what are the concerns for Central Asia in each of these – of these policies.

However, I think that we should also look at some details that the countries are really quite different in the political countries – I mean, the countries of the Central Asian region. And some of – some of these countries have high ambitions. Others have less ambitions. But they have different visions. For example, Kyrgyzstan and Tajikistan, the visions prevailing in these countries are to become bridges between something, whatever. But they want to be on some routes.

While, for example. Uzbekistan is deeply committed to industrialization and to promotion of manufacturing inside the country. Kazakhstan is actually committed to both – to various routes going through Kazakhstan and Kazakhstan being part of important regional and global routes. But also, Kazakhstan is very committed to modernization of manufacturing and to their creating a modern economy not only based on transit, but also based on some production inside the country.

From this perspective, all these poor countries are very different from Turkmenistan, which actually is become like a Middle East emirate. They live mostly on raw materials being exported. And we do not see much commitment – although, newspapers in Turkmenistan write every day about some facilities being under construction or being opened, textile manufacturing or something like that. But still we cannot say that Turkmenistan is really committed to modernization and development of the internal economy, except the export of raw materials and industries connected to this. And in this regard, I think that Turkmenistan is really standing a little bit aside of the region.

And the four countries of the region, they need partners, either for internal industrial development because if you do industrial development in Kazakhstan and even in Uzbekistan where there is a relatively big internal market, still earlier or later you need markets to sell that. And even more, even you want to be a connectivity point, if you want to stand on some routes of trade and communication, it means you also interested in some regional or outside partners who will travel and trade through you. And in that regard, I think that it is very important that, at least in the four countries of the region except Turkmenistan, there is a remaining high commitment to development in partnership with regional and global partners.

And for me, it's a little bit surprising that even after 25 years of real expectations not coming true through this period, the region remains committed to development. And I think that it is very important that maybe Russia, China, and the United States put aside some of their broader geopolitical considerations and either themselves or they allow the other partners to meet these expectations of development, because once again the birthrates in the region keep very high. And maybe the coming decade or 15 or 20 years, that is the last chance to modernize this region so that the region finds its niche in the future global economy. So I think it is important to meet this expectation for development, which is still existing, at least in the four countries of the region.

MS. OLKER: Thank you. I'm going to take my moderator's prerogative and ask a question before I turn it over to the group because it actually follows directly on what you're saying. You know, we seem to take as a given that the development of Central Asia is important.

I'd like to hear, actually from both of you, how you think it is important, because I would argue it's more important for some countries than for others. And I would argue that one of the reasons the United States has failed consistently in developing policy in Central Asia is that it hasn't been at the top of the agenda, it hasn't been that important, so it has been seen as a secondary factor to other policies. So if the U.S., you know, does continue to back away, it's not that important – you know, so why would we care?

But also, it occurs to me that I don't think it has been competition between Russia, China, the United States that has stifled development. I would argue that the political dynamics that Jeffrey brought out that have stifled development. So if the U.S. backs away and leaves it to the others, does that actually make a difference? Do you think there is any hope for development? I'm going to leave it with those two pieces, though I have a few others too. (Laughs.)

MR. SAFRANCHUK: If the United States steps back, and whether it will help the development or not, I think just stepping back will not help the development. However, I think that sometimes the political battles we have, or mini-political battles we have on the ground in Central Asia, they make Central Asian governments confused and they – and these battles we have between big countries, they make the decision-making inside the governments of Central Asia more complicated because they definitely don't want to go into hostile relations with any of the big players.

However, they also don't want to be pushed for some ultimate choices, to choose between Russia, China or the United States. That's why if there is some sort of broader, good picture of relations between the United States, China and Russia, it's easier for Central Asian governments to behave and to take decisions, and to do development inside their countries. That's why it's not about stepping back, but some downsizing of tensions I think would be helpful. And that would take away some of the political considerations inside capitals of Central Asia, which keep them away from more active economic policies.

And in that regard, I think there is a sort of double policy of the United States – not meaning double standard – but meaning that the rhetoric in Washington and the practical activities in the region, in Central Asian republics, so in Afghanistan – they do not necessarily always go through the same line. Some people take from this the conclusion that it is double standard policy or the United States have a declarative policies and some sort of hidden agenda. I don't think any of these two arguments. But I think that there is what can be modestly described as disconnect between Washington and some practitioners, professionals of the U.S. policy in Central Asia and Afghanistan.

And this disconnect is – well, maybe for the United States it's not that important. But in the region, it brings some difficulties to the national government, and probably this disconnect and the practical policy of the United States in the region being actually more active and more geopolitically based than it is described in Washington, and probably as it is believed in Washington. All that makes the situation on the ground much more complicated.

For example, I didn't hear anybody here in Washington saying that Kyrgyzstan should be kept away from joining the Eurasian Economic Union. It's absolutely that it is the government of this – it is the decision of this government. However, I can tell you that at least in my judgement, inside Bishkek, the U.S. embassy, from probably some sort of activism, was really (torpedoing ?) the decision of the Kyrgyz government to join the Eurasian Economic Union, through all last year. And once again, I don't want to go into too much detail about that, but in modest terms, we can say that there is a disconnect between Washington and between U.S. professionals on the ground. And this disconnect somehow should be tackled, I think.

MS. OLIKER: Thank you. Jeff?

MR. MANKOFF: Sure. You know, I think you're absolutely right that in terms of where Central Asia fits as an interest it's much higher up the ladder for China and Russia than it is for the United States. And in terms of if development, which the region definitely does need,

succeeds or not has much more of an impact on the direct security, more than economic interests, but the economic interests as well of both China and Russia than it does with the United States. That said, I mean, I think the U.S. does have an interest in seeing Central Asia remain stable and progress economically.

In a lot of ways, you know, socially and in terms of social development and how the economies function, I mean, I look at a lot of Central Asia today and think about the Middle East in, say, the 1970s, with the demographic bubble that Ivan was talking about, with the lack of jobs, with the emergence of radical movements that right now remain relatively marginal but they're, you know, putting down roots and the governments are having a hard time responding to. You know, if we're still looking at a Central Asia that is socially and economically structured more or less the way that it is today in 2030 or 2040, then I think it's a region that becomes very problematic and very troubled. And those troubles are not going to remain confined to Central Asia, but they're going to spill outwards.

We're seeing already some hints of that. You know, there are concerns about the number of Central Asians who've gone to fight in the Middle East, often going via Moscow where they've gone to work because of the lack of economic opportunities within their region. So if there's a social and economic breakdown in Central Asia, it's not going to remain confined to Central Asia. And that, obviously, affects, you know, people here, people in Europe, and elsewhere too. And so I think we should – the U.S. should care about it for that reason.

And in terms of how, I think the U.S. has a comparative advantage in certain aspects of development. You know, we don't have the financial resources that China does, for example. We don't have the political relationships, the social relationships that Russia in particular has. But we have a lot of know-how. We understand how institutions work. We understand, you know, how to promote trade, how to create an investment climate that's going to allow companies not only from within the region but from without to want to actually come and do business in Central Asia. And so it's one thing to talk about building infrastructure, building pipelines and railroads and everything else.

But if you're really interested in development, I mean, it's about more than that. It's about, you know, how do you create economies that are self-sustaining, that are producing things and trading with their neighbors? And a lot of that requires the focus on what we like to call soft infrastructure. And that's a comparative advantage that, I think, we have and that our engagement with the countries of Central Asia in the last 10 years, at least, has really focused on. And I would like to see that aspect continue. And I – you know, I agree completely with Ivan that the focus on geopolitical maneuvering that seems to be part of how the U.S., China and Russia are engaging in the region is, in a lot of ways, counterproductive.

It's counterproductive from the standpoint of promoting development, which I think is something that all of us would benefit from. And I think it's counterproductive in terms of the overall development of the trilateral relationship among the U.S., Russia and China. I mean, those relationships and the various dyads within them are complicated enough as it is without throwing Central Asia into the mix as another area where Beijing, Moscow and Washington have to clash. And I don't think that the fundamental interests of the three countries are that

diametrically opposed that you can't think about, you know, focusing on collaboration and trying to work together on some of these development issues that ultimately would be beneficial for all of us.

MS. OLIKER: OK. Thank you. Let's turn it out to the group. OK, I think I saw Bill's hand go up first. So we have a microphone traveling, so. Please identify yourself and – prior to asking your question – and please do ask a question.

Q: Bill Veale, president emeritus of the U.S.-Kazakhstan Business Association.

I wanted to pick up on what Jeff just said about soft infrastructure and investment climate and Ivan's comments on industrialization in the region as well. Now, you already have mentioned that Uzbekistan has a significant industrial base. Kazakhstan has been trying to build one for years. There's a question about how you do this. Do you – Kazakhstan's economy is full of state enterprises, 60 percent or better are state-owned enterprises. They've not been dynamic engines of change. There is a problem in growing from small entrepreneurs, growing middle-size and larger companies indigenously within these countries, signs that outside investors look for to see whether or not the local economy is flourishing and there's good opportunities there.

So you can get kinds of particular partners with these state enterprises to help do this, but there's a real problem with what you euphemistically I guess call rule of law, these soft infrastructure issues, of how do you get that going? And most of the countries in this region are political economies, where the ownership of assets and the way in which you play with those assets in the system is politically significant. And I think that the real problem is, how do you begin to change the kind of notion of stability that is prevailing in this area to begin to get wealth generated in an area which has the lowest trade within its region of any region in the world? Thank you.

MR. SAFRANCHUK: We – answer –

MS. OLIKER: Yeah, please.

MR. SAFRANCHUK: I don't have any other remedies for the development, except what is well-known, and that means reforms to fix the problems which you rightly mention. There should be rule of law. There should be respect to private property. There should be enough freedom for business, not only through political connections, but just through rule of law so that medium sized and small businesses can develop. There are problems with that in each of these – in each of these countries.

And I think that we can see, for example in Uzbekistan in particular, that in the Andijan events in 2005, which were connected to some small businesses and networks built through small businesses and solidarity networks built through small businesses, which partly were involved in the riot. The Uzbek government probably came to the conclusion that actually big projects are better because they can be controlled. You understand who profits from them. You

can control how this profit is spent, how it is not going into unwishful political or social activities.

In Kazakhstan, it does not go to that extreme, but also the political elite remains more interested in big projects where the political elite has more political – has more opportunities to control everything. And that's why I mentioned that there is a sort of – (inaudible) – how the political elite thinks in these countries. In Kazakhstan, in Uzbekistan, in Kyrgyzstan and Tajikistan because definitely there are – there are interests of the political elite. And that is interest of short-term political stability, that is interest of getting enough just revenues, which fund the power. And the power gives revenue.

All that is true, but also I think there is thinking inside the political elite on what is for these countries in the longer-term, and some development which would bring prosperity not only for the elites but for the millions of ordinary population, that is necessary. Of course, if it is going into conflict with the short-term political interests for stability and for just keeping power, the tradeoff for the elite becomes very uneasy. But I think that in all these countries, the political elite is devoted to development as such, and is committed to taking steps in the direction of development, if they do not undermine the immediate political interests of the political elite, which are mostly about power.

Yeah, there is a problem here. And I don't have any new words to say about it, except that we should take the reality as it is. We should respect both the interests of the – of the political elite, we can't help but to do it. But we should also promote and help the political elite to take broader development steps, as far as they are – as they are ready to do it. And by the way, I think that in Uzbekistan, after all the elections happened December last year and this year, we may see in the next years a sort of some economic liberalization. We will see.

This may be interrupted, but I think there is some ground for them to say. We see a lot of younger people taking positions of deputy ministers, heads of various departments in the government and in the ministries. So a sort of technocrats are a little bit brought up. Of course, they will not in any way go into an open conflict with the big figures of the political elite, but it looks like they may be given some field of (work ?). Still, there will be a lot of problems for foreign investors, because you cannot take currency revenues out of the country and other problems.

But I think – once again, I repeat it – general commitment for development remains. And we should not lose this commitment. And we should assist this commitment, as far as the local governments. With all their contradictions and limitations you described, they're ready to accept it.

MS. OLIKER: Thank you. All right, up front here.

Q: Yes. I'm David Abramson, an analyst at the State Department.

I agree with your comments and your presentation that the U.S. and China, with their separate visions and approaches, have not shown a lot of evidence of job creation in Central

Asia. But I just want to press you on Russia's – evidence of Russia's being able to do that, both having a will and a way to commit the resources, but also – does it not also in some ways conflict with Russia's own needs for labor within Russia, as opposed to creating jobs for people in Central Asia?

MR. SAFRANCHUK: I'm afraid I will not give you – I will not be able to give you a full list of what Russia is doing for creating some manufacturing inside Central Asian countries, but in Kazakhstan there, right, is two very big projects. And I'm sure there are smaller-sized projects as well. One is to build on the Kazakh manufacturing facilities railway cars, which are mostly going to the Russian railway system. And there is also a project to build Lada cars in Kazakhstan. Both of these are joint ventures.

And the more general idea is that Kazakhstan actually is quite a capable country. And if there is an open Russian and Belarussian market available, there may be some industries development – developing in Kazakhstan for these markets. When Kyrgyzstan was joining – was joining Eurasian Economic Union, there was a special agreement to establish a fund which will fund manufacturing facilities inside Kyrgyzstan so that they could work on the widely available market.

However, I'm not sure that resources from this fund are already distributed. I think they are just now going through projects. And there may be a risk here that most of this – that most of the money from this fund will just go to a few big projects like, for example, building electricity, new electricity generation stations and so on, instead of investing money from this fund into medium-sized projects which would promote more general development. There is such a risk. And we should see how actually the money from this fund would be – would be spent.

But the discussion when the fund was negotiated was exactly that money from this fund should go to various businesses connected to representing agriculture projects so that they could be sold on the Russian market, supporting some local manufacturing and so on. And then we will see whether it will go just to a few big construction projects or to more basic development projects. It's too early to say now. But the idea was that there should be direct investment in manufacturing projects so that they could profit from the now open Russia and Belarussian and Kazakh markets.

You have a follow up?

MS. OLIKER: Oh, do you –

Q: (Off mic) – the issue of Russia – (off mic)?

MS. OLIKER: Labor, yeah.

MR. SAFRANCHUK: Ah, yes, the second part of your question, that if labor is – if labor in Central Asia is involved in Central Asia Russia will lack labor. I don't think there is any consideration like that, because even with millions of people going to Russia for jobs, still

millions of people remain in Kurdistan and Tajikistan and also in Uzbekistan, even more in Uzbekistan, without having proper jobs.

That's why there is no such collision at this moment. There is enough labor for internal manufacturing for going to Russia. They're going to go into Europe or the United States if you will accept this labor. (Chuckles, laughter.)

MS. OLIKER: (Laughs.) Andy?

Q: Thanks very much. Excellent presentations and discussion, you guys.

I wanted to change the subject a little bit, to security. With the recent short-lived takeover by the Taliban of Kunduz earlier this month, raised a lot of concern about stability in Afghanistan. And I'm wondering, what is your perspective? And of course, the Obama administration has announced that it's going to be extending the military presence of U.S. troops in Afghanistan. What do you think is the possibility for deeper cooperation with Russia and China in the stability and security of Afghanistan and preventing potential spillover therefrom? Thanks.

MR. SAFRANCHUK: You mean cooperation on Afghanistan or in Afghanistan itself?

Q: Either.

MR. SAFRANCHUK: Either? I think in Afghanistan very little can be done by China or Russia, not very much at this point can be done also by the remaining U.S. troops. So we are already behind the point when something could be dramatically changed inside Afghanistan.

We continue – first of all, the United States, but also Russia and China continue to have influence on the political developments in Afghanistan. But I think that on the military situation in Afghanistan all of us have – well, Russia and China have like zero – (laughs) – influence. And the United States also, with the remaining troops, are not going to participate in combat operations, only in some support operations and in counterterrorism operations, as far as I understand. Maybe we will see continuing combat involvement, I don't know, but it's unlikely.

So inside Afghanistan very little can be – can be fixed now. Around Afghanistan, we have already some cooperation in Tajikistan because there was for a while a debate between – indirect debate between Russia and the United States on how to assist Tajikistan because of the growing threats from Afghanistan. Russia was offering already, what, five or four years ago to bring back Russian troops on the Tajik-Afghan border, and the U.S. government did not – did not like it. And there was this sort of discussion about it, but through the Tajik government. Like, the Russian government was saying one thing to the Tajik government, the U.S. government was saying a different thing to the Tajik government. Then finally, a sort of compromise found was that Organization for Cooperation and Security in Europe should take more active projects to –

MS. OLIKER: (Off mic) – a solution?

MR. SAFRANCHUK: Yes, to improve the border between Tajikistan and Afghanistan. And actually, both Russia and the United States are contributing to this project of the Organization of Cooperation and Security in Europe with its projects in Tajikistan, border management projects.

However, there is – I think it's not enough because mostly the Organization for Cooperation and Security in Europe has expertise broader management, and that's what they do in Tajikistan. We are very close to the point where the border protection would be – (chuckles) – would be needed. And the compromise we have right now may not be enough to actively assist Tajikistan with border – with border protection when it becomes more needed than border management.

Once again, I think it would help if some – if we take away some abstract geopolitical considerations. For example, if the – well, I do understand why from broader geopolitical considerations the United States would not like return of Russian border guards to Tajikistan. However, if the situation really goes very tense in the north of Afghanistan, wouldn't be – wouldn't it be worthwhile to put aside these broader geopolitical considerations just for the sake of security right at the border and maybe – I don't know – give political opportunity for those troops remaining to – returning to the border, at least maybe for a while, if not for longer term.

I think it should be considered, at least. It should not be taken away just because it is unacceptable per se. However, I want to say that from my point of view Tajikistan is not – it's a very important place to look at, but I think we overlook another side of the problem: that is Turkmen-Afghan border. And really I was – I'm not Kazakhstan's diplomat, and it's the job of the Kazakhstan's diplomat to say something about it, but when the Turkmen minister of foreign affairs, after the summit of CIS, issued a special statement about Nazarbayev's words about Turkmen-Afghan border, I think it was something extraordinary.

I would just remind you that Nazarbayev, during his – President Nazarbayev, during his speech at the CIS summit, said that, well, there are problems at the Tajik-Afghan border and Turkmen-Afghan border. And after that Turkmen MFA made a special statement like Nazarbayev is misinformed, he doesn't know the situation, and everything is very good on the Turkmen-Afghan border, and such disinformation should not go through the president of Kazakhstan and so on.

So we see that. I don't want to comment on that, but just the conclusion is that we see that the Turkmen government – we don't know what actual steps the Turkmen government takes to improve the situation on the border, but we see that they are in the stance of denial of the problem as such. It's not like they – they do their best; they just deny the problem.

And I would remind you that actually about all the accidents on the Turkmen-Afghan border we know only because the Afghans tell about it. The Turkmen – the Turkmen government does not report on the accidents on the border at all. They deny the accidents. And the Afghan side reports on the accidents. And some of the accidents are quite – are quite active.

And who has leverage on the Turkmen government? Russia, probably very, very little.

The United States, I don't know. Now no big American corporations work in Turkmenistan. What is the interest of Turkmenistan in the United States right now? Maybe you will tell me in more detail. But maybe you also do not have very much leverage. The Chinese government maybe, because there is a lot of interest of the Chinese government in Turkmenistan.

I would say that in Turkmenistan we may have the difficulty not to find the solution like we found in Tajikistan. So when the United States weren't happy with unilateral Russian steps or expected unilateral Russian steps in Tajikistan, there was a compromise to go through the Organization of Cooperation and Security in Europe. Is such compromise possible in Turkmenistan? The United Nations would be a really good venue to go through because there is an office of the United Nations in Turkmenistan.

However, the office of the United Nations in Turkmenistan received such a high level of warmth and hospitality from the local government that it doesn't look like they're very eager to raise difficult questions. At least, well, it is – what, the Office for Conflict Prevention, yes, Regional Office for Conflict Prevention in Ashgabat, and they keep silent of anything going on on the Turkmen-Afghan border. They are involved in some broader political issues, but something happening right to them doesn't bring a lot of their attention, at least they do not speak about it.

And I think that the Turkmen-Afghan border is even more the issue than the Tajik-Afghan border. And unfortunately, that is overlooked. We see that the Tajik government, with some political reservations, but wants to cooperate with anybody who wants to help – with the Chinese, there were Chinese military exercises this year; with the Russians, there were Russian military exercises, or CSTO military exercises; with the United States; with the Organization for Cooperation and Security in Europe. And we see the Turkmen government, which is in denial of the problem. And I think that more attention should go to this part of the border.

MS. OLIKER: Did you have anything to add, Jeff?

MR. MANKOFF: Just, yeah, really briefly, I guess. We started talking here about these development projects and about connectivity and transit through Central Asia. And all of these visions, in a sense, are premised on the maintenance of stability in the broader region, in Afghanistan in particular, but also, you know, within Central Asia itself. And there are debates about how much instability in Afghanistan has the potential to spill over into Central Asia itself.

But at the same time, I think if the focus of international engagement with Central Asia is on stability, because there are concerns about what's happening in Afghanistan, there are concerns about what's happening along the borders, then that makes the focus on development, that we started talking about, much harder. And it makes the idea of trying to attract international investment and trade into the region that much harder.

So in some ways, getting the security piece right, in the first instance in Afghanistan, but then more broadly, is kind of a prerequisite for some of these more hopeful things that we were talking about at the beginning.

MS. OLIKER: Thanks.

Cory?

Q: Thank you. Cory Welch, George Washington University. Terrific discussion.

I wanted to ask you a little bit more about the third side of the triangle. You've started to discuss it. You talked a lot about U.S.-China, China-Russia, but U.S.-Russia, if not direct cooperation, but at least the possibility of a coincidence of interest.

In particular, I wanted to get a better sense from you as to the Russian perspective on this north-south corridor and the role that Afghanistan and possibly even Pakistan play in Russia's regional vision. Does this regional vision just simply stop at the Afghan border or are there ways in which Russia might benefit from not globalization, but a broader regional vision? I know that they're concerned more about the threats from below, but is there any positive perspective?

MR. SAFRANCHUK: I will start from what Jeffrey has just said. He said that development and security somehow go together. And that's why we can say that the Russian ambitions for managing security stops at the Tajik-Afghan border, which, from my point of view, implies that also the economic ambitions stand on this, stop on this border, although not necessarily. There may be interpretations in which you say that this does not coincide.

So for example, Russian security responsibilities could stop at the Tajik-Afghan border; however, if everything is fine on the other side, some economic activities could be continued on that side as well. However, if that assumption is not true, I don't think that to provide security for economic activity Russia would go beyond the Tajik-Afghan border.

However, there is a debate, not very active, but there is debate on that in Russia. There are some groups of ex-pats who are speaking about development projects through Afghanistan and even in Pakistan. However, it's not clear for me that this may be consumed by the high political leadership and this will be really taken.

So theoretically – theoretically – I would say that Russia may have in the future some sort of three layers or three circles: So a circle of political sovereignty, that is the current Russian borders; a circle of security commitments, which is why then the Russian political borders; and a circle of economic commitments.

These three borders, all these three borders, these three circles, may not actually coincide. However, I think that the borders of the circles of security and the economic commitments will more or less coincide. That's why I don't think that there will be much interest in Russia as well as I think in the capitals for our Russian partners, like in Astana or in Bishkek, to go with some activism from security or economic perspective beyond the Tajik-Afghan border.

MS. OLIKER: Thank you.

Over here?

Q: Jackie Mahler, Center for International Policy.

The Japanese prime minister has been making trips to Central Asia and signing a lot of very important deals similar to what China and Russia are trying to do. How do you think this is going to change the dynamic? And do you think it'll affect Russia or China's opportunity in the region?

MR. SAFRANCHUK: No, I don't think it will change the Russian or Russian-Chinese dynamics in any way. I don't think it will change the U.S. dynamics. Japan has been a sort of player in Central Asia for quite a while. They are active in some projects, but it's not the player which may change broader games which are going on. They may contribute to something, but I don't think that a single trip or more broader commitment, which actually exists, can change anything in the Russian or Chinese policies.

MS. OLIKER: Thank you.

Over here?

Q: Gilbert Rozman, the Asan Forum.

I'm struck by how little discussion of China there has been and starting with the assumptions that China's interests are limited to transit infrastructure. And I'm reminded of Alexander Gabuev's articles indicating the problems of lack of Russian expertise in China and failure to really take what's being discussed in China, very seriously. So what has actually happened in the last period in this complementarity of the Eurasian Economic Union and the OBOR Chinese Silk Road? What are the deals, the discussions about how they work together? And why should one assume that China wants to invest much in industry in Central Asia when it has so much industry and is eager to export its own industrial goods to Central Asia? So can you inform us more about what's really happening between Russia and China?

MR. SAFRANCHUK: Well, I think that both inside Russia, about this I know more, and inside China, about this I know less, there are debates on how actually the Russian and the Chinese projects can be merged. Actually, the Russian term for that is chosen in very probably careful way, but it's a little bit tricky term: *seputnik* (ph). How would you describe it? Yeah, it's very hard to choose an English word for it. I usually say it is something like putting them very, very close to each other –

MS. OLIKER: Congagement.

MR. SAFRANCHUK: – but not really merger.

MS. OLIKER: Congagement.

MR. SAFRANCHUK: Congagement? OK.

MS. OLIKER: Which is a bit of a joke because – yeah. But –

MR. SAFRANCHUK: Oh, OK. So it's like – well, at least the linguistic meaning of the word which is chosen is to bring them very, very close, but not really to mix up.

MS. OLIKER: Keep your friends close and your enemies closer? (Laughter.)

MR. SAFRANCHUK: So that they are somehow linked, but they are not – but they are not fully merged. So it's tricky – linguistically it's a tricky term which is – which is chosen. But I think it reflects the reality that those projects should have some joint elements, but they should not necessarily be mixed up into something single; they should remain, in some important elements, separate.

Well, there are various – I think that the debate now is at the stage of proposals, how that can be done. And once again, I don't want to go into too much of the detail of the debate because it remains at the interagency level and it's not actually public at the moment, except I think some of the proposals were made public and I can say them. These are the proposals to develop some common standards between Russian and Chinese projects so that common standards are applied for transit, for economic activities.

There is also, more or less, decided question that actually the two projects should be – well, once again, not merged but put together through a trilateral or through a multilateral agreement, which is that it should be the agreement between all participating governments – all governments who are participating in the Eurasian Economic Union, plus China and plus the Eurasian Economic Commission, so countries plus the commission. And also there is a hope, as far as I understand, in the Russian agencies – first of all, economic ministries – that China will have some investment in industrial facilities inside Central Asia.

I do understand your skepticism on such an assumption, and that's why when I was talking myself I said that my proposal – and this I can share because it is my proposal – I think that Russia and China should less really merge the projects, they should rather trade off between what they – what they do. And within such a tradeoff, I think that China can invest something in industrial projects in Central Asia – although more like being in the position to do it because they get something else, not because it is of the Chinese interest. I would agree with you, there is no broad Chinese interest to invest in manufacturing inside Central Asia except bringing the Chinese labor also to this manufacturing.

And I also already said it, that from my point of view the Chinese as well as the U.S. projects overlook the issue of reindustrialization and job creation, and I think that China is not really interested in that. However, within some tradeoffs with the Eurasian Economic Union I think that China can financially support some of the reindustrialization projects in Central Asia.

MS. OLIKER: We have time for at least one more question.

Over here?

Q: A quick comment. It seems like when we think about development in Central Asia, we imagine that it should follow, we look at the tasks, similar to the tasks in Poland, Romania, et cetera, after the fall of the Berlin Wall. It seems to me it's more like the task of development in Vietnam, Southeast Asia, Taiwan, these types of places, Singapore, where the authoritarian model of development.

Question: Reindustrialization, is that being like Southeast Asia, becoming a low-cost manufacturer that then is exporting to the Belarusian and Russian markets? Or what is that? How are you going to get mass labor out of reindustrialization?

And then the whole question of talking about the labor going into Russia and just the future of that, we see the issues with immigration in the U.S. It's a great potential for providing the labor that Russia needs, both in European Russia and in the Far East, Siberia.

MR. SAFRANCHUK: Starting from the latter part of your question, I think there are social and criminal – there are criminal, social and demographical problems from the flaws of immigration. These problems are well-understood. However, there is very little understanding how actually to tackle them.

So whether the upcoming immigrant population should be – melt down to become real Russians or some Russianian (ph) – if not Russians, like citizens of Russia – or there is no social power for that anymore and then they should be kept somehow separately without really becoming citizens, that's a big debate going on in Russia. There are no answers to that so far. And I would say that, because there are no clear answers, some hostilities are growing in the society. And there are very unpleasant manifestations of these hostilities, which you may read in the press. So I don't have answer because there is no political or social answer to that. There is debate, social debate on it.

On the first part of your question, reindustrialization, I think that it cannot be compared to the model of the countries, like Asian tigers or currently Vietnam, who are doing it close to the seashore with their immediate access to transport for export. So it's not really export-oriented manufacturing, it is manufacturing for the common market.

Of course, if you put it in the terms of exporting to Russia and Belorussia, then yes. But it does not really become an export. It's like a common market. So I would rather compare it still to Eastern European integration into European Union, when some niches – economic niches are found for underdeveloped countries in their broad – in the broad European market.

So it's not like these countries will be world exporters. No, they will work primarily for relatively big, but globally still quite limited internal market of the Eurasian Economic Union. If there are industries which can export more globally, that's good. But probably the bulk of this reindustrialization will happen within the policies of import substitution, mostly for the internal market of the Eurasian Economic Community.

MS. OLIKER: Thank you.

Jeff, Ivan, do either of you have any closing comments you want to make?

MR. MANKOFF: Not particularly.

MS. OLIKER: Ivan?

MR. SAFRANCHUK: I would refer to you for the closing remarks. (Laughs.)

MS. OLIKER: No, I – my only thought is that I think this has been a really fascinating and productive discussion that has — I think the range of issues that we've covered reflects the complexity of looking at Central Asia because so much affects it and sometimes is affected by it – not just the great powers, but questions of Afghanistan, questions of trade, questions of security.

So I want to thank all of you for being here. And I want to thank Jeffrey for the excellent commentary, but I especially want to thank Ivan for the fantastic presentation.

(END)