Afghanistan and Central Asia: Reflections on the Northern Distribution Network
INTERVIEW WITH ANDREW KUCHINS

At a lecture given on September 28, 2009, at the Paul H. Nitze School of Advanced Studies (SAIS), experts Andrew Kuchins and Thomas Sanderson of CSIS gave a public preview of their joint project on the Northern Distribution Network (NDN). Dr. Fred Starr, director of the Central Asia and Caucasus Institute and a key member of the CSIS working group on Central Asia, moderated.

The event provoked candid remarks regarding the shortcoming of U.S. strategy in Afghanistan and made recommendations to improve foreign policy in the region. The critical component largely absent in U.S.-led initiatives in the region is economic in nature, suggesting that the Obama administration match America’s military presence in Afghanistan with equal attention to the region’s infrastructure needs. Dr. Starr emphasized that “a stable economy drives security, not just the military.” Thus, long-term commitment to Central Asia is critical to stabilizing efforts in Afghanistan, and the United States must work toward consensus with all involved nations—especially those along the NDN supply routes.

Andrew Kuchins, senior fellow and director of the Russia and Eurasia Program at CSIS, answered these questions following the event.

**What is the NDN, why was it created, and how does the establishment of new transit corridors to supply U.S. forces in Afghanistan from the north alter the interests of other regional actors?**

**Kuchins:** The Northern Distribution Network (NDN) consists of additional transit routes for the commercial transport of nonlethal goods to U.S. forces in Afghanistan. The reason for its establishment is twofold: (1) The increased U.S. military force posture in Afghanistan beginning this year requires, according to USCENTCOM, two to three times the level of supplies required in 2008: demand is increasing as our presence increases; and (2) Until the establishment of the NDN this year, U.S. forces were being supplied with nonlethal goods (more than 85% of required materials to support troops)
solely by way of the port of Karachi in Pakistan and two entry points on the Afghan-Pakistan border in increasingly insecure territory. The reliance on transit routes only through Pakistan increases vulnerability. Addition of new routes creates alternatives and provides the client—the U.S. military—with additional leverage with a wider market.

The NDN now consists of a northern route that begins at the port of Riga in Latvia and proceeds by rail through Russia, Kazakhstan, and down to the Uzbek-Afghan border. NDN South begins in the port of Poti in Georgia through Azerbaijan and across the Caspian Sea to Kazakhstan, down through Uzbekistan, to the Afghan border. An additional spur of this southern route, called KKT, takes goods from Kazakhstan to Kyrgyzstan down through Tajikistan to the Afghan border. Established only in the first half of 2009, the NDN is operating very efficiently bringing in—as of the end of September—about 300 containers per week. The U.S. government sees no problem in increasing this to 500 containers per week by the end of the year. That would consist of about 40 percent of supplies of nonlethal goods to U.S. forces—quite an achievement.

Aside from its main role of provisioning U.S. military forces in Afghanistan, the NDN has created a new means of concrete cooperation for Latvia, Russia, and Central Asian and Caspian states on a vital security goal for the United States, the stabilization of Afghanistan. This is generally a political plus for their bilateral relationships with the United States, especially for Uzbekistan—which has also had a rather contentious relationship with Washington in recent years. Uzbekistan is really the linchpin for the NDN.

RUSSIANS ON THE REGIONAL ELECTIONS—WHAT'S THE ALTERNATIVE?

The local, regional, and state Duma elections took place in 75 regions of the Russian Federation on October 11, 2009. Western analysts argue that because the official results were overwhelmingly in favor of the pro-Kremlin United Russia party—around 66%—the elections were fraudulent and presented a distorted view of Russia’s political landscape. Russian analysts contend that opposition parties are simply too dull and ineffective to offer any promising alternative for Russia’s already indifferent society.

Besides United Russia, other parties on the October ballot were the Communist Party, the nationalist LDPR, Social-Democratic Just Russia, the liberal Yabloko, the Union of Right Forces, and the left-leaning Patriots of Russia. On October 22, the renowned Levada Analytical Center conducted an independent survey of election results using a sample of 1,600 people from 46 regions of Russia. When asked whether the elections were even held in their region, only 28% of respondents answered yes, while 64% said no. Of those who voted, 24% voted for United Russia and 6% for the Communist Party. LDPR and Just Russia received only 4% each, while Yabloko and Union of Right Forces received 1% each, and Patriots of Russia ended up with less than 1%. Understandably, 11% of the respondents cast their vote for a specific candidate instead of a political party, and 48% did not vote at all.

When asked if the results were predictable, 45% of respondents answered yes, 11% were either somewhat or very surprised, and 44% either had no expectations or could not form an opinion. Furthermore, 36% of respondents were content with the results, 22% were not, and 35% did not even know the results. Finally, only 10% of respondents expected the newly elected officials to make the local and regional governments more effective than previous officials.
What does the NDN suggest about the United States’ regional strategy for Afghanistan?

Kuchins: To be blunt, my conclusion is we do not really have one, despite the fact that the Bush administration and President Obama have talked about the importance of having a regional strategy for Afghanistan on numerous occasions. Judging by current public debate, the question about a regional strategy seems to boil down to “Af-Pak” or “Pak-Af.” The majority of the Afghan border, in fact, is not with Pakistan, but with Tajikistan, Uzbekistan, Turkmenistan, and Iran. And then you have important regional players like China, Russia, India, etc.

But to have a strategy—regional or otherwise—you need a vision of your goal. After more than seven years in Afghanistan, the overriding goal still seems to be preventing Afghanistan from serving as a safe haven for terrorist groups that threaten the U.S. homeland. This is understandable to an extent, but it is certainly not a vision that will mobilize sacrifice and commitment on the part of Afghans and their neighbors. What the NDN demonstrates is the viability of trade and transport within the region that for centuries made up the ancient Silk Road. Any prosperous and secure future for Afghanistan and Greater Central Asia will entail the region once again being a trade and transport hub in a modern version of the Silk Road linking East and South Asia with Europe and the world. This point seems lost in debates in Washington now about more troops/fewer troops and counterinsurgency vs. counterterrorism. Obviously military security is an essential condition for stabilizing Afghanistan, but if it is not accompanied by more attention to economic development and trade, any security or stabilization will be short-lived.

How would you characterize differences in perspectives and interests of other key regional players in Afghanistan?

Kuchins: I would first say that the key difference in perspectives of the United States in contrast to all regional players as well as Afghanistan starts with the geographical fact that regional players are not going anywhere and their belief that the Americans are “short-timers.” Anything that heightens their perception that Washington’s commitment is wavering reduces their incentives to support and commit to our initiatives. On the other hand, geographical distance can be an asset for the United States because we can be viewed as the “stability broker” if we are strategically and tactically adroit. The interests of India and Pakistan in Afghanistan are understood to a great degree in the context of the India-Pakistani conflict. Russia’s interests in Afghanistan are driven to some extent by Moscow’s desire to be the hegemonic power in Central Asia. Iran’s interests are motivated in part by competition with Pakistan and, perhaps to a greater extent, by keeping some leverage on the United States by their nuclear challenge, with the threat of more serious efforts to undermine our efforts in Afghanistan. Central Asian states themselves are rife with competitive and conflicted interests with one another. China is mainly interested in access to Afghan natural resources. There is an opportunity for Washington to act in broader regional interests if we develop a strategic vision and apply a lot more energy to execute it. Nobody else has that opportunity.
Oleg Orlov, Memorial Human Rights Center

The Memorial Human Rights Center and its group of prominent activists have set the standard for human rights work in today’s Russia. Along with other civil society groups and organizations, Memorial has fearlessly documented the human rights abuses in the North Caucasus, daring to expose the truth behind fabricated legal cases, arbitrary arrests, disappearances, instances of torture, and extrajudicial killings. Memorial’s dogged determination to unveil injustice throughout Russia—coupled by the organization’s vision and its dedicated staff—has attracted widespread attention from the international community.

Following the murder of his close colleagues Anna Politkovskaya and Natalia Estemirova, Memorial chairman Oleg Orlov’s outspoken criticism of Russia’s ongoing climate of impunity has made him a target for and symbol of the ongoing violent censorship in the Caucasus. In a recent defamation lawsuit initiated by Chechen president Ramzan Kadyrov, Orlov was sued for offending President Kadyrov’s “honor and dignity” by rhetorically connecting him to the murder of Estemirova. Orlov refused to retract his statement following a direct order from the court to do so.

Despite the court’s ruling, Orlov continues to denounce President Kadyrov for perpetuating an environment of lawlessness and instability in the region. Employing the media surrounding the hearing, Orlov turned his legal defeat into an opportunity to speak publicly on the human rights violations and violence that continue to plague the North Caucasus.

The Sakharov Prize for Freedom of Thought was awarded to Orlov this year and shared with two of his colleagues, Sergei Kovalev and Lyudmila Alexeyeva. The prize is awarded annually to individuals or organizations that have made an important contribution to the fight for human rights or democracy. President Jerzy Buzek of the European Parliament said, “By awarding this year’s prize to Oleg Orlov on behalf of Memorial and all other human rights defenders in Russia, we hope to contribute to ending the circle of fear and violence surrounding human rights defenders in the Russian Federation, and to advance a message that civil society activists everywhere must be free to exercise their most basic rights of freedom of thought and freedom of expression.”

Orlov’s trial is a call to action by the international community for more to be done to eliminate these injustices. Human rights violations are not a problem restricted to Russia, but rather a problem for humanity. Orlov’s tireless fight against the abuses of a struggling democracy serves as testament to the legacy of Politkovskaya, Estemirova, and all other human rights defenders and makes him the Russia Eurasia Insider Person of the Month.

For more information on developments in Orlov’s hearing against R. Kadyrov, the undertakings of Memorial and other civil society groups, and work being done at the international level to help solve these problems, please visit:

http://csis.org/program/human-rights-and-security-initiative
http://www.memo.ru/eng/memhrc/hotpoint.shtml
First Deputy Prime Minister Igor Shuvalov Addresses Russia and the Economy

On September 21, 2009, the Center for Strategic and International Studies (CSIS) jointly sponsored an event with the Peterson Institute for International Economics (PIIE), hosted at the Russian Embassy in Washington, D.C. First Deputy Prime Minister Igor Ivanovich Shuvalov of Russia spoke about how Russia has been coping with the global financial crisis, lending new insights into Russia’s bid to the World Trade Organization and the possible outcomes of an upcoming G-20 Summit to be held in Pittsburgh. Introductory remarks were made by Ambassador Sergey Kislyak, and C. Fred Bergsten of the PIIE moderated. Andrew Kuchins of CSIS posed questions to facilitate discussion on Shuvalov’s topic.

Shuvalov’s speech described how the crisis has affected the Russian economy more severely than the economies of the United States and the European Union—largely due to its domestic structure. “We are passing through very difficult times,” Shuvalov said, referencing the months of December, January, and February as Russia’s weakest performance in 2009.

The level of Russia’s reserves at the onset of the global financial crisis—approximately $600 billion—allowed for some flexibility in allocating much-needed funds to alleviate the crisis. It will take a sizeable amount of funding and support from the international community to help turn Russia’s economic future away from its dependence on oil, gas, and metals, but these actions will help Russia put its own financial house back in order.

Shuvalov’s insights underscored a critical nuance absent from today’s policy that would prevent economic decline in the future: the crisis must be fought not only internally, but also at the global level—thus implying the need to finally include Russia as a member of the WTO. Bergsten of PIIE pointed out the complicated relationship between Russia’s WTO accession and the proposed customs union that would inevitably delay Russia’s membership. Shuvalov responded that Russia remains focused and confident about joining the WTO. However, his response sidestepped experts’ concerns over the difficulties that a customs union poses to their WTO entry.

The Q&A session following Shuvalov’s comments on the Russian economy further coincided with more politically sensitive issues still on everyone’s mind. Andrew Kuchins stressed the importance of remembering where the United States and Russia were a year ago—relations appeared frozen and there was potential for another cold war. Since then, the Obama administration has recalculated its relationship with Russia based on three factors: Iran, Afghanistan, and nuclear disarmament. These three factors overlap with questions surrounding NATO enlargement. Perceptions by the Congress in Washington of greater or lesser cooperation, especially on Iran, will influence members’ inclination to support legislation on issues involving Russia, including possible votes on a START I replacement treaty, removal of the Jackson-Vanik amendment, and the 123 Agreement on Civilian Nuclear Cooperation.

Moreover, the external restrictions on the Russian economy, like those imposed by the Jackson-Vanik Amendment, have yet to be shelved as a political device until reform in the other areas that affect U.S.-Russia relations have been handled. WTO membership is particularly challenging for Russia, as discussions remain unresolved over the allowable subsidies to state-owned industry, the inadequate appeals process on U.S. imports to Russia, and tougher intellectual property agreements that joining would require. While global security remains the most crucial element of the U.S.-Russia relationship, these compromises could provide the kind of well-oiled reforms that would dramatically shift the bilateral relationship between Russia and the United States and make economic efficiency a higher priority to guide these two powers’ perceptions of each other.
OVERVIEW OF THE RUSSIAN ECONOMY:

The state of the modern Russian economy is difficult to measure and forecast because the largest component of Russia’s gross domestic product is directly linked to the volatile world price of oil. As the side effects of the global financial crisis are being dealt with and new steps toward diversifying the Russian economy have been taken, lapsing to last year’s level of imbalance seems avoidable.

As growth resumes globally, there is growing investor appetite for emerging markets—like Russia and the CIS—that coincides with a rally on oil prices to one-year highs. In fact, oil prices have more than doubled since February. Forecasts by the International Monetary Fund expect Russia’s GDP to drop by 7.5% in 2009, but increase by 1.5% next year. Russia’s Economic Ministry revised its initial forecast for 2010 with expected growth rates up 0.4% to 2%, if oil prices remain elevated.

Another indicator of an economy’s performance is the status of its currency relative to global reserve currencies—like the dollar. The ruble, which lost about 20% of its value since the start of the year, has gained nearly 10% against the dollar since early September—a shift that is less favorable for the competitiveness of Russian exports, according to Deputy Economic Minister Andrei Klepach.

While the report from the International Monetary Fund on increases in Russia’s GDP is a positive indicator of recovery, rising unemployment over the past months was cause for concern. However, September data show a drop in the unemployment rate to a 10-month low of 7.6%. With more people employed, retail sales posted a fourth month of increases, although the pace of growth has slowed.

The IMF has warned that Russia may suffer another phase of the banking crisis in 2010, although the number of troubled banks in Russia has halved in the past months. The alarming debt levels of state-owned companies such as Gazprom and Sberbank may decrease the attractiveness of Russia’s financial sector to foreign investors.

OVERVIEW OF THE CIS’ ECONOMY:

Russia’s economic performance inevitably has repercussions for the smaller economies at its periphery. Consequently, Ukraine is weaving a sharp economic slowdown with a projected 14% decrease this year and a modest growth of 2% in 2010. Armenia, Kyrgyzstan, Moldova, and Tajikistan are also expected to experience steep growth declines in 2009 followed in 2010 by a slow recovery of less than 3%, the IMF stated. The economies of Azerbaijan and Uzbekistan mirror the forecasts made of Russia’s 2010 outlook, showing a moderate decline in 2009 but stronger growth in 2010 as energy prices recover. Additionally, energy exporters in the region, such as Kazakhstan, have continued to diversify sources of economic growth by strengthening their ties with China.

PREVIEW OF A GLOBAL PARTNERSHIP IN 2010: WTO NEGOTIATIONS

Russia, Belarus, and Kazakhstan reversed their decision to join the WTO as a single customs union, choosing instead to pursue separate membership talks. This announcement will help Russia’s position in the Euro-Atlantic community and improve their function in global commerce.

Pascal Lamy, WTO director general, saw Russian interest in joining the WTO waning, a move widely seen by experts to be the result of internal political disagreement. Andrew Kuchins of CSIS said that the WTO confusion “suggested that there are really some differences in the Kremlin
between those that are more in favor of economic reform and integration into the global economy, and those that are less inclined.”

Officials in the United States, the EU, and Russia have spoken with confidence about Russia’s prospects of joining the WTO. Russia’s president Dmitry Medvedev is confident that Russia will join, and Russia’s economic minister Elvira Nabiullina pledged to complete Russia’s 16-year bid to join the WTO in 2010. European Union Trade Commissioner Catherine Ashton and U.S. Trade Representative Ronald Kirk confirmed that their governments may complete accession talks with Russia this year.

In an increasingly integrated world, WTO membership is a stamp of legitimacy that drives a higher level of country perception by foreign investors, market reforms, and protection of property rights, and harmonizes domestic practices with those of other major trading partners. This would improve the economic capacity of the Russian Federation.

SEPTEMBER

September 21, 2009:
First Deputy Prime Minister Igor I. Shuvalov of Russia outlined how Russia has dealt with the global financial crisis at an event hosted by the Russian Embassy in Washington, DC, in coordination with the Peterson Institute for International Economics and CSIS. More about the event.

September 24, 2009:
Andrew Kuchins, director and senior fellow, CSIS Russia and Eurasia Program, hosted a panel discussion on a wide variety of issues pertaining to Afghanistan and regional security. More about the event.

September 28, 2009:
Experts Andrew Kuchins and Thomas Sanderson of CSIS gave a public preview of their joint project on the Northern Distribution Network (NDN). The presentation revealed the shortcomings of, and recommended steps to improve, U.S. foreign policy toward Afghanistan and the region. The event was hosted at the Central Asia-Caucasus Institute at SAIS, Johns Hopkins University. More about the event.

OCTOBER

October 1, 2009:
Andrew Kuchins and Ed Chow, senior fellow at the Energy and National Security Program at CSIS, discussed Russia’s energy sector and the new direction policy should be taken to ensure future global energy security and a sustainable business climate. Listen to the podcast.

October 22, 2009:
Andrew Kuchins moderated a discussion with David Bakradze, chairman of Georgia’s Parliament, on a variety of Georgia’s internal political issues as well as its relations with Russia and the West. More about the event.

NOVEMBER

November 4, 2009:
Sergei Guriev, rector at the New Economic School in Moscow, along with Aleh Tsyvinsky, professor of economics at Yale University, and Andrew Kuchins, discussed the impact of the financial crisis on Russia and how Russians reacted to it. Listen to the podcast.

November 5, 2009:
At a conference hosted at CSIS in conjunction with the Eurasia Foundation, Sergei Guriev, rector at the New Economic School in Moscow, and Valentin Zelenyuk of the Kiev School of Economics shared their insights on Russia’s and Ukraine’s handling of the global economic crisis. Both speakers are the recipients of the 2009 Bill Maynes Award. More about the event.