Central Asia: Crossroads for Global Economic Stratagem

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Abstract

Central Asia has remained the center for global economic attention ever since its independence and even though this region largely remains either ignored or under-developed, the global economic paradigm shift has it in its crosshairs. The paper aims to assess the predominant issues surrounding Central Asia and evaluates possibilities of Central Asia transforming from being a Russian resource depot to becoming the alternative to Middle East. This paper aims to examine the role of regional and global stakeholders in shaping and recalibrating role of Central Asia as an alternate economic corridor both for international commerce and for resource exploitation and to assess challenges to Central Asia in maintaining its grip over domestic and trans border issues. This paper aims also to point out the environmental challenges to Central Asia that would prospectively reshape regional and global economic archetypes and might create a potential global flashpoint in the years to come.

Key Words: Central Asia, Economy, Region, Global Focus, Challenges

Introduction

Comprised of Kazakhstan, Turkmenistan, Kyrgyzstan, Tajikistan and Uzbekistan, Central Asia is a region that entails with it an immense strategic importance in terms of economy and geopolitics (Vassiliev, 2013). A former portion of the Soviet Union, the Communist tint still remains visible (Glenn, 1999) in governance patterns and where a physical separation from former USSR was achieved, the region’s inclination towards a close proximity Russia remains center of much debate in circles of strategic power play (Swanstrom, 2012). Many argue that Russia maintains a firm grip over Central Asia and dominates the region as a hegemon (Menon, 1995) but others also assert that the US, after 9/11, and China, in pursuance of New Silk Route Strategy, have gained ample leverage in the region and are competing to create a level playing field with Russia. (Duarte, 2012)

As far as the region itself is concerned, their domestic issues are not of a nature that can exacerbate global power play but there are hints of internal strategic fissures, mainly resource oriented, that can interfere with designs of other states and cause a catastrophic chain reaction or even cause a strategic meltdown of this weakly governed geography which could either incite conflict

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or initiate a regional trickledown effect of extremism and corroborate terrorism (Cornell, 2005).

With three of five states linking to Afghanistan, their population sharing cultural and historical linkages with Afghan population, this region becomes a buffer zone for global trade connects as it serves as a bridge between Europe and Asia. The main argument of this research is to view what possibilities are available for global and regional players (Kavalski, 2010) in Central Asia and how Central Asia can better upgrade their position on a regional and global front as well as to examine behavioral approaches of key players towards economic possibilities in the region (Cornell, 2005)

Methodological Approach

This paper would rely upon the qualitative assessment of perceptive outlook analysis of regional economic dynamics of Central Asia and would take case-study approaches to assess the impact of global powers and regional stakeholders. The assessment would be based on analyzing economic challenges to Central Asia as a region with its resident states and how their problems become vibrantly interrupting in regional and global economic outreach. This paper would also apply qualitative methodological critique over domestic issues of terrorism and environmental degradation that has become the source of conflict between Central Asian states which can hamper both regional and global economic dynamics. As far as the foreign prospective actors are concerned, Central Asia would be assessed with respect to needs of state participants active and their needs. Central Asia would be evaluated both as a region and as an economic route for future international commerce. Geostrategic importance of the region would also be a case study assessment in this paper to examine the prospective conflict situations regarding trade.

The pertinent questions that surround the Central Asian region and its diverse geostrategic economic value assert the notions that will Central Asia ever replace or alternate Middle Eastern oil hegemony? Will there be a paradigm shift in global politics attributed to Central Asian regional economic dynamics? How would China or EU or even the US gain economic momentum in a region under direct influence of Russia?

Pipelining Central Asia: Alternating Middle East

The Soviet Union was an empire that needed immense resources to maintain its behemoth structure and since it had locked antlers with the US in a multitude of competitions, resource scarcity was out of the equation. The USSR had little or no strategic allies during the Cold War and whatever
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alliance it did have was more of a burden than a relief, contrary to how the US and her capitalist allies were (Chow & Hendrix, 2010). This deadly combination of factors required that the USSR maintain its own private resource pool and that is all what was Central Asia before independence. The Soviet economy relied on crude resources from this region to keep a steady footing in their competition to maintain bipolarity with the US. Once the Soviet Union collapsed and this region gained an independent status, the roadmap for future policy was ambiguous for these newly independent states. (Kleveman, 2004)

Russia, (Menon, 1995) in this stalemate became the ultimate choice for two primary reasons; close geographical proximity and past influence. Many Central Asian states introduced legislative breakthroughs to ensure a smooth inflow of Foreign Direct Investment in an attempt to propose themselves as a viable alternative to already saturated Middle Eastern oil market (Wu & Fesharaki, 2002) but global attitude seemed to loom in opposite direction. (Kleveman, 2004)

Understanding Geostrategy for Central Asia

With Europe already being a major investor in this region, its interests towards oil were seen at a slump as China and Russia already took the lion’s share of this commodity. Besides oil, natural gas is also a resource available in abundance in this region and Turkmenistan and Kazakhstan, landlocked but resource rich members of Central Asia, remain key interests for regional and global powerhouses. Interesting to note is that no matter how much reserves Central Asia possess, its territorial geostrategic position remains turbulent. Middle East enjoys an open trade link to the world markets due to its ports and land routes and where Middle East is one of the most hostile, volatile and turbulent region in the globe, it offers a vast array of trade avenues that can be and still are being alternatively used to keep oil trade a smooth affair, however, same cannot be asserted with regards to Central Asia. (Chow & Hendrix, 2010)

Caspian Sea is considered as an option of supplying Central Asian resources to Europe (Peyrouse, Boonstra, & Laruelle, 2012) but it has two predominantly alarming concerns: one that Caspian Sea is a disputed region with regards to the number of littoral states that lay claim to this region, including Iran and Russia apart from Central Asian Republics and second that even if a pipeline (Karasarac, 2002) was to be constructed to deliver Central Asian oil and gas to Western or Eastern markets, it would have to cross Russian jurisdiction to gain access to Europe and would have to be constructed through a war torn Afghanistan in order to begin supplying South Asia and beyond and if it was to
be sent southward, then an internationally embargoed Iran would become a major impediment. (Pomfret, 2002)

The United States aims to compete (Maynes, 2003) in Central Asia against Russia and China but the cost of such a competition would outweigh its prospective benefits as long as the Middle East remains a major oil supplier to the West. As far as China is concerned (Christoffersen, 1998), its designs to operate national oil and gas companies to exploit Central Asian resources would require immense investments in oil and gas exploration and pipeline mechanism and this is not something that China would risk with buffer regions like Afghanistan and Pakistan being insecure.

Russia would, ultimately, remain a major actor in this region (Blank, 1995) and this status is well understood and well respected by competitors like China and the US to the extent that their investments remain skewed as far as Central oil and gas is concerned (Chow & Hendrix, 2010). However, current sanctions and economic restrictions imposed on Russia following its intervention in Ukraine prove to be a much important check on Russian aggressive expansionism and where Russia has undergone massive financial setbacks, the Central Asian resource links have not had a rejuvenating impact on Russian economics. (Chow & Hendrix, 2010)

Central Asian oil and gas may surpass current major reserves in the world but their transportation and delivery to prime resource markets is blocked by security failures, diplomatic and territorial impediments, discretionary interruptions by buffer states, cost of pipelining and means of transportation and their own internal regional conflicts and it seems as if Russia or perhaps maybe China would be the major players (Blank, 1995) to exploit this region to replenish their oil and gas needs. (Chow & Hendrix, 2010)

**Vanishing Water: Aral Sea Syndrome and Economic Flashpoints**

The Aral Sea has largely remained an overlooked environmental incongruity (Smith, 1995) on international forums and where it has made a buzz with respect to potential impact in the recent years (Smith, 1995), the fact that this source of water has been disputed by almost all the Central Asian states makes it an issue of strategic importance towards barricading international investments and trade in the future. Soviet Union had not contemplated its demise and thus had also not predicted that Central Asia would also be participating for their independence. As a consequence, most projects in implemented by USSR in Central Asia were focused on transferring resources to major Soviet hubs and Central Asia largely remained ignored
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(Smith, 1995) and underfed through strict quota management regimes and discretion oriented development projects.

One of the most ignored domains in this regard was water distribution and division of water to Central Asia. The Soviets had constructed dams and other hydro-management projects to accelerate cotton production in the region which meant that the entire Central Asia was seen as one unit in terms of supply and demand. This policy of martial control and vexatious quota regimes dealt severe blows to the Aral Sea as it started to take the major toll of water treatment and distribution for cotton production (Elhance, 1997). Another major domain was the Amur Darya and Syr Darya water bodies fed through Pamir and Tien Shan mountain ranges. (Smith, 1995)

Regional Constraints Pursuing Aral Sea Syndrome

Once the disintegration of Soviet Union liberated Central Asia and divided it into five states, water became a major potential for conflict among these states. Individual water reserves were top priority for these states and this meant that all five states would simultaneously exerting pressure over available water reservoirs and this started to take its toll on available water in the region. Kyrgyzstan and Tajikistan, both being mountainous regions and hence in control to water distribution system were not favored during Soviet regime as Uzbekistan, Turkmenistan and Kazakhstan remained major cotton producers to USSR. (Elhance, 1997)

Once disintegrated and independent, Kyrgyzstan and Tajikistan became major players for water management and Uzbekistan, Turkmenistan and Kazakhstan started creating artificial water reservoirs to maintain a steady supply and demand quotient keeping in view their growth in population and independent resource needs. Moreover, with domestic ethnic disputes transforming into national tensions, noteworthy being the Fergana Valley issue between Uzbekistan, Kyrgyzstan and Tajikistan both in terms of water supply routes and territorial claims, Central Asia maintains a potential to undermine and threaten any trade initiative as agreement with one state would prejudice the other consequently inciting conflict in a region already prone to ethnic conflicts. The Toktogul Dam was of prime importance for Soviets as it was the single source of water management and periodic distribution system for Central Asian cotton cultivation and it was somewhat a symbol of Soviet domination over the region. (Elhance, 1997)

The disintegration of the USSR changed regional hydropolitics to cause interstate disproportion when it came to this vital resource but on a more different perspective, it also ecologically initiated the desiccation of the Aral
Sea and also severely dented Amu Darya and Syr Darya which posed a challenge to Central Asian agrarian setup. Where most of the soil had reduced production due to primitive agricultural techniques and disturbed irrigation regimes coupled with soil erosion, the water securitization by newly independent states looms to be a threat in the making. (Stobdan, 1998)

**Strategic Resource Imbalance in Central Asia**

Central Asia is a hub for multiple ethnicities and where their population mix is mostly from nomadic tribes of the same region, their affiliation to the parent countries creates pockets of resistance. With water shortage looming and Tajikistan and Kyrgyzstan maintaining a tough grip over water distribution both through rivers and the water supply from Fedenko glacier, any investment by foreign aspirants could massively tilt the balance of power into any state’s favor and this could aggravate any conflict which would lead to devastating consequences as these states do not have an internal security mechanism to contain interstate violence and internal civil disputes arising due to cultural affiliations of resident populations with belligerent states. (Popov, 2001)

Investment, however, if done in the agricultural sector or water distribution mechanism, could benefit the investor by securing them a formidable leverage with Central Asian states and can also boost their chances to secure more influence into various sectors as agricultural and hydrological issues are steadily becoming the prime source of conflict between these states. Keeping in due consideration the leverage that Russia and China maintain in terms of economic investments, the idea that the US or India or even Pakistan can take share in this resource pool with respect to agricultural investments is far from reality at status quo and remains an ignored domain. (Chiaruttini)

**Powering up: Energy Plans for a Continent**

Asia houses in it some of the largest energy importers as per their requirement namely India and China. With China likely to surpass the US in energy consumption in near future (Chang, 1997; Christoffersen, 1998; Paik, 1996), India has also maintained a steady increase in energy demands and this gap of supply and demand in said countries requires immediate solution to keep their economy growing. With India looking to invest in Central Asia in order to rejuvenate their depleting national energy production, China (Germanovich, 2008) has secured immense leverage in the region by establishing refineries and series of pipelines to divert Central Asian resources away from Russia. With Russia noting this with deep concern, they are still not tense as major control over Central Asian resources is dominantly under Russian control. The Shanghai Cooperation Organization (SCO) (Rothacher,
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2008) paved the way for China to strategically outmaneuver any possible sanctions or embargoes by the US led bloc and where the SCO is predominantly dormant, this organization could prove to be a trump card for resource sharing in the future. India, somehow, aims to achieve a status within and beyond SCO to ensure an economic corridor in and through Central Asia.(Cornell, 2005; Rashid, 2002; Rothacher, 2008)

Understanding Fundamental Problems in Central Asian Resources

Terrorism

Fundamental problem with energy transfer rests on the fact that electricity, oil or gas needs to physically transferred and such a transfer requires a mechanism which is both costly and vulnerable to exploitation. The Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline resting in stalemate and other initiatives like electricity exchange with Pakistan are also dead halt due to security situation in Afghanistan and dynamics of India-Pakistan relationship. With the war on terror coming to a close and the American forces scheduling a withdrawal, there would exist a vacuum in both security and political connotations and this would be similar to the vacuum that existed after the meltdown of Soviet Union. (Cornell, 2005; Rashid, 2002)

Taliban and other non-state actors vying to gain power in Afghanistan and the trade routes being within aggressive jurisdiction of such non state entities, Central Asian promises to facilitate energy requirements of India and Pakistan would remain in the shadows. Keeping in context the absence of India-Pakistan composite dialogues to bring congenial stability to the region, Central Asia would largely remain inaccessible to South Asia.(Cornell, 2005; Rashid, 2002)

Vacuum in Afghanistan

As far as Afghanistan is concerned, the security and political vacuum would mean that Central Asia, particularly Uzbekistan, would remain vulnerable to active interference and possible increase in aggressive activities as this region has been closely associated to the Taliban and Al-Qaeda through the Islamic Movement of Uzbekistan (IMU). With IMU sharing a past of facilitating Afghan terrorist factions prior to and in the initial phases of the American led Operation Enduring Freedom in Afghanistan, their defeat and retreat into dormant status could very well be changed once the major foreign security contingent has withdrawn.
Keeping close links with Central Asian drug cartel and known association with major terrorist organizations, peace and stability to ensure smooth trade of energy resources to South Asia would be a likely impossibility. However, such a turbulence could benefit China as it can acquire a facilitator status for energy hungry India and electricity dependent Pakistan, evidence being the Chinese efforts to maintain and garner peaceful relationship between the Xinjiang Province and Central Asian states bordering it. This maneuver could expedite the creation of a supply route into China which would act on a two-pronged status of initially satisfying Chinese energy requirements and disbursing Central Asian energy resources to India and Pakistan. Though this entire plan remains costly and overweighs initial benefit, the long term benefits, keeping in consideration the Afghan situation, would be far more cost effective. (Pomfret, 2002)

The South Asian Connection

South Asia requires Central Asian resources to maintain cost effective and economical energy drift but the tradeoff would be maintaining peaceful and stable environment in Afghanistan and between India and Pakistan to ensure that Chinese power play does not hamper domestic interests of all three aforementioned states as India would be reluctant to cooperate and share its regional position with China. Even though Central Asia offers an economical power distribution network, it requires unbiased consolidation between South Asian regions and demands stability in Afghanistan, which for the time being, remains unachievable.

With India and Pakistan separately exerting influence in Afghanistan and Central Asia, the indication of power commerce from Central Asia to South Asia yet remains a hallucination. Alienated exertion of influence from both India and Pakistan over utilization of discounted electricity and power resource potential of Central Asia might corrode status quo reconciliation and in the future may initiate a conflicting situation which would eventually stagnate exploitation of Central Asian resources and cordon off trade. (Dittmer, 2007; Fu, 2010; Mitchell, 2010)

The Triad of Power: Russia, China and the US

Central Asia is a region that has long been viewed as a possible avenue for a new “Great Game”. The initiation of War on Terror meant that the US required secure supply lines for their military efforts to remain consolidated and their military well supplied. Pakistan was considered as a prominent route to manage supply of necessary equipment and resources into Afghanistan for both the US and NATO. However, law and order situation in Pakistan
increased risks for a smooth flow of supply into Afghanistan which meant that alternative routes needed to be instituted to maintain a constant flow and to serve as a backup in case the main supply route through Pakistan is interrupted. (Blank, 1995; Chiaruttini; Christoffersen, 1998; Paik, 1996; Shichor, 2008; SWANSTRÖM*, 2005; Wishnick, 2009)

Regional Vulnerability

Even though Central Asian logistics are costly as compared to lines of communication via Pakistan, their relatively peaceful political environment with regards to terrorist influences makes them a viable alternative. With the Islamic Movement of Uzbekistan, Jund-al Khilafa and Turkistan Islamic Party being reminiscent factors to consider amid American withdrawal followed by a dense security vacuum, such terrorist factions could create serious threats to weakly governed Central Asia. Noteworthy also, is the fact that once Afghanistan is vacated by a major foreign security contingent, non-state actors currently docile would resurface for political and strategic control and this would have a strong possibility of spillover into bordering states that have a history of terrorist organizations and other non-state miscreant entities. (Cornell, 2005; Pomfret, 2003; Popov, 2001; Rashid, 2002)

Central Asia is a soft region as its governing structure is not as consolidated and concrete as other states and their independence is also not something from a long term past. This implies that institutional development is yet to form strong foundations. Being a sector in Soviet Union, Central Asia did not have an independent recognition and all institutions were either centrally controlled or had no independent autonomy to operate. This course of action had left deep impression on their state behavior and mode of governance. With Russia still maintaining grip over Central Asian politics, the US reinforcing its military footprint in the region and China exerting economic pressure through rapid economic investments, Central Asia would become a region of immense importance both regionally and internationally.

Calculating the Russian Factor

Moscow had always attained exclusive rights and privileges to geostrategic power play in Central Asia. Being a former part of USSR, Central Asia felt obliged to cooperate with Russia as their entire development is Russia centric. With political instability and hostile neighbors hampering independent exploration of alternate economic avenues, Central Asia had nowhere to go but rely on Russia for its economic sustenance. China made the breakthrough by investing into Central Asia and also by facilitating a trade route through Xinjiang and through direct investment in Central Asian oil and gas as well as
mining sectors. This meant that the region was open for competition but this time, unlike any other great game state strategies, one cardinal must be kept in consideration by all state participants both foreign and domestic; Russian hegemonic control over the region must be respected and the delicate balance of power must be maintained through mutual respect and mutual coordination. (Menon, 1995)

This means that states vying for dominance must either institute strategies that reduce or diffuse Russian strategic footprint in the region or must try to coexist and compromise on their plans to attain domination of regional resources and geostrategic importance. Any imbalance would lead to accelerated escalation of a possible conflict that would be detrimental to global political order and security mechanism.

**Conclusion; the Road Ahead**

Central Asia has a potential to incite a major global conflict both in terms of symmetric and asymmetric connotations as this region houses an intricate mix of vulnerable soft spots for non-state actors to manipulate in pursuance of interests and also for domestic, regional and international state actors to engage in conflict over clash of interests. This means that participants of a great game would have to settle for creating a positive sum environment as both zero sum and negative sum could be strategically dangerous to upset the environment. States would then have to ensure a domestic security environment based on cooperation and native threat assessment of Central Asia as well as maintain their own goals and designs. Central Asia is a region that has always been considered as a Russian influence zone and almost all major powers have respected this reality to hold true. However, with Central Asia facing a diverse range of domestic challenges, it is hard for one state to manage them and still maintain a grip over strategic interests.

Tajikistan, Uzbekistan and Turkmenistan face a spillover from an unstable and war torn Afghanistan, while Kazakhstan fears non state actors switching activity status from dormant to active and Kyrgyzstan also fears Afghan trickle effect making this region vulnerable to asymmetric threats. Moreover, with the entire region unevenly sharing water as a fundamental resource and Aral Sea syndrome rapidly changing domestic agricultural and ecological patterns, there are possibility of a devastating ecological calamity that could aggravate interstate conflicts making this region more unstable.
The Future for Central Asia

China’s investments would surely rattle deep concerns in Moscow but with China and Russia somehow sharing a similar ideological inclination, would offer leverage to each other if restricted within boundaries of respecting each other’s strategic interests. With the US and Europe through NATO maintaining a considerable military presence, this quadrilateral convergence of interests would benefit individual states within Central Asia but would also affect their own relationships due to uneven investments based on preferences and concerns of the investor and not domestic balance.

Central Asia would continue to remain a convergence point of global economics as it had been doing so under the historically famous ‘Silk Route’ and this would somehow carve a similar status for the region as it had did in the pages of history. As long as Central Asian states do not consolidate their own interests and as long as a sustainable yet progressively pragmatic system of governance is not formulated by states to settle political instability, Central Asia would remain a region under influence of external factors and actors and would remain a stagnant resource reserve for major regional and global powers as it was for the USSR in the entirety of the Cold War.

Where India and China are diversely trying to invest in Central Asia and have even plans to invest in rehabilitating Afghanistan in order to gain access to Central Asian resources, Pakistan somehow lacks in diverse policy formulation for addressing its own replenishing demands for energy sector. Pakistan needs to either consolidate cooperation with China or seek to open new diplomatic avenues with Russia in order to maximize its outreach towards this region. Cooperation with India also seems a plausibility but with both states maintaining competition of asymmetric proportions, such a cooperative measure will be short-lived, if achieved. For Pakistan, it is imperative to find feasible opportunities in order to cement and practically initiate all previous diplomatic channels in Central Asia in order to progressively and gradually upgrade its relationships with the region in order to capitalize on Central Asia’s economical resource pool to facilitate and boost domestic energy requirements and commerce outreach.(Bano & Sohail, 2014)
End Notes


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