



# OF DIPLOMATIC RELATIONS

**MARCH 2022**

**CASPIAN AFFAIRS  
MAGAZINE**  
CORRIDORS, CONNECTIVITY, COOPERATION





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*The views and opinions expressed in this magazine are those of the authors and do not necessarily reflect the official policy or position of the Caspian Policy Center and its members. Assumptions made in the analysis are not reflective of the position of any entity other than the author(s).*



Dear Readers,

## Welcome to this edition of Caspian Affairs!

To say that we live in unprecedented times is often just an empty cliché, but I think it is justified as we look back over the past year. The COVID-19 pandemic sweeping around the world and the related global supply-chain problems, the accelerating consequences of climate change, the growth of authoritarianism in a number of countries, the U.S. and NATO withdrawal from Afghanistan and the triumph of the Taliban – all of this, and more, made 2021 a year that historians will study closely for years to come.

Also in 2021, the Caspian Policy Center completed its fifth year in Washington, DC, and is grateful for its important partners in government, private business, and academia around the world. Despite the severe disruptions caused by the pandemic, the CPC and its partners moved forward with important projects like the Trans-Caspian Forum and the Caspian Security Conference, as well as many other virtual meetings and discussions. We completed two important visits to the Caspian region while maintaining all necessary health precautions, and we continued to publish and distribute, both on our website, [www.caspianpolicy.org](http://www.caspianpolicy.org), and by email to our members and subscribers, important articles and reports about political, security, economic, and energy news in the greater Caspian region. And based on ideas from our friends around the world, we have continued to make policy recommendations that we believe will make our world a better place.

An important development of the digital age is the emergence of the “hive mind” that allows people from all over the world to exchange accurate information – it’s important to emphasize accurate – and to recommend solutions to problems that might not occur to traditional groups of elites in the worlds of government and private-business. This is the democratization of global cooperation, and we believe that the Caspian Policy Center is playing an important role in this process. If ideas have occurred to you that it seems governments and businesses haven’t considered, we invite you to contact us at [info@caspianpolicy.org](mailto:info@caspianpolicy.org) so that our experts can consider your suggestions and pass them along to the appropriate recipients, either through our articles and reports, during our various events, or in private conversations. Working together, we can all make our difficult world a better place for the generations to come.

Again, we are grateful for your interest in – and support for – the Caspian Policy Center. We look forward to another successful year of collaboration.

**Ambassador (ret.) Richard E. Hoagland**

Editor-in-Chief

Caspian Affairs Magazine

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Caspian Policy Center (CPC) is an independent, nonprofit research think tank based in Washington D.C. Economic, political, energy and security issues of the Caspian region constitute the central research focus of the Center. The Caspian region, at the crossroads of the East and the West, is increasingly becoming a crucial area of global interest with its rich natural resources, geopolitical rivalry and economic development. Established in 2016, the Center aims at becoming a primary research and debate platform in the Caspian region with relevant publications, events, projects and media productions to nurture a comprehensive understanding of the intertwined affairs of the Caspian region. With an inclusive, scholarly and innovative approach, the Caspian Policy Center presents a platform where diverse voices from academia, business and policy world from both the region and the nation's capital interact to produce distinct ideas and insights to the outstanding issues of the region.

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Ambassador Richard E. Hoagland was U.S. Principal Deputy Assistant Secretary of State for South and Central Asian Affairs, October 2013-August 2015. Before returning to Washington in September 2013, he spent a decade in South and Central Asia. He was U.S. Deputy Ambassador to Pakistan (2011- 2013), U.S. Ambassador to Kazakhstan (2008-2011), U.S. Ambassador to Tajikistan (2003-2006), and U.S. Chargé d'Affaires to Turkmenistan (2007-2008). Prior to his diplomatic assignments in Central Asia, Amb. Hoagland was Director of the Office of Caucasus and Central Asian Affairs in the Bureau of Europe and Eurasian Affairs, Department of State. In that position, he wrote and negotiated four of the key bilateral documents defining the Central Asian states' enhanced relationship with the United States in the aftermath of 9/11.

## **Ambassador (Ret.) Robert F. Cekuta** **Energy and Economy Program Chair**

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Ambassador (Ret.) Allan Mustard, class of Career Minister, was sworn in as U.S. Ambassador to Turkmenistan on November 25, 2014. He previously served as Agricultural Minister-Counselor at the U.S. Embassy in India, Mexico, and Russia, and held various positions in the Foreign Agricultural Service, U.S. Department of Agriculture, including Assistant Deputy Administrator for Foreign Agricultural Affairs and Deputy Director for Emerging Democracies Office. A widely recognized authority on agricultural and food aid policy, he has broad experience in guiding economic reform assistance throughout Eastern Europe and the former Soviet Union.

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Susan M. Elliott, Ambassador (ret.) is an accomplished diplomat with an earned doctorate from Indiana University. During her 27-year diplomatic career, Ambassador Elliott held a variety of leadership positions at the U.S. Department of State. She became President and CEO of the National Committee on American Foreign Policy in August 2018. From 2015 to 2017, Ambassador Elliott served as the Civilian Deputy and Foreign Policy Advisor to the Commander of the United States European Command. Ambassador Elliott was the U.S. Ambassador to Tajikistan from 2012 to 2015. Prior to her Ambassadorial appointment, she served as the Deputy Assistant Secretary of State, Bureau of South and Central Asian Affairs, U.S. Department of State. Ambassador Elliott worked on the staff of former Secretary of State Condoleezza Rice as a Deputy Executive Secretary and Director of the Executive Secretariat Staff.

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Michael S. Repass is the Chief Executive Officer for Able Global Solutions LLC, which he founded in 2013 after retiring from the Army. He graduated from the U.S. Military Academy at West Point, NY, in 1980 and served as a Special Forces officer for over 30 years. He commanded the Combined Joint Special Operations Task Force-Arabian Peninsula during Operation IRAQI FREEDOM during two combat tours. General Repass later commanded the Army's Special Forces Command and twice served in Special Operations Command Europe in Stuttgart, Germany, first as the Deputy Commander then as the Commanding General. He retired from military service in 2013 and since then has worked with several international defense companies to assess and develop markets for advanced capabilities placement.

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Akbota Karibayeva is currently Research Fellow at the Caspian Policy Center. She graduated with honors from the University of Chicago's MA Program in International Relations with a concentration in International Political Economy and Security. She graduated magna cum laude with a BA in Political Science and International Relations from Nazarbayev University in Astana, where she focused on the region of Eurasia. Akbota has served as a research assistant at the Chicago Center on Democracy, where she supported a project on rhetorical strategies of populist politicians. During her undergraduate studies, she assisted on a research project that aimed at creating a comprehensive database of joint military exercises that Kazakhstan, Russia and Belarus participated in to test Kazakhstan's multi-vector foreign policy in the domain of security. Akbota's current portfolio covers political regimes, security cooperation, economic development, and energy markets in the Caspian region. In Fall 2020, Akbota continued her studies pursuing a doctoral degree in Political Science at the George Washington University.



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Priya Misra is a Research Intern with the Caspian Policy Center. She is a graduate student at the School of Global and Area Studies at the University of Oxford. During her undergraduate career, Priya studied in Kyrgyzstan and Russia and relocated to Kazakhstan after graduation to work at the 2017 World Expo. Priya also served as a Peace Corps Volunteer in the country of Georgia for two years working with rural youth development.

# KEY EVENTS OF 2021

Source: Foreign Policy

2021 was an eventful year in the Caspian as conflict, COVID-19, and connectivity presented challenges and opportunities for every country in the region. The year began with snap presidential elections in Kyrgyzstan on January 10 that cemented the leadership of President Sadyr Japarov. The elections in January would be the country's first, but not its last, major political change of 2021. In the Caspian region, many countries spent the first few months of 2021 recovering from a late 2020 wave of COVID that swept much of the world. The global community watched vaccine developments in great anticipation even as cases of COVID-19 continued to rise. Early into Pres-

ident Biden's term, he sent Secretary of State Antony Blinken to meet with his with Russia's Foreign Minister, Sergei Lavrov. Hopes that this meeting would materialize into a comprehensive U.S. strategy on Russia and its neighbors to the south quickly dissipated. Instead, Russia, China, and the United States participated in a game of vaccine diplomacy in Central Asia and the South Caucasus while the question of the U.S. and NATO's withdrawal from Afghanistan loomed ahead.

In late March, global supply chains were shocked when a ship, the Ever Given, lodged itself in the Suez Canal. The obstruction caused

trade to grind to a halt with ships unable to pass through the chokepoint. For Central Asia and the South Caucasus, this event highlighted the importance of regional connectivity, trade integration, and customs simplification. While the world grappled with a logistics nightmare, Kyrgyzstan grappled with proposed changes to its constitution. A week after the Ever Given was freed from the Suez, Kyrgyz citizens went to the polls to vote on changes to their form of government. Ultimately, the country decided to shift its parliamentary composition, shrinking the body's size from 120 to 90 seats and placing more power in the presidency.

The following month President Biden nominated U.S. Ambassador to Kyrgyzstan, Donald Lu, and President of the German Marshall Fund, Karen Donfried to become Assistant Secretaries of South and Central Asian Affairs and Europe and Eurasian Affairs, respectively. With Lu and Donfried's nominations came the hope that the Biden administration would quickly install seasoned, accomplished leaders to guide its relations with the region. However, appointment to high political office is a slow and painful process, and neither Donald Lu nor Karen Donfried would be confirmed for many months, despite a deficit of American leadership abroad.

The Assistant Secretary nominations came shortly after Tajikistan and Kyrgyzstan engaged in a brief but violent conflict along their shared border. The conflict highlighted the difficulty in demarcation and delimitation between these

countries even 30 years after the collapse of the Soviet Union. However, the news was not all grim, and Azerbaijan and Armenia continued to take small steps towards reconciliation following their November 2020 war over Nagorno-Karabakh in Azerbaijan. In June, the two countries agreed to swap Armenian detainees for maps detailing the location of minefields. Some of these negotiations were brokered by the United States. Much work is still needed to further repair relations, but this, at least, was a positive step.

In June, Armenian Prime Minister Pashinyan also managed to win a tightly contested snap election against former president and prime minister, Robert Kocharyan. After these developments, acting Assistant Secretary of State for Europe and Eurasian Affairs Philip Reeker made a visit to the South Caucasus, the Biden Administration's highest-level visit to the region to that

point. In late July, a U.S. and EU-brokered deal aiming to eliminate political deadlock between the ruling and opposition parties in Georgia collapsed plunging the country into further political turmoil and calling into question the efficacy of western mediation.

Shortly after the political crisis in Georgia, however, all U.S. focus, and much of the world's attention, snapped to the Taliban's offensive in Afghanistan. Preceding the U.S and allied withdrawal, the Taliban began seizing provinces, including border crossings that connect Afghanistan with Central Asia. The United States worked desperately to evacuate its personnel and the tens of thousands of Afghans who had supported NATO forces for two decades. By July, it became clear that the Taliban was winning the fight on the ground in Afghanistan. Secretary of Defense Lloyd Austin met with Uzbekistan's foreign minister, Abdulaziz Kamilov, and

Tajikistan's foreign minister, Sirojiddin Muhriddin, while the United States tried to determine what its future military presence in the region would look like, and what countries, if any would be willing to temporarily house at-risk Afghans.

While the United States attempted to prevent the disintegration of Ashraf Ghani's government in Kabul, the five heads of state in Central Asia met to discuss regional integration. The leaders

attended the third annual Consultative Meeting of the Heads of the Central Asian States at Avaza, Turkmenistan. This was a positive step for further regional integration, but attention was quickly pulled away from the summit. Soon after the meeting between the Central Asian leaders, on August 15 Kabul fell to the Taliban.

The Fall of Kabul led to weeks of uncertainty and chaos as the United States airlifted 100,000 peo-

ple out of Afghanistan's capital. Some members of the Afghan National Army and Afghan Airforce pilots attempted to flee into Uzbekistan and Tajikistan. Azerbaijani troops supported the NATO mission until the end, working with U.S. and Turkish soldiers to protect the Hamid Karzai International Airport in Kabul while the United States proceeded with the evacuation. No one knew what the future would hold.



Afghans attempt to board planes at Kabul Airport on August 16, 2021. Source: Wakil Kohsar, AFP via Getty Images.



In September, the month after the Fall of Kabul, Assistant Secretaries Donald Lu and Karen Donfried were confirmed by the Senate and sworn in. Notably, Assistant Secretary Lu is the first Assistant Secretary of South and Central Asia to have experience in Central Asia. In the later months of the year, U.S. foreign policy in the region focused on the repercussions of its chaotic withdrawal and new realities in Afghanistan.

After the Taliban takeover, Central Asian states looked to Russia and China for security assurances, and Moscow and Beijing delivered in the form of Collective Security Treaty Organization (CSTO) and Shanghai Cooperation Organization (SCO) military exercises along the border of Afghanistan. In Tajikistan, Russia increased its military presence sending more troops and arms. China also increased its security presence in Central Asia with an outpost in Tajikistan near the

border with Afghanistan in a remote area of the Gorno-Badakhshan Autonomous Province. The security concerns of the region post-U.S. withdrawal go hand in hand with mounting worries over the humanitarian crisis in Afghanistan.

Displays of military force and escalation have been a characteristic in the greater Caspian region since the Fall of Kabul. October witnessed heightened tension between Iran and Azerbaijan with the two countries engaging in competing military drills along their border. Fortunately, the posturing did not result in conflict between the states. Despite promising developments between Armenia and Azerbaijan, such as the potential use of each other's airspace, and high-level meetings between officials, throughout November and December the two countries continued to exchange blame and bullets along their border. Perhaps most worryingly of all, at the time of writ-

ing, Russia continues to place more troops along Ukraine's border, roughly 100,000 in total. Moscow has released demands that NATO reduce its role in Eastern Europe, the South Caucasus and Central Asia, reasserting President Vladimir Putin's long-standing claim that the now-independent Soviet Socialist Republics on Russia's southern rim are Moscow's "special sphere of influence."

Amidst this international turmoil, Kyrgyzstan held snap parliamentary elections, its first parliamentary elections since the October 2020 vote that resulted in mass protests and a change in government. The elections results favored pro-government political parties, but unlike the parliamentary elections of 2020, mass unrest did not follow the announcement of the results.

There were plenty of positive developments across the Caspian region to close out the year. At COP26 in Glasgow,

countries from around the world pledged to do more to combat the climate crisis. While more work needs to be done, the Caspian countries' participation and commitments during the meeting were a step in the right direction. Despite the continued tension between Armenia and Azerbaijan, President Aliyev and Prime Minister Pashinyan met twice, in Sochi and Brussels. After these meetings, Armenian detainees

were returned, and Armenia and Azerbaijan announced the restoration of a railway line through Armenian territory that will connect Azerbaijan to its exclave Nakhichevan. The South Caucasus continued to push through an agenda of connectivity and reconciliation as the first 3+3 meeting occurred in Moscow. The 3+3 format is designed to include Armenia, Azerbaijan, Georgia and Iran, Russia, and Turkey in regional

discussions to strengthen regional cooperation. This meeting was a hopeful beginning to such an initiative, but there is room for further growth because Georgia declined to participate. Finally, as the year wound to a close, Turkey and Armenia announced the appointment of envoys to work on the normalization of relations. After a year full of conflict, perhaps a theme of reconciliation can lead into 2022.



Central Asian leaders meet for the third annual Consultative Meeting of the Heads of the Central Asian States at Avaza, Turkmenistan. Source: Akorda.kz.

# POLICY RECOMMENDATIONS FOR 2022

**1. The United States needs to affirm its commitment to the Caspian region through official high-level visits.** After the military withdrawal from Afghanistan, the United States should reassure the Caspian countries that it remains committed to strengthening its engagement with the region. The last presidential visit to the region was by George W. Bush in 2005 to the South Caucasus and no president has ever visited Central Asia. More recently in 2020, then-Secretary of State Mike Pompeo visited Central Asia, yet high-level visits remain rare. More frequent U.S. visits to the region at the presidential and secretary level would demonstrate the importance of the

Caspian region to U.S. foreign policy.

**2. The United States should support and develop long-term initiatives that increase U.S.-Caspian engagement.** On a diplomatic level, the United States has engaged with Central Asia through the C5+1 format. These meetings should demonstrate continued dedication to U.S.-Central Asian relations and, at times, should be at the presidential level, not just at the ministerial level. Additionally, a new meeting format such as C8+1 to include the South Caucasus countries should be established to provide a forum for trans-Caspian cooperation and connectivity. The United States

has long-established academic and professional exchange programs to engage with the younger populations of Caspian countries. Increasing the programs and opportunities for academic and professional exchange helps establish people-to-people networks and increase a desire for business and civil society cooperation.

**3. The Caspian needs to strengthen supply-chain resilience against external shocks and simplify customs procedures along transit corridors.** While substantial investment is going towards transit hubs like the Port of Baku and the Port of Batumi, transit corridors are only as efficient as the slowest border cross-



ings. Delays at borders continue to hinder the effectiveness of proposed trade routes and increase the cost of trade. For the Caspian region to realize its goal to serve as a connection between major markets in China, Europe, and the Middle East, it must use new technologies to streamline and speed up the delivery of goods.

**4. The United States and the Caspian countries should continue to prioritize clean-energy production and consumption while preparing for the long-term effects of climate change.** There is a growing interest in clean energy globally, and the Caspian region

and the United States should cooperate in this field. Together they can facilitate clean-energy alternatives in the Caspian region that will help sustain the economic output of the region and diversify fossil-fuel dependent economies. Additionally, the United States and the Caspian region should look ahead and prepare for long-term consequences of climate change, like severe droughts, falling water levels in the Caspian Sea, and human migration. Early preparations will increase the likelihood of a successful response.

**5. Government health organizations must proactively monitor the**

**global pandemic and ensure public health systems are supplied and prepared for new variants and waves of COVID-19.** Despite the proliferation of vaccines, the world is still grappling with the COVID-19 pandemic and its newest Omicron variant that is sweeping the world. The United States can help governments in the region monitor global public health with new technologies and artificial intelligence to prepare countries for any potential influx of new cases. Active monitoring and preparedness could save lives and economic productivity in the Caspian region and the United States.

*The United States needs to affirm its commitment to the Caspian region through official high-level visits.*

# MIGRANT WORKERS AND THE PANDEMIC: THE NEED FOR CENTRAL ASIA TO EASE DEPENDENCE ON REMITTANCES FROM RUSSIA

## Introduction

The COVID-19 pandemic continues to cause major disruptions to the global economy and movements of people. This reality has had specific consequences in the Caspian region where each year hundreds of thousands of Central Asian migrant workers travel north to Russia, seeking to take advantage of its need for labor. In addition to the millions of citizens from Caspian countries who are long-term residents and workers in Russia, there are significant numbers in other coun-

tries such as Turkey and the Republic of Korea. The Kyrgyz Republic, Tajikistan, and Uzbekistan are among the world's most remittance-dependent countries, relying in varying degrees on financial transfers from their workforce abroad to support their domestic economies.

Developments in 2020 show the downsides of such arrangements and the need to consider reducing this dependency once the pandemic is under control. While preliminary analysis suggests such moves

will include the need for further market-based economic reforms to foster the private sector and job growth at home, governments of countries sending workers abroad as well as those receiving them may be advised to bolster social and legal measures for long- and short-term migrant workers to improve the resilience of these institutions.

## Economic Impacts of Labor Migration

The COVID-19 pandemic has highlighted questions about the long-term sus-

tainability of a continued reliance on the outflow of workers from Central Asia and subsequent inflow of remittances, particularly from Russia. Overdependence on remittances sent back from their citizens working abroad can leave countries more vulnerable to bilateral disputes or to economic, health, or other crises arising internationally. Thus, disruptions in Russia's economy due to the COVID-19 pandemic as well as the severe drop in first quarter 2020 oil prices were felt in other countries in the region via the significant numbers of foreign workers and other economic ties the Russian Federation.

Russia's Federal Security Service (FSB) reported that from January 2019 to June 2019, 265,000 people entered Russia from the Kyrgyz Republic (4.20 percent of the Kyrgyz Republic's population), 524,000 people entered from Tajikistan (5.76 percent of the population), and 918,000 people

entered from Uzbekistan (2.79 percent of the population). Clusters of labor migrant populations are centered around Moscow and other large Russian cities. There are also migrant workers in Russia's Far East, but their numbers are not comparable to the migrant populations of the larger metropolitan areas. Russia's oil-rich Tyumen oblast bordering Kazakhstan and the Khanty-Mansi Autonomous Okrug also have significant migrant worker populations whose presence tends to revolve around the schedule for work on oil production.

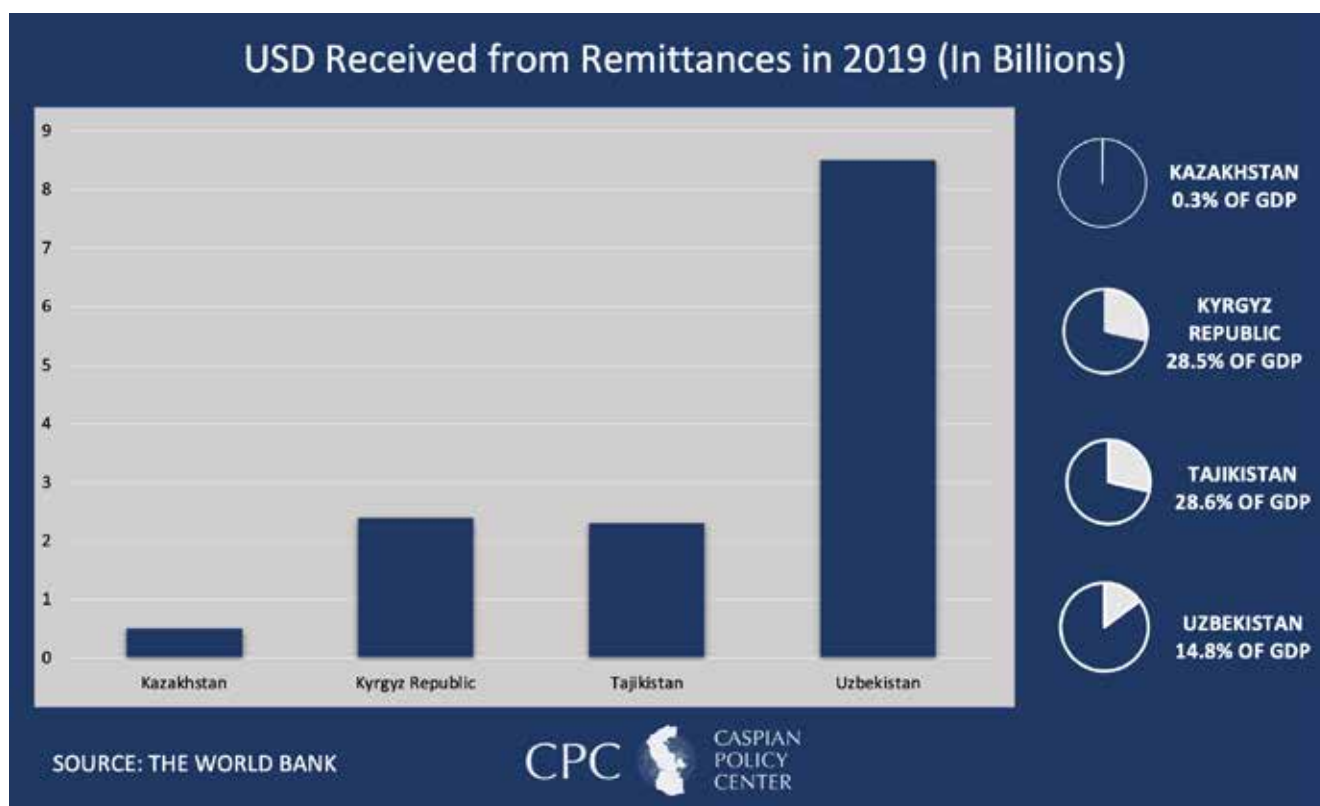
Though Russia is their primary destination, migrants from the Kyrgyz Republic, Tajikistan, and Uzbekistan also travel to other countries seeking employment. Recently, Kazakhstan has become a popular destination for some of these migrant workers. In some months of 2018, remittances to Uzbekistan from Kazakhstan doubled compared to those same months in

2017. In addition, Tajikistan received twice the volume of remittance payments from Kazakhstan in the summer of 2018 as in the summer of 2017. Migrants are also moving to South Korea following bilateral agreements with the Kyrgyz Republic and Uzbekistan to ease restrictions on foreign workers in the country. Predominantly Central Asian neighborhoods such as Seoul's Wolgok-Dong are becoming more prevalent in major Korean cities. Between 2016 and 2019, South Korea issued 18,444 work visas to Uzbek citizens, 1,295 to Kyrgyz citizens, and 559 to Kazakhstani citizens. China and Turkey also draw large numbers of Central Asian migrants for university and work.



Predominantly Central Asian neighborhoods have grown in South Korea, sporting small businesses and restaurants serving regional cuisines. Source: Eurasianet.

Prior to the onset of the COVID-19 pandemic, the percentage of GDP attributed to remittances was the highest in the Kyrgyz Republic, Tajikistan, and Uzbekistan. In 2019, the Kyrgyz Republic received \$2.4 billion in remittances (28.5 percent of its GDP), Tajikistan received \$2.3 billion (28.6 percent of its GDP), and Uzbekistan received \$8.5 billion (14.8 percent of its GDP).





The annual movement to Russia or other countries serves as a relief valve for unemployment and can help boost wages and the well-being of families in the home countries. However, there are down sides. While there are important economic and financial gains, the exodus of workers can have an impact on family cohesion and supporting vulnerable populations, including women, children, and the elderly, as well as leading to a potential financial and national security vulnerability. There is also the possibility that the outflow of workers can contribute to brain drain. Tajikistan suffers from a large outflow of medical professionals from the country, something which can hamper the country's health care systems amidst a global pandemic. Numbers also show more older Tajiks with a higher education background living in the country than younger Tajiks, an alarming statistic. Furthermore, approximately 80 percent of

Tajik students expressed a desire to continue their studies abroad. While the exodus of people relieves the strain on Tajikistan to provide employment for its entire populace, it impedes the country's ability to take full advantage of its most educated populations.

### **Central Asia's Response to Labor Migration**

The exodus of Central Asians to Russia in search of work is in part a legacy of agricultural practices from the Soviet Union. Importantly as well, the collapse of the Soviet Union in 1991 disrupted essential supply chains and industrial links among the Central Asian republics. Historical ties to Russia and stagnating employment levels spurred by resistance to change ineffective practices are contributors to the large influx of Central Asian migrants that seek employment in Russia each year. The Kyrgyz Republic, Tajikistan, and Uzbekistan thus rely on Russia to welcome workers from their countries.

This high dependence, however, erodes the economic sovereignty of these three Central Asian states and makes them dependent on the stability of Russia's economy to keep their own economies afloat.

For the past three decades, most Central Asians migrating to work in Russia were young, single men. However, in recent years a new trend emerged with entire families increasingly migrating to Russia for work and then choosing to remain where they settled. According to data on Central Asian migrants, 40 percent of migrants live in Russia for two years and 25 to 30 percent stay longer. In addition, 33 percent of male migrants and 50 percent of female migrants are accompanied by their spouses. About 10 percent of migrants have their children with them. Moreover, approximately 50 percent of migrants have children before embarking for Russia. The formation of the Eur-

Asian Economic Union (EAEU) in 2014 provided an easier process for migrant workers from Armenia, Kazakhstan, and the Kyrgyz Republic to bring their entire families to Russia, but it

is no longer uncommon for migrant workers from non-EAEU members Tajikistan and Uzbekistan to do the same. The migration of entire families to Russia poses new challenges for the sending

states. Central Asian governments must now account for entire families that may require legal, financial, and emergency support abroad, not just young and healthy male migrants.



The demographic of Central Asian migrants seeking employment in Russia has experienced a shift with many women and children embarking on the journey. Source: The New York Times.

Members of parliament in the Kyrgyz Republic have talked about labor migration as harming the country's economic potential and have appealed to Kyrgyz workers to return home from Russia. Government-affiliated organizations, on the other hand, state an increased number of Kyrgyz migrant workers choosing to remain at home instead of moving to Russia would be detrimental to the economy. They assert that the Kyrgyz Republic's job market would not be able to absorb the migrants who decide to stay and would thus drive up unemployment and increase the burden on domestic social welfare systems. Government organization assert that the emigration of excess labor heads off potential social unrest. In addition, they note migrant workers are provided with higher-paying opportunities abroad that allow them to provide for their families and gain professional expertise that is beneficial to attaining better jobs

when returning to their home countries. These divergent views within the Kyrgyz Republic itself illustrate the difficulty for governments relying on inflows of remittances and the exports of workers to enact policy changes that would better safeguard their economies and financial independence.

Tajikistan was the poorest of the 15 Soviet republics, had one of the highest birth rates in the Soviet Union, and had its economic development hampered by mountainous terrain that made travel and trade difficult. Migration to Russia by young laborers serves as an outlet to provide for their families and the number of Tajik migrants moving to Russia each year increased. To help ensure Tajik migrant workers in Russia were protected, Tajikistan and Russia signed a slew of bilateral agreements in 2005 to support Tajik migrants in obtaining employment and retaining legal status in the

country. The Tajik government has also established legal institutions to shield its citizens from discrimination. Migrant workers sometimes encounter legal problems in Russia when engaging with law enforcement or registering for work and residence permits. In addition, the number of xenophobic attacks against migrant workers in Russia is growing. Dushanbe and Moscow have signed bilateral agreements to ensure that Tajik migrant workers are guaranteed that their rights are protected by regional governments and that they have suitable living conditions. However, these agreements also compel Tajikistan to send skilled workers, such as doctors, teachers, and nurses to Russia. While these agreements provide measures of security for Tajik migrants in Russia, they also deplete Tajikistan's pool of educated workers who are essential to the country's development.

In Uzbekistan, President Shavkat Mirziyoyev is



attempting to reverse the loss of talent resulting from millions of Uzbek citizens choosing to work abroad. President Mirziyoyev established an expert council in May 2018 to formulate a development model for his country's political, economic, and social spheres. He hopes market reforms and inviting job opportunities in the legal, financial, medical, academic, and public sectors will persuade skilled Uzbeks to return and convince workers to seek employment domestically.

### **Russia's Response to Labor Migration**

Russia utilizes this labor migration to bolster its declining population. Russia's population is projected to drop from 146 million to 128 million by 2030. An aging population and low birth rate burden its economy. Thus, migration provides a channel for Russia to increase its working population. In October 2018, President Vladimir Putin signed the Concept on Migration Policy, prom-

ising to prioritize liberalizing immigration and migration processes.

In some ways, Moscow is looking to post-Soviet states to encourage their citizens to apply for seasonal work in Russia. One objective of the EAEU is to address the free movement of labor among member states. The EAEU implemented uniform rules to grant migrant workers access to health care and preschool education. The Kyrgyz Republic's accession to the EAEU allowed it to benefit from extended windows for registering labor migrants at new places of residence and a reduction in required paperwork. Similarly, an agreement was signed on labor migrants' pension rights in December 2019. Still, migrants from EAEU countries noted significant shortcomings. For example, the mechanisms to handle migration are not as developed in the EAEU as such processes are within the European Union. Furthermore, illegal migra-

tion, lack of transparency on migrant issues, and the existence of informal employment in Russia all remain problems. Russia imposed more than 50 new laws and regulations between 2012 and 2015 to curb undocumented migration. The new regulations placed limitations on the movement of migrants and limited the number of times migrants could cross the border.

Tajikistan and Uzbekistan are not members of the EAEU, but Uzbekistan became an observer state in December 2020. Full membership may follow in the coming years which would likely cause Tajikistan to follow suit. The benefits of standardized rules and improved migration regulations would be attractive to Uzbekistan, which sends the most seasonal workers to Russia each year. Uzbekistan and Tajikistan, however, also have bilateral agreements with Russia on labor migration. In 2007, Uzbekistan and Russia inked several

agreements outlining the process Uzbek citizens must undergo before obtaining legal permission to enter the country for work. These agreements were also an effort to curb illegal immigration and human trafficking. In addition, Uzbekistan

and Russia signed an agreement to protect the rights of Uzbek workers who are injured or killed while working abroad. Nearly half of all Uzbek migrant workers in Russia are employed in heavy industries, such as construction, where

accidents are frequent. Similarly, in 2019, Tajikistan and Russia signed a bilateral agreement to allow Tajik migrant workers who have undergone Russian-language and skills training to work in Russia.



Central Asian migrant workers often find employment in heavy industries. Source: The Moscow Times.

While the government is taking these actions, Russians' opinions on foreign laborers worsened from 2007-2017. The foreign workers may be needed, but that does not neces-

sarily translate into being liked. Russians increasingly perceive the migrant population as competitors in a shrinking job market. Those who said they saw migrant workers

as hardworking dropped from 30 to 26 percent, and those who saw foreign workers as providing for their families fell from 38 percent to 25 percent. The downward

trend in Russians' opinion on foreign workers has continued. In a 2019 Levada Center survey, 72 percent of respondents said Russia should take steps to curb the influx of migrants. The same survey found that 29 percent of Russians felt Central Asians should not be allowed in Russia at all, while a further 30 percent thought that they should only be allowed to stay on a temporary basis.

Migrant workers are aware of this antipathy, reporting, for example, that they are often subject to discrimination, e.g., profiling by Russian law enforcement. Some migrants report they were detained by authorities for allegedly not carrying their travel documents with them at all times. Employers have been known to exploit migrant workers by demanding more work, lowering wages, and delaying payments to take advantage of the vulnerable situation in which the COVID-19 pandemic has left migrant workers.

In 2017, the xenophobic tide in Russia prompted then-president Almazbek Atambayev of the Kyrgyz Republic to publicly condemn the increase in anti-Central Asian sentiment. "With deep regret we see that in recent years in Russia, we hear ever louder voices inciting xenophobia and enmity between our brother nations," said Atambayev at a Victory Day event.

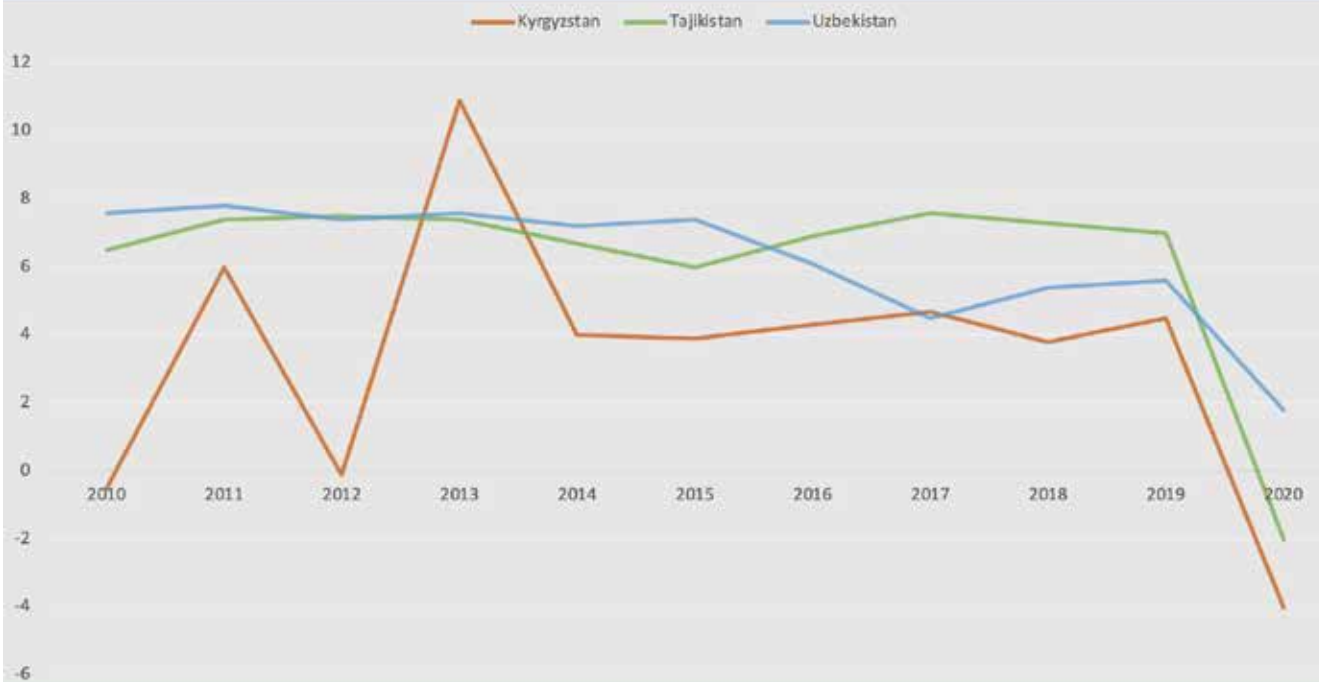
While the economic pull of Russia has trumped qualms migrants might have about Russian xenophobia, that situation could change. There are signs Russia might, to some extent, be becoming somewhat less attractive for Central Asian migrants. The faltering of the Russian economy starting in 2015 and the emergence of other destinations, such as China, Kazakhstan, and the European Union are drawing migrants away from Russia. The number of migrants entering Russia each year has remained steady, but the number choosing to repatriate grew from 308,000 in

2014 to 441,000 in 2018.

## **Effects of the COVID-19 Pandemic on Remittance Payments and Migrant Workers**

The COVID-19 pandemic spurred new challenges for Central Asians working abroad as governments quickly scrambled to adapt to travel and trade restrictions, stay-at-home orders, and a disgruntled and suddenly unemployed population. Remittance payments to Europe and Central Asia are projected to fall 28% in 2020. Additionally, GDPs are expected to contract in the Kyrgyz Republic (-4% GDP growth) and Tajikistan (-2% GDP growth). Uzbekistan's GDP is still expected to grow 1.8%, but that is a substantial dip from its 2019 growth of 5.6%. These countries will likely have to contend with the fallout of the COVID-19 pandemic well into 2021 and will need to secure alternate sources of revenue to make up for this steep decline.

## GDP Growth (annual %)



SOURCE: THE WORLD BANK



The economic consequences of the pandemic are also forecasted to drive up debt-to-GDP ratios in the three remittance-receiving Caspian countries. Projections indicate that debt-to-GDP ratios will increase in the Kyrgyz Republic by 15% (69.2% of GDP), Tajikistan by 7% (51.8% of GDP), and Uzbekistan by 8% (36.9% of GDP). Excessive foreign debt can leave countries vulnerable to creditors and reduce the state's ability to funnel

finances into social or other programs.

In addition, employment for labor migrants in Russia will likely continue to look bleak in the upcoming months given its own economic problems stemming from the pandemic, as well as from longer term structural issues. Russia has had to institute stringent COVID-19 related lockdowns, e.g., an 82-day stay-at-home or work restrictions order in

2020, drastically limiting movement around the country. Migrant workers have endured the brunt of economic hardship caused by the COVID-19 pandemic. Moreover, many workers live in crowded communal housing that facilitates the spread of COVID-19. To make matters worse, they have limited access to healthcare in Russia if they do test positive for the virus. Some migrants report being refused treatment at medical



facilities for lacking adequate insurance. Most migrants lost their jobs

and struggled to protect themselves from contracting the virus and

struggled to treat it if they did.



Central Asian migrants often live in crowded communal spaces in Russia that are conducive to spreading the virus.  
Source: The New York Times.

## Lessons from other Countries

Countries elsewhere that rely on remittances to sustain their domestic economies have employed numerous strategies to lessen their dependence on income sent from abroad or to benefit

more from this imported income. Their experiences could be useful to governments and societies in the Caspian region.

The Philippines in 2019 received \$33.5 billion from remittances, approximately 10 percent

of its GDP. Remittance funds were reinvested back into the economy to stimulate domestic economic growth. For example, more than 38 percent of Filipino families put this income into savings which could be tapped into in an emergency.

Additionally, 5 percent of Filipino families invested their income from remittances into developing small- and medium-sized enterprises, which make up over 99 percent of operating businesses in the country. Small- and medium-sized enterprises stimulate economic activity and employ significant portions of the

population in the Kyrgyz Republic, Tajikistan, and Uzbekistan as well. Remittance-dependent countries of Central Asia would be wise to bolster efforts to encourage families that receive remittance payments to invest their earnings to establish or otherwise foster local enterprises. The growth of SMEs could expand

the domestic job market and entice more people to remain in the country for work instead of traveling abroad. To help achieve this goal, however, would also mean these governments need to act to forge an environment that is more favorable to small business investment.



Microfinancing and other forms of economic stimulation help to support the Philippines' many small- and medium-sized enterprises. Source: NIKKEI Asia.

Another remittance-thirsty country, Bangladesh looks to address its deepening dependence on remittance payments for income by bolstering bilateral relations with countries that receive large influxes of Bangladeshi migrants. Safe and welcoming environments for migrant workers stimulated through bilateral agreements, the establishment of legal services for migrants, and cultural awareness programs to avoid discriminatory practices can help migrants in their jobs abroad. Remittance-dependent countries in Central Asia should prioritize supporting their foreign workforce abroad by forging official declarations and investing in bilateral support organizations.

Comoros has instituted a formal channel through banks to funnel remittance payments to the respective households within the country. This program eases the process of sending

money home, regularizes funds transfers, and grants banks an additional source of capital for productive investment. Banks can also use the money deposited into savings accounts through the official remittance deliverance channel to fund local and national projects. Remittance payments can often get skimmed off by companies that traditionally service migrant workers. The Philippines instituted a similar program to provide discounts on remittance fees imposed on migrant workers. Similar measures established in Central Asia could also ensure remittance payments are transferred efficiently and with low fees. Central Asian migrant workers in Russia pay about \$2.50 for every \$100 they send home to their families. These fees are currently among the lowest in the world but implementing official programs through microfinance institutions (MFIs) and post offices to service rural communities across the region will

greatly ease the financial burden of paying fees for sending money home. Furthermore, Central Asia lags behind the rest of the world in implementing official digital channels to remit money home, which are known to cut remittance fees. Building up the digital market will service workers looking to remit their income back home.

## Conclusion

The large outflow of workers leaving countries such as the Kyrgyz Republic, Tajikistan, or Uzbekistan does not seem completely sustainable over the long term nor the nest model for economic growth. Efforts to date do not appear to be providing the advances needed. Furthermore, as in so many other areas, the COVID-19 pandemic also amplifies existing concerns of relying too heavily on remittance payments. The pandemic places an additional layer of challenges that workers must navigate while being subject to xenophobia from Russian



citizens and authorities, being vulnerable from exploitation by their employers, and being at risk for contracting the coronavirus while having no health insurance.

The governments of the Kyrgyz Republic, Tajikistan, and Uzbekistan should look to other countries that are work-

ing to mitigate their reliance on remittance payments and supported initiatives to enrich the livelihoods of their citizens working and living abroad. Central Asian governments must attain a fine balance of further developing their sectors to make domestic employment more palatable and supporting their

large workforces abroad in Russia, Kazakhstan, China, South Korea, Turkey, and elsewhere. The COVID-19 pandemic and its ensuing border closures, high unemployment rates, and economic downturn show a need for thinking and acting to boost the resilience of these three countries.

# HOW DO WE FIGHT CLIMATE CHANGE WHILE GLOBAL ENERGY DEMAND SOARS?



(This publication originally appeared in *The Hill*)

World leaders and the global press have rightly focused these past weeks on the imperative to fight rising world temperatures and climate change's impacts on people around the world. Yet, there is another pressing global need the world has to address simultaneously: a rapidly rising demand for energy, especially fossil fuels.

Nowhere exemplifies this contradiction more than the Caspian region. The tragedy of the Aral Sea was an early example of the disastrous consequences of environmental exploitation, losing 90 percent of its water volume, but this is far from the only example. At the same time, Central Asia will require over \$30 billion of annual investment into energy infrastructure to meet its growing demand throughout the 2020s, and every country

in the South Caucasus consumes more energy now than it did 20 years ago.

Climate disasters will not prevent growing energy consumption either in the Caspian region or the rest of the world. Access to energy is essential for survival, commerce and security. The UN's Sustainable Energy Goals call for ensuring access to affordable, reliable, sustainable and modern energy for all, just as they

do for urgent action to combat climate change and its impacts. Energy security remains a core factor in countries' national security calculations as well as in the

dynamics of international relations.

Moreover, as we see today in the United States, rising energy prices carry domestic, political, as

well as economic effects. And those energy prices are determined by global markets, further underlining the international features of energy as well as climate policies.



Shah Deniz is one of the world's largest gas fields and is located in the Caspian Sea. Source: Azernews.

Over 700 million people in the world today have no access to electricity; that is about twice the size of the population of the United States. Moreover, there are about 2.5 billion people without a safe way to cook their food, relying on fuels

such as charcoal, wood or dung to heat their homes and make cooking fires, which are often indoors and generate long-term health dangers for the world's poorest people. The future is even more concerning: another 1.6 billion people are ex-

pected to be added to the global population by 2045, and all of those people are going to expect reliable access to electricity, including for information technology, appliances, cars and other things the growing middle class here and in

the rest of the world take for granted.

There is no question about the need to confront climate change. Without a comprehensive plan, global temperatures will rise, with catastrophic consequences for our planet. Even a slight increase will lead to rising sea levels, dangerous floods, desertification and dangerous shifts in the world's water supplies. However, there is also a need to confront the realities of energy demand.

It is not an either/or situation; we must work to balance human energy needs as we fight climate change. As government, business and world leaders address the global climate crisis, they also have to give reasoned consideration to the growing demand for energy in countries around the world. Confronting that need means a wider, more sophisticated set of actions than the past. Energy security today must focus not just on ensur-

ing uninterrupted oil and natural gas supplies, but also on the integrity of pipelines, electrical grids and other systems. This will reduce the severity and impact of ransomware or other attacks such as we saw on the Colonial Pipeline in the United States or on the electrical grid in Ukraine.

Added to all this is the fact that the drivers for global energy demand are no longer the rich, industrialized states of the OECD. Energy demand in many of those countries is declining — somewhat, but not enough to meet the levels required to fight climate change. The drivers of world energy demand are the emerging market economies, especially China and India, as well as the growing economies of Africa.

This global energy reality calls for a new energy diplomacy, for new ways of thinking among countries and engaging to meet the world's energy needs while also keeping an eye

on the imperative of addressing climate change. This diplomacy demands actively incorporating the insights of innovators, including those in the private sector and in government and university labs besides the thinking of politicians and others traditionally engaged in making foreign policy.

This new energy diplomacy will require listening to the concerns and needs of developing countries, bearing in mind that different countries are facing the problem of ensuring predictable and adequate energy supplies for their populations from different starting points. Steps that sell in Germany or the United States are often non-starters elsewhere, a point that can get lost in the tenor of discussions around climate change.

It will require looking at how to finance cleaner energy sources, at facilitating the supply and utilization of transition fuels as well as looking towards a potentially significantly

different energy future, such as a hydrogen-based economy. It will require accepting the idea that different countries and societies will take different approaches to achieve the same end of a lower carbon future where the energy needs of all people are met. It will need to take into account the reality that there is a tendency to use technologies that are known, that people are comfortable with and that there is a global infrastructure likely worth trillions of dollars already in place that will

need to be built upon, modified and improved.

These new discussions in energy diplomacy will need to take into account situations such as in Central Asia where receding Himalayan glaciers may mean water to drive hydropower today, but electricity shortfalls and other economic problems in coming years because of reduced snowfalls in the future.

These are just a few of the urgent changes the United States and others

must consider and make in their energy diplomacy. We cannot just keep our focus on the oil or natural gas supply energy issues that have long been a feature of our national security and foreign policies. Nor can we ignore the world's continuing need for uninterrupted energy as we prescribe steps for reducing carbon emissions and fighting climate change. We have to acknowledge the conundrum and find ways to do both.



# RUSSIA'S HISTORICAL DEFENSE TIES AND CHINA'S RISING MILITARY PRESENCE IN CENTRAL ASIA

## Introduction

After the fall of the Soviet Union, the Central Asian republics went from forming part of one of the largest and most powerful militaries in the world to creating independent defense forces with resources limited by new national borders. At the same time, Central Asian countries maintained a close military relationship with Russia, allowing it the continued use of former Soviet military bases on their territories. The Russian military presence in the former Soviet Socialist Republics is largely maintained through the Collective Security Treaty Organization (CSTO). The CSTO, comprised of

Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan, was founded after the members of the Commonwealth of Independent States signed the Collective Security Treaty in 1992. Through the CSTO, Russia maintains military bases in Armenia, Kazakhstan, Kyrgyzstan, and Tajikistan. Due to the close relations in the CSTO, Moscow remains Central Asia's main arms supplier and continues to train Central Asian military personnel in Russia.

Russia's main security goal in Central Asia is to preserve Russian dominance in the defense sector through maintaining a Russian military pres-

ence, promoting security cooperation, and remaining the main materiel supplier to Central Asian countries. Russia usually achieves these objectives under the auspices of the CSTO. The Kremlin also sees security threats such as narcotics trafficking and Islamic extremism arising beyond its southern border, and Moscow attempts to mitigate these threats through continued security cooperation and information sharing with Central Asian governments. The continued close security relations between Russia and Central Asia also helps prevent the erosion of Russian influence in Central Asia in favor of China. In 2001, China,

Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan announced the Shanghai Cooperation Organization (SCO). India and Pakistan became its newest members in 2017. The SCO's purpose is to foster regional cooperation and communication, and it has conducted multilateral military drills. Although the SCO remains a form of multilateral cooperation between China and Central Asia, China has used the global infrastructural development project known as the Belt and Road Initiative (BRI), announced in Kazakhstan in September 2013, to increase Chinese presence in the region. China also seeks to increase its military presence to counter "the three evils" – terrorism, separatism, and religious extremism. In recent years, China has conducted joint military exercises, expanded into Central Asian defense markets, helped train police and special forces in the region, and promoted and secured economic and energy interests.

Through the BRI, China has invested in natural resources, industries, and infrastructure across the region and has given Central Asian countries low-interest loans through what some have described as "predatory lending." This practice targets poorer countries which, after failing to pay back loans, must hand over key infrastructure and other resources to China. One example of this practice was in 2014 after Tajikistan failed to pay back loans for a new powerplant outside of Dushanbe built by TBEA, a Chinese company. TBEA then received the mining rights to the Upper Kumarg and Eastern Duobagold mines in northern Tajikistan. Chinese-controlled sources of national wealth are becoming increasingly common: Tajikistan also gave China mining rights to a silver mine, and Kyrgyzstan gave a Chinese company rights to develop a gold mine. With a reported Chinese military presence in the Gorno-Badakhshan

Autonomous Region (GBAO) of Tajikistan near Afghanistan's Wakan Corridor, an increased Chinese military presence to protect Chinese-owned businesses and natural resources elsewhere in the region is likely.

Under the BRI, Chinese state-run banks have invested beyond Central Asia. Now Djibouti owes 70 percent of its GDP to China, which has built a military base near the new port. Djibouti is not alone in experiencing Chinese military expansion through the BRI. Pakistan has also entered into military agreements with China, and China continues to expand its economic and military influence in the Indian Ocean through the BRI. As hard power almost inevitably follows soft power through the BRI, growing Chinese investment and resource acquisition in Central Asia likely foreshadows an increased Chinese military presence in Central Asia.





Former President of Kazakhstan Nursultan Nazarbayev meets with former Chinese Minister of Defense Chang Wanquan in the Kazakhstani capital, Astana, in 2015. Source: akorda.kz.

The defense relationship between Russia and Kazakhstan remains close. While Kazakhstan is both a member of the CSTO and SCO, the CSTO remains the principal defense institution in the country. Russia not only remains Kazakhstan's main supplier of materiel, but also continues to lease Baikonur Cosmodrome for about \$115 million annually. While

Russia has attempted to lessen its dependence on Baikonur by opening the Vostochny Cosmodrome in the Amur Oblast and the Plesetsk Cosmodrome in the Arkhangelsk Oblast — both in Russia — only Kazakhstan's Baikonur can accommodate manned launches. Russia and Kazakhstan also routinely conduct military exercises together under the

CSTO, and Kazakhstan is the second-largest military contributor to the organization after Russia, helping provide the most troops to collective military units alongside Russia. As part of the CSTO, Kazakhstan is also able to purchase Russian weaponry at the same prices as the Russian military and to share air defense and form joint units with Russia.

In October 2015, Kazakhstan and China signed a defense deal to combat asymmetric threats such as terrorists and insurgents. This bilateral agreement includes joint training of special forces

and training on mountainous terrain, in urban environments, and at sea. While bilateral Kazakhstani-Chinese defense relations are new, they remain difficult because Kazakhstan's armed forces

use Russian as its operational language and Kazakhstani forces are unaccustomed to Chinese military techniques and weaponry.

## Kyrgyzstan



Russian Mi-8MTV helicopters—these helicopters are but some of the latest vehicles Kyrgyzstan has bought from Russia. Source: RIA Novosti—Yevgeni Yepanchintsev.

The close Russo-Kyrgyz security relationship has persisted since the fall of the Soviet Union. In 2003, under the auspices of the CTSO, Russia established the Kant air-

base, in part a reaction to the United States' use of Manas airfield in support of its war in Afghanistan. In 2012, the Kant airbase, a naval weapons testing base in Karakol, a com-

munications center in Chaldybar, and seismology center in Mailuu-Suu were consolidated into one entity named the Russian Joint Military Base. Kyrgyzstan has al-

ready spent \$126 million of a \$200-million-dollar defense deal with Russia signed in 2012 on two An-24 military transport planes, two batteries of upgraded S-125 Pechora 2-M air defense systems, four Mi-24V helicopters, six Mi-8MTV and Mi-8MT helicopters, up to 50 BTR-70M vehicles, and light and small arms and ammunition. Similarly, because Kyrgyzstan remains a large export market for Russia and is dependent on remittances from guest workers in Russia, the defense relationship remains strong. This relationship also extends to the training of military personnel; 40 senior Kyrgyz officers have taken courses from the Military Academy of the General Staff of the Armed Forces of the Russian Federation, and 1,100 Kyrgyz officers and cadets have trained at Russian military universities since 2000.<sup>15</sup> The strong Russo-Kyrgyz defense relationship even fostered the 2014 closure of the U.S. Manas Transit Center, which served as

a base for U.S. logistics and transit hub for forces and equipment headed to Afghanistan since 2001.

Although the United States no longer has a military presence in Kyrgyzstan, China has been increasing its military cooperation with Kyrgyzstan. In 2014, China announced that it would provide \$16 million in defense aid. In 2017, 700 soldiers of the Kyrgyz border forces took part in joint Chinese-Kyrgyz training exercises against arms smuggling in Xinjiang. The drills included the use of armored jeeps and helicopters and was observed by SCO officials. In August 2019, about 150 members of the Chinese People's Armed Police Force and the Kyrgyz National Guard held a joint counter-terrorism exercise in Xinjiang. This joint exercise was aimed at strengthening Chinese-Kyrgyz relations and practicing joint command, cooperative tactical training, and "integrated countermeasure training." While China

has conducted only a handful of military exercises with Kyrgyzstan, and its military aid pales in comparison to Russian aid, the increasing economic ties to China signal the expected increase of Chinese security efforts.

In October 2015, Kazakhstan and China signed a defense deal to combat asymmetric threats such as terrorists and insurgents. This bilateral agreement includes joint training of special forces and training on mountainous terrain, in urban environments, and at sea. While bilateral Kazakhstani-Chinese defense relations are new, they remain difficult because Kazakhstan's armed forces use Russian as its operational language and Kazakhstani forces are unaccustomed to Chinese military techniques and weaponry.



## Tajikistan



Chinese and Tajik soldiers arm wrestle while on patrol near Kashgar in Xinjiang, China in 2019. Source: Radio Free Europe/Radio Liberty – EPA/EFE.

Tajikistan, as both a member of the CSTO and the SCO, currently maintains close relations with both China and Russia, participating in their bilateral and multilateral joint exercises. In part, the Russian military presence in the country is aimed at combating extremism, ensuring border security, and aiding the stabilization of Tajik security. Russia's close military relationship with Tajikistan both stabilizes Tajik security from regional threats and also asserts Russian dom-

inance in Central Asia. In 2012, Russia signed a lease on a Tajik base near the border with Afghanistan until 2042. Tajikistan also hosts Russia's 201st military base, formerly known as the 201st Motorized Rifle Division, which is divided into two locations and is Russia's largest military base abroad. Russia routinely aids in the rearmament and modernization of the Tajik military. In 2016, an aide to the commander of the Central Military District of Russia, Yaroslav Roshchupkin,

reported that "about 100 units of new equipment, mostly the BTR-82A armored personnel carriers, as well as more than 10 T-72B1 tanks, have been delivered to the 201st military base."

In December 2017, Moscow gave Dushanbe small arms, artillery guns, helicopters, communications systems, air defense systems, medical, and topographic equipment, among other equipment. Additionally, Russia transferred \$9 million worth of air defense



systems to Tajikistan, free of cost, in February 2019. After Defense Minister Sergei Shoigu's visit to Dushanbe in May 2019, the Russian Ministry of Defense stated that Russian officers will increase their role in training Tajik troops and that an additional group of Tajik officers would study at military academies in Russia. In 2019, Russia said that it was committed to invest another \$200 million for the modernization of the Tajik military, even though, as of 2017, Tajikistan had already received \$122 million worth of material.

In 2016, China conducted its first bilateral military exercise with Tajikistan in the GBAO. Although the Tajik Ministry of Defense said that 10,000 troops participated in the exercise, it said that only a "mobile company" (usually 100-200) soldiers were Chinese. Tajikistan also announced that China would construct 11 border posts on the Tajik-Afghan border and

one border-guard training center. In a possible response to increased Chinese interest in Tajikistan, Russia conducted joint military drills with Tajikistan in the GBAO in July 2018, instead of on the border with Afghanistan in the Khatlon oblast, where Russian-Tajik exercises had previously taken place. In 2019, a Chinese military outpost was reported in the Pamirs near the border of China, Tajikistan, and Afghanistan. China probably viewed the perceived U.S. withdrawal from Afghanistan as the right opportunity to establish a military presence in a country where it already has significant economic leverage as nearly half of Tajikistan's foreign debts are owed to China. Tajikistan has also been forced to give the rights of a silver and gold mine to Chinese companies in return for China's infrastructure investment. With strong economic influence over Tajikistan and the established presence of Chinese businesses, the

probable next step will be to assert hard power in defense of Chinese economic objectives in the country.

## Turkmenistan

The Russo-Turkmen defense relationship stems from two major factors: Caspian Sea defense and security on the Afghanistan-Turkmenistan border. Both countries have a significant military presence on the Caspian Sea. After Turkmenistan President Gurbanguly Berdymuhamedov rose to power in 2007, Ashgabat aimed to replace Iran as the second-strongest military power on the Caspian Sea. First, Turkmenistan began secretly discussing U.S. military cooperation with Turkmenistan on the Caspian, built a naval base, and purchased two 12418 Molniya-class missile corvettes, making the Turkmen ships the most heavily armed in the Caspian. In 2012, Turkmenistan staged its first military drill in the Caspian Sea in an apparent dispute over undersea

oil fields with Azerbaijan. In the same year as Turkmenistan's first military exercise on the Caspian Sea, Russia began strengthening its forces on the Caspian. Although Russia remains the dominant power in the Caspian, Russo-Turkmen relations run the risk of becoming strained through military buildup – especially as each Caspian power seeks to protect its energy resources under the waves.

Russia and Turkmenistan have worked closely in defense matters and, until 1999, Russian troops were stationed at the Turkmen-Afghan border. The Turkmen government denies problems along the Afghan border, despite reports of servicemen killed in 2014. Since then, there have been more reports about clashes between militants along the border and the Russian and the Turkmen border guards. In December 2018, the then-head of Russia's Central Military District, Yevgeny Ustinov, said

that Russia had resumed joint military exercises with Turkmenistan and Uzbekistan. Rumors of joint Russo-Turkmen operations on the border have circulated, with unconfirmed reports of a Russian military presence in Turkmenistan beginning before 2019.

While the Russian military presence remains a rumor and Ashgabat tries to reduce its reliance on Moscow, the Russo-Turkmen defense partnership remains strong. Russia has sold more arms to Turkmenistan than China, Moscow's \$370 million compared to Beijing's \$234 million. In recent years, Turkmenistan purchased a QW-2 Vanguard 2 portable surface-to-air missile, HQ-9 missile defense systems, and armed drones from China. However, good relations between the Turkmen and Chinese defense sectors did not last, because in January 2019, China ceased all arms transfers to Turkmenistan when Ashgabat failed to repay loans to

Beijing after Turkmen gas production fell. Turkmenistan has largely been able to maintain neutrality and balance Russia's and China's competing influence.

## **Uzbekistan**

Under Uzbekistan's first president, Islam Karimov, the country distanced itself from security relations with Russia. President Shavkat Mirziyoyev reversed this policy in 2018, and that year, Uzbekistan and Russia held their first joint military exercises since 2005. The exercises took place in the Forish mountain ranges and lasted five days. Since then, Uzbekistan has taken part in bilateral and multilateral military exercises with Russia. In 2016, Uzbekistan and Russia signed a deal in which Uzbekistan could buy Russian arms at the lower Russian domestic price. In 2018, Uzbekistan made a deal with Russia for 12 Mi-8 attack helicopters, armored personnel vehicles, and Su-30SM fighter jets. Since the rekindling

of Russo-Uzbek defense relations under Mirziyoyev, Russia has played a large role in rearming Uzbekistan. Although Uzbekistan left the CSTO in 2012, Tashkent is considering returning to this mutual defense organization. Uzbekistan also began the process of joining the Moscow-led Eurasian Economic Union as an observer state in April.

In an attempt to reduce dependency on Russia, Uzbekistan has looked to China for military assistance. The Uzbek Air Defense Force successfully tested China's FD-2000

medium-range air-defense system on a target drone and attempted to use natural gas to buy the HQ-9 missile defense system from Beijing until the deal collapsed. Relations extend past buying arms from China; Uzbekistan's Academy of the Ministry of Interior Affairs (MIA) and the People's Public Security University of China – run by China's Ministry of Public Security – formed a partnership in May 2017. Due to this partnership, 213 Uzbek MIA officials have attended 38 security meetings addressing drug trafficking

and counterterrorism. In 2019, the Uzbek National Guard participated in joint counterterrorism exercises with the Chinese People's Armed Police Force. However, the Uzbek National Guard also signed a similar cooperation agreement with Rosgvardiya in 2018. While both Russia and China are vying to be Uzbekistan's main military ally, Uzbekistan is attempting to balance both powers to avoid overly depending on either country.



Kyrgyz and Kazakhstani soldiers in joint exercise in September, 2019 at the Edelweiss training center in the Issyk-Kul region of Kyrgyzstan. Source: Trend.az.



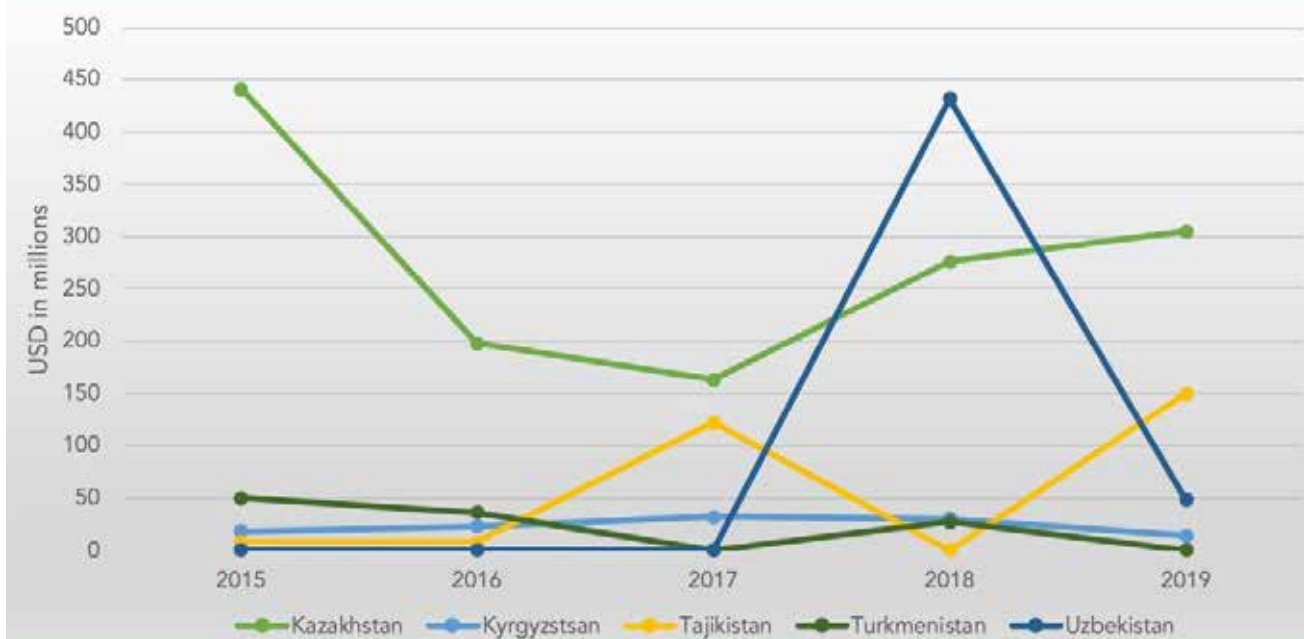
## Implications for Central Asia

When China leads with soft power, hard power follows. China's increased economic influence in Central Asia, coupled with its growing hard power in the region, poses a clear threat to the Central Asian states' ability to diversify and expand economic and security partners. At the

same time, because many Central Asian states are reliant on Russia for trade, defense, and re-mittances, a new security partner allows the countries to decrease their dependence on Russia. Increased relations with China, however, could strain relations with the CSTO because Russia, despite participating in both the CSTO and SCO,

dominates the CSTO. Mounting debt because of China's predatory lending could lead to further seizure of infrastructure, allowing increased Chinese takeovers inside the country. China will then look to protect the newly acquired infrastructure with its own security.

## Arms flow from Russia to Central Asia 2015-2019



Source: SIPRI

CPC CASPIAN POLICY CENTER

## Implications for Russia

Russia has not yet taken a firm stand against China's

attempted encroachment into the region. While historical, economic, and security ties remain

strong between Russia and Central Asia, China has entered the region, challenging Russia's his-

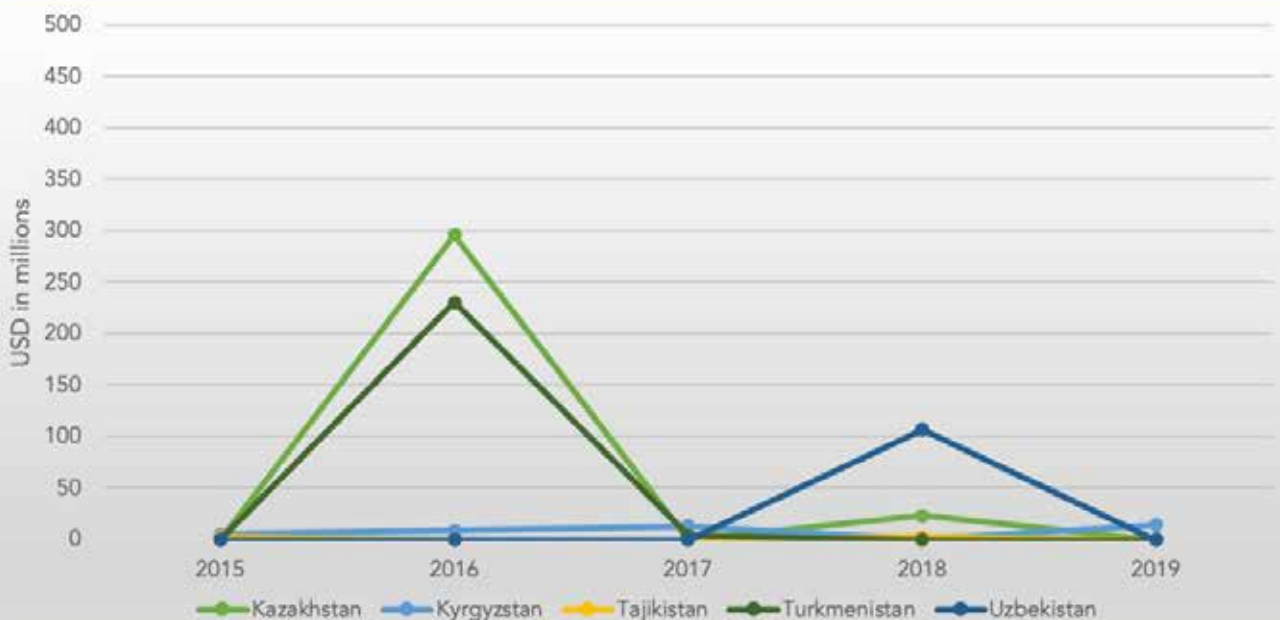


torical sphere of influence through low-interest loans and infrastructure investment. While Russia might have difficulty challenging China's new economic power in the region, Russia can counter China's growing security threat by both working through the SCO and through bilateral agreements with China and Central Asia. expand eco-

nomics and security partners. At the same time, because many Central Asian states are reliant on Russia for trade, defense, and remittances, a new security partner allows the countries to decrease their dependence on Russia. Increased relations with China, however, could strain relations with the CSTO because Russia, despite partici-

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## Arms flow from China to Central Asia 2015-2019



Source: SIPRI

CPC CASPIAN POLICY CENTER

## Implications for China

China benefits from Central Asia's increasing

economic reliance and can transform soft power into hard power through infrastructure appro-

priation. After taking infrastructure under the control of Chinese companies, Chinese security

forces can then be sent to guard newly acquired assets. Economic and security allies in the region increase China's dominance across the Eurasian continent, allowing an easier trade route, helping complete the objective of the BRI. Similarly, gaining military allies in the region increases China's dominance, making it a greater threat to neighboring countries.

## Policy Recommendations

To ensure regional sovereignty and security, Central Asian governments should engage in regional cooperation without the involvement and oversight of Russia or China. A multilateral security

organization comprised of Central Asian states would strengthen the region's security and promote information sharing and connectivity. A multilateral setting excluding the regional hegemons would allow more for decisions to be made by Central Asian countries themselves with the goal of furthering their security objectives, instead of those of regional powers. Regional cooperation also aimed at the inclusion of Afghanistan into the Central Asian security sphere could increase information sharing and joint security operations on Afghanistan's border with Tajikistan, Uzbekistan, and Turkmenistan.

Though the United States seems to be playing a diminished role in the region, it should still continue to provide security assistance to Central Asia and continue political support through the U.S.-Central Asia C5+1 initiative. Bilateral or multilateral ties, such as through NATO's Partnership for Peace program, as well as through joint military and training exercises geared toward counterterrorism and border security, will continue to show U.S. commitment to the region. Demonstrated U.S. attention to the security of Central Asia will play a role in balancing Russia and China.



# STRATEGIES FOR INCLUSIVE ECONOMIC GROWTH: WOMEN'S ENTREPRENEURSHIP IN TAJIKISTAN

Women's entrepreneurship is a rising priority for the Government of Tajikistan. Owning a business is a pathway for women's economic development and gender equality, which are goals of the United Nations' 2030 Agenda for Sustainable Development.

The Government of Tajikistan has taken a number of steps to build a supportive environment for women to start and grow businesses. Recent successes in women's economic inclusion include the creation of a taskforce on women's entrepreneurship within the state investment agency; a presidential grant scheme for wom-

en-owned businesses; the establishment of an annual, regional forum for women entrepreneurs; and multiple property and tax reforms. From 2015 to 2020, the number of female-owned businesses grew by about 30,000 and the amount of government loans given to women increased by 63.3 percent.

Despite progress, obstacles to women's entrepreneurship remain. Formal financial institutions are still twice as likely to issue loans to men. Underdeveloped social and telecommunication infrastructure in rural areas restrict women's time and access to resources. Lack of business knowl-

edge and capital alongside societal norms regarding traditional family roles are frequently cited as the biggest impediments to women-owned businesses in Tajikistan.

Global responses to COVID-19 have increased external and internal stresses on Tajik women entrepreneurs. The decrease in remittances as male migrants return from Russia has increased pressure on women to provide sources of income while simultaneously burdening them with a greater unpaid workload at home. The trade and service sectors, the two main industries for women entrepreneurs, have been



amongst the hardest hit by stay-at-home orders, while support groups for women business owners, such as networking forums and trainings, were canceled.

Immediate policies to target coronavirus-related stresses, coupled with longer-term initiatives to incentivize the change of informal social and institutional norms, are key

to fostering a supportive environment for women entrepreneurs in Tajikistan.

### Short-Term Policy Recommendations

1. Establish an emergency micro-loan fund for small, informal women-owned businesses to supplant the gap in the presidential grant scheme
2. Increase internet access in rural communities
3. Develop e-commerce infrastructure to facilitate the digitalization of trade

### Long-Term Policy Recommendations

1. Establish rural childcare facilities to relieve the burden of unpaid work
2. Formulate taxation laws on social entrepreneurship
3. Create a government insurance program for high-interest loans
4. Launch permanent business consultative centers
5. Include provisions for unregistered marriages in land ownership legislation





## Policy Recommendations

Tajikistan's transition to a market economy accompanied by five years of civil conflict after the break-up of the Soviet Union has created large social disruptions, disproportionately affected women-dominated industries like textiles and manufacturing, and weakened state budgetary capacity.

### *Historical Influences: Soviet-era Policies, 1929-1991*

Under the Tajik Soviet Socialist Republic, secular family law supplanted shar'ia court systems, and polygyny, the payment of bride prices, and under-aged marriages were banned. A quota system required one third of government posts to be filled by women. Free preschool and childcare, cash benefits to vulnerable populations, like single-parent households and large families, and incentives to join the formal workforce pushed women into the public sphere.

After independence, the state budget for welfare

programs decreased. Tajikistan's GDP in 2006 was 50 percent that of 1989. Today, the government no longer provides universal child allowances, maternity benefits are undermined by inflation and frequently not paid, and the proportion of parliamentary seats held by women is amongst the lowest in Central Asia.

When the Tajik government privatized collective farms, or kolkhoz, female-headed households were often barred from land allocations under the assumption that they did not possess enough "manpower" to work the land. Without ownership of land, women lack collateral for credit and access to social capital

### *Present Influences: Civil War and Remittances*

Civil unrest from 1992-1997 resulted in about 60,000 deaths, displaced 700,000 people, and destroyed Tajikistan's physical infrastructure. High unemployment and inflation pushed many Tajik men to seek work abroad; in 2017, two out of every five Tajik homes had a

family member who migrated to Russia, where wages are about 3.2 times the average wage in Tajikistan. Twenty-six percent of Tajikistan's GDP came from remittances in 2020, making it one of the most remittance-dependent countries in the world.

War and migration have increased the number of women household heads. In Tajikistan, 19.5 percent of households are headed by women. Yet, women-led homes do not equate to women's empowerment: women's decision-making is undercut by multi-generational households and a lack of legal rights over property. Female-headed households are 28.6 percent more likely to be poorer than male-headed homes. Pressure to supplement unpredictable remittance inflows or, in the case of abandoned families, completely replace male-generated incomes, has pushed women into informal agricultural jobs in addition to their unpaid domestic duties.

# Current Situation of Women’s Entrepreneurship

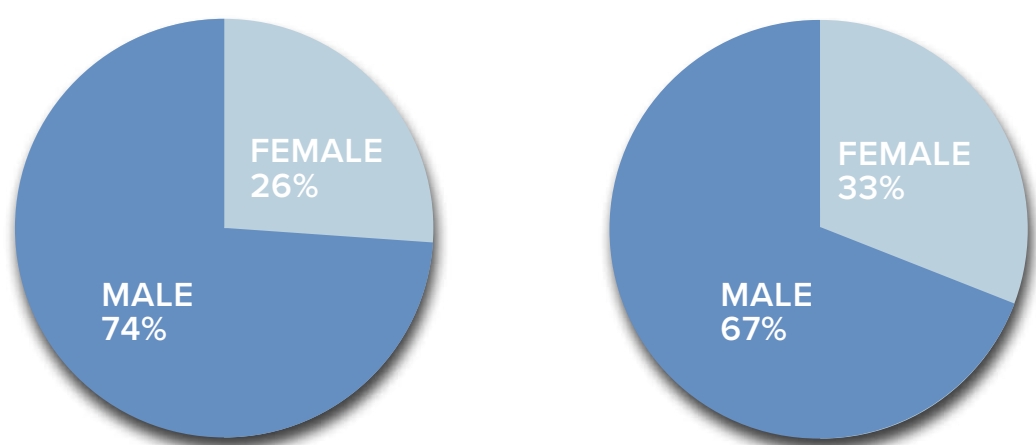


Figure 1(left): Registered Entrepreneurs, 2014      Figure 2 (right): Participation in Company Ownership, 2013

Age	31 - 50 years old
Number of Children	2 + children
Education	Secondary School level attained
Main income source	Entrepreneurship
Business age	5 years
Number of employees	5 (often family members)
Sector	Market/trade (30%), services (25%), agriculture (22%)

Figure 3: The Average Female Entrepreneur

In Tajikistan, 45 percent of women participate in the workforce and are concentrated in sectors with lower average incomes, like agriculture, education, and healthcare. Of women with university degrees, 60 percent

are not working, suggesting an excess of untapped potential. Creating a business is a means for women to achieve economic independence, provide for their families, and build personal skills. In 2014, 90,434 female

entrepreneurs were registered, which accounts for 26 percent of total registered entrepreneurs in Tajikistan. According to the World Bank, the portion of female participation in company ownership is 33 percent

and 9 percent of firms are managed by women, compared to 49 percent and 28.8 percent respectively in neighboring Kyrgyzstan.

Data collected by the Ministry for Foreign Affairs of Finland and the United Nations Development Programme (UNDP) from 2014-2018 (see Figure 3) found that the experiences of female entrepreneurs are more affected by personal barriers, like education, skills, and self-esteem, compared to male entrepreneurs, who focus on state-level barriers to their businesses. Women-run businesses tend to be smaller, function on a semi-formal basis, and rely on networks of friends and family for support rather than formal organizations. Most women started businesses to improve their living conditions.

### **Actions Taken by the Government of Tajikistan and Non-Governmental Organizations**

The Government of Tajikistan has implemented a number of reforms to strengthen the legal protection of women's economic and social rights. In 2015, the State Committee on Investments and State Property Management of the Republic of Tajikistan established the "Taskforce on Women's Entrepreneurship," which is comprised of donor organizations, including USAID, EBRD, and the Asian Development Bank, private sector representatives, like individual female entrepreneurs, civil society organizations, and state entities. In 2021, the taskforce was expanded to also cover youth and people with disabilities.

One of the taskforce's first undertakings was to develop gender-specific statistics on entrepreneurship to inform evidence-based policies sensitive to the needs of women. From this data, the taskforce collaborated with the government to remove systematic barriers to women's

businesses, like taxes on homemade goods, increased the amount of loans available to female-owned businesses by 63.3 percent from 2015 to 2020 through a presidential grant scheme, and created an annual women's business forum with the five Central Asian countries and Afghanistan. During this period, the number of female-owned businesses grew by about 30,000. The presidential grant scheme ended in 2020, but is earmarked to restart in late 2021 and continue until 2025.

In addition to access to finance, legal ownership of land is a precondition for women's economic development. Although women in Tajikistan comprise 70 percent of the agricultural workforce, only an estimated 17 percent are landowners and 12 percent of individual and family-run farms, or *dekhan*, are headed by women. On top of the economic benefits of land ownership as a means of food produc-

tion, income generation, and collateral for credit, land titles are social assets critical for entry into decision-making circles. In 2013-2016, USAID's Land Reform and Farm Restructuring Project helped author 14 pieces of legislation, including the 2016 Law on Dehkan Farms that permits individual and family-sized

farms to be legally registered, and therefore protected under the law.

All 14 laws passed a gender-sensitive checklist, which in some cases involved favorable legal provisions for female farmers. Information sessions on women's land rights, networking events with other female agri-

cultural entrepreneurs, and free legal assistance also furthered women's access to land. Land reform was particularly crucial for women abandoned by migrant worker-husbands, because it allowed them to secure legal ownership over productive assets vital to their livelihood.



Source: David Trilling

Parallel to building a favorable environment for women-owned enterprises on the ground through access to capital and land, the government developed a solid legal structure for gender equality. The framework consists

of the 2011-2020 National Strategy to Promote the Role of Women in the Republic of Tajikistan, the 2013 Law on Domestic Violence, the 2005 Law of State Guarantees for Gender Equality, and a number of smaller pro-

visions in the Civil and Labor Codes. Tajikistan is the only Central Asian country to mandate equal remuneration for equal work between men and women and, in addition to Kazakhstan, mandates non-discrimination in



the hiring process based on gender.

However, legal protections lack enforcement mechanisms, are undercut by patriarchal norms on the ground, and are hindered by a lack of awareness, especially in rural areas.

## Policy Recommendations

### *a. Addressing Short-Term Challenges*

1. Establish an emergency microloan fund for small, informal women-owned businesses to supplant the gap in the presidential grant scheme. Formal financial institutions in Tajikistan are twice as likely to issue loans to men. Men have ownership over more assets for collateral, run larger businesses with greater capital flows, are more likely to seek financial assistance from formal institutions, and tend to have better application-writing skills. At a juncture when income from remittances is low

due to COVID-19 restrictions and the presidential grant scheme for women-owned businesses is in a hiatus, an influx of available capital is needed to help female business owners endure the current economic depression. Access to intermittent capital should include a selection system designed for the specificities of women entrepreneurs, namely the lack of formal application-writing capacities and informal, small business structures.

2. Increase internet access in rural communities. For every 100 residents, there are 19 internet subscriptions in Tajikistan. In rural areas, this number drops even lower. Online, women entrepreneurs can access information on funding and training programs, educate themselves on the best business practices, learn about their land and property rights, and connect with wider customer bases in lieu of in-person educational events, physical inter-

actions with clients, and unrestricted tourism. Most people in Tajikistan access the internet through mobile phones. Non-governmental organizations and private donors can provide female-owned businesses mobile devices with pre-paid internet subscriptions during this period of in-person restrictions and, if successful, extend the initiative beyond COVID-19.

3. Develop e-commerce infrastructure to facilitate the digitalization of trade. As commercial interactions retreat online, building adequate soft and hard e-commerce infrastructure is a means to facilitate inclusive economic growth that can overcome rural information barriers to connect consumers with women-owned businesses. Private public partnerships can further enhance Tajikistan's e-commerce capacity in the short term through trainings for women entrepreneurs, like the 2018-launched Startup Weekend Wom-

en that teaches women how to sell products, like homemade crafts, on virtual marketplaces, and

continuing ongoing initiatives to develop website platforms, systems to process electronic pay-

ments, and postal logistics.



Source: IWMI/Neil Palmer

### *b. Addressing Long-Term Challenges*

1. Establish rural child-care facilities to relieve the burden of unpaid work. The uneven allocation of unpaid duties within the household is one of the main perpetrators of gender inequality in the workforce. In Tajikistan, 60 percent of inactive labor is because of domestic work, compared to 11 percent in Kazakhstan and 35 percent in Kyrgyzstan.

Tajik women perform ten times more care work than men. Providing rural women with childcare facilities will increase the time they have available to accrue personal capabilities and strengthen their businesses, while also creating local jobs.

2. Formalize taxation laws on social entrepreneurship. Tajikistan does not have a legal definition of social entrepreneurship and there are no stipulations in the Tajik

tax code for businesses dedicated to addressing community problems. The lack of legal designation leaves social entrepreneurs, many of whom are women, vulnerable to extra bureaucratic and excise burdens. Tajikistan can develop a legal framework for social enterprises through collaboration with neighbors working on similar schemes, like Kazakhstan.

3. Create a government insurance program for



Source: IWMI/Neil Palmer

high-interest loans. Women are 3.5 times more likely to take money from their families than from banks. High interest rates to the tune of about 35 percent deter women from taking out formal loans, restricting their access to capital. By creating an insurance program for high interest loans, the government can build women's confidence to engage with financial institutions and, through long-term interactions, break down gen-

der biases within those institutions.

4. Launch permanent business consultative centers. Training targeting women's business skills and knowledge function on an inconsistent basis dependent on external funding. Permanent 'one-stop-shop' business consultative centers in regional hubs, with regular excursions into rural communities, would increase the long-term capacity of women

entrepreneurs. Training topics cited as most critical for women include financial literacy, knowledge of the tax code, and application-writing skills focused on how to create sustainable business plans suitable for small, informal businesses. 5. Include provisions for unregistered marriages in land ownership legislation. Polygyny is illegal in Tajikistan, although it is common for men to take multiple wives through nikah, or an Islamic cere-



mony not registered with the state. Unregistered wives do not have a legal recourse to claim their husband's land under the current laws. When their husbands pass away or permanently settle abroad, unregistered wives and the property bequeathed to them are left to the mercy of their in-laws, with whom the bride traditionally resides. Recent land reforms have significantly improved women's access to land, however new provisions should be included that delineate a legal pathway for unregistered wives to gain ownership over the land they work.

## Conclusion

In Tajikistan, 27.5 percent of the population lives

under the poverty line, making the country one of the most impoverished in Central Asia. About 73 percent of residents live in rural areas, where the poverty rate rises to 40 percent. Investment in women's entrepreneurship is a pathway to improving these formidable figures.

Entrepreneurs drive economic growth by increasing productivity through innovation. Unleashing Tajik women's full potential as entrepreneurs, which involves closing the gender gap in registered enterprises and business ownership statistics, is a sustainable strategy for increasing living standards and generating equitable wealth.

The Government of Tajikistan has demonstrated

its commitment to creating a favorable legislative environment for women entrepreneurs and achieved significant milestones in the realms of inclusive property rights and access to capital.

The global pandemic, despite the enormous setbacks it has posed for business owners worldwide, has brought with it a renewed appreciation for the economic advantages of internet connectivity and e-commerce. Investment in these fields, pursued alongside programs to reduce women's unpaid labor and access to knowledge-based and formal financial resources, will reinforce and expand women's economic empowerment in Tajikistan for generations to come.





# THE SILENT THREAT OF FALLING CASPIAN SEA LEVELS

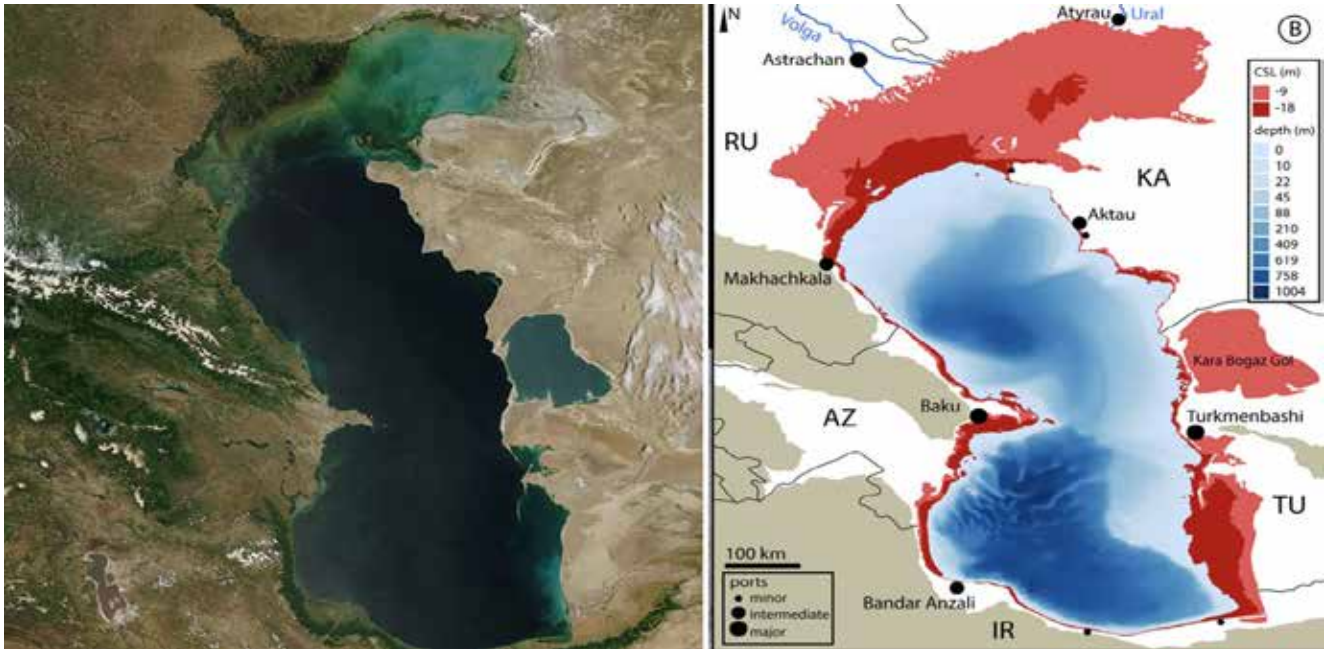
## Introduction

The water level of the Caspian Sea, the world's largest inland body of water, is falling dramatically, and this is likely to intensify in the coming years. If left unaddressed, this problem will pose significant environmental, economic, and social problems for the Caspian region. The Caspian Sea boasts abundant natural resources and is a strategically important trade corridor connecting Asia and Europe. It presents enormous economic opportunities for its littoral states—Azerbaijan, Iran,

Kazakhstan, Russia, and Turkmenistan—to diversify their export and import channels. The Caspian offers considerable benefits that could play a particularly crucial role in the post-COVID economic recovery, but growing concerns over the Caspian's falling water levels presage disruptions.

A recent study by German and Dutch researchers has set off alarm bells with its projection of an unprecedented drop in water level. The study predicts that, due to increased evaporation

rates, largely driven by greenhouse gas-induced climate change, water levels in the Caspian Sea will drop by 9 to 18 meters by the end of the twenty-first century. Substantially lower water levels will create serious problems for the region, including threats to the Caspian's fishing industry and water infrastructure, as well as the food and energy security of littoral states.



Source: IWMI/Neil Palmer

These are not the first bleak projections that researchers have presented on the future of the Caspian. In 2017, a paper published in the *Geophysical Research Letters* Journal reviewed three major sources influencing the Caspian Sea levels, water flows of rivers emptying into the Caspian Sea, precipitation, and evaporation, and cited evaporation as the main reason for a decline in water levels. Given that evaporation is contingent on temperature, adaptation rather than mitigation strategies will be critical for countries affected by these changes.

Air and water temperatures, and, hence, evaporation levels, will continue to rise regardless of local efforts to reduce emissions. The case of the Caspian Sea is illustrative of the destructive effects of greenhouse gas emissions.

## Implications for the Region

### *Biodiversity*

Falling water levels in the Caspian Sea will further reduce already endangered species of flora and fauna, including the endemic seal populations. While the

sturgeon populations have already crashed by around 90 percent due to overfishing, pollution, and poaching, continuous water level drops are likely to put additional stress on aquatic animal life since shallow-water habitats, necessary for breeding and feeding, will be at particular risk. With the fisheries industry playing a significant role in the livelihoods of coastal populations, the sharp reduction of biodiversity could jeopardize food security and increase poverty in and outmigration from these communities.





Boys play in the water in front of offshore oil rigs at Sixov Beach, on the outskirts of Baku in 2010. Source: Aperture/Peabody Museum Press

### *Climate*

In addition to the adverse effects on wildlife and industries directly dependent on the body of water, the decreasing sea levels could dramatically alter climate patterns in the region more broadly. The Caspian plays an important role in Eurasian rainfall patterns, and the sea's reduced size could make rainwater scarcer. Even in areas where

rainfall is currently abundant, such as southern Azerbaijan and Iran's Caspian coast, agriculture and ecosystems could be severely threatened.

### *Legal Status*

Diminishing water levels could also change maritime borders, affecting fishing rights of littoral states and their claims on abundant energy resources in the Caspi-

an basin, estimated at around 48 billion barrels of oil and 292 trillion cubic feet of natural gas in proven and probable reserves. Concerns about the distribution of energy resources have already been discussed during the negotiations on the legal status of the Caspian Sea, a point of contention in the region for almost 30 years. As a result of the Conven-

tion on the Caspian Sea in 2018 held in Aktau, Kazakhstan, the Caspian Sea has been granted a special legal status, giving each littoral state exclusive control extending 15 nautical miles from the coastline and a further 10 miles for fishing. Al-

though the agreement is a positive development in a series of long-standing negotiations and marks the beginning of a more cooperative environment around the Caspian Sea, it is still unclear how the seabed, containing most of the oil and gas

reserves, will be divided among the coastal countries. Rapidly dropping water levels could place an additional burden on future talks and lead to prolonged negotiations on the distribution of offshore hydrocarbon deposits.



Heads of Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan Sign the Caspian Convention. Source: Website of the President of Azerbaijan.

## Regional Connectivity Potential

Dramatic drops in Caspian Sea levels could also disturb the operation of existing water infrastructure projects and postpone the construction of newly proposed pipelines, ports, and canals.

For example, in its approved Strategy for the Development of Russian Seaports in the Caspian Basin, Russia is looking to build a new deep-water port by 2025 and to modernize existing port facilities in order to increase international trade and strengthen connec-

tivity in the Caspian region. Disruption of these plans will adversely affect the transportation capacity and energy networks in the Caspian Sea basin. With the water level's fall accelerating, the feasibility studies of proposed Trans-Caspian gas pipelines will also need revi-



sion. This, in turn, could present significant headaches for much-anticipated plans to diversify Turkmenistan's transport options and Europe's energy supply chains. Another project, the Eurasian Canal, is planned to connect the Caspian and Black Seas and to provide an alternative route for shipping goods. If successfully implemented, the project could boost the importance of Russia's planned expansion of the Lagan port and transform it into an international trading hub. Still, due to the looming

Caspian Sea level crisis, the likelihood of this plan coming to fruition is unclear.

### *Agriculture and Electricity*

Diminishing water levels could also indirectly damage agricultural production and power generation along the Volga River in Russia, which has become a cascade of reservoirs hosting 13 hydroelectric stations. Since around 80 percent of the Caspian Sea's waters come from the Volga, one way to compensate

for the loss of water in the Caspian Sea could be to decrease the amount of water from the river used for agriculture and electricity. However, this approach, while potentially mitigating the Caspian Sea crisis, would create new problems, namely food- and energy security threats to multiple Russian cities. This circumstance is further complicated by recent announcements that the Volga is experiencing excessive water level fluctuations, characterized by significant decreases in its water level.



Comparison of water levels in the Aral Sea in 1989 (left) and 2014 (right). Source: NASA.

As was the case with the Aral Sea, the dropping water levels in the Caspian will have far-reaching consequences. Beyond reducing the region's economic productivity and biodiversity, the shrinking of the Aral Sea negatively affected public health and regional agriculture. Though the Caspian Sea's outlook may not be as dire as that of its smaller cousin to the northeast, current projections should be a serious cause for concern. Decreases in Caspian Sea levels are also likely to have unforeseen effects on the region's climate and could potentially reach far beyond the Caspian littoral states. Therefore, it is critical that countries in the region and beyond come together to develop mitigation strategies to alleviate adverse effects.

## Recommendations:

1. Take Action to Mitigate Water Loss. While little can be done by the Caspian countries alone to control climate change

patterns behind water evaporation, establishing and maintaining water conservation practices should be a priority in alleviating the current crisis. For example, adhering to sustainable irrigation levels on the Ural and Volga rivers as well as installing more effective water pollution control and monitoring techniques and technologies are critical.

2. Foster Regional Dialogue and Research the Problem. As there is still little awareness among the littoral states of the severity of the problem, it is important to foster a regional dialogue among the affected countries and initiate deeper collaborative research on ways to effectively deal with the issue through data sharing, monitoring, and exchange of expertise. That dialogue and research cooperation should include all members of the region.

3. Engage the International Community. It is equally important to

engage the international community in this conversation. The United States and Europe, for example, can provide their scientific expertise and technical assistance to help mitigate the growing threats posed by the declining water levels. Should the crisis continue as projected, its implications will reach far beyond the Caspian shores. International actors should also assist with establishing working groups that would examine the problem in more detail and produce relevant policy recommendations. One organization that can take up a leadership role in confronting the crisis of falling Caspian Sea levels is the Ashgabat-based United Nations Regional Centre for Preventive Diplomacy in Central Asia (UNRCCA). UNRCCA has played a prominent role in promoting sustainable water use in Central Asia since its inauguration in 2007 and could be an important convener in this new challenge.

# CPC'S OFFICIAL TRIPS TO THE CASPIAN REGION AND SIGNATURE EVENTS

## Trips to the Region

In 2021, the Caspian Policy Center made several trips to the region includ-

ing to Azerbaijan, Kazakhstan, and Uzbekistan. Members of the Center's board and staff met with government ministries,

companies, think tanks, and academic institutions while maintaining proper COVID-19 protocol.



CPC experts receive a briefing on Trans-Caspian connectivity at Azerbaijan's Port of Baku.

The Caspian Policy Center traveled to Azerbaijan May 17-23. The delegation consisted of CEO Efgan Nifti, Ambassador

(ret.) Robert Cekuta, Ambassador (ret.) Richard Hoagland, Major General (ret.) Michael Repass, Dr. Roger Kangas, and

External Affairs Officer Jeremy Cohen. CPC visited Azerbaijan in May to assess the post-conflict situation and the coun-

try's economic development. The trip included meetings with key government ministries, such as the Ministry of Economy, Ministry of Foreign Affairs, Ministry of Defense, Ministry of Energy,

and Ministry of Communication. The delegation also met with leadership at the State Oil Company of Azerbaijan Republic to discuss the company's plans for the future and the role of Azerbaijan in

regional energy security and made a site visit to the Port of Baku at Alat to assess the port's infrastructure and capacity to promote Trans-Caspian trade.



The CPC Delegation with Foreign Minister Jeyhun Bayramov

In addition to its meetings in Baku, the delegation made a visit to Agdam to see the effects of the 2020 Karabakh War. In the liberated city of Shusha, the delegation received a tour of

key sites in the ruined city and was informed of plans for post-conflict development and demining activities.

CPC travelled to Kazakhstan July 9-15. The

delegation included Efgan Nifti, Ambassador (ret.) Richard Hoagland, Research Fellow Akbota Karibayeva, and Jeremy Cohen. The delegation visited to assess the state of COVID-19





CPC experts meet with the rector of Akhmet Yasawi University in Kazakhstan.

response and the strategies of post-pandemic recovery; to understand current policy priorities of the Kazakhstani government and other domestic groups vis-à-vis the U.S.-Kazakhstan relationship. The issues they discussed included bilateral cooperation, regional connectivity and integration, and the broader geopolitical situation in the region. They also met with experts to identify business

trends and opportunities for expanding U.S. engagement in line with U.S. interests in such key areas as the development of renewable energy, decarbonization, climate change, water and food security, women's economic empowerment, Eurasian energy security, regional cooperation, critical infrastructure development, and more. The trip included meetings in Nur-Sultan with government ministries,

major companies, and think tanks.

The delegation also visited the city of Turkistan to assess its rising role as a tourism hub in Kazakhstan. The delegation met with the leadership of Kodja Ahmed Yassawi University to learn about the role of the Turkic world in the city's growth and educational institutions. In addition, CPC received a tour of the tourism development



The CPC delegation meets Special Representative of the President of the Republic of Kazakhstan for International Cooperation Erzhan Kazykhan.

area from the Akimat of Turkistan Oblast and saw the city's sites and infrastructure.

A delegation consisting of Efgan Nifti, Ambassador (ret.) Richard Hoagland, and Jeremy Cohen travelled to Uzbekistan October 24-27. There, they assessed the country's economic and political

development under President Shavkat Mirziyoyev, Uzbekistan's role in regional integration, and Tashkent's international position following the withdrawal of U.S. troops from Afghanistan. The delegation met with government ministries and think tanks to learn about Uzbekistan's foreign poli-

cy perspectives and plans for economic development and liberalization. The team also went on a site-visit to Samarkand where members learned about the history of Uzbekistan and the role of the Silk Road in the Caspian region's past.



The CPC delegation at Registan during a tour of Samarkand.

CPC again visited Azerbaijan October 27-November 1. There Efgan Nifti, Ambassador (ret.) Richard Hoagland, and Dr. Roger Kangas assessed the economic and political developments one year after the 2020 Armenia-Azerbaijan War. On October 30, the delegation traveled to Azerbaijan's southern border with Iran to see in detail the areas, including the mountain city of Shusha, that Baku regained con-

trol of one year ago in the war for Nagorno-Karabakh. Azerbaijan is rebuilding some of the main roads that had been neglected for years, fields are being cleared for planting, key structures in ruined cities are being restored, and some new settlements are under construction. Members of the team were among the first American citizens to be allowed into Shusha.

Now in 2022, CPC intends to continue to travel to the region to learn and discuss key issues of U.S.-Caspian relations with stakeholders on both sides of the Atlantic. The Caspian Policy Center looks forward to meeting with its friends and partners both in Washington, D.C., and abroad in 2022.





The CPC delegation meets with Uzbek Foreign Minister Abdulaziz Kamilov.



The CPC delegation meets with Lazzat Ramazanova, Chair of the National Commission on Women's Affairs and Family and Demographic Policy.



# SIGNATURE EVENTS

The Caspian Policy Center hosts many policy panels with experts from the United States, Europe, and the Caspian Region, however, its

signature events are the Trans-Caspian Forum and the Caspian Security Conference. Despite the ongoing COVID-19 pandemic, the Caspian

Policy Center hosted the 5th iteration of the Trans-Caspian Forum in June and its inaugural Caspian Security Conference in November this year.



Trans Caspian Forum Ambassadorial Opening Remarks



Trans Caspian Forum Panel: Fostering Innovation and Entrepreneurship Ecosystems

On June 9-10, the Caspian Policy Center (CPC) organized and hosted the 5th Annual Trans-Caspian Forum virtually to explore the business, trade, and investment opportunities between the United States and the Trans-Caspian corridor countries.

This year's forum was co-organized by the Embassies of Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, and Uzbekistan, and supported by the U.S. Depart-

ment of Commerce and U.S. Agency for International Development, with the participation of the U.S. Department of State and U.S. National Security Council.

Roya Rahmani, Ambassador of Afghanistan to the United States; Elin Suleymanov, Ambassador of Azerbaijan to the United States; David Bakradze, Ambassador of Georgia to the United States; Yerzhan Ashikbayev, Ambassador of Kazakhstan to the United States; Bak-

tybek Amanbaev, Ambassador of the Kyrgyz Republic to the United States; Javlon Vakhobov, Ambassador of Uzbekistan to the United States; and Sinan Ertay, Minister-Counsellor and Deputy Chief of Mission of the Embassy of Turkey to the United States joined the Forum to share their thoughts on how their countries would mount strong recoveries in 2021-2022 that can be supported by further international investment into the region and close

collaboration with the European Union and the United States.

Matt Murray, Deputy Assistant Secretary of State for Trade Policy and Negotiations, Bureau of Economic and Business Affairs, U.S. Department of State; Eric Green, Acting Senior Director for Russia and Central Asia, U.S. National Security Council; and Margot Ellis, Acting Assistant Administrator, Bureau for Europe and Eurasia, U.S. Agency for International Development delivered keynote remarks at the ministerial roundtable that focused on the U.S. role in the region's foreign policy development to secure economic sovereignty, fight international terrorism, and support investment and private-sector growth.

Emil Majidov, Advisor to Minister of Economy of the Republic of Azerbaijan; Lasha Darsalia, First Deputy Minister of Foreign Affairs of Georgia; Zhaslan Madiyev, Deputy Chairman of the Agency for Strategic Planning

and Reforms of the Republic of Kazakhstan; Yavuz Selim Kiran, Deputy Minister of Foreign Affairs of the Republic of Turkey; Abdurahmon Safarali Abdurahmonzoda, Deputy Minister of Economic Development and Trade of the Republic of Tajikistan joined the ministerial roundtable to provide their thoughts on the interregional and international opportunities for strategic partnerships in the Caspian region.

Matt Edwards, Director of the Office of Russia, Ukraine and Eurasia, Global Market-U.S. and Foreign Commercial Service, International Trade Administration, U.S. Department of Commerce, moderated an insightful conversation among the Forum participants on the connectivity and infrastructure development in the Caspian region. The panelists, Odilbek Isakov, Deputy Minister of Finance of the Republic of Uzbekistan; Arif Mammadov, Head of Transport Policy Department, Ministry of Transport, Communications

and High Technologies of the Republic of Azerbaijan; Ketevan Salukvadze, Head of Transport and Logistics Development Policy Department, Ministry of Economy and Sustainable Development of Georgia; Taleh Ziyadov, General Director of Baku International Sea Trade Port; Abay Turikpenbayev, President of the Aktau International Sea Trade Port; Hiroyuki Suzuki, Chief Representative in Washington, D.C., Japan Bank of International Cooperation; Farhad Guliyev, Deputy Chairman, Azerbaijan Caspian Shipping Company; and Victor Kipiani, Chair of Geocase discussed the feasibility of new infrastructure projects and the mechanisms to appropriately finance these endeavors by foreign investors.

Kurt Donnelly, Acting Principal Deputy Assistant Secretary, Bureau of Energy Resources, U.S. Department of State, opened the second day of the Forum on June 10 with his keynote remarks that focused on utilizing



the untapped potential of renewable energy in the Caspian region while also continuing to responsibly utilize its hydrocarbon reserves.

Panelists, Elnur Soltanov, Deputy Ministry of Energy of the Republic of Azerbaijan; Aliya Shalabekova, Vice Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan; Öztürk Selvitop, Director General at the Ministry of Energy and Natural Sources of the Republic of Turkey; Vitaliy Baylarbayov, Deputy Vice President, State Oil Company of the Republic of Azerbaijan for Investments and Marketing; Giorgi Chikovani, CEO, Georgian Energy Development Fund; Robert Scher, Head of International Affairs, BP; Fawad Quraishi, Vice President and Head of Representative Office in Azerbaijan and Kazakhstan, Equinor; and Eldor Tulyakov, Executive Director of Development Strategy Center, Uzbekistan, discussed the role that

commercially successful energy projects, such as the Southern Gas Corridor, play in the region's economy and geopolitics, as well as future plans to diversify the Caspian's energy portfolio beyond hydrocarbons.

Harry Bader, Deputy Assistant Administrator, Bureau for Development, Democracy, and Innovation, U.S. Agency for International Development, delivered keynote remarks on the last panel of the Forum that focused on mechanisms to encourage small business development and economic participation by historically disadvantaged groups.

The final panel, moderated by Ambassador (ret.) Susan Elliott, a Senior Fellow at the Caspian Policy Center and former U.S. ambassador to Tajikistan, facilitated a productive dialogue among the panelists Orkhan Mammadov, Chairman of the Management Board of the Small and Medium Business Devel-

opment Agency of the Republic of Azerbaijan; Avtandil Kasradze, Head of Georgia's Innovation and Technology Agency; Lazzat Ramazanova, Chairman of the National Commission on Women's Affairs and Family and Demographic Policy under the President of the Republic of Kazakhstan; Malika Jurakulova, Gender Adviser at the USAID Tajikistan Mission; Umid Abidkhadjaev, Director of Institute for Forecasting and Macroeconomic Research under the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, on fostering innovation and entrepreneurship as a vital way of rebuilding the region's economy in the post-COVID world.



# Inaugural Caspian Security Conference



Caspian Security Conference Panel: Formulating A Unified Regional Response to Afghanistan

On November 16-17, the Caspian Policy Center and the Near East South Asia Center for Strategic Studies (NESA Center) of the U.S. National Defense University hosted the inaugural Caspian Security Conference virtually with experts from think tanks, government, and academia to discuss the next steps for the Caspian region following the U.S. and other NATO forces' withdrawal and the resurgence of the

Taliban in Afghanistan.

On the first day of the conference, the live discussion was focused on formulating a unified regional response to Afghanistan and the role that Caspian countries can play to further engage the country in regional discussions. The panelists, Victor Kiplani, Chair of Geocase; Yar Mohabbat, former Charge d'Affaires of Afghanistan to the Unit-

ed States (1994-1997); Ambassador (ret.) Farid Shafiyev, Chairman of the Analysis of International Relations Center; Dr. Timur Shaimerzgenov, Vice Minister of Defense and Aerospace Industry of Kazakhstan; and Dr. Akram Umarov, Fulbright Visiting Scholar at the University of Pittsburgh, discussed the future of Caspian engagement with Afghanistan and presented important steps for approaching the Taliban.

The webinar, moderated by Dr. Brianne Todd, Professor at the NESACenter, facilitated an open and honest assessment of the legitimacy of a Taliban government and the dilemmas of

balancing trade, security, and humanitarian assistance with the ongoing terrorism activity supported by the Taliban. Dr. Roger Kangas, Academic Dean of the NESACenter, closed the first

day of the conference by noting that the security challenges surrounding Afghanistan remain complex and warrant further conversations on the second day of the conference.



Caspian Security Conference Panel: Supporting Intraregional Security Cooperation

On the second day of the conference, the live discussion was focused on supporting intra-regional security cooperation and the economic impacts of the Taliban takeover in Afghanistan.

Ambassador (ret.) Richard Hoagland, Senior Fellow at the CPC, mod-

erated the insightful panel analyzing current engagement from the Caspian region, India, Pakistan, Turkey and beyond, and the role the United States can play in supporting regional security.

The panelists were Ambassador (ret.) Ronald

Neumann, President of the American Academy of Diplomacy and Former U.S. Ambassador to Afghanistan (2005-2007); Ambassador (ret.) Alper Coşkun, Senior Fellow at the Carnegie Endowment for International Peace; Ambassador (ret.) Ali Jalali, Distinguished Professor at the NESACen-

ter and Former Interior Minister of the Islamic Republic of Afghanistan (2003-2005); Dr. Rashmini Koparkar, Assistant Professor at the Center for Russian and Central Asian Studies at Jawaharlal Nehru University; Dr. Jennifer Brick Murtaashvili, Director of the Center of Governance and Markets at the University of Pittsburgh; and Salman Zaidi, Director of Programs at the Jinnah Institute in Islamabad, Pakistan. They discussed the need for an interna-

tional effort to assist the regional countries that have been left to deal with the consequences of the U.S. withdrawal from Afghanistan. After a successful inaugural conference, CPC and the NESACenter look forward to hosting further iterations in the future.

Throughout 2021, the Caspian Policy Center brought together members of the diplomatic, academic, and business communities to discuss pressing issues such as

connectivity, trade, energy, security, and U.S. policy in the Caspian region. Although CPC's signature events were held online due to COVID-19 restrictions, these international events provided a platform for experts from across the globe to connect and discuss important issues in global affairs. The Caspian Policy Center looks forward to hosting virtual, hybrid, and in-person events with partners from across the globe in 2022.

