

CAPITAL **IN THE** **CASPIAN**

HUMAN CAPITAL AND BUSINESS DEVELOPMENT



AUGUST 2019

**CASPIAN AFFAIRS
MAGAZINE**

CORRIDORS, CONNECTIVITY, COOPERATION



CPC



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Editorial

Dear Readers,

Welcome to *Caspian Affairs*!

The featured topic of our third issue is Capital in the Caspian, a subject that encompasses both human capital and business development. This is a particularly important area of focus in the Caspian region, which is currently witnessing a generation of highly-educated, globally-minded professionals come of age. This generation, which was born along with their newly independent states, is well poised to navigate a complex but increasingly healthy economic landscape. The newly independent states of the region are grappling with the thorns of former Soviet control—government corruption and lack of transparency—that have hampered the region’s attractiveness to investors for decades. Nevertheless, major networks such as the Baku–Tbilisi–Akhalkalaki–Kars railway have formed; new, ambitious oil and gas networks such as the Trans-Caspian Gas Pipeline are within reach; and foreign investors are beginning to turn their heads in the direction of the Caspian. This issue seeks to uncover both the roots of the region’s challenges and the pathway to greater capital in the Caspian.

The featured topic of our third issue is particularly pertinent as Azerbaijan approaches the 25th Anniversary of the Contract of the Century, which established cooperation for the joint development of the Azeri-Chirag-Gunashli (ACG) field. This contract has profoundly transformed the Azeri economy. The contract has also set a precedent for international investment in the region, as well as for cooperation among the Caspian states. This issue’s authors reflect on the impact that the Contract of the Century has made and the lessons learned from this successful deal.

We at Caspian Affairs value your feedback. Please contact us at ca@caspianpolicy.org. To learn more about the region and to see weekly news updates, please visit www.caspianpolicy.org.

Ambassador (ret.) Richard E. Hoagland
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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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Caspian Snapshot

Energy and Economy

KAZAKHSTAN RESUMES TURKMEN GAS TRANSIT TO RUSSIA

KazTransGas JSC, the Kazakh national gas pipeline monopoly, announced in early May that they had resumed transportation of Turkmen natural gas to Russia via the Central Asia-Center pipeline. The Kazakh firm reported that they were transferring 15 million cubic meters per day to Russia and have already delivered 220 million cubic meters.

UZBEKISTAN'S SENATE ENDORSES TAX BREAKS FOR RENEWABLE ENERGY

The Senate of Uzbekistan adopted legislation on May 6 that would provide tax exemptions for producers of alternative energy. Industrial-scale producers would be exempt from property tax for 10 years, and sales of electricity to UzbekHydroEnergo would be free of VAT. Manufacturers of renewable energy technology would be exempt from all forms of taxation for a period of 5 years. Finally, citizens that choose to disconnect from the main grid to utilize a microgrid based on renewable electricity would be exempt from property and land tax. The

bill will go to Uzbek President Shavkat Mirziyev for signature before entering law.

CARGO TRANSSHIPMENT FROM GEORGIA VIA TURKISH PORTS REACHES ALMOST 700K TONS

The volume of cargo transshipment from Georgia through the ports of Turkey amounted to 695,283 tons in March 2019. The ministry noted that in March 2019 the volume of cargo transshipment from Georgia by ships flying the Turkish flag amounted to 437,253 tons, while ships flying flags of other countries accounted to 4,258,030 tons of cargo.

CASPIAN OIL AND GAS EXHIBITION PUTS SPOTLIGHT ON AZERBAIJAN

Government officials and energy experts gathered in Baku May 29 through June 1 for the 26th annual International Caspian Oil & Gas Exhibition and Conference, to highlight the growing significance of Azerbaijan and the Greater Caspian Region in global energy security. The exhibition brought 290 companies — mainly oil and gas enterprises and service providers — from 34 countries includ-

ing France, Germany, Italy, the United Kingdom, the United States, and Turkey.

UZATOM ANNOUNCES "PRIORITY SITE" FOR PLANNED NUCLEAR POWER PLANT

UzAtom published a press release on May 31 which named the survey location near Tuzkan Lake in the Jizzakh Region as a "priority site" for the nuclear power plant planned as a joint project between Uzbekistan and RosAtom. This reflects a departure from the picture previously presented by the media, where it was suggested that a site in the Navoi region had been selected as the project location.

KASHAGAN OILFIELD IN KAZAKHSTAN PRODUCES RECORD-BREAKING OUTPUT

Kazakhstan's Kashagan oilfield reached a new record for output last week, achieving production of 400,000 barrels per day. Two unnamed industry sources, cited by Reuters, indicated that output at the field may rise even further to 410,000 barrels per day in the near future.

NATURAL GAS FROM AZERBAIJAN REACHES GREEK BORDER VIA TANAP

Gas traveling from Azerbaijan reached the Turkish-Greek border after traveling across Turkey through the Trans-Anatolian Pipeline (TANAP), according to SOCAR. The delivery of gas to the EU coincided with Azerbaijan's National Salvation Day on June 15. Work is still underway on the Trans-Adriatic Pipeline (TAP), which will transport Azerbaijani gas from TANAP onward to Greece, Albania, and Italy.

PASSPORT-FREE ENTRY IN GEORGIA REACHES NINE MILLION

The number of people entering Georgia through Batumi province on the northeastern border of Turkey reached nine million annually, demonstrating the positive impact of the switch to passport-free entry for Turks. Batumi was rated one of Europe's Leading Emerging Tourism Destinations by the World Travel Awards for 2019.

SOCAR TAKES DELIVERY OF JACK-UP RIG FROM KAZMUNAYGAS

A ceremony was held on June

24 celebrating the transfer of a jack-up rig from KazMunayGas to the Caspian Drilling Company (CDC), a subsidiary of Azerbaijan's state-owned energy firm SOCAR. The rig, known as Satti, will be upgraded at CDC's facility. Once completed, the rig will likely be employed in drilling operations in the Shallow Water Absheron Peninsula (SWAP) area, which is jointly operated by SOCAR and BP.

UZBEKISTAN, SOUTH KOREA EXPAND ECONOMIC COOPERATION

Seoul hosted the Korea-Uzbekistan First Working Group Meeting on monitoring the implementation of agreements reached during the previous bilateral summits last week. The parties discussed issues of accelerating the implementation, the effective functioning of research centers for the development of industry in Uzbekistan, the introduction of digital healthcare in the country, strengthening cooperation in the pharmaceutical field, and the implementation of projects in various areas. The working group will meet next in September, in Tashkent.

SOURCES

Akipress, Al-Masdar News, Arka News Agency, Astana Times, AzerNews, Defense Post, Centralasian.org, Eurasianet, Jam News, Mena FN, Miami Herald, Offshore Energy Today, Renewable Now, Reuters, RFE/RL, SOCAR, Times of Central Asia, Trend News Agency, Wall Street Journal, Yahoo Finance, and Zakon.kz., AKI Press, Anadolu Agency, Armenpress, Astana Times, AzerNews, Bloomberg, Caspian News, Eurasianet, Fox News, FXStreet, The Guardian, Hurriyet Daily News, Iranian Students' News Agency, MENAFN, Mehr News, News.am, The New York Post, Nobel Upstream, PV Magazine, PV Tech, Reuters, RFE/RL, Simple flying, South China Morning Post, Tashkent Times, Tasnim News Agency, Trend, and Xinhuanet.

Caspian Snapshot

Politics and Security

U.S. DELEGATION MAKES ANNUAL VISIT TO TURKMENISTAN

An American delegation led by Director of the Office of Central Asian Affairs of the U.S. Department of State's Bureau of South and Central Asian Affairs Mark Moody traveled to Ashgabat on May 6. The visit was a follow-up on the fifth Annual Bilateral Consultations that took place in October. The delegation announced that U.S.-Turkmen relations were progressing well and thanked the Ministry of Foreign Affairs for hosting them.

KAZAKHSTAN ELECTS TOKAYEV PRESIDENT

Interim President Kassym-Jomart Tokayev was formally elected on June 9 with 70.76 percent of the vote. The election recorded a 77 percent turnout.

XI JINPING TOURS CENTRAL ASIA

President Xi toured Kyrgyzstan June 12-14 and attended

the 19th meeting of the Council of Heads of State of the Shanghai Cooperation Organization (SCO). He then visited Dushanbe June 14-16 for the fifth summit of Conference on Interaction and Confidence Building Measures in Asia (CICA). President Xi also met with the Kyrgyz and Tajik heads of state to discuss China's Belt and Road Initiative and cooperation in general, as well as international and regional issues in the context of the SCO.

ARMENIAN AND AZERBAIJANI FOREIGN MINISTERS MEET IN WASHINGTON


The Foreign Ministers of Azerbaijan and Armenia met in Washington D.C. on June 20. The meeting was held under the auspices of the OSCE Minsk Group. The Foreign Ministers had previously met in Paris and Moscow, the other two Minsk Group co-chair countries, making Washington the next host in the rotation.

OSCE MILITARY TRAINING TAKES PLACE IN KAZAKHSTAN

Military and civilian experts from Belarus, France, Germany, Hungary, Italy, and the OSCE Conflict Prevention Centre traveled to Nur-Sultan to train officers from Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, and Mongolia from June 10-14. The seminar focused on the practical implementation of the Vienna Document 2011, including confidence and security-building measures and inspection procedures.

U.S. SECRETARY OF STATE MEETS WITH GEORGIAN PRIME MINISTER

U.S. Secretary of State Mike Pompeo met with Georgian Prime Minister Mamuka Bakhtadze on June 11 in Washington. The two discussed Georgia's partnership with NATO, security cooperation, and reforms necessary to ensure the rule of law and fair elections



in Georgia. In remarks to the media, Secretary Pompeo reaffirmed U.S. support for Georgia's territorial integrity.

PROTESTS BREAK OUT IN GEORGIAN CAPITAL

Large demonstrations began on June 20 in the Georgian capital of Tbilisi after a Russian lawmaker was allowed to sit in the seat of the speaker of Georgia's parliament. Protesters decried Russian occupation of Georgian territory and Russian efforts to develop closer relations with the country. Russia responded by suspending flights to Georgia and ordering officials to work with Russian citizens in Georgia to return them home.

OPPOSITION WINS ISTANBUL ELECTIONS

Mayorial opposition candidate Ekrem Imamoglu defeated the AKP's Binali Yildirim with approximately 54 percent of the vote. President Erdogan publicly congratulated the victor.

TOKAYEV OUTLINES A MORE ASSERTIVE KAZAKHSTAN AT THE SCO SUMMIT

President Tokayev outlined his views for the Shanghai Cooperation Organization (SCO)'s priorities at the Bishkek summit in mid June — the first foreign trip of the newly elected Kazakh President. He said during his speech that the SCO must fully implement the strengthening of mutual confidence, constructive dialogue, and interaction to provide for the security and cooperation in the SCO space. President Tokayev advocated for the Astana International Financial Center to support the financial systems of SCO member countries and brought up the importance of Kazakhstan's initiative to form a Global Antiterrorist Coalition under United Nations auspices.

SOURCES:

Akipress, Al-Masdar News, Arka News Agency, Astana

Times, AzerNews, Defense Post, Centralasian.org, Eurasianet, Jam News, Mena FN, Miami Herald, Offshore Energy Today, Renewable Now, Reuters, RFE/RL, SOCAR, Times of Central Asia, Trend News Agency, Wall Street Journal, Yahoo Finance, and Zakon.kz., AKI Press, Anadolu Agency, Armenpress, Astana Times, AzerNews, Bloomberg, Caspian News, Eurasianet, Fox News, FXStreet, The Guardian, Hurriyet Daily News, Iranian Students' News Agency, MENAFN, Mehr News, News.am, The New York Post, Nobel Upstream, PV Magazine, PV Tech, Reuters, RFE/RL, Simple flying, South China Morning Post, Tashkent Times, Tasnim News Agency, Trend, and Xinhuanet.

Economic Freedom:

The Cure for the Soviet Hangover
in the Caspian Region

Ambassador Terry Miller
and Anthony Kim





“The countries under Soviet domination were directed on another economic path, that of communal ownership by the state, central planning and decision-making, and an environment in which state permission was required for almost any change in economic activity.”

INTRODUCTION

The eight countries of the Caspian region—Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—are diverse in history, culture, religion, resource endowments, and levels of development. All but Georgia are landlocked. Several have rich deposits of oil and natural gas. Climate varies dramatically across the region, and governments range from hereditary autocracies to relatively open free-market democracies.

However, a characteristic that they share is the legacy of more than half a century within the political and economic confines of the Union of Soviet Socialist Republics. In the almost three decades since the disestablishment of the USSR, the countries of the Caspian have evolved to varying degrees, as has Russia itself. This evolution, particularly of the economic and business environments, has been documented extensively in The Heritage Foundation's Index of Economic Freedom.

A CRITICAL REGION WITH GREAT ECONOMIC POTENTIAL

The Caspian region is a place where a multitude of challeng-

es and opportunities converge. The Caspian Sea lies at the heart of the Eurasian land mass, and it is no fantasy when leaders invoke the ancient Silk Roads in arguing for new road, rail, and port infrastructure to realize the region's potential as a crossroads for trade from North, South, East, and West. The region has abundant natural resources that serve as the main drivers of regional economic activity. An estimated 48 billion barrels of oil and 292 trillion cubic feet of natural gas in proved and probable reserves provide a foundation for investment and capital flows throughout the region.

The abundance of natural resources is also one of the main reasons the region is prone to outside influence. Turkey, though not a Caspian littoral state, maintains very close cultural, linguistic, historical, and economic links to the region. Russia and Iran continue to propagate pro-Russian and anti-West narratives and perspectives to the governments and peoples of the region, and see themselves as having a special role in Caspian affairs due to their historical engagement with the region. Russian territorial incursions in Georgia emphasize the historical and current threat Russia poses for the territorial

integrity and independence of the region's countries. A newly resurgent China has attempted to make greater inroads to the region as part of its Belt and Road Initiative.

Internal challenges are no less significant. The ongoing dispute between Armenia and Azerbaijan diverts resources that could be better used to promote development, and the threat of Islamist extremism is a reality in several countries. Environmental problems abound, and cross-border management of water resources can be a source of tension.

Despite these challenges, progress is apparent but slow. According to the International Monetary Fund, economic growth in the Caspian region as a whole is averaging around 4 percent per year, and the region has largely recovered from large external shocks during the years from 2014 to 2016. By and large, economies in the region are benefiting from efforts to strengthen macro-economic policy frameworks, including the adoption of new fiscal frameworks. In addition to maintaining overall monetary stability, moves toward greater exchange-rate flexibility have also helped authorities manage external pressures and contain

Table One: Economic Freedom in the Caspian Region: Which Countries are Progressing?

Country	Score Change from the First Year of Being Rated	2019 Economic Freedom Score
Azerbaijan	+ 35.4	65.4
Georgia	+ 31.8	75.9
Armenia	+ 25.5	67.7
Kazakhstan	+ 23.7	65.4
Uzbekistan	+ 21.8	53.3
Tajikistan	+ 14.5	55.6
Turkmenistan	+ 13.4	48.4
Kyrgyz Republic	+ 10.5	62.3
Russia	+ 7.8	58.9

inflation.

Still, however, the region's 4 percent average growth is too low to raise standards of living to those of comparable economies over the medium term. Much of the fault for this economic lassitude can be attributed to issues that are a legacy of decades within the USSR.

THE SOVIET HANGOVER

The countries of the West (loosely defined to include Western Europe, the United States, and Japan) leaped ahead after World War II through commitment to principles of democratic government that emphasized respect for individual rights and equal treatment of all under the rule of law and a free market economic system that emphasized private property, transparent and limited government regulations of economic activity, and openness to international flows of goods, services, and capital that vastly expanded the size of markets to which individuals and firms have access.

The countries under Soviet domination were directed on another economic path,

that of communal ownership by the state, central planning and decision-making, and an environment in which state permission was required for almost any change in economic activity. Two tragic impacts of this system stand out: a massive increase in corruption, as individuals sought to evade restrictions that hampered their ability to prosper or even survive, and as officials learned to profit by looking the other way; and the loss of any incentive for innovation or entrepreneurship, as private profits from such were disallowed.

The results were inefficiency and economic stagnation that impoverished most of the population, with only the politically powerful able to prosper through the application of governmental force. The countries of the Caspian experienced all of this, to greater or lesser degrees, and the legacy of that era is still a factor hampering the fuller integration of the people of the region in the globalized world economy.

THE CURRENT STATE OF ECONOMIC FREEDOM

The Heritage Foundation's annual Index of Economic Freedom has documented the region's policy successes and shortcomings over the past 25 years. The Index's ideal is a country committed to the free market, with even-handed rule of law, limited government interference in the economy, whether through excessive taxation and spending or burdensome business and labor regulations, and open access for individuals and businesses to international flow of goods, services, and capital.

The paragraphs below offer an economic freedom snapshot of each country drawn from the Index. It is interesting to note that the majority of countries of the region—including Armenia, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan—have moved measurably ahead of Russia, which remains mired in the lower middle of the economic freedom rankings as only the 98th freest economy in the world. Others—including Turkmenistan, Uzbekistan, and

Tajikistan, are lagging behind even that mediocre pace.

ARMENIA

Armenia ranks 47th in the 2019 Index of Economic freedom. Despite efforts to improve the business environment through tax reform, reduce corruption in the customs and tax administrations, and increase the transparency of procurement processes, Armenia's geographic isolation, narrow export base, and pervasive monopolies in important business sectors make it particularly vulnerable to deteriorations in global commodity markets. Nevertheless, modest diversification has produced greater economic dynamism, and a decade of strong economic growth has reduced poverty and unemployment. Cronyism and influence peddling remain concerns, and progress in tackling corruption has been limited.

AZERBAIJAN

Azerbaijan ranks 60th in the 2019 Index. Priorities include joining the World Trade Organization, developing Azerbaijan into a trade and transit hub by continuing investment in road and rail infrastructure, and diversifying away from economic dependence on hydrocarbons. Continued market-based improvements in regulatory efficiency and further restructuring are needed to capitalize on the well-educated labor force and broaden the production base. There has been measurable progress in improving the

rule of law in recent years, but corruption remains a lingering problem.

GEORGIA

Georgia ranks 16th in the 2019 Index. Since the 2003 "Rose Revolution," reforms by successive administrations have reduced petty corruption, cut regulation, simplified taxes, opened markets, and developed transport and energy infrastructure. Further reductions in regulation, taxes, and corruption are needed to attract foreign investment and stimulate growth. Maintenance of monetary stability and overall sound fiscal health have fostered macroeconomic resilience. Nonetheless, deeper and more rapid institutional reforms to enhance judicial independence and effectiveness are still needed to ensure dynamic and lasting economic development.

KAZAKHSTAN

Kazakhstan ranks 59th in the 2019 Index. The country has a growing labor force and considerable development potential, but the poor business environment, weak competition in some sectors, and long distances to global markets remain significant constraints. Growth in recent years has been driven largely by expansion of the extractive sector and high commodity prices, which have supported growth in consumption and government spending. Little progress has been made in diversifying industrial production away from mining.

Investors remain concerned about corruption, bureaucracy, and arbitrary law enforcement, especially at the regional and municipal levels.

KYRGYZSTAN

The Kyrgyz Republic ranks 79th in the 2019 Index. Despite some reforms, overall improvement in the Kyrgyz Republic's entrepreneurial environment has been slow and uneven. Political turmoil adds to policy volatility and uncertainty, hampering economic development. Political rivalries and powerful special interests hold back implementation of deeper structural reforms. With remnants of the former Communist system evident in many areas, the economy still lacks the institutional foundations of greater economic freedom. Weak rule of law fosters pervasive corruption and ownership insecurity, undermining private-sector investment and business growth.

TAJIKISTAN

Tajikistan ranks 122nd in the 2019 Index. Policy priorities include securing support for the banking sector, still on the verge of collapse, and finding external financing for large infrastructure projects. Tajikistan's poor business climate, burdensome bureaucratic regulations, and inconsistent administration remain impediments to foreign investment. Central bank expenditures to support the weak currency leave little space for additional fiscal or monetary measures. Despite some

“Moving forward, Georgia and Azerbaijan, the two most western-oriented countries in the region, have important leadership roles to play.”

progress in privatizing small and medium-size public enterprises, private-sector development has been slow. The rule of law is exceptionally weak, and Tajikistan remains one of the world's most corrupt nations.

TURKMENISTAN

Turkmenistan ranks 164th in the 2019 Index. Little has been done to improve the business climate, privatize state-owned industries, or combat rampant corruption, and excessive dependence on hydrocarbons and lack of diversification have deepened the country's economic crisis. Consumers face severe shortages because of import restrictions. Currency depreciation, autarkic policies, and limited spending on public services have led to economic stagnation. Rigid labor regulations and the nearly complete absence of property rights further limit private-sector activity.

UZBEKISTAN

Uzbekistan ranks 140th in the 2019 Index. Priorities are to improve ties with the country's neighbors and attract foreign investment by improving public administration, maintaining macroeconomic stability, and reforming such sectors as agriculture, finance, and banking. In September 2017, the exchange rate was liberalized and allowed to float, after which the currency

depreciated by 50 percent. The country has a long history of corruption, protectionism, and government intervention in various aspects of the economy that has hampered growth. The rule of law remains very weak, damaged by a seriously deficient legal framework.

THE WAY FORWARD

Moving forward, Georgia and Azerbaijan, the two most western-oriented countries in the region, have important leadership roles to play. Within their vastly different political systems, both have managed significant reforms to liberalize economic regulations and advance economic freedom. Armenia is well-positioned to join them, but needs to make a concerted effort to break free from Russian economic and security influence and resolve its conflict with Azerbaijan in Nagorno-Karabakh. Kazakhstan, the largest country in the region, has enormous potential, but its autocratic political system, little changed from Soviet times, has slowed economic reforms almost to a standstill. An injection of fresh political and economic thinking is long overdue. The other countries lag far behind in fighting corruption and establishing even-handed legal systems that can protect private property, a basic requirement for free-market development.

The region's cultures are historically strong, but whether they will succumb to radical Islamic influences or the collectivist approach of China, or indeed remain subject to hereditary autocracies or the one-party rule that is a legacy of the Soviet Union as opposed to genuine democracy, is a story still being written. Whatever the outcome, the region has always been, and will remain, an area of geopolitical importance and competition.

More proactively adopting policies that enhance economic freedom will aid development on both the economic and political fronts. Greater growth and broad-based development contributes both to political stability and, by empowering more people to participate actively in the life of their communities, pluralism and democracy.

It is in that direction that the most promising future for the countries of the Caspian region can be found. Several are well along the way. It is time for the others to join their march of freedom.



Contract of the Century Turns 25: What Is New About Investing in Azerbaijan?

Natavan Mammadova and Narmina Mamishova

September 20 this year celebrates the quarter-century anniversary of the historic “Contract of the Century.” Signed in Baku between the Azerbaijani government and the consortium of 11 leading international oil companies from six nations under the umbrella of the Azerbaijan International Operating Com-

pany (AIOC), the Contract of the Century pledged to develop the rich Azeri-Chirag-Gunashli (ACG) deep-water oil fields. The sonorous name ascribed to the agreement reflected its tremendous importance, and not only because of the fields’ huge potential reserves. The contract represented the first major investment by Western

multinational companies in any country of the former Soviet Union and brought a strategic European and Euro-Atlantic interest to the small Caucasian country for the years to come. It marked a clear success for then-President Heydar Aliyev, leading a newly-born state with more than 20 percent of its territories occupied by neighboring



Armenia and over one million refugees and internally displaced persons. The contract also promised Azerbaijan substantial foreign investment flows. Lo and behold, having world market giants – British Petroleum, Amoco, Penzoil, Unocal, Statoil, McDermott, Ramco, and others – investing here was Azerbaijan's first significant post-independence achievement.

Azerbaijan developed its first offshore Production Sharing Agreement (PSA) for an initial \$7.4 billion investment over 30 years in the three major oil fields in its sector of the Caspian Sea. But how did this journey towards prosperity begin? It started in November 1997, when the first, “early” crude oil was pro-

duced under the historic deal to be exported later via the low-capacity Baku-Supsa pipeline to the Georgian Black Sea Port of Supsa; the Baku-Tbilisi-Ceyhan (BTC) pipeline, which stretched across Georgia all the way to the Turkish Mediterranean coast, and earned the nickname of the “oil window to the West;” and the Baku-Novorossiysk pipeline across the Caucasus to Russia's Black Sea port. Azerbaijan enjoyed a “golden age” in the late 1990s and early 2000s, benefiting from its new oil wealth and the inflow of foreign investment into the sector. The numbers speak for themselves—so far, more than 3.5 billion barrels of oil have been extracted from Azeri oil fields, and more than

\$36 billion has been invested in the country. With oil money now flowing into the state coffers, President Heydar Aliyev initiated the establishment of the State Oil Fund of the Azerbaijan Republic (SOFAZ,) the purpose of which was to accumulate and efficiently manage oil revenues for future generations. The assets of SOFAZ reached \$37.6 billion two decades after the contract had been signed. This was the “peace before the carnage,” when the world-market oil price collapsed for the second time in 2014.

In many ways, 2014 marked

Image Sources: Oilbarrel.com, Visions of Azerbaijan, Report.AZ, Azerbaijan International, Vestnik Kavkaza, Azer.com, Azer News

the end of the epoch during which Azerbaijan played its “energy card” alone. The unprecedented increase in oil prices between 2000 and 2008, which was mainly caused by a boom in demand and stagnation of production, led to a sharp increase in revenues. It was in 2008 when the world witnessed the oil downcycle against the backdrop of the Global Financial Crisis, aka The “Second” Great Recession, with oil prices dropping from historic highs of \$144.29 in July 2008, to \$33.87 five months later. After reaching deep lows they peaked in the first quarter of 2011 and fluctuated within a narrow band around \$105/barrel until June 2014, when they began to plummet again. This was how the miracle met its demise. While fluctuations in the oil prices over the last few years remained “modest,” no major deviation from the trend was expected. Despite the accumulation of significant revenues from crude oil exports and remarkable economic growth over almost two decades, Azerbaijan’s economy was hit hard by another dip in global oil prices, leading to a period of painful economic adjustments, including national currency devaluation, drop in GDP, and increase in public external debt-to-GDP ratio. While the availability of the State Oil Fund reserves would mitigate the risk of financial and macro-economic collapse in the short run, Azerbaijan’s government moved to change course and marshal its efforts to fight off

the budding “Dutch disease.” In short, Azerbaijan began to adapt to the new circumstances of the world economy.

Apparently, the overall agility of regional and global geo-economics, and the volatility of oil prices—perhaps more thought provoking in the case of the oil-based economy—have in recent years created a brand-new geo-economic reality for Azerbaijan. The solution to Azerbaijan’s predicament was hiding in plain sight: develop the non-oil economy. Azerbaijan began to shift away from its traditional approach, based largely on the distribution of oil revenue, in favor of developing other sectors of the economy. President of Azerbaijan Ilham Aliyev approved the Strategic Road Map on National Economy and Key Sectors of the Economy of Azerbaijan On December 6, 2016, in order to provide a framework to ensure the economy’s competitiveness and inclusion. The document covered national economic perspectives and strategic road maps on eleven priority economic sectors, including agriculture, tourism, information and communication technologies, heavy machinery and manufacturing, logistics, and trade. This was an action plan to rebalance the economy’s structure through investing in the private sector, rather than the public sector, and encouraging technology-intensive sectors, inter alia. The Strategic Road Map placed a special emphasis on attracting more non-oil foreign direct investment (FDI) – with

the “milestone” of at least four percent share in GDP by 2025, compared to 2.6 percent in 2015. This marked a positive and practical step to ensure Azerbaijan’s economic future would be diversified and robust.

Baku has learned from past lessons since then. Its far-reaching economic measures accompanied by institutional and administrative reforms are being recognized. An example that illustrates the country’s positive momentum is the 2019 World Bank’s “Doing Business” annual report, analyzing the world economies’ regulations that encourage business activities and those that constrain them. It ranked Azerbaijan among the top 10, “showing the most notable improvement” with the proud number four. The overall World Bank “ease of doing business rating” places Azerbaijan at 25, making a jump of 32 spots. Azerbaijan implemented as many as eight reforms to make it easier to conduct commercial business in the country—a record number among the 10 top improvers and globally. Among them were opening a single window at the Baku City Executive Office for dealing with construction permits to streamline their processing; establishing an ASAN (reads like “easy”) Communal facility to facilitate more reliable power supply and transparency of tariff information alongside with improved and less costly process efficiency; creating a new credit bureau to improve the sharing of credit information; and starting a new

unified collateral registry to develop access to credit, making resolving insolvency easier by providing for the avoidance of preferential transactions.

The Azerbaijani government is focused on improving the ease of doing business in the country, including for foreign investors. A clear success of the State Agency for Public Service and Social Innovations and its one-stop-shop “ASAN-services” is the ease in getting visas. The citizens of the CIS countries are visa-exempt, while the majority of global travelers may obtain an e-visa within three working days. Citizens of a number of countries (particularly countries of the Middle East since February 2016) are entitled to obtain a single entry visa at all international airports upon arrival. As a result, one may see the Gulf States, particularly Saudi Arabia and Iraq, becoming larger investors in Azerbaijan. The multi-faceted reforms that might benefit a foreign investor already in Baku include the strengthening of minority investor protections and requirements of greater corporate transparency; the introduction of electronic invoicing (e-invoicing) along with simplified tax-compliance processes and a decreased number of tax filings; the streamlining of electronic customs procedures and implementation of the “green corridor” gating system in order speed trade across borders; and the new rules on redundancy to cut down on red tape.

Since January 2016, Azerbai-

jan has introduced far-reaching incentives for entrepreneurs to receive investment-promotion certificates. These measures include numerous tax and customs preferences valid for seven years from the date of the certificate, including 50 percent exemption on corporate income tax and personal income tax for legal entities and individuals accordingly, and exemption from fixed assets and land tax, as well as from customs duties for construction, and research and development purposes. Another achievement of the “self-help” economic policy of the Azerbaijani government is a recently launched Free Trade Zone in the Alat township of Baku’s Garadagh district, which has given life to a special customs regime eliminating tariffs on goods, plants or machinery imported into the zone. In parallel, “latent” institutional reforms in the country, which include expanding coverage of one-stop-shop “ASAN-services,” and establishing the Financial Markets Supervision Authority, the Agency for Development of Small and Medium-Sized Enterprises, the Food Safety Agency, and the Energy Regulation Agency, as well as others, has strengthened Azerbaijan’s appeal to foreign investors. Together with progressive judiciary reforms, growing public-private dialogue, and political stability, these changes give hope for Azerbaijan to turn, step by step, into a trustworthy non-oil FDI destination.

Oil will remain the Azerbaijani economy’s top economic

engine, accounting for 84.3 percent of FDIs as of early 2019, especially with the celebrated “Contract of the Century” recently extended until 2050. The new deal would secure large investment in Azerbaijan’s oil sector for decades, because there are still “billions of barrels to recover and billions of dollars to invest,” with a specific focus on a brand-new production platform (Azeri Central East) which will be commissioned in the 2020s. This is good news, but the story is far from over. Hopefully, Azerbaijan will be able to “have its cake and eat it too” by pushing for growth in the non-oil sector. Non-oil FDIs in Azerbaijan are increasing, albeit moderately. This means there is a lot to be done to encourage the country’s economic diversification – starting with developing greater human capital through needed investments in health and education, improving competition and protection of property rights, and mitigating continued exchange rate risks. At the same time, concerted efforts of all stakeholders – be it technical assistance on the main macroeconomic policy areas from the international financial institutions or political support from partnering countries – are badly needed to back up Azerbaijan in its endeavors to increase attractiveness in the eyes of foreign businesses.

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The Place to Do Business in the Caspian

Bakhtiyar Aslanbayli



Image Source: Pinterest

“Now after a quarter century, if asked what has driven the extraordinary successes of the joint development projects in Azerbaijan one can confidently say – a trustful, fair and transparent partnership.”

The Caspian's re-birth as one of the world's great oil and gas industry hubs started from just one contract that was signed in 1994 when Azerbaijan had been an independent state for just three years.

This year marks the 25th anniversary of that contract—Azerbaijan's first agreement with foreign oil majors who were invited to invest in the development of the country's huge oil and gas resources in the Caspian. This contract for the joint development of the Azeri-Chirag-Gunashli (ACG) field was later given the name of “The Contract of the Century” by the then-head of state of Azerbaijan, Heydar Aliyev. The name was a perfect fit to reflect the deal's importance to the country, as it marked the start of its new independent history as well as the beginning of a long journey towards the revival of Azerbaijan's oil and gas industry.

A MODEL OF A FAIR AND TRANSPARENT PARTNERSHIP

The Contract of the Century would set a precedent for others to follow—Azerbaijan was the first country among all the former Soviet Union states to allow

broad international participation in its energy sector while maintaining good terms with the country's regional neighbors.

It became a model framework within which international oil companies such as BP would have the confidence to make the investments necessary to develop the oil and gas resources in an environment, which was viewed at the time as posing considerable risks.

Azerbaijan's economy, management concepts, methods and processes, technology, and infrastructure needed changes. A new business environment needed to be created.

The country was quick in making plans to bring about the required changes to provide foreign partners the confidence to make multi-billion-dollar investments. These investments would deliver projects that had the potential to contribute very significantly to building a strong and stable economy in the country. Having realized this, officials were prompt to firmly commit to creating an environment that would support the establishment by foreign investors of profitable and sustainable business in Azerbaijan.

The government's plans to build the future of the nation

were multi-faceted. They included steps towards the creation of a business, legal, and tax environment that would be supportive, transparent and consistently applied, of an education system that would build on past success and channel capable people into business, and of a governmental and business culture that would reward integrity and performance.

All this would not only attract foreign investment and build a strong basis for its profitability and sustainability but also boost local businesses.

Now after a quarter of century, one can confidently say that a trustful, fair, and transparent partnership was responsible for the extraordinary successes of the joint development projects in Azerbaijan. Now we can say that BP and partners have built one of the most successful public-private business partnerships in the world with the government of Azerbaijan and SOCAR working together hand-in-hand. And this partnership has led to the full transformation of the country and the region.

A BIG BOOST TO THE ECONOMY

Looking back through the chronology of the past 25 years



Image: Courtesy of BP

of foreign investors' presence in the region, one can see a colorful map of activities that are marked by numerous unique and significant milestones based on safe, responsible, and efficient operations in the Caspian, resulting in great outcomes for both the country and its business partners.

Therefore, it is important that we all recognize the remarkable

progress that has been achieved not only within the country but also in the entire region since the signing of the "Contract of the Century."

- It has paved the way for over 30 other production-sharing agreements that followed the first contract involving essentially all of the world's major oil and gas companies.

- It has contributed to a

strong and growing economy.

- It has provided a substantial new revenue stream for the state of Azerbaijan that underpins this economic growth.

- It has made a major contribution to the new commercial links that the country has built with the rest of the world.

- It has driven a revitalized world-class offshore hydrocarbon production sector and a re-

“It is hard to believe how much change, transformation, progress, and growth of a nation can be credited to just one agreement. Even a few of the successes named here are sufficient for all parties to take pride in their being part of a great history.”

liable, safe, and environmentally sound onshore oil-export system - the Baku-Tbilisi-Ceyhan pipeline, through which the Caspian production is directly transported to the world markets.

- It has created one of the world's most modern oil and gas processing plants on the shores of the Caspian.

- It has built investors' confidence to advance the giant Shah Deniz gas and condensate field development project to the stage such that the first-ever gas in the history of the Caspian should be directly delivered to European markets next year via a giant gas value chain starting from Azerbaijan and lying across Georgia, Turkey, Greece, and Albania to Italy.

- It has supported world-class fabrication, training and educational facilities, and a generally enhanced national skill and capability base.

- It has stimulated the formation of a competitive local supply chain.

- It has encouraged the development of highly educated national engineers and other world-class professionals.

- It has generated tens of thousands of local construction jobs.

- It has fostered sustainable development in hundreds of rural communities that have been helped with capacity-building, infrastructure, educational, and lucrative business opportunities.

The scale of the benefits and successes is huge. And they all stem from that original commitment made by all parties to strictly follow the requirements and standards of the agreement, and their contribution to advancing these major projects and delivering on the intent of the production-sharing agreements, the latter of which were enacted in the Azerbaijani law code after the signing of the agreement.

It is hard to believe how much change, transformation, progress, and growth of a nation can be credited to just one agreement. Even a few of the successes named here are sufficient for all parties to take pride in their being part of history.

Clearly, much of the credit for this must go to the leadership of the country, their farsighted oil and gas policy, and the intent of the people of Azerbaijan to embrace change, transformation, and growth.

We should recognize that none of this would have been

possible without the reforms and other significant efforts made by the government to create a healthy and enabling environment for foreign and local businesses. We should also acknowledge the close cooperation between the Government, appropriate ministries, SOCAR, the foreign oil companies and their sub-contractors.

As a result, in just a quarter of century, the entire nation has been transformed and it now is firmly back on track as one of the world's premier oil and gas producing nations.

The industry has grown to make the country a regional hub with increasing opportunities to establish related businesses and create employment, enter into partnerships and set up links with global markets, transfer modern technology and global expertise, and develop a vibrant services sector for huge oil and gas projects.

Success in the energy sector has provided the country with an opportunity to persistently target diversification in other areas of the economy. The government has made huge efforts to re-invest its substantial oil revenues to develop the non-oil sector to the level that

would support the sustainability of the country's rapid economic growth.

THE MOST IMPORTANT BENEFIT: EXCELLENT HUMAN CAPITAL

It was clear from the start that a more significant number of jobs would be offered by the service sectors than by manufacturing. Therefore, the country directed its focus towards supporting the development of a vibrant services sector for oil and gas and also towards targeted diversification in other sectors of the economy.

In parallel, the country has consistently targeted the development of world-class, highly educated, and skilled national professionals and aimed to turn its "oil and gas capital to human capital."

As Azerbaijan's long-term partner in the Caspian, we are proud of what we have accomplished in training and developing Azerbaijani nationals involved in our projects and operations. We have in Azerbaijan a genuine success story of developing quite a big army of national professionals who can now compete with international experts and win overseas assignments to work for BP's global businesses across the world. Just one example—about 10 young Azerbaijanis have been appointed to senior leadership positions in BP's global businesses in 2019 alone.

This is a clear indication

that the country's traditions of investing in human-capital are paying off. Once a hub for developing oilmen and industry professionals for many foreign countries, because of its oil university, which was a unique leader in the Soviet Union, Azerbaijan is resuming its past success in developing national capabilities. The results are impressive. Look where the country and its non-oil sector are today with the world-class national capacities and human capability that the country is exporting to regional and world markets.

THE PLACE TO DO BUSINESS IN THE CASPIAN

The investment in diverse areas and the development of human capital have been vitally important for the economy in absolute terms, as well as relative terms; Azerbaijan has seized the opportunity to become the regional business hub for the Caspian. Azerbaijan has aimed since the re-establishment of its independence to differentiate itself as the place to do business in the region, and it has successfully achieved that goal.

The story of 25 years of growth and success, of which Azerbaijan can feel justifiably proud, provides a basis on which the country can build as it looks forward to its own and foreign partners' long-term plans.

As Azerbaijan's biggest foreign partner and operator of the country's major oil and gas development projects, we believe

that business can continue to flourish in this country. Therefore, together with our partners in ACG and Shah Deniz, we have extended both contracts until mid-century.

We see Azerbaijan as a good place to do business. This is a place where investors can effectively set up businesses, and where companies can operate effectively.

The people of Azerbaijan are highly and relevantly educated and see business as an attractive, stimulating, and rewarding career opportunity.



Sanctioning Caspian Cooperation

Brianne Todd



Over the past two years, sanctions have proven to be among the Trump administration's most frequently utilized foreign political tools. The Department of the Treasury's Office of Foreign Assets Control (OFAC) has enacted several rounds of sanctions against Russia and Iran, perhaps most notably the Countering America's Adversaries Through Sanctions Act (CAATSA) in August 2017. Sanctions can be used coercively or punitively, and some experts have warned that over-utilizing sanctions could lead to a decrease in efficacy. As the Trump administration pressures Iran and Russia to alter their behavior, it risks undermining long-term U.S. interests in the Caspian Sea region by indirectly punishing U.S. regional partners. At the same time, countries that want to continue working with the United States in a multi-vectored foreign policy offset by Russia and China will increasingly need to weigh the short- and long-term costs of working with each foreign partner.

To be certain, many of the U.S. sanctions against Russia and Iran predate the Trump administration. For example, many OFAC designations for Russian entities were implemented by the Obama administration for Russia's political and

military interference in Ukraine, including the 2014 annexation of Crimea and continued Russian support for separatists fighting in eastern Ukraine. In the case of Iran, the United States has imposed a variety of sanctions since the 1979 Islamic Revolution in order to address activities such as state sponsorship of terrorism, malign activity in the Middle East, money laundering and other illicit financial behavior, and nuclear proliferation. While some of the U.S. sanctions were eased as part of the Joint Comprehensive Plan of Action (JCPOA), a multilateral nuclear accord signed in 2015, the sanctions were reinstated when the United States unilaterally withdrew from the JCPOA in May 2018.

U.S. sanctions against Russia and Iran under CAATSA and other OFAC designations are noteworthy for the potential security and economic implications they have for U.S. interests in the Caspian Sea region. Several U.S. partners in Central Asia and the South Caucasus have significant security and military-technical cooperation with Russia. Additionally, Armenia, Kazakhstan, the Kyrgyz Republic, and Tajikistan could be particularly vulnerable to secondary sanctions, as full members of the Collective Security Treaty Organization

(CSTO). Initial interpretations of CAATSA's language indicated that countries that conduct business with Russia in violation of CAATSA would be warned by the State Department to change their behavior before secondary sanctions would be imposed, and that the secondary sanctions would be at the President's discretion. The first case of CAATSA-related secondary sanctions occurred in September 2018, when the State Department and OFAC sanctioned the Equipment Development Department of China's Ministry of Defense under Section 231 for its purchase of 10 Su-35s and S-400 missile system-related equipment from Russia's Rosoboronexport. Although the primary target was Russia, the enforcement of secondary sanctions against China demonstrated the Trump administration's intent to abide by the letter of the law.

Despite the CAATSA-related secondary sanctions against China, other U.S. partners have not been deterred in pursuing Russian military technology. Turkey announced in July 2017 that it would purchase the S-400 missile system from Russia and signed an agreement finalizing the deal in December 2017. Turkish government officials stated that the threat of sanctions would not deter Turkey

“India invested \$500 million in the development of cargo facilities and transport infrastructure at the Iranian port of Chabahar, in part to open new trade routes into Afghanistan and Central Asia and increase regional connectivity.”

from obtaining the S-400. U.S. lawmakers made it clear that Turkey could not purchase the advanced Russian missile system and remain a member of the F-35 Joint Strike Fighter program, as the S-400's intelligence technology would compromise the F-35's stealth capabilities. President Trump is under growing pressure from the U.S. Congress to sanction Turkey under CAATSA, despite the fact that Turkey is a NATO ally and hosts a major U.S. air base at Incirlik. The message to other U.S. partners is that not even allies will be spared secondary sanctions, should they choose to align with Moscow.

Separate from CAATSA-related sanctions on military purchases from Russia, U.S. sanctions on Iran impact connectivity between the Caspian Sea region and Central and South Asia. President Trump urged India to take a more active role in Afghanistan, “especially in the area of economic assistance and development,” as part of his August 2017 remarks outlining the administration's Strategy in Afghanistan and South Asia. India invested \$500 million in the development of cargo facilities and transport infrastructure at the Iranian

port of Chabahar, in part to open new trade routes into Afghanistan and Central Asia and increase regional connectivity. Initial wheat shipments from India reached Afghanistan via Chabahar and the Zaranj-Delaram highway in November 2017 and demonstrated the viability of the route for regional trade. Yet there continues to be some debate as to whether Chabahar is subject to Iranian sanctions or, more accurately, whether entities that conduct business at Chabahar are subject to secondary sanctions. In November 2018, the State Department announced that the development of the port at Chabahar, the connected railway project, and Iranian petroleum shipments to Afghanistan would be exempt from sanctions, but by May 2019, the United States ceased extending exemptions for countries—including India—that imported Iranian petroleum. Meanwhile India continues to struggle to find a company willing to operate Chabahar's cargo facilities, since no entity wants to risk triggering secondary sanctions.

Chabahar also plays a key role in the long-planned North-South Transport Corridor Initiative (NSTC). Originally

based on an agreement signed by Russia, Iran, and India in 2002, the trade corridor was intended as a series of sea, rail, and road routes connecting Russia to South Asia. The NSTC has received renewed attention over the past five years as infrastructure projects around the Caspian region have been completed, after many years of inactivity. Azerbaijan has conducted extensive work on its road and rail routes, and China and Uzbekistan have joined the Kazakhstan-Turkmenistan-Iran railway corridor. It was anticipated prior to Chabahar's completion that Iranian ports at Bandar Abbas, Amirabad, and Astara would be major hubs for potential NSTC routes. While the Trump administration has not announced that it will pursue secondary sanctions against Azerbaijan and its Central Asian neighbors for their continued trade with Russia and Iran, perhaps that is only because U.S. officials are still privately working to persuade regional partners to seek other opportunities.

So what does this mean for the countries in the Caspian Sea region? First, countries should not anticipate they will receive exemptions if they continue doing business with



Indian President Narendra Modi and Iranian President Hassan Rouhani meet in February 2018 to discuss the Iranian port of Chabahar. Image Source: VOA News.

sanctioned entities. China has already been sanctioned for its military-technical cooperation with Russia, and Turkey might soon face secondary sanctions as well. Second, countries in the Caspian Sea region that continue to engage with Russia while simultaneously receiving U.S. security assistance might be able to avoid secondary sanctions on the grounds that sanctions would harm the vital national security interests of the United States. However, those countries could still see further reductions in U.S. assistance, which will lead in turn to decreased bilateral engagement. Finally, some countries could be forced increasingly to choose between their major partners. As full members of the Eurasian Economic Union with economies directly connected to Russia's economy, Armenia, Kazakhstan, and the Kyrgyz Republic are especially vulnerable to secondary

sanctions from the United States and the second-order effects of Russian counter-sanctions against the United States. On the other hand, actively choosing closer cooperation with the United States could present some countries with unprecedented opportunities.

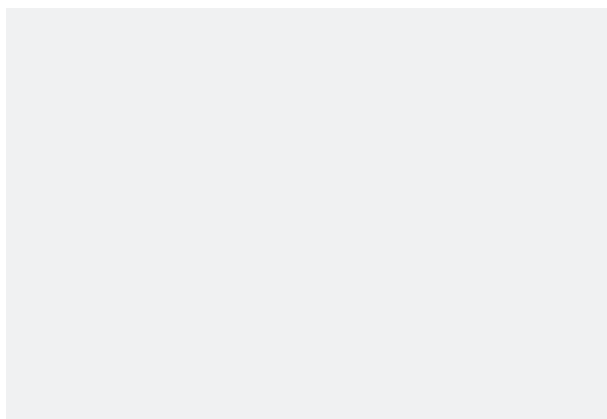
At the same time, there will be long-term consequences for the United States if it alienates its regional partners through secondary sanctions. As U.S. partners look for ways to evade sanctions in order to continue working with Russia and Iran, the United States could eventually find itself excluded from Caspian cooperation. But regional economic development is going to become even more important for Afghanistan's future, as the United States becomes increasingly focused on finalizing a peace deal with the Taliban. Afghanistan's prosperity requires cooperation among,

and with, its regional neighbors. Sanctions are only effective when they are calibrated and enforceable, and achieving U.S. strategic objectives in the long term might require making some concessions in the short term.

The views expressed are those of the author and do not represent the position or policy of the U.S. government, the Department of Defense, or the National Defense University.

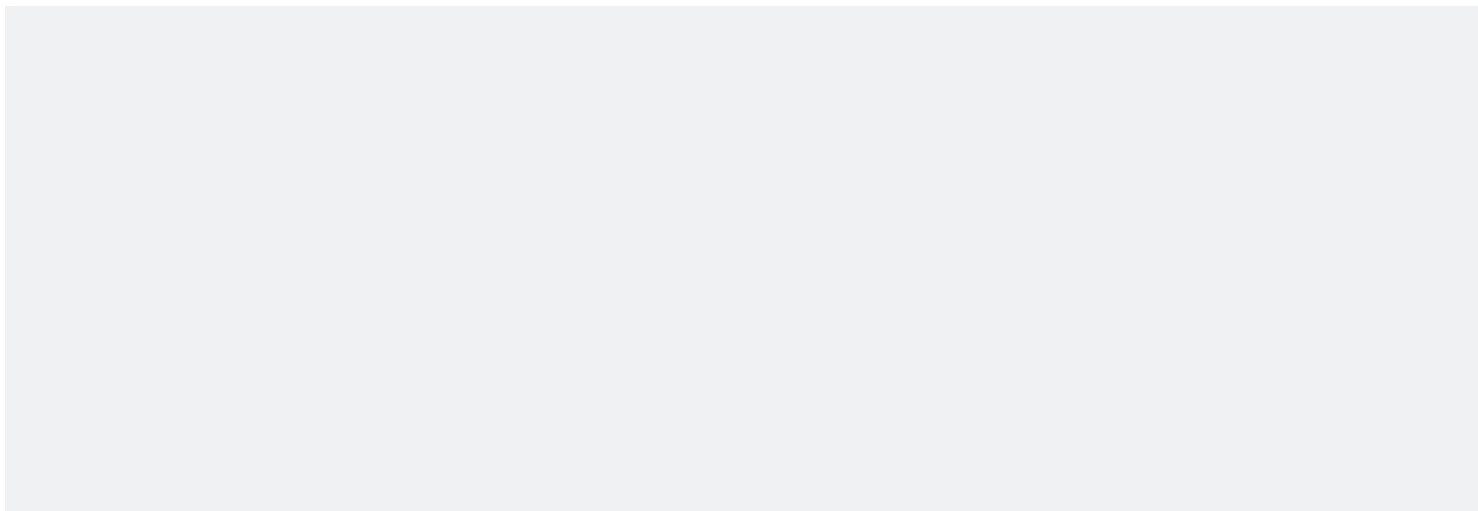
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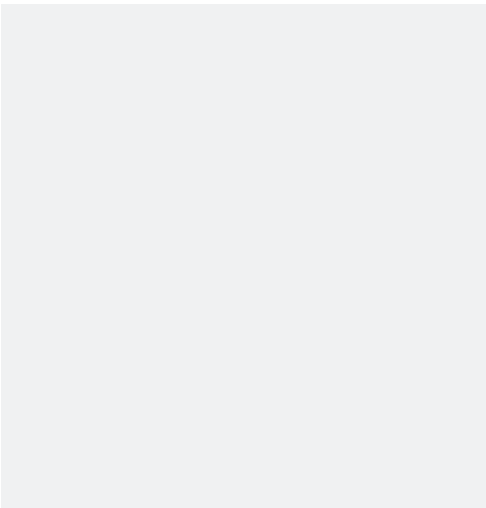
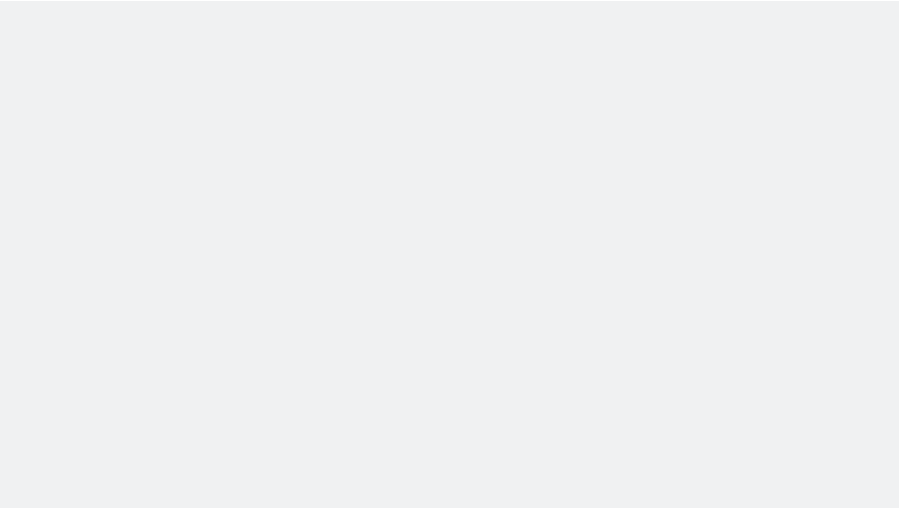
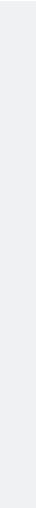
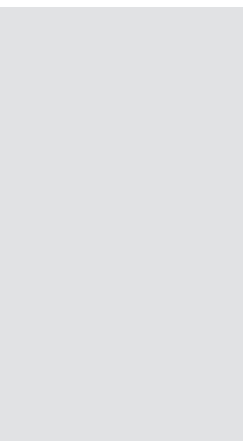
Image on the former page: Russian soldiers direct a shipment of S-400 missiles. Image Source: Defense News



Women in Politics and Security in the Caspian Region

Ambassador (ret.) Richard Hoagland and Sara Huzar





“The Afghanistan of the last several decades is frequently associated with the repressive regime imposed by the Taliban. However, women’s rights in Afghanistan were following much the same progression as the rest of the world earlier in the twentieth century.”

INTRODUCTION

The Greater Caspian Region is home to many remarkable women blazing trails in politics, business, innovation, and security. In recognition of the unique contributions these women make to their countries, the following brief offers an overview of women working in these fields in the Greater Caspian Region.

BACKGROUND

In general, women in the Greater Caspian Region have legal rights enshrined in national laws, but, in practice, they face challenges such as domestic violence, bride-napping, patriarchal social norms, and wage gaps. Across the board, women are underrepresented in government; no Greater Caspian country has more than a quarter of its legislative seats occupied by women. Similarly, the presence of women in higher education varies widely throughout the region, from 39 percent in Tajikistan to more than 50 percent in Kazakhstan and Kyrgyzstan.

Each country has its own long and diverse history when it comes to women’s rights. For example, late 19th and early 20th Century Russia was home to a thriving feminist movement. Russian women were considered some of the most ed-

ucated in Europe at the turn of the century. They were among the first women to win the right to vote following the 1917 revolution, and several women held positions of leadership in the new government. Stalin’s control of the Soviet Union, which at the time included many of today’s Greater Caspian states, made women’s rights more complicated. Motherhood and domesticity was a key part of women’s roles, but work outside the home was also necessary to support the state and their families. These two responsibilities shouldered women with a ‘double-burden.’

Afghan women’s history has long been the focus of significant international attention. The Afghanistan of the last several decades is frequently associated with the repressive regime imposed by the Taliban. However, women’s rights in Afghanistan were following much the same progression as the rest of the world earlier in the twentieth century. Afghan women were first eligible to vote in 1919, and the new constitution developed in the 1960s included measures for women’s equality in the political sphere. The Taliban rule in the 1990s rolled back most of these rights, banning women from accessing education, working, and participating in politics.

However, today’s Afghanistan is taking serious steps to correct the imbalance. The varied trajectories of these two countries are emblematic of the diversity in women’s rights in the region.

WOMEN IN GOVERNMENT: ROYA RAHMANI

Many women are making an impact in leadership positions in the states of the Greater Caspian Region, despite unequal representation in government. One example is Roya Rahmani, Afghanistan’s recently appointed Ambassador to the United States. Ambassador Rahmani became the first woman in history to occupy this post, when she was appointed in December 2018. She had previously broken ground as Afghanistan’s first female ambassador to Indonesia, and its first ambassador of any gender to the Association of South East Asian Nations (ASEAN). Ambassador Rahmani has been navigating a complicated bilateral relationship in her first months on the job, as the U.S. negotiates with the Taliban in the absence of Afghan government officials and prepares to withdraw troops from the embattled country.

Ambassador Rahmani’s role is emblematic of Afghan women’s greater presence in the political sphere in general. Afghanistan

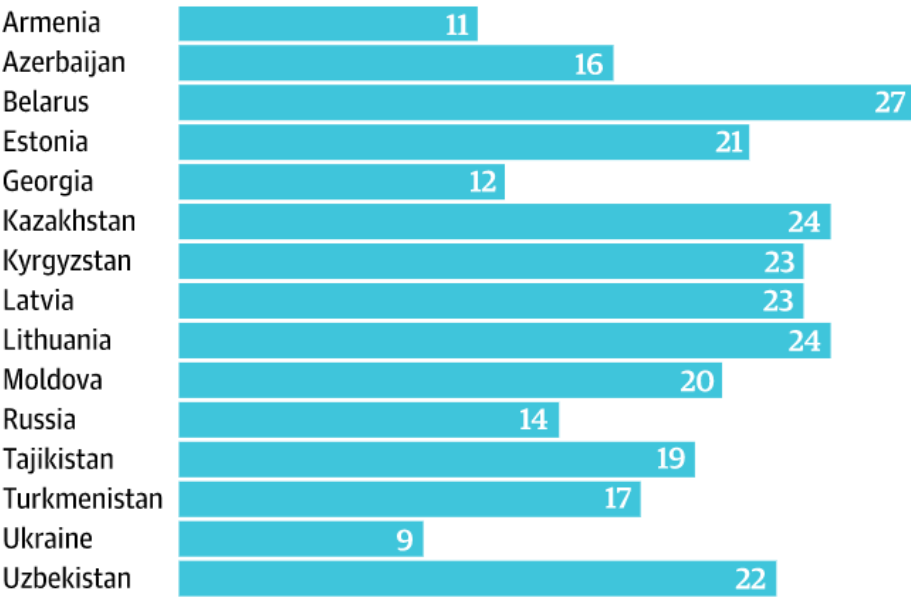
passed an affirmative action law in 2005 mandating that at least one fourth of its parliamentary seats be held by women, along with 30 provincial council seats. The results are mixed. Women currently hold 69 seats in the 250-seat parliament, only one more than the quota mandates. However, many of these parliamentarians are in their second or third term, indicating that once women achieve office, they earn the loyalty of their constituents. Representation seems to be having a positive effect on cultural attitudes. In 2004, just prior to the quota's implementation, 72 percent of male Afghan survey respondents believed that men should determine the candidates for whom women voted. That number was down to 16.9 percent in 2017.

MEHRIBAN ALIYEVA

Mehriban Aliyeva is a towering figure in Azerbaijan, having won countless distinguished

Women in parliament

Percentage of seats held by women in national parliaments



awards from domestic and international institutions during a long career in the public sphere. She has been particularly active in preserving and promoting Azeri culture, from starting the Friends of Azerbaijani Culture Foundation in 1995, to as-

suming the Presidency of the Heydar Aliyev Foundation, and becoming a UNESCO Goodwill Ambassador in 2004. She now serves as First Vice President of Azerbaijan, in addition to being First Lady.

Images on the former page--

Top Row, left to right: Roya Rahmani, Afghanistan's Ambassador to the United States; Mehriban Aliyeva, First Vice President of Azerbaijan and First Lady of Azerbaijan; Tamar Chugoshvili, First Vice Speaker of the Georgian Parliament; Elvira Nabiullina, Governor of the Central Bank of Russia

Middle Row: Valentina Matviyenko, Chairman of the Federation Council of the Federal Assembly of the Russian Federation; Dariga Nazarbayeva, the first woman to hold Kazakhstan's parliamentary speakership; Salome Zurbishvili, the first female president of Georgia, elected in 2018.

Bottom Row: Reyhan Jamalova, founder of the start-up Rainenergy based on an invention by Reyhan that generates electricity from rainwater; Goga Ashkenazi, founder and CEO of MunaiGaz Engineering Group

Image Sources in order: Asia Plus, Report. Az, Eeg.Ge, Zimbio.com, Business Insider, Vestnik Kavkaza, Azer News, Georgian Journal, Forbes, the Telegraph. Graph Source: The Guardian

“Unfortunately, President Zurabishvili and Vice Speaker Chugoshvili are outliers in the Georgian government. As President Chugoshvili herself pointed out in a recent speech, only 15 percent of Georgia’s MPs are women.”

SALOME ZURABISHVILI

President Salome Zurabishvili became the first woman to hold Georgia’s highest office when she was elected in 2018. A former French diplomat of Georgian descent, Zurabishvili left her post as France’s Ambassador to Georgia to serve as Georgia’s Foreign Minister under Mikheil Saakashvili.

TAMAR CHUGOSHVILI

President Zurabishvili is not the only powerful woman in Georgian politics. Tamar Chugoshvili serves as First Vice Speaker of the Georgian Parliament and has used that platform to advocate for the advancement of women’s rights in Georgia. She also chairs the Gender Equality Council of the Parliament of Georgia that focuses on ameliorating issues such as domestic violence against women, discrimination, and sexual abuse, while pushing for greater inclusion of women in political and economic activity.

Unfortunately, President Zurabishvili and Vice Speaker Chugoshvili are outliers in the Georgian government. Only 15 percent of Georgia’s MPs are women, as Chugoshvili herself pointed out in a recent speech. Local governments are actually becoming more male-dominated: 14 percent of their repre-

sentatives were women in 1998, compared to less than 10 percent in 2014. One of the biggest obstacles, according to local civil society leaders, is that younger women do not see politics as an accessible career goal for themselves. That perception may begin to change with President Zurabishvili occupying the nation’s top political office.

ELVIRA NABIULLINA

Elvira Nabiullina controls Russia’s financial health as governor of the Central Bank. She assumed her post in 2013, while Russia was facing falling oil prices and sanctions. Her response to impending economic recession earned her international acclaim: she was named 2015’s Central Bank Governor of the Year by Euromoney magazine, and 2016’s Best Central Bank Governor in Europe by The Banker. She has also appeared on Forbes’ list of the world’s most powerful women.

VALENTINA MATVIYENKO

Valentina Matviyenko assumed the speakership of the Russian Duma’s upper house in 2011, becoming the first woman to hold that position. She has been a pioneer in Russian politics since the 1980s, when she became one of the youngest female MPs in the USSR. She

later held several Ambassadorships, served as Deputy Prime Minister of Russia, and was governor of St. Petersburg before becoming Speaker. Now, she is the most powerful female politician in Russia as the country’s third highest ranking official.

However, Speaker Matviyenko’s prominence is not necessarily a positive development for Russia. She was elected Governor of St. Petersburg by two-thirds of the vote, but her approval rating dipped to 35 percent in 2008 and then plummeted even further to 18 percent by the time she left office in 2011. Her ascent to the speakership from this inauspicious position was achieved through a series of political maneuverings on the part of the ruling United Russia party. First, several local deputies were encouraged to resign. Then, Matviyenko obscured which of the newly vacant seats she would run for until after the deadline for opponents to register had passed. Those candidates who did run against her were unqualified to the point that opposition figures accused them of being United Russia plants. As a result, Matviyenko won her election in a landslide, moved to Moscow, and became Speaker. Observers explain the series of events as an attempt to move the controver-



Reyhan Jamalova, the 15 year old inventor of a device that generates electricity from rainwater. Source: The United Nations

sial figure to a more powerful, but less public, position in a ploy protect the image of United Russia.

DARIGA NAZARBAYEVA

Dariga Nazarbayeva has been a figure in Kazakh politics for many years, sometimes as an elected official, but always as the eldest daughter of the nation's long-time president Nursultan Nazarbayev. Her father stepped down from his position last month, and his successor appointed Nazarbayeva as Parliament speaker the next day. Kazakhstan is holding snap

elections this summer to replace Nazarbayev, and his daughter's appointment created speculation that she may be moving to succeed him.

Nazarbayeva has remained silent on her intentions, and there are certainly reasons she might choose not to run. She went through a highly publicized divorce in the mid-2000s that lead her ex-husband, a powerful businessman and then-Ambassador to Austria, to sharply break with her father President Nazarbayev. Austrian authorities arrested him for kidnapping and murder, and ultimately he

died in prison. The salacious case raised accusations of nepotism and corruption against the Nazarbayev family, which would likely resurface in a Nazarbayeva presidential run. Regardless of her plans for the future, Nazarbayeva is already the first woman to hold Kazakhstan's parliamentary speakership and is now one of the most powerful women in the Greater Caspian Region.

WOMEN IN BUSINESS AND INNOVATION:

REYHAN JAMALOVA

Women are active in the



Members of the Afghan Women's Network, a group represents approximately 125 smaller organizations totaling 3500 members throughout Afghanistan. Image Source: Afghan Women's Network

economies of most Greater Caspian countries. However, very few of them rise to positions of leadership. One exciting exception to this rule is Reyhan Jamalova, a high-schooler from Baku who founded the start-up Rainenergy based on her invention that generates electricity from rainwater. Rainenergy was first presented at the Global Summit of Entrepreneurs in 2017. Jamalova was the youngest presenter at the summit at fifteen years old. Since then, she has received praise from American first daughter Ivanka Trump and appeared on the BBC's list of 100 influential and inspiring women of 2018.

As an entrepreneur, Jamalova is an anomaly. Azeri women in the workforce generally occupy low-wage positions and rarely appear as business owners.

Only 26.38 percent of the country's entrepreneurs are women. However, Jamalova's early success reflects policy changes in Azerbaijan that have boosted school enrollment rates to nearly 100 percent and considerably decreased gender gaps in primary and secondary education. If Jamalova is any indicator, more Azeri women will take on leading roles in business and innovation as girls' education continues to improve.

GOGA ASHKENAZI

Goga Ashkenazi made her first fortune as founder and CEO of MunaiGaz Engineering Group, a Kazakh oil and gas conglomerate. She later moved into fashion, buying the label Vionnet in 2012. Now, she turns heads as a fixture in British social circles and close friend of

Prince Andrew's, known for opulent parties and an extravagant lifestyle.

Ashkenazi has attained a unique level of success, but Kazakh women in general have been increasing their presence in the business sphere. More than 30 percent of leading positions in the financial sector are held by women. Around 43 percent of small and medium-sized entities in Kazakhstan are female-owned. However, Kazakh women, though active in the economy, are often relegated to informal work or areas of low pay, meaning that their wages and access to social programs falls below that of men. Overall, the World Economic Forum ranks Kazakhstan 30th in the world for gender equality.

“One Afghan parliamentarian, Rahima Jami, recalls being beaten for having her feet exposed in a market. In her view, ‘Afghan women want peace too, but not at any cost.’”

WOMEN IN AFGHANISTAN'S PEACE PROCESS

Women's rights have been an essential theme in the narrative of the Afghan War. Taliban rule stripped the women of Afghanistan of their rights to receive an education, speak publicly, and travel in public without a male guardian. Many of today's Afghan women worry that a peace deal that includes Taliban participation in government could lead to a regression in women's rights. One Afghan parliamentarian, Rahima Jami, recalls being beaten for having her feet exposed in a market. In her view, “Afghan women want peace too, but not at any cost.”

These fears are augmented by the fact that, historically, women have been largely absent from peace negotiations with the Taliban. A recent Oxfam report catalogs eleven direct or indirect talks that have occurred between the Taliban and the international community. None of them have included women. Only three of the sixteen overtures made by the Afghan government involved female delegates.

However, women have successfully advocated for greater inclusion in the talks. Fawzia Koofi, an MP, and Hawa Alam Nuristani, a member of the Afghan Independent Human Rights Commission (AIHRC), both attended the dialogue held

in Moscow in February. Koofi, a high-profile women's rights advocate in Afghan politics, gave an impassioned speech about the rights of her daughters and said of the Taliban's refusal to entertain the notion of a female president: “Why should I beg them to get what I deserve? It is a right that is guaranteed in our constitution.” However, she was stuck in the back of the room at the official press conference. Both she and Nuristani were invited only in their personal capacities, not as representatives of Afghanistan.

Afghan women impact the peace process through non-governmental organizations as well. The Afghan Women's Network, a prolific umbrella organization for approximately 125 smaller organizations totaling 3,500 members throughout Afghanistan, has played an outsize role. The group released its “Afghan Women Six Point Agenda for Moscow Peace Talks” in early February. They urged peace negotiators to (1) avoid changing the political order; (2) preserve law and order institutions; (3) incorporate meaningful participation from women in the negotiations; (4) include protections for human rights; (5) directly and strongly advocate for women's rights; (6) ensure that any agreement does not compromise Afghanistan's connection

to the international community. A peaceful Afghanistan is still a distant goal, but including women's voices through initiatives such as this one will be crucial to ensuring that whatever agreement the sides reach benefits all Afghans.

CONCLUSION

International researchers have increasingly demonstrated that democracies are stronger when women are equal participants in civil society. Fortunately, more women have been taking positions in the forefront of politics, business and innovation, and conflict resolution in the Greater Caspian Region. Yet, there is still significant progress left to be made, and the U.S. should take steps to encourage more female representation in civil society. The State Department could impose quotas for female participants in American-funded exchange programs. Development agencies could target microloans towards female entrepreneurs and women-owned businesses. Such policies would support the steps that women of the Greater Caspian Region have already taken to define themselves as an important force in politics, business, and security.

The Afghan Peace Process

Ambassador (ret.) Richard Hoagland
and Sara Huzar



A BRIEF HISTORY FROM AMBASSADOR (RET.)

RICHARD E. HOAGLAND

I joined the United States diplomatic service in June 1985. The Personnel Director of the U.S. Information Agency, where I started my diplomatic career and that was eventually folded into the State Department in 1998, pulled me aside only a few weeks into the initial training program and said, “We’d like you to stop training and go to work right away on a special project.” How this happened is still one of the great mysteries of my life, but it set the direction of my career for the next 30 years. The “special project” was to help set up the Afghan Media Resource Center (AMRC). Why an AMRC, which most Americans would have found pretty esoteric at that time?

The AMRC was one of the overt elements of the much broader Reagan Doctrine that had just been implemented the year before in a conscious U.S. effort to push back against the Soviet Union in specific regional conflicts, including in Central America, Angola, and Afghanistan. In the previous decade, Afghanistan had experienced historic upheaval. The traditional royal family was overthrown in 1973 in a coup by the Afghan Communist Party. The Soviet Union invaded Afghanistan at the end of December 1979, to prop up its proxy government, leading to significant resistance and, quite quickly, the Soviet-Afghan War.

When I was pulled out of my initial diplomatic training class to help to set up the AMRC for the Afghan resistance to learn the basics of media reporting so that they themselves could cover the war at that time, the personnel director told me it would be only for a few weeks. But, in fact, it lasted for a full year. And now, decades later, the sum total of the AMRC’s video, photo, and print work is archived at the Library of Congress in Washington, DC.

I was told toward the end of my first diplomatic year that I was being sent to U.S. Consulate Peshawar in Pakistan for my first foreign diplomatic assignment.

Why Peshawar? It was a U.S. Consulate that was fast becoming ground-zero for U.S. efforts to push back against the Soviet Union in Afghanistan. However, U.S. Consulate Peshawar had been considered such a sleepy post until the Reagan Doctrine kicked in, that it was in the process of being dismantled and closed down. The mover’s boxes were already stacked in the hallways. But the Soviet-Afghan War historically reversed that bureaucratic decision, and U.S. Consulate Peshawar soon became one of the premier front-line diplomatic assignments of the second half of the 1980s.

The American Club in Peshawar, sponsored by the U.S. Consulate, became a sort of Star Wars Bar, heavily patronized every night by a colorful mix of international diplomats and intelligence officers, humani-

tarian assistance workers (some of whom, at least from Europe, also did double duty on the dark side), foreign journalists, and international mercenaries and other assorted “freedom fighters,” some free-lancing and some on the hard-core dark side. I’ll never forget one young Brit who strode into the bar one evening with a bloodied bandage around his head and who loudly proclaimed, “Free drinks for all! I just delivered a million dollars cash to Ahmad Shah Masood in the Panjshir Valley!”

On the record, my specific assignment at Consulate Peshawar was as the Public Affairs Officer that traditionally focused on U.S.-Pakistan relations. In reality, my job was to build relations with the seven official Afghan Resistance Parties. My office, located in the upscale Peshawar suburb, University Town, tended to attract “interesting drop-ins.”

One day, a young Afghan man, already balding and dressed in a well-pressed white shalwar-kamize, speaking impeccable British-accented English, visited my office and said, “Mr. Hoagland, you know nothing about Afghanistan, and I’m going to teach you!” He was the foreign affairs adviser for the moderate resistance party headed by Sibghatullah Mojaddedi. I wasn’t the least bit offended by what he’d said; I was intrigued, and we became friends. His name was Hamid Karzai. We stayed friends for decades, through thick and thin. I eventually had the honor of



President Hamid Karzai meets with President Barack Obama at the Afghan Presidential Palace in Kabul in March 2010.

visiting him in the Presidential Palace in Kabul in 2012.

Let's back up a bit. At the Soviet invasion of Afghanistan, hundreds of resistance cells led by hyper-local warlords proliferated throughout the country. But once the U.S. made Afghanistan a key element of the Reagan Doctrine, we, working with Pakistan and Saudi Arabia, winnowed them down and merged many of them. The final, more manageable official resistance parties became known as the Islamic Unity of Afghanistan Mujahideen and ranged from internationally sophisticated "Gucci Guerilla" types to hard-core "kill 'em all and let God sort it out" types, the latter dom-

inated by Gulbuddin Hekmatyar and Abdur-rab Rasool Saayaf. These were the parties that became known as The Peshawar Seven.

The first group, generally more moderate, were Afghan traditionalists: National Islamic Front for the Liberation of Afghanistan led by Pir Sayyid Ahmed Gilani; Afghan National Liberation Front led by Sibghatullah Mojaddedi; Islamic Revolution Movement led by Mohammad Nabi Mohammadi

The second group, generally more radical, tended to be political Islamists: Jamiat-i Islami led by Burhanuddin Rabbani; Hezb-i Islami Khalis led by Mulavi Younas Khalis;

Hezb-i Islamic Gulbuddin led by Gulbuddin Hekmatyar; Islamic Union for the Liberation of Afghanistan led by Abdur-rab Rasul Sayyaf.

Ethnic Pashtuns dominated all seven parties, except Rabbani's Jamiat-i Islami that was predominantly, but not exclusively, Tajik. And, in fact, Rabbani's broad-based party included both moderate traditionalists and more radical Sunni political Islamists. None of the seven parties specifically represented the Shia minority of Afghanistan.

The CIA, working with and generally deferring to Pakistan's Inter-Services Intelligence (ISI) service, with significant support from Saudi Arabia, tended to

“Ethnic Pashtuns dominated all seven parties, except Rabbani’s Jamiat-i Islami that was predominantly, but not exclusively, Tajik.”

favor delivery of lethal assistance—including Stinger missiles starting in 1986—to the more radical and violent Islamist elements of the Peshawar Seven, although official U.S. policy was that we favored none and gave equal assistance to all. In fact, that was not true: Pakistan funneled the bulk of our assistance to the Islamists. Saudi Arabia had no such pretense. From the beginning, its money and weapons went to the Islamists – and, significantly, it encouraged the most radical Islamists in Saudi Arabia to leave the Kingdom and go to fight in Afghanistan, in part to get them out of the royal family’s hair. Even in the late 1980s when I was in Peshawar, the name of a young and especially violent Saudi mercenary came to our attention—Osama bin Laden.

The Soviet Union withdrew from Afghanistan in 1989, and civil war dominated the next decade. The Islamists fought for control of Kabul, with the radical Pashtun Gulbuddin Hekmatyar leading the initial attacks that devastated Kabul, to prevent Burhanuddin Rabbani and his Tajiks from gaining power. All the while, Pakistan continued to support the Pashtun Islamists that eventually became known as the Taliban. Why? Because Pakistan—or at least the military and intelligence service that to this day dominate foreign and security

policy in Pakistan—adamantly believes it needs Afghanistan for “strategic depth,” as a fallback territory against India, and that the Pashtuns, who live on both sides of the border, will guarantee that goal.

Al-Qaëda emerged by the late 1990s from the remnants of the Islamist elements of the Afghan Resistance of the Soviet-Afghan War. The infamous 9/11 attacks on the U.S. were a wake-up call that required international engagement. The International Conference on Afghanistan in Bonn, Germany, in December 2001, chose Hamid Karzai as President of Afghanistan. He was a logical choice because he was a Pashtun descendent of the former royal family of Afghanistan; and although he was from the nationalist wing of the Afghan Resistance (Mojaddedi’s Afghan National Liberation Front), he had always maintained warm relations with Rabbani’s Tajiks and so was seen as a “unifier.” But because Karzai was a nationalist, not an Islamist, Pakistan redoubled its efforts to support the Taliban. They gave special support to the Haqqani Network, an especially violent group allied to the Taliban that had evolved from Hezb-i Islami Khalis. Plus ça change!

Jump forward another decade, and today U.S. Special Envoy Zalmay Khalilzad, himself of Afghan origin and a former

U.S. ambassador to Afghanistan, is—finally—negotiating with the Taliban to try to find a way for them to become, eventually, part of the Afghan government. There is a historic precedent for this. Gulbuddin Hekmatyar, one of the most radical Islamists of the 1980s who devastated Kabul in the 1990s civil war, eventually joined the Afghan government. Inevitably, the Taliban will as well.

A LOOK AT PEACE DISCUSSIONS

U.S. Special Envoy Zalmay Khalilzad’s negotiations started after President Trump ordered U.S. diplomats to seek direct negotiations with the Taliban last July, a significant deviation from the previous U.S. policy of insisting that the Taliban speak only with the Afghan government. The talks are focusing on four goals: generating a timeline for American troop withdrawal, obtaining assurances that Afghanistan will not become a safe haven for terrorist groups, brokering a cease-fire, and starting an intra-Afghan discussion and settlement. Khalilzad tweeted in January that both parties had “agreed in principle” to all four of these elements and “agreed in draft” to the first two.

The most recent round of negotiations kicked off on May 1. Taliban spokesman Zabihullah Mujahid said in an email statement that “full withdrawal of



U.S. Special Envoy Zalmay Khalilzad (center) speaks with Afghan government officials. Image Source: PBS.

foreign forces” and “preventing Afghanistan from harming others” would be the main agenda items. Most likely, the U.S. side is looking to discuss the specific mechanisms for enforcing the Taliban’s guarantees that Afghanistan will not become a haven for terrorist organizations. The Taliban, meanwhile, will press for a timetable on American troop withdrawal.

The American-led talks are not the only format in which these discussions are taking place. There is, in fact, a second negotiation taking place under the Moscow Process, a series of meetings between Russia and other neighbors of Afghanistan. The first meeting in 2016 included Russia, China, and Pakistan—notably exclud-

ing Afghanistan itself. Kabul was added in 2017 along with India and several Central Asian countries.

The latest iteration of the talks, which took place in early February, was the most significant public contact between the Taliban and Afghan politicians. None of the Afghans in attendance were current government representatives, in keeping with the Taliban’s policy of not yet speaking directly in public to representatives of the government in Kabul. However, several former officials, including former President Hamid Karzai, took part. The U.S. was also noticeably absent, having declined its invitation, and never publicly commented on the Moscow discussion.

The Moscow delegates released a nine-point declaration following the conclusion of their talks, outlining the areas in which all parties were in agreement. The document noted that the withdrawal of foreign troops and the protection of women’s rights were important to lasting peace in Afghanistan. It also declared that all parties involved would support the Doha talks. However, the declaration seems to carry little concrete weight, since the Afghan delegation had no authority to formally negotiate on behalf of the government, and the U.S., whose troops are the main foreign force on Afghan territory, was not in attendance.

POTENTIAL CHALLENGES

“The latest iteration of the talks, which took place in early February, was the most significant public contact between the Taliban and Afghan politicians.”

WOMEN’S RIGHTS

Women have been largely absent from peace negotiations with the Taliban. A recent Oxfam report details that of the eleven direct or indirect talks that have occurred between the Taliban and the international community, none has included women. Of the 16 overtures made by the Afghan government, only three involved female delegates. The lack of representation has left Afghan women concerned that their rights will be sacrificed in a deal that provides the Taliban with political representation. Hundreds of thousands have voiced their concerns on social media via the hashtag #MyRedLine, where they list rights they refuse to give up in a peace deal. This illustrates how far Afghan women have come in recent years: they are a political force that needs to be heard.

IMPENDING FIGHTING SEASON

Both the Taliban and the Afghan government announced plans for military offensives earlier this spring. Historically, these announcements precede the “fighting season” from April-September, where changing conditions on the ground could negatively affect the peace talks. For example, the Taliban might feel tempted to double down on their military options

if they make significant gains in the next several months.

PAKISTAN

Pakistan has held sway over the Taliban since its inception and currently provides the group sanctuary on its territory. This has been a persistent problem in Afghanistan-Pakistan relations, and caused Afghanistan to repeatedly criticize Pakistan for interfering with its sovereignty and preventing a peaceful resolution to the conflict. Pakistan has the ability to use its leverage for good. It “facilitated some movement” between Afghanistan and the Taliban in February, according to an unnamed U.S. official. Anonymous Taliban members corroborated the story, adding that Pakistan “made it clear to us that we have to talk to the U.S. and Afghan government.” However, Pakistan is by no means committed to the peace talks, and any pressure it exerted to bring the Taliban to the negotiating table can certainly be applied to other ends. Therefore, Pakistan could be a spoiler in the peace negotiations if it chooses to be.

GHANI GOVERNMENT

The talks between U.S. officials and Taliban representatives were from their earliest days labelled “talks before talks” that would, eventually, give way to an ‘Afghan-led Afghan-owned

peace process.’ However, the Afghan government has come to feel frozen out as negotiations continue. Afghanistan’s National Security Advisor, for example, blasted the U.S. for a lack of transparency in mid-March. President Ashraf Ghani has been quieter on the subject, but with September elections looming, the negotiations present a political problem for his government by making it appear uninvolved and powerless. He attempted to push back on this narrative by holding a historically traditional gathering of Afghan leaders, a Loya Jirga, in early May, but has faced additional questions to his legitimacy since that time. Initially, his term as president was due to end on May 22 after elections were held on April 20. Elections were postponed to September, so the Afghan Supreme Court extended Ghani’s term to keep him in office until a new president can be selected. However, the majority of opposition candidates have protested this decision, turning up the pressure on the Ghani government.

RECOMMENDATION: MAINTAIN A U.S. MILITARY BASE IN AFGHANISTAN

Islamist movements are not monolithic, as Afghanistan’s history shows us. Relatively moderate individuals within those movements will find a way



Afghan citizens embrace outside of a mosque following prayers for Eid al Fitr. Image Source: Time Magazine

to make their peace with, and join, the central government for the greater good of the Afghan nation. At the same time, other more radical elements of those parties will still lurk in the hills and mountains with their hand-held weapons and their ability to plant improvised explosive devices on the roadways “to make a statement.” The British learned this lesson in the 19th century. The Soviet Union learned it in the 20th century. The U.S., understandably eager to end its military engagement in Afghanistan, has the opportunity to do it right this time.

The U.S. indeed needs to sig-

nificantly change its engagement with Afghanistan from military occupation to a strong diplomatic presence with, one would hope, a residual but effective military presence at the Bagram Air Base north of Kabul.

The U.S. must maintain an official military presence, because a rising China is now exploring a hard-power military presence in Afghanistan and elsewhere in Central Asia. Russia still hovers to the north and is trying to make friends with the Taliban, if only to protect its interests in Central Asia. And Iran shares a major border with Afghanistan. Afghanistan is the cross-road

of larger powers jostling on the world stage, as it always has been.

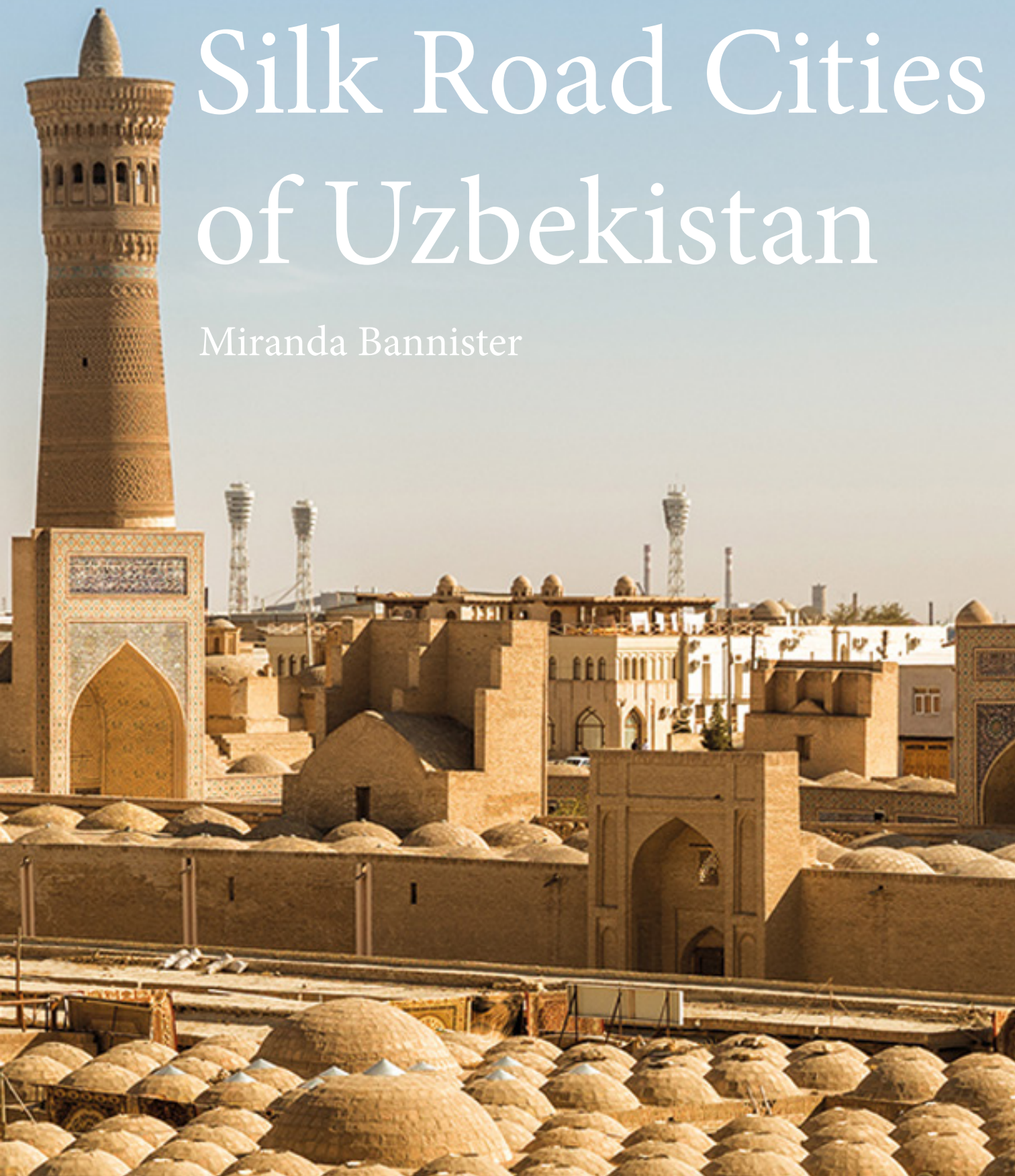
The people of Afghanistan are always gracious and hospitable to their guests. But the one constant—true for centuries—is that they will not tolerate foreign occupation.

In the end, Afghanistan is Afghanistan. And always will be.

Please view the report online at caspianpolicy.org for a full list of citations.

The Great Silk Road Cities of Uzbekistan

Miranda Bannister





There is no city in Uzbekistan more central to Silk Road history than the ancient capital of the Timurid Empire, Samarkand. This city, located southwest of the modern capital of Tashkent, boasts some of Uzbekistan's finest cultural monuments from medieval times and earlier. Mosques, madrassahs, and stately courtyards, preserved in Samarkand since the 13th and 14th centuries, mark the height of the great Timurid Empire, which controlled most of the Caspian Sea and the surrounding areas of Central Asia.

Temir, also known in the West as Tamerlane, or Temir the Lame, was the most successful leader of the Muslim Timurid Empire. He ruled a territory that stretched from the Black Sea to Delhi, India. However, he placed his capital in the small, little-remembered city of Samarkand. Temur's rule revived the Silk Road trade in the whole of Uzbekistan, leading to a cultural golden age. In fact, this empire, based in Samarkand, influenced Muslim empires from the Safavids in Persia to the Moghuls in India.

Samarkand's cultural heritage dates back much further than the Timurid rule. Scientists and archeologists have been able to retrieve an impressive array of finds that include Sogdian and Hellenic art, weaponry, coins, ceramics, and glass, which one can view today at the Afrosiab History Museum. These artifacts recall the city when Alexander the Great conquered it in 329 BC, seizing it for its strategic

value as the then-capital of the larger state Sogdiana. Archeological sites in the historic district also contain artifacts from the ancient city of Afrosiab, which was founded in the 7th century AD. Afrosiab flourished till its destruction in 1220, when Ghengis Khan's armies ravaged the city.

The historic center of Shakhristabz, a city located less than fifty miles South of Samarkand, formed an essential part of Timurid culture as well. It contains the Dorus Saodat, an enormous burial complex for the Timurid rulers and the final resting place of Temur. The white marble facade is one of the finest surviving burial sites in Central Asia, not to mention one of immense historic significance. This small city also contains the Ak-Sarai Palace. While Samarkand may have been the capital of Temur's empire, the conqueror spared no resources building this enormous castle—marked still by towering stone gates adorned with blue motifs characteristic of the era.

Heading northwest along the Silk Road, travelers encountered Bukhara—a city filled to this day with the monuments and markers of the Silk Road. The historic center of the city is “an exceptional example of a medieval Muslim city of Central Asia,” according to UNESCO, in no small part due to the total preservation of a number of its historic quarters. Many of the buildings in these areas date to the era of Silk Road history following the decline of the Timurid Empire. However,

according to UNESCO, “The real importance of Bukhara lies not in its individual buildings but rather in its overall townscape, demonstrating the high and consistent level of planning of architecture that began with the Sheibanid dynasty.” Today, the well-preserved ancient parts of Bukhara are a fully-integrated part of this vibrant city and well worth a visit.

Westward still lies the city of Khiva, the inner fortress of which is named Itchan Khala. Itchan Khala served as the final destination for caravans heading south to Persia across the desert. It contains no less than 51 monumental structures recognized by UNESCO for their authenticity and cultural significance. However, the most important name among these is the Djuma Mosque. This 18th-century building, which is the pride of Khiva, features a covered courtyard traditional in Uzbekistan and boasts an impressive 212 columns.

There are countless cities in Uzbekistan once traversed by merchants and travelers on the Silk Road, but something which all of them have in common is the legacy of the bazaar. Modern Uzbekistan has retained the culture surrounding these fascinating cultural and commercial hubs, which were initially features of the Silk Road. While vendors can enjoy the perks of a refrigerator in 2019, their stands boast many of the same foods common in the region 2,000 years ago. Visitors should be sure to sample the traditional Uzbek treat of peanuts boiled



Bibi-Khanym Mosque dome in Samarkand. Photo courtesy of Ambassador (ret.) Richard E. Hoagland.

in sugar syrup and sprinkled with sesame seeds or a hot loaf of Samarkand's famous bread, known for its soft, light inside and gold-brown crust. Pot- ters in any Uzbek market still sell traditional blue and white lyagan dishes and kosa bowls, as well as locally-made clothing and textiles. An Uzbek idiom commonly used today, "uzun kulak," or "long ear," derives from the loud, social nature of the bazaar, where shoppers and sellers still haggle daily.

The Silk Road bazaar has left its legacy in the very fabric of Uzbekistan's Silk Road cities. Many towns and villages across the country are named for the day of the week when their bazaars convened thousands of years ago. For example, there is a small town not far from Samarkand named Juma, or

"Friday." The names of passage- ways in Bukhara's historic center reflect their role in the Silk Road Bazaar: "Toki Zargaron" or "Jewelers Dome"; "Telpak Furushon," or "Headgear Sales- people's Dome"; "Toko Saraffon" or "Money Changer's Dome." The trades have changed, but passersby can still buy goods in these passageways and reflect upon the travelers who stood there centuries ago.

It is for these many ancient attractions that Uzbekistan is an essential destination on the Silk Road. However, credit is also due to the Uzbek gov- ernment, which has become a leader in the Central Asian tourism industry in the past two years alone. The number of foreign nationals who visited Uzbekistan in 2018 increased by 2.3 times from the previous

year, in part because Uzbeki- stan introduced electronic visas in July 2018. Uzbekistan and Kazakhstan also launched their "Silk Road Visa" in February 2019, which hopes to invigorate travel among Central Asian states. Acting Chairman of the State Committee of Uzbekistan Abdulaziz Akkulov explained, "This is an analogue of the Schengen visa, only between the countries of Central Asia. This measure will allow all of us to target a specific audience willing to discover the Silk Roads cities – such as Samarkand, Khiva and Bukhara." Visitors will certainly have plenty to explore and discover when they reach Uzbekistan.

Sources: UNESCO, AsiaTravel.az, Tashkent Times, Brussels Express, and CNN.

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