



MAY 2019



CASPIAN CONNECTIVITY:
**THE NEW
SILK ROAD**

FEATURED INTERVIEW WITH PARAG KHANNA



Caspian Business Forum New York

SEPTEMBER 2019



Caspian Snapshot

Current Affairs Highlights
in the Caspian Region Pg. 8

Featured

Won't You Be My Neighbor?
Theresa Sabonis-Helf Pg. 10

Plugging into the Region:
Electricity Projects in
Central Asia and the South
Caucasus
U.S. Ambassador (ret.) Robert
Cekuta, Kristen Cheriegate,
Elizabeth Deahl Pg. 18

Interview With
Best-Selling Author
Parag Khanna Pg. 22

General Essays

Increasing Connectivity
Among Central Asian States
U.S. Ambassador (ret.) Robert Cekuta Pg. 28

Draining the Caspian
Svante Cornell and Fred Starr Pg. 32

Connectivity and Conflict
Mediation: What Afghanistan
and Turkmenistan Hope for
From Their Strategic New
Partnership
Sara Huzar Pg. 36

Cultural Tourism in
Azerbaijan
CPC Staff Contributors Pg. 38

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



Editorial

Dear Readers,

Welcome to *Caspian Affairs*!

We at the Caspian Policy Center hope that this publication will help acquaint you with the political, security, infrastructure, economic, and trade and commerce issues and opportunities of the countries of the Caspian Sea region – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. These eight independent countries, once the center of the Silk Road immortalized by Marco Polo and others, are the land bridge between China and Europe and today are prime real estate for Beijing's Belt and Road Initiative. At the same time, Russia considers them as part of its "privileged sphere of influence," and Iran hovers directly to the south. Despite the major international competition in the region, each of these former Soviet republics, independent now for only 27 years, seeks to balance its relations with Moscow, Beijing, Washington, and Brussels.

This is a region on the move and poised for greater success, in large part because of the worldclass oil and natural-gas deposits in a number of the countries and, especially, in the Caspian Sea itself. It has the potential to supply significant amounts of hydrocarbons directly to Europe, as has already been proven by the successful Baku-Tbilisi-Ceyhan natural-gas pipeline. But the Caspian Sea region is not just about natural resources; even more, it's about human resources, boasting a highly-educated population and skilled work force. The Muslim countries in the region are moderate, secular, and forward looking. Especially promising is that these countries are beginning to explore forming their own regional organization to gain greater prominence on the world stage.

We at *Caspian Affairs* would 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
Editor-in-Chief
Caspian Affairs Magazine



MAY 2019 - ISSUE 2

EFGAN NIFTI, Executive Director
AMBASSADOR (RET.) RICHARD E. HOAGLAND, Editor-in-Chief
MIRANDA BANNISTER, Managing Editor
KRISTEN CHERIEGATE, Project Coordinator
ZEMFIRA AGHABAYOVA, Marketing and Communications
SARA HUZAR, BLAKE WILCOX Research Assistants
ELIAS CURTIS, TRANSFORMED DESIGNS, Cover Design
Printed by Heritage Printing and Graphics

Published by the Caspian Policy Center

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.

Caspian Policy Center
1015 15th St. NW
Suite 380
Washington, DC 20005

CONTRIBUTORS

THERESA SABONIS-HELF

Dr. Theresa Sabonis-Helf is a Professor of National Security Strategy at the National War College in Washington DC, where she has taught since 2001. She is also an Adjunct Professor at Georgetown University in the Science, Technology and International Affairs Program. She is a member of the NATO Defence College's Academic Advisory Board. She has served on Admiral James Stavridis' EUCOM Advisory Panel, and was Energy and Environment Policy Advisor for projects based in Central Asia managed by the Harvard Institute for International Development. She has lived and worked in seven countries of the former USSR, has assisted two nations with the development of their first National Security Strategies, and has co-edited a volume on Central Asia's political and economic transition.

AMBASSADOR (RET.) ROBERT F CEKUTA

Ambassador to the Republic of Azerbaijan (2015 – 2018), Bob Cekuta has long and extensive experience as a top level U.S. diplomat. Amb. Cekuta's positions in the State Department included Principal Deputy Assistant Secretary for Energy Resources as well as Deputy Assistant Secretary for Energy, Sanctions, and Commodities. His overseas postings included the U.S. Embassies in Berlin and Tokyo where he oversaw the full range of economic, commercial, nonproliferation, and scientific relations. In addition, Bob was Deputy Chief of Mission in Albania and held positions in Vienna, Baghdad, Kabul, Johannesburg, and Sana'a, Yemen. Ambassador Cekuta has received nine Senior Foreign Service Performance Awards, four Superior Honor Awards, five Meritorious Honor Awards, and the Career Achievement Award.

KRISTEN CHERIEGATE

Kristen Cheriegate is currently the Program Manager for the Caspian Policy Center. She holds a Master's degree in Security Policy and National Security Law from the George Washington University. Formerly, she was a Guest Lecturer at College of the Canyons in Southern California and was on the Board of Directors for the United Nations Association of the National Capital Area. She has also conducted research and analysis for both the Center for Cyber and Homeland Security and the Center for European Policy Analysis.

ELIZABETH DEAHL

Elizabeth "Nickie" is an MA candidate in the International Security program at George Mason University's Schar School of Policy and Government. She graduated magna cum laude with a BA from George Mason University, where she majored in Government and International Politics and minored in Chinese. Nickie was previously a research intern at Caspian Policy Center, where she focused on the intersection of geopolitics and energy in the Caspian region. Her research interests include global energy trends, renewable energy and climate policy, and energy diversification and national security.

CONTRIBUTORS

PARAG KHANNA

Dr. Parag Khanna is a leading global strategy advisor, world traveler, and best-selling author. He is Founder & Managing Partner of FutureMap, a data and scenario-based strategic advisory firm. Parag's newest book is *The Future is Asian: Commerce, Conflict & Culture in the 21st Century* (2019). He is author of a trilogy of books on the future of world order, the most recent of which is *Connectography: Mapping the Future of Global Civilization* (2016). He is also author of *Technocracy in America: Rise of the Info-State* (2017) and co-author of *Hybrid Reality: Thriving in the Emerging Human-Technology Civilization* (2012). *Esquire* named Dr Khanna as one of the "75 Most Influential People of the 21st Century" in 2008, and *WIRED* magazine featured him on their "Smart List." He holds a PhD from the London School of Economics, and Bachelors and Masters degrees from the School of Foreign Service at Georgetown University. He has traveled to more than 100 countries and is a Young Global Leader of the World Economic Forum.

FREDERICK STARR

S. Frederick Starr is Chairman of the Central Asia-Caucasus Institute and Silk Road Studies Program. He is Distinguished Fellow for Eurasia at the American Foreign Policy Council. His research, which has resulted in twenty books and 200 published articles, focuses on the rise of pluralistic and voluntary elements in modern societies, the interplay between foreign and domestic policy, and the relation of politics and culture. Starr is the author of numerous acclaimed books and has contributed articles to *Foreign Affairs*, *The National Review*, and *Far East Economic Review*. His op-eds have appeared in the *New York Times*, *Wall Street Journal*, *Washington Post*, *International Herald Tribune*, *Christian Science Monitor*, *Los Angeles Times*, and other major outlets.

SVANTE CORNELL

Svante E. Cornell is Director of the Institute for Security and Development Policy, and one of its co-founders. He is Research Director of the Central Asia-Caucasus Institute & Silk Road Studies Program, the Joint Center operated by ISDP in cooperation with the American Foreign Policy Council (AFPC). Dr. Cornell is also Senior Fellow for Eurasia at AFPC. His main areas of expertise are security issues, state-building, and transnational crime in Southwest and Central Asia, with a specific focus on the Caucasus and Turkey. He serves as Associate Professor (Docent) in Government at Uppsala University and Associate Research Professor at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies.

SARA HUZAR

Sara Huzar is a member of George Mason University's Honors College Class of 2019 and is one of its nineteen members to receive the prestigious University Scholarship. She has held numerous leadership positions in on-campus organizations and spent the spring of 2017 living in Kyiv, Ukraine, while interning at the US Embassy in the city. She has completed a funded research project on the discursive construction of Afghan women in congressional debates and presented it at the National Conference on Undergraduate Research 2018.

Caspian Snapshot

Energy and Economy

TRUMP HOPES TURKMENISTAN WILL EXPORT GAS TO WEST THROUGH AZERBAIJAN

U.S. President Donald Trump recently expressed the wish that Turkmenistan will export gas to the West. Trump's comment appeared in a congratulatory letter to Turkmen President Gurbanguly Berdimuhamedov in celebration of Nowruz. President Trump expressed hope that the latest determination on the legal status of the Caspian will facilitate gas exports to Europe and that "Neutral Turkmenistan" will take advantage of new possibilities in this regard.

INTERNATIONAL CONSORTIUM INVESTS \$5.2 BILLION IN OIL, GAS DEVELOPMENT IN UZBEKISTAN

U.S.-based Epsilon Development Company and Hong Kong's Epsilon Asia Limited will invest \$5.2 billion in Uzbekistan between 2019 and 2023 in order to develop five blocks of the Bukhara-Khiva and Fergana oil and gas regions. Preliminary estimates of reserves indicate that the blocks could hold 500 bcm of gas, 12 million tonnes of condensate and 8.6 million tonnes of oil.

BAKU AND BUDAPEST SET UP WORKING GROUP FOR

BRINGING CASPIAN GAS TO HUNGARY

Government representatives from Azerbaijan and Hungary have set up a working group dedicated to bringing gas from Azerbaijan's offshore fields to consumers in Hungary. Hungarian Minister of Foreign Affairs and Trade Péter Szijjártó and Azerbaijani Energy Minister Parviz Shahbazov signed the agreement on March 29 to create the aforementioned group.

WORLD BANK: AZERBAIJAN NEEDS MORE TECHNICAL ASSISTANCE, LESS FINANCIAL SUPPORT

Azerbaijan needs more technical assistance and less financial support, according to Mercy Tembon, the World Bank's Regional Director for the South Caucasus. "In 1992, when Azerbaijan joined the WB group, it was not that developed and needed a lot of investments. But as time goes by, we can see that the need for financial support is not as big as it used to be back then," she said.

UZBEK AUTHORITIES PREPARE MEMORANDUM ON FOREIGN TRADE REGIME FOR WTO ACCESSION

Authorities of Uzbekistan have prepared a memorandum on the foreign trade regime for

accession into the World Trade Organization (WTO). The document was reviewed and approved at the first meeting of the interdepartmental commission of Uzbekistan on cooperation with the WTO.

AZERBAIJAN INVESTS \$240 MILLION IN GEORGIA

Azerbaijan has been named a "number one investor in Georgia" in 2018. Last year, Azerbaijan invested \$240 million in Georgia's economy, the preliminary report of the National Statistics Office of Georgia said. Azerbaijan's share in direct investments in the economy of Georgia was 19.5 percent.

LAPIS LAZULI MEETING TO BE HELD IN TURKMENISTAN

The transport ministers and heads of custom services of Lapis Lazuli participating countries—Afghanistan, Azerbaijan, Georgia, Turkey, and Turkmenistan—will meet in Ashgabat in May, according to the Turkmenistan government. The last meeting of these representatives was in November 2018.

Politics and Security

NEW U.S. AMBASSADOR ARRIVES IN AZERBAIJAN

Ambassador Earle Litzenberger arrived in Baku on March 7. Ambassador Litzenberger previously served at the German Marshall Fund, the U.S. Mission to NATO, the U.S. Embassy in Belgrade, Serbia, and the U.S. Embassy in Bishkek, Kyrgyzstan.

PRESIDENT OF KAZAKHSTAN RESIGNS

Nursultan Nazarbayev, independent Kazakhstan's first and only president, resigned his office on March 19. The former upper-house chairman of Kazakhstan's parliament, Kasym-Zhomart Tokayev, will serve as interim president before the next elections in 2020.

LEADERS OF ARMENIA AND AZERBAIJAN MEET

President of Azerbaijan Ilham Aliyev and Prime Minister of Armenia Nikol Pashinian met on March 29 to discuss a peace deal for the Nagorno-Karabakh conflict. The meeting was the first official meeting between leaders of Azerbaijan and Armenia.

MOGHERINI HINTS AT FINALIZATION OF NEW EU-AZERBAIJAN PARTNERSHIP AGREEMENT

The European Union's High

Representative for Foreign Affairs and Security Policy, Federica Mogherini, signaled in a speech made in Brussels on April 4 that Azerbaijan and the EU may soon complete negotiations on a new partnership agreement.

NATO LEADER DECLARES SUPPORT FOR GEORGIAN MEMBERSHIP

NATO Secretary General Jens Stoltenberg was quoted as saying, "Georgia will join NATO, and Russia can do nothing about it." The Secretary General was in Georgia at the time, observing the NATO-Georgia exercises near Tbilisi.

U.S. INTENDS TO NOMINATE A NEW AMBASSADOR TO TURKMENISTAN

President Donald J. Trump has announced his intent to nominate Matthew S. Klimow as Ambassador Extraordinary and Plenipotentiary of the United States of America to Turkmenistan. Klimow is a career member of the Senior Executive Service and currently serves as Senior Advisor in the Office of the Under Secretary for Management at the Department of State.

PASHINYAN EXPRESSES INTEREST IN IRANIAN GAS

AND DEEPENING BILATERAL RELATIONS

Armenian Prime Minister Nikol Pashinyan said that his country was interested in purchasing Iranian natural gas in an address to representatives of the Armenian community in Iran. He added that Armenia may even be willing to transport Iranian gas to other countries.

EUROPE REMAINS DEPENDENT ON RUSSIAN GAS

Europe depends on Russia for 38 percent of its natural gas, despite efforts to diversify. The upcoming Nordstream and Turkstream 2 pipelines will likely continue this trend. Already, Bulgaria is considering joining Russia's Turkstream 2 project, and Germany is preparing for one of the largest sustained increases in natural gas consumption in almost two decades.

ARMENIAN REPUBLIC

01 16 ⇒

BIZM / VISAS

09



ARMENIAN REPUBLIC

07 01 16 ⇒ 6

R. 179

179

PEYNELXALO AEROPORTU

01 16 ⇒ 6

08 01 2016 8

016

SADAKHLO

STATE BORDER

016

08 01 2016 7

004

GARDABANI

STATE BORDER

004

ARMENIA

09 01 16 4

2755

Bagratshen



ARMENIA

08 01 16 4

2755

Bagratshen




Creative MARKET

Won't You Be My Neighbor?

Theresa Sabonis-Helf

The number of landlocked states in the world grew by 30 percent in 1992, as nine new ones emerged from the collapse of the USSR. Prior experience with decolonization of Africa had demonstrated that successful landlocked states would require, not only that the state effectively manage its infrastructure and rules to enable trade – but also that its neighbors cooperate with compatible rules and infrastructure. The international community was optimistic that cooperation would grow after independence, because the new states had been linked in a highly integrated Soviet system. However, it soon became evident, that neighborly cooperation would be difficult to come by.

The wars of the 1990s disrupted supply lines and relations in the Caucasus with the result that each of the three countries developed isolated, self-reliant economies. While isolation did not set on as rapidly in Central Asia, cooperation deteriorated over time, eroded both by design and by neglect. Old Soviet ties unraveled, and barriers to travel and communication increased steadily. The Central Asian Cooperation Organization (the region's last multilateral organization open to only Central

Asian states) had closed by 2005, and the countries in the region conducted their most important relations not with each other but with outside actors.

WHY CHANGE NOW?

Outside actors have issued calls since independence to better unite the region, to lower trade barriers, and to approach issues more collectively. The region still has a long way to go, but in recent years it has set on a new course towards escaping the development trap described by Paul Collier as “landlocked with bad neighbors.” What accounts for the trend towards regional cooperation? New leadership, changes in the strategic environment, and shifts in incentives to cooperate are key factors in the ongoing transformation.

Leadership transition has received the most attention of these three factors. The generation of nation-builders whose mission was state survival is giving way to a generation of leaders who take sovereignty as a given and have turned to emphasizing prosperity. President Berdymukhammedov presided over the construction of pipelines from China and supported China in the negotiation of gas transit across Uzbekistan and Kazakhstan against the objections of Moscow. His predecessor, Niyazov is better

remembered for his state policy of Permanent Neutrality, designed to close off his country from external influences, though he had tentatively explored cooperation with China. President Ilham Aliyev asserts that a regional trade and transport hub with Baku at its center will be his signature achievement. His father, Heydar Aliyev's signature achievement was the Contract of the Century, an agreement with Western oil companies designed to attract investment from outside the region and thereby protect Azerbaijan from re-incorporation into Russia's energy sphere. While the older generation of leaders focused on state survival and self-reliance, this younger generation finds compelling the economic logic of connecting to neighbors.

The passing of some leaders has made it easier for subsequent administrations to seek rapprochement, especially in the cases of leadership dyads whose well-known personal animosity made compromise difficult, such as with Karimov of Uzbekistan and Rahmon of Tajikistan. When President Rahmon traveled to Tashkent in August 2018 to reciprocate after President Mirzoyoyev's earlier trip to Dushanbe, it was the first Tajik state visit to Uzbekistan since independence. The March 2018 Summit of Central Asian

“The civil war in Tajikistan displaced 700,000 persons. Conflicts in the South Caucasus during the same period created an estimated 1,043,000 internally displaced persons and 608,000 refugees.”

leaders – the first meeting of the region’s leaders in nearly a decade—made possible the Caspian Summit that same year. The Summit did not resolve all questions about the Sea, but it was a significant step.

Leader priorities deservedly get a lot of attention, but the new generation of leaders is more catalyst than cause. These leaders are responding to a different strategic environment, as states have come to view their vulnerability to one another differently since independence.

THE THREATS NEXT DOOR

Uzbekistan frequently sealed the Fergana border with Kazakhstan in the mid-1990s, due ostensibly to terrorist threats. There was, indeed, a threat, but often it was the “bread threat”—the Uzbek government’s priority to keep its people fed (by imposing a low price on bread) was an impossible policy to sustain if bakers could easily move their wares across the border to a market economy. Each country was establishing new policies, often at the expense of its neighbors. The states were faced with mutual dependencies that were dangerous to their perception of stability.

Even existing infrastructure posed perceived threats to the states. Take the case of electricity. Kyrgyzstan was dependent on Uzbekistan not only to

bring its seasonal hydropower to the regional market but also to transport its own electricity from Toktogul to the capital city, since existing power lines ran across Uzbekistan’s territory. Armenia disconnected Georgia from its electricity grid in order to stabilize the hertz in 1996 – Georgia’s electricity supply had become too erratic to be safely connected to a grid containing a nuclear power plant. Turkmenistan began isolating itself from the Central Asia Power System in 2002, alleging that Uzbekistan was dumping power into their grid and then charging for it. The Central Asia grid came under a particularly severe strain during a cold snap in the winter of 2008-2009, with Tajikistan, Kyrgyzstan and Uzbekistan all drawing more power than they had negotiated. The grid became unstable as a result. Kazakhstan, followed by Uzbekistan, withdrew from the grid to protect their infrastructure. Kazakhstan rejoined the grid shortly after the crisis, but Uzbekistan refused, leaving Tajikistan out of the system for nearly a decade. Uzbekistan hoped that lack of market access would discourage Tajikistan from developing new hydropower, a course of action that Tashkent saw as a threat to regional water security.

The movement of people, especially from regions of conflict, was another significant chal-

lenge to state’s control of their territory. The civil war in Tajikistan displaced 700,000 persons. Conflicts in the South Caucasus during the same period created an estimated 1,043,000 internally displaced persons and 608,000 refugees. The early period also saw a rise in pogroms against ethnic minorities, as well as tensions over enclaves and exclaves in the Fergana Valley involving Kyrgyzstan, Uzbekistan and Tajikistan. States sought to secure their borders, dividing communities in the process. Fear of regional instability and Islamic fundamentalism caused Uzbekistan in 1992 to halt air travel with Tajikistan. Tashkent reduced train schedules and blocked or destroyed the lines. Throughout the region, bus routes were eliminated, and visa regimes imposed to restrict travel. Some borders were closed entirely in the Caucasus and in Uzbekistan.

HOW THREATS BECOME OPPORTUNITY

High levels of internal migration continued, in spite of the disruption of transit infrastructure, and remittances became a deeply entrenched part of the political economy. Official estimates show that more than six million citizens (nine percent of the population) of Central Asia are economic migrants. Over 3 million citizens work

abroad and send remittances home in the Caucasus. Remittances have been critical, with Kyrgyzstan and Tajikistan depending on them for more than 30 percent of their GDP in most years. Armenia and Georgia have been consistently dependent on remittances for more than ten percent of their GDPs. Maintaining access to Russian labor markets became a critical component of regional relations. Russia began extending preferred status to members of the Eurasian Economic Union (Armenia, Kyrgyzstan and Kazakhstan), and imposing bans on re-entry for migrants charged with document violations as part of its efforts to regularize migration in 2015-2016. The bans threw Central Asia into economic crisis.

Kazakhstan became a migrant destination as Russia tightened restrictions. Already home to an estimated half million guest workers, Kazakhstan cooperated with international organizations to develop the capacity to encourage legal migration, especially of skilled workers, while countering irregular migration. Kazakhstan reported more than 1,265,000 Central Asian registered migrants by 2017. Work permits have increased four-fold since their inception in 2014. Kyrgyz migrants increased 40 percent from 2015 to 2016, with over 150,000 registered, while Uzbek migrants remain the largest group. Kazakhstan, with successful economic development and relatively sparse population has been willing to absorb

neighbors—especially now that it can regulate the migration and attract skilled labor. Azerbaijan, newly a destination state, is beginning to follow this model.

Ease of travel for citizens of the region varies by state. Travel for business or pleasure is not yet extensive across Central Asia (except in Kazakhstan and Georgia), but the infrastructure for it is emerging, spurred in great measure by the new openness of Uzbekistan.

TABLE I: VISA REQUIREMENTS FOR TRAVEL (See page 16.)

A Central Asia research team has detailed recent increase in travel among the countries of Central Asia, identifying 26 routes (13 air routes, 4 train routes, 9 bus routes) that have been created, resurrected, or proposed between January 2017 and December 2018. Not all these routes will succeed (several of the air routes are not yet commercially viable), but it is evidence that the ability of Central Asians to move about their region is slowly being restored.

The promise of tourism in the region has encouraged further cooperation. Georgia's success in attracting 7.5 million tourists in 2017, with a direct contribution to GDP of 9.3 percent, has inspired others. Attempting to increase their numbers, Kazakhstan and Uzbekistan have announced their intention to introduce a common "Silk Visa" for tourists. Astana has expressed its intention to invite Azerbaijan and Turkey into the

common visa, and Tajikistan and Kyrgyzstan have indicated their interest as well.

LEARNING TO TRADE

President Nazarbayev lamented at the Central Asia Summit in March 2018 that only five percent of the volume of trade of the countries of Central Asia is among themselves. This five percent assertion understates regional trade, shown in Table II. Although total volumes of imports and exports may be low and unequal across states, the trade among states is quite important relative to the size of their economies: In 2017, Central Asia accounted for 33.5 percent of Tajikistan's exports, 27.6 percent of Kyrgyzstan's exports, 10.4 percent of Uzbekistan's exports, 5 percent of Kazakhstan's exports, and even 3.6 percent of Georgia's exports. Imports from Central Asia, in turn, accounted for 15 percent of Tajikistan's imports, 12.1 percent of Uzbekistan's imports, 11.6 percent of Kyrgyzstan's imports, 4.5 percent of Kazakhstan's imports, and 2.8 percent of Azerbaijan's imports.

TABLE II: REGIONAL TRADE 2017 - EXPORT DESTINATIONS AND IMPORT ORIGINS (See page 16.)

Note also the high volumes of trade with China – much of which transits across the region. China has surpassed Russia as a trade partner in all the Central Asian states except Kyrgyzstan. The Caucasus countries still trade more with Russia, but China is making significant

“Although border fees remain high in many cases, the most common problem in the region is the cost of documentation required for the right to import and export.”

inroads even with Armenia, despite Armenia’s distance and membership in the Eurasian Economic Union. Increase in the volumes of trade overall, as well as shifts in the patterns and routes of trade, create significant incentives for the nations to pursue relevant reforms.

The expansion of the economies, as well as the volatility they have experienced in recent years, has increased the pressure for reform everywhere. The World Bank’s annual analysis “Doing Business” compares the economies of the world in terms of the ease of conducting commercial business. At least one state in the Caspian region has been among the top 10 “Most Improved” every year for the past four years, with Azerbaijan 4th in 2017-2018, Uzbekistan 6th in 2016-2017, Kazakhstan and Georgia 2nd and 7th in 2015-2016, and Uzbekistan and Kazakhstan 6th and 7th in 2014-2015.

“Doing Business 2019,” which compared 190 economies, showed that trade is not yet a strength of the Caspian region. Trade rankings across the states are lower than aggregate indicators and show striking inefficiencies in moving goods. The chart below shows select trade indicators. “Notable Problems” are areas in which the country’s score is twice or more the average of the Europe-Central Asia

region. Although border fees remain high in many cases, the most common problem in the region is the cost of documentation required for the right to import and export. As President Nazarbayev asserted at the Central Asia Summit, simplifying administrative procedures for transit traffic is a key aspect of improving the economy of the region.

TABLE III: SELECT INDICATORS OF EASE OF TRADING ACROSS BORDERS (See page 17.)

WHAT TO TRADE?

Kazakhstan’s ability to absorb migrant labor is one way by which Kazakhstan exports security to the region through increased economic interaction. Another area is in food security. Kazakhstan now exports grain to all four of its Central Asian neighbors, as a result of conscious policy. This contributes to regional security, because, in spite of the relatively high rural population and the large percentage of the labor force in agriculture, Central Asian states are not self-sufficient in food. In fact, the regional average of undernourished citizens was 14.8 percent in 2015-2017. This was not always the case. Kyrgyzstan, Tajikistan and Turkmenistan all switched from being net agricultural exporters to net agricultural importers in the 2005-2009

period. In poorer countries, importing food increases the vulnerability of the population to volatility in commodities prices. The regional tendency to favor cotton over food production puts citizens at risk. While Tajikistan, Uzbekistan and Turkmenistan struggle with the future of cotton in their countries, Kazakhstan is now poised to keep Central Asia fed. Meanwhile, the Central Asia markets are increasingly attractive in the Caucasus states, where size of the agricultural labor force is growing. Development efforts have focused on improving smallholder production and market access to raise production above subsistence level. Food security in the Caucasus has been historically relatively good - the percentage of undernourished in the region by 2015-2017 was below 2.5 percent in Azerbaijan, 4.3 percent in Armenia and 7.4 percent in Georgia.

Electricity is another sector in which a transformation in trade is evident. The states are turning away from electricity self-reliance and beginning to establish (or re-establish) electricity networks that allow them to better balance their grids, save costs, and share strengths instead of weaknesses. Tajikistan resumed sales of electricity to Uzbekistan in April 2018. Central Asian states are rushing to rehabilitate

their portion of the Central Asian Power System, with even Turkmenistan improving its grid in preparation for trading more electricity with Central Asia. In the Caucasus, Georgia is trying to establish a regional grid and has built the capacity to trade electricity across borders with all its neighbors.

RISING COSTS OF INACTION

Kyrgyzstan became the first state in the region to join the World Trade Organization (December 1998), only to discover considerable penalties for being an early free-trade actor in a region of managed economies. But the trend has changed: it is rational to focus on self-reliance in an environment of very limited capital and usable infrastructure. However, the costs of being left out of the new networks becomes apparent in a period of rapid building. Much is made of the disadvantage to Armenia of being bypassed by the newly-completed Kars Railway in the Caucasus.

The Kars Railway was a project of an organization that seems to be everywhere in the region these days: The Central Asia Regional Economic Cooperation Program (CAREC). Founded in 1997 by the Asian Development Bank, CAREC has been given new life and resources since then by China, which provided it with a headquarters in Urumqi, and registered its status as a UN International Organization in 2017. CAREC includes Afghanistan, Azerbaijan,

China, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. Its purpose is to consult and coordinate on matters of regional transit and trade and facilitate investment, hence its slogan “Good Neighbors, Good Partners, and Good Prospects.” Armenia is conspicuous by its absence. Excluded from regional planning, Chinese-led infrastructure investment, and prospects of becoming a transit state, Armenia risks being left further and further behind as the region comes into its own.

The fear of missing out on advantages of cooperation has become a significant motivator. Restoring the Central Asian Power System became more attractive when Uzbekistan realized that Tajikistan and Kyrgyzstan were building the capability to trade with southern markets in Afghanistan and Pakistan through the CASA-1000 project. Uzbekistan realized a new system would evolve without it if it did not resume a role in the trade system. Similarly, Uzbekistan had an incentive to maximize economic pressure on Tajikistan, when it believed it could prevent Tajikistan from building the Roghun Dam. Now that the dam seems inevitable, there is an incentive to establish patterns of coordination to maximize access to water.

The landlocked ports of the Caspian Sea were not a high priority until Azerbaijan began pursuing Alyat Port and linking via rail to Turkey and eventually to Georgia’s new deep

water port. The Anaklia Port, (a massive project financed by AIIB, Georgian, European and American investment) is already integrated into regional plans, although it will not open before 2021. A Memorandum of Cooperation, which includes Georgia, Azerbaijan, and Kazakhstan and seeks to ensure coordination on development of the trans-Caspian corridor, was signed before the Anaklia groundbreaking. Turkmenistan would do well to seek membership.

The June 2018 UN General Assembly resolution on the Central Asia Region ratified what has been happening since 2013: The new generation of leaders has recognized that the advantages of cooperation now exceed the risks of mutual dependency. Efforts at improved integration are likely to continue, as a narrative of prosperity requires landlocked states to cooperate with neighbors, just as the international community predicted in the region’s early years of independence.

The opinions expressed in this article are those of the author, and do not represent the views of the U.S. government, the Department of Defense, or the National Defense University.

To see a full list of citations for this article, please visit caspianshipolicy.org.

Table I: Visa Requirements for Travel

	U.S.	Russia	China	Turkey	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan	Armenia	Georgia	Azerbaijan
U.S.												
Russia												
China												
Turkey												
Kazakhstan												
Kyrgyzstan												
Tajikistan												
Turkmenistan												
Uzbekistan												
Armenia												
Georgia												
Azerbaijan												

Green signifies visa-free travel

Yellow signifies visa requirements

Red signifies no visas available

Table II: Regional Trade 2017- Export destinations and import origins

	Export Destinations (Regional)	Import Origins (Regional)
Armenia	Georgia 8.6% (China 5.4%; Russia 23%)	(China 12%; Russia 29%)
Azerbaijan	Georgia 3.8% (China 3.1%; Russia 1.4%)	Georgia 3.2%; Kazakhstan 1.6%; Turkmenistan 1.2% (China 9.7%; Russia 17%)
Georgia	Azerbaijan 8.1%; Armenia 4.9%; Uzbekistan 2%; Kazakhstan 1.6% (China 6.5%; Russia 13%)	Azerbaijan 6.8%; Armenia 2.6%; Turkmenistan 1.5% (China 9.4%; Russia 9.7%)
Kazakhstan	Uzbekistan 2.8%; Kyrgyzstan 1.2%; Tajikistan 1.0% (China 13%; Russia 11%)	Uzbekistan 2.3%; Kyrgyzstan 1.2%; Tajikistan 1% (China 17%; Russia 38%)
Kyrgyzstan	Kazakhstan 20%; Uzbekistan 6.3%; Tajikistan 1.3% (China 5.3%; Russia 14%)	Kazakhstan 8.9%; Uzbekistan 2.7% (China 45%; Russia 23%)
Tajikistan	Kazakhstan 32%; Kyrgyzstan 1.5% (China 4.9%; Russia 2.6%)	Kazakhstan 15%; (China 43%; Russia 23%)
Turkmenistan	Georgia 1.7%; Azerbaijan 1.4% (China 83%; Russia 1.2%)	Kazakhstan 1.6% (China 11%; Russia 10%)
Uzbekistan	Kazakhstan 8.5%; Kyrgyzstan 1.9% (China 17%; Russia 12%)	Kazakhstan 11%; Kyrgyzstan 1.1% (China 24%; Russia 23%)

Table III: Select indicators of Ease of trading across borders

	Rank Overall	Rank for Trade	Time at border for imports (hours)	Time at border for exports	Border Fees for Imports	Border Fees for Exports	Notable Problems
Armenia	41	46	3	39	0	\$100	
Azerbaijan	25	84	14	17	\$300	\$214	Cost of import & export documentation
Georgia	6	43	15	6	\$396	\$112	Cost of import & import documentation
Kazakhstan	28	102	2	105	0	\$470	Time at border & cost of export & export documentation
Kyrgyzstan	70	70	72	5	\$512	\$10	Time at border & border fees for imports
Tajikistan	126	148	107	51	\$223	\$313	All aspects of exports & time required for documents of imports
Uzbekistan	76	165	111	12.5	\$278	\$278	Time required for documents & time at border
Regional Average ECA			21.1	22.1	\$162	\$158	



Plugging into the Region: Electricity Projects in Central Asia and the South Caucasus

**Compiled by Kristen Cheriegate from the CPC January
2019 report: “Protection and Modernization of Critical
Infrastructure— Key to Prosperity and Security”**



Image: What'supwiththat.com

Maintaining critical infrastructure—the facilities and systems essential for a country's economy, government, and society to function—is key to a modern state's security, prosperity, and well-being. However, there is often a tendency to focus more on building new critical infrastructure elements (e.g., constructing a new power plant or opening a new transport system), than in ensuring adequate

on-going maintenance, modernization, and protection of existing systems. Recent incidences of infrastructure failure and breeches in the United States, Western and Central Europe, and the Greater Caspian Region, highlight the dangers of postponing or neglecting protective measures.

The electrical grids in most Caspian countries date back to the Soviet period and were constructed as part of an integrated system across the region. One significant example is the

Mingachevir Dam in Azerbaijan, which was one of the world's largest hydroelectric projects when it was built in 1953. Electrification was a highly visible sign of modernity and improvement in living standards in the USSR, just as it was in the United States. However, its reach beyond urban areas and larger towns was not always complete.

The Soviet electrical infrastructure remains, but it is aging and often poorly maintained. Moreover, demand from commercial and individual consum-

“The Energy Supply Improvement Investment Program, Tranche 2 project, also involves expanding power imports from Turkmenistan through an interconnection, unifying Afghanistan’s power grid, and extending its reach into the central part of the country.”

ers has grown while the systems supplying the electricity to meet that demand have not kept pace. This situation has resulted in frequent failures in the electrical systems as well as a problem of inadequate reach. In addition, the links between local infrastructure and Russia’s own system can be the source of further problems while at the same time highlighting the need for new infrastructure.

Cross-border trade in electricity supplies suffered following the breakup of the Soviet Union when the newly independent states took control of the systems within their countries. Political decisions sometimes resulted in countries monopolizing power resources to protect domestic interests, moves which heightened nationalist tensions in the region. These decisions, however, came at the cost of efficiency and adequate preparation for future economic growth.

ONGOING PROJECTS IN CENTRAL ASIA

There are several ongoing projects among the Central Asian countries to improve electrical grids, boost supplies, and secure cross-border electricity transfers. Most of these projects aim to fix the problems that arose from the Soviet-era Central Asia Power System (CAPS).

The Central Asia-South Asia

Electricity Transmission and Trade Project (CASA-1000) was initiated in March 2014. Led by the World Bank and other partners, including the European Investment Bank, USAID, the International Development Association, and others, CASA-1000 will allow Kyrgyzstan and Tajikistan to export excess energy to Afghanistan and Pakistan during the summer months when demand there is highest. The Central Asian countries will benefit from returns on the increased trade in electricity, which will enable them to make the infrastructural investments necessary to generate sufficient electricity during the months. With construction underway in three provinces of Afghanistan, completion of CASA-1000 is projected for June 2020.

The Central Asia Regional Economic Cooperation (CAREC) Program is a framework to facilitate cooperation between eight of the Central Asian countries and six multilateral institutions. The Asian Development Bank manages the secretariat. The CAREC developed a transport strategy for the region that identifies the best routes for both transportation and transit, as well as working on grid cooperation, security, and development.

The Regional Cooperation on Renewable Energy Integration

to the Grid will support Afghanistan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Pakistan, and Uzbekistan in stabilizing renewable energy generation (solar and wind). The project will train transmission grid operators on new, modernized control techniques to solve intermittent supply outages. The initiative also looks to analyze options for regional cooperation arrangements.

The Energy Supply Improvement Investment Program, Tranche 2 project, also involves expanding power imports from Turkmenistan through an interconnection, unifying Afghanistan’s power grid, and extending its reach into the central part of the country.

ONGOING PROJECTS IN THE SOUTH CAUCASUS

While countries experience many of the same problems as Central Asia, including blackouts and brownouts caused by aging infrastructure and poor maintenance, funding for improvement and maintenance projects in the South Caucasus often comes from the European Union, World Bank, and the German Development Bank (KfW). The Caucasus Transmission Network, a multi-phase project financed by Germany’s KfW, the European Commission, and others, aims

to strengthen interconnections to facilitate energy exchange and transit between the South Caucasus countries, eventually linking Armenia to the EU's European Network of Transmission System Operations for Electricity power grid via Georgia. Armenia will export energy to Georgia during the winter and import energy from Georgia in the summer.

The Kazbegi Interconnection Project headed by Georgian State Electrosystem (GSE) aims at improving the Georgian transmission grid and promoting large-scale wholesale trade in electricity between Georgia and its neighboring countries. It will be the main line linking the power systems of Georgia, Russia, Armenia, and Iran. Etel (Finland) signed a contract worth €21.6M with the Georgian State Electrosystem in a consortium with EMC Ltd (India). At first, the transmission line will operate on 110 kV voltage serving to integrate the power generated by existing hydropower plants and those being built located in the Mtskheta-Mtianeti region into the power system of Georgia. The second phase will connect the transmission line to the Russian electrical grid. Accordingly, a 500/110 kV substation will be established near Stepantsminda. It will operate on 500 kV voltage with the transmission capacity of 1100 MW.

PROJECT FINANCING

Foreign assistance has long played a role in developing electricity supplies and infrastructure elsewhere in the region as well. The U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers have been involved in maintaining Afghanistan's Kajaki Dam for years. The dam is an important source of electricity as well as supplying water for agriculture. International financial institutions such as the ADB play a role in financing the construction, maintenance, management, and modernization of electrical grids in the region. Aid donors and multilateral institutions have also worked to help integrate and reintegrate electricity systems across borders to boost supplies in more efficient, cost-effective ways.

Nevertheless, there are numerous cases in which infrastructure that was once adequate ages and falls into disrepair. Increasing public demand and expectations for better, more reliable service have led to dissatisfaction with existing utility structures and their management. Electricity demand is expected to grow over the coming years, not just due to rising consumer demand, but also because of industrial use and infrastructure involving water supplies and sewage treatment. In some cases, as with Azerbaijan, upgrading the electrical system is

integral to eventually privatizing the infrastructure and attracting future investment. Greater attention to water supplies—including addressing issues of cross-border water access—will become increasingly important in maintaining, let alone boosting, hydroelectric power supplies. Boosting energy efficiency and diversifying sources for generating electrical power with natural gas, other hydroelectric resources (including those on a micro scale), and wind and solar power, will also increase electricity supplies. Integrating or reintegrating grids will help meet demand and modernize infrastructure. All these actions require substantial financial outlays as well as on-going attention and commitment by the relevant national authorities.

To see full report, please visit caspi-anpolicy.org.

“Increasing public demand and expectations for better, more reliable service have led to dissatisfaction with existing utility structures and their management.”

Interview with Best-Selling Author Parag Khanna



Image: Kreg Holt

[Caspian Affairs] What do you think is really happening on the global and regional scale in connectivity? How is that changing the global politics/economy/trade? Where the countries of the Greater Caspian Region fit in this picture?

[Parag Khanna] Great, so a big question and a small question. In terms of the big question, obviously my work tends to demonstrate that connectivity is a fundamentally human process and a technological process. It advances almost relentlessly over a thousand year timescale and very intensively today. It really transforms the nature of the system from one based on national boundaries alone towards one in which those boundaries are radically transcended in a large degree by various forms of infrastructure, transportation, communications, and the impact that those have on redefining relations between societies, privileging cities over states

alone. So the picture I paint is one of multilayered geography, natural geography, critical geography, and functional geography being the newest layer of cartography that we need to understand the world. So that is quite transformational.

I think we started to reach that tipping point—across that tipping point—in the last thirty years since the end of the Cold War, in which political obstacles to connectivity have generally been dismantled. Whereas there are exceptions to the rule, even those exceptions prove to in many ways support the rule, in the sense that even the most isolated countries in the world are struggling to be more connected to the world in some way shape or form—like a North Korea and whatnot. It doesn't necessarily make any particular statement about whether the world will be more or less peaceful, because I go to great pains to point out that connectivity has very often

in history been the tool and the instrument of conquest, and hegemony, and dominance, whether it's Roman roads, or British railways, or controlling countries' energy grids and communication systems and so forth. So that actually falls into a very familiar historical pattern. That said it certainly changes the incentives and calculations of many states when they have a very high degree of connectivity.

Now the Caspian region [has] kinds of infrastructures that the European Union started off sponsoring more than 25 years ago. Of course with the eastward push led by China and other Asian countries it started to strengthen as well, but then you also have the north-south dimensions of the Silk Road. Russia and India are making efforts to try to use the region as a conduit to each other, so I think that actually is a very good thing...

“So whether or not Russia is more or less influential at any given time that doesn’t mean that partners aren’t also part of the scene.”

[CA] Considering that the eight states of the Greater Caspian Region (Central Asia and the South Caucasus) are former Soviet republics, is Russia their natural primary partner? Would it be in their long-term benefit to join the Eurasian Economic Union? What role do Russia’s geopolitical goals play in connectivity in the region? Are there things for the countries in the region to watch out for?

[PK] We can almost take it in reverse order, because Russia of course is the historical hegemon of the region and has tried various schemes, frameworks, mechanisms, policies, trade areas, and whatnot, to try to restore some semblance of that, if not political but commercial, infrastructural, and other forms. But none of them have really played out and part of the reason for it is that, as much as it may seek to recreate the past we’re not moved into a connected future.

So, the second part of your question, which is that most countries today don’t want to have any one natural ally whether voluntary or involuntary... Soviet Republics are no different.

In my first book, *The Second World*, which was written a good fifteen years ago at this point, I profiled Kazakhstan, Uzbekistan, Iran, and other countries, as well as the Caucasus countries. And I said, “You

know what smart countries are doing, is saying, ‘We want to have good relations with America, with China, with Russia, with India, with Europe. And we’ll have stronger trade relations with some, military ties with others, and so on and so forth.’” And that’s what all intelligent countries do today. So I think that’s really the pattern we see. Whether or not Russia is more or less influential at any given time, that doesn’t mean that partners aren’t also part of the scene. Whereas in the past during the Cold War you would almost paint a country one color or the other—you would say this country is red, this country is blue—you can’t do that anymore.

Most countries really try as much as possible to practice what I call multi-alignment. So not alignment one way or the other, not non alignment, but multi alignment.

[CA] In the Greater Caspian Region, China is making headway with its Belt and Road Initiative, especially in Central Asia. Considering the recent controversies of the BRI, what is the best role China can play to promote connectivity in the Greater Caspian Region?

[PK] Again, the BRI as a vision, as a project, as a coordinated exercise in infrastructure investment, and reducing cost frictions at borders over customs and so forth is itself the greatest

contribution to connectivity for Central Asia and for the Caspian Region. It already is. It adds onto existing initiatives such as what Europe has undertaken and so forth but it certainly adds momentum to the overall connectivity enterprise. So there are gonna be setbacks along the way that are political and bilateral and economic and commercial in nature, and that happens all the time. It’s most of what, a big part of what, my connectivity book was about: the tensions about who controls the profits from infrastructure. So Belt and Road is simply the largest example of that, but overall it brings net benefits. Especially when you’re talking about landlocked countries that don’t have diversified economies, you really do need connectivity as a platform to promote and to stimulate growth and economic diversification.

[CA] What role, beyond its focus on energy and other natural resources, should the United States play to promote connectivity in the Greater Caspian Region?

[PK] The US is obviously non contiguous to the region, but it still doesn’t mean it can’t be a promoter of connectivity. Again, go back to the nineteen nineties. American energy companies played a pivotal role in helping to craft the energy policies, finance and develop

“American energy companies played a pivotal role in helping to craft the energy policies, finance, and develop the pipelines out of the Caspian region for Azerbaijan and so forth.”

the pipelines out of the Caspian region for Azerbaijan, and so forth. So I think that again the US has played a role both in terms of the military relationships and how it's been with certain countries to provide a security umbrella for them, the investment that's gone in, the role of energy companies, the role of assistance with political reform. So there's been a strong role for the US, and it should obviously continue to play that roll.

[CA] Turkey has a natural interest in the region and is a strong economic partner for several of the countries. Are there other countries—like India, the Gulf States, or others—that should be playing a larger role? If so, what role should they play?

[PK] Turkey most definitely. It obviously goes back again to the post soviet period, where Turkey began to reconnect with the Turkic republics of Central Asia... The relationships waned, but now at this point they're quite functional. You see a lot of airlines, a lot of Turkish investment and so forth, and so I think that will reach a certain equilibrium. I think the B and R and transportation corridors will help that as they evolve, because you can imagine a fair bit of manufacturing activity, and services sector work around construction, and hospitality.

And all of these areas will grow in Central Asia, and Turkey will be a part of that story, a driver of that story. So I think the more Belt and Road is a conduit for east-west trade, the more Turkey will naturally connect to the region.

You obviously see the Gulf States as well, particularly Saudis and Iraqis becoming larger investors in Azerbaijan in particular and spending more time in the region. I know that Central Asia is also a priority for them. They've been looking at Uzbekistan more, now that the country has had a change in government.

And then of course there's Iran, and Iran has needed its neighbors, particularly Turkey, and Turkmenistan and others and further afield Russia and then China and India to support it in terms of either resisting sanctions pressure or to get the waivers on sanctions that they've been able to use to continue the oil trade and now potentially to do non-US dollar terminated trade or barter trade and so forth to keep the system afloat so to speak. So those countries have also been critical. And Iran—there's a certain inevitability to Iran opening up, whether it's gradually or whether it's sort of suddenly. But I think that it's sort of a geographic inevitability, so I think that's going to be really, really important, and that's going to be a step change

almost. It's going to be, I don't want to say a shock in a negative way. It's going to be a real commercial revolution in the region to have Iran open up, and that's obviously going to change the nature of diplomatic relationships across the region as well.

[CA] India recently launched active bilateral and multilateral diplomacy with the countries in the region. What role do you think India plays in regional connectivity?

[PK] India's role is very interesting, because it's a reminder that there's a north-south dimension, and that the new silk road's not just east-west, and India's quite serious about its relations with Iran. There are even steps, hesitating steps, towards commercial interaction blossoming with Pakistan, and potentially the IPI pipeline growing. And I think that India's role with the port project with Iran, and desire to reach through the Caucasus to Russia is a long-term, very desirable thing for India. So I think that India can be seen as a structural, sort of secular trend, you might say. It's something that's going to continue, even though you have in India a lot of initiatives that don't really have the muscle behind them that they need to. You know they tend to have a hard time delivering because of their sort of weak diplomatic ca-



Parag Khanna delivers his second TedTalk. Image: ParagKhanna.com

capacity, but India's commitment is strong and certainly growing.

[CA] How do you think countries should balance their ambitions and rationalize in realizing connectivity and infrastructure projects in the region? What should connectivity mean for them?

[PK] Connectivity means everything to them. I wrote about this in my first book, but I also dedicated some few minutes of my first Ted Talk to this ques-

tion in the year 2009 about how important infrastructure linkages are to the identity of post-soviet republics, countries with very fragile borders, landlocked countries, and about connectivity and their role in the global economic market place, whether energy markets or transportation routes are really so central to who they are and their definition of who they are in the world, precisely because their identities have been scrambled historically by the soviet union

and otherwise, because of their fragility and landlocked status. So I think that the more time you spend there, the more time you appreciate that connectivity is part of their essence, more so than it is for other societies. Obviously that's historical, and it becomes psychological.

[CA] Baku, capital of Azerbaijan, is the largest metropol at the shores of the Caspian, how do you see its role in regional connectivity? Do you see it having a

“[Azerbaijan] certainly plays a special role as a regional hub, a sub-regional hub, you might say.”

“I think a small country, really rich in natural resources, can achieve the kind of generational time frame transformation that they are in the midst of.”

special role?

[PK] Of course I do, you know, and it's one of my favorite cities from my travels. I get very nostalgic. I went back there last year for the first time in- it must have been ten years. and it was amazing to see the progress. It certainly plays a special role as a regional hub, a sub regional hub, you might say. I like what they're doing obviously with trying to build, turn themselves into a real conduit, a passage way, and they've got the Trans-Caspian Corridor projects, and so forth. It's really

linked to be a multi-modal transportation hub. I think it's very, very exciting for them. I think a small country, really rich in natural resources, can achieve the kind of generational time frame transformation that they are in the midst of, so I think it plays a very, very significant role and again, you know, if the opening of Iran does proceed in a stable, non-revolutionary, non-radical, and non-confrontational way, that could be very, very interesting for Azerbaijan.

[CA] The recently-begun eco-

nomic and social reforms in Uzbekistan are promising but were long-delayed. What role do you see Uzbekistan playing in the future?

[PK] Another country that I'm very bullish about, and I've been going there for almost twenty years, is Uzbekistan. Obviously what we've seen now in the last one year is a real step change, and that's always a really positive sign, so much more investor interest, and government reform. And I know a number of Uzbek re-pats who have been going back to the

Dr. Khanna addresses an audience about connectography.



country and are working very hard at keeping momentum behind a new set of government policies. I think in a number of key economic areas and political areas they seem to be doing very progressive things given the country's recent history. So I'm extremely optimistic about it as a very populous hub in the region that will benefit from Belt and Road. It really has a set of policy reforms as well as a national vision around connecting to its neighbors more. It has to implement that- that's going to take a good five plus years, but I think we can already see early signs of that evolving, and again, I think that's part of what reinforces it as a really critical story for the next five to ten years.

[CA] What is the best way for the poorer states in the region – like Armenia, Kyrgyzstan, Tajikistan – to buy into connectivity?

[PK] They obviously need a lot more foreign investment. Their governments lack capacity, their economies are quite small, and they don't have standing in capital markets to access debt at affordable rates. So they have their work cut out for them in that sense, which small countries always do. I think they have to do a lot of things especially in terms of reform, corruption, ease of doing business, and if they do that then they can start to attract some investment in services and technology, tourism, construction, and that will

hopefully kick off a growth cycle for them, that will also make them more attractive as Silk Road way stations. But it's very tough given their initial conditions in the post soviet context. But I think that thirty years on at this point they really do need to jumpstart themselves and avoid missing the boat. And of course now with Belt and Road, they have to avoid simply having the wrong projects selected and getting too indebted to China without a plan for debt sustainability and for growth.

[CA] Many have described you as “visionary.” Please look into your crystal ball and tell us what you see for the Greater Caspian Region?

[PK] So my crystal ball for the greater Caspian region: I'm a big believer that the new silk roads are being restored, and that the primary beneficiaries are Europe and the rest of Asia, not just China. We tend to think about it as a Chinese driven thing, but I think in the end, you'll really restore Eurasian integration and multipolarity in Asia in ways that are mutually beneficial. I can see the Caspian being quite a busy corridor in the region. I certainly see Iran opening and really adding a jolt of commercial and demographic energy to the region. I like to think that connectivity across the borders will help to smooth out the lingering border disputes in the region in some ways. And

whether or not there's going to be independence for the peoples of Kyrgyzstan and others remains to be seen, but I hope that their functional autonomy can be preserved, and that the borders will matter less than the connectivity.

“So my crystal ball for the greater Caspian Region: I’m a big believer that the new silk roads are being restored, and that the primary beneficiaries are Europe and the rest of Asia, not just China.”



Increasing Connectivity Among Central Asian States

Ambassador (ret.) Robert Cekuta

Uzbekistan's leadership is continuing efforts to build better links among the Central Asian states. These efforts are important pieces of the reforms and policy reorientation President Shavkat Mirziyoyev

kicked off in 2016 and come on top of the Uzbek President's personal and diplomatic outreach to Uzbekistan's neighbors. The latter includes President Mirziyoyev's concerted effort to address bilateral issues outstanding from his predecessor, Islam Karimov. The Uzbekistan

government's interest in greater connectivity reaches beyond the other four Central Asian states that were also part of the Soviet Union. For example, increased trade, electricity supply, and other connections with Afghanistan is especially important to stabilizing forces there. The grow-



Image: DOC Research Institute

ing sense is increased regional connectivity would strengthen Central Asia's prosperity and stability while providing a better handle on environmental problems, including those related to water and climate.

Uzbekistan's Foreign Minister Abdulaziz Kamilov and the UN Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA) hosted a conference February 19-20 in Tashkent on "Central Asian Connectivity: Challenges and New Opportunities." 200 experts from think tanks, universities, and secretar-

iates of international organizations discussed communications systems, factors for increasing economic growth, energy needs, the environment, regional security, trade, transportation, and the water issues facing Central Asia, as well as how they could benefit from — and provide pathways for — further connectivity in the region. Officials from a diverse set of international organizations, including ASEAN the EU, the Gulf Cooperation Council, the Nordic Council, and the Organization of American States, discussed

the history of these bodies, and which aspects might be applicable to Central Asian states.

The stated next step was to present the Conference's papers and results to the Summit of Central Asian leaders, which Uzbekistan hosted in April.

DON'T FORCE IT: IT'S BEST FOR CONNECTIVITY TO DEVELOP ORGANICALLY

The key takeaway is that the Central Asia states are focused on cooperation and connections, not integration. That

“Uzbekistan Foreign Minister Abdulaziz Kamilov opened the event stating the overarching importance of stability. He noted that strengthening regional cooperation would boost stability and economic links, including with Afghanistan.”

nuance is important, given where the countries are in terms of redeveloping their sense of sovereignty and independence.

Connectivity is not seen as an end to be pursued in and of itself, but as a way to address better economic, environmental, and other problems. Most speakers stressed that connectivity in the region should arise organically, that there need not be any surrender of sovereignty, and that connections and cooperation should only develop as far as the countries' leaders and publics want or will support.

Uzbekistan Foreign Minister Abdulaziz Kamilov opened the event stating the overarching importance of stability. He noted that strengthening regional cooperation would boost stability and economic links, including with Afghanistan. Moreover, these increased ties are not targeted at the interests of countries outside the region, as they help the region resume its role linking north and south as well as east and west. Along these lines, Minister Kamilov pointed to the need to develop mechanisms and procedures for connectivity among the Central Asian states. These included easing customs procedures and taking other steps to facilitate commercial activity. For example, he suggested expanding and modernizing regional logistical and transportation links, facilitating tourism in the region, and

creating mechanisms to address regional problems, including the tragedy facing the Aral Sea and other environmental challenges. He also discussed developing cooperation on the social and people-to-people fronts. “We have one history and one future,” the Minister stated.

Natalia Gherman, the UN Secretary General's Special Representative and Head of the UN Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA), noted Central Asia's success in avoiding the armed conflicts that have affected other parts of the former Soviet Union, citing changes which occurred over the past two and a half years in the region. While bilateral and multilateral cooperation in the region have grown, providing new opportunities for better lives for the people of Central Asia, the region still faces serious problems: terrorism, the need for policy-level agreement on managing trans-border issues such as water use, and the need to continue supporting a way forward for Afghanistan. Gherman also flagged the value of cooperation among women's groups and young people in moving the region ahead. She noted that the reaffirmation of support for the UN Universal Declaration of Human Rights at the first Asian Human Rights Forum in November 2018 in Samarkand was a positive step

in this regard.

Gherman suggested the Central Asian leaders might consider raising the level of regional cooperation and giving it a more formal structure. She said, “More can be done to create a durable mechanism for regional cooperation in the longer term. Regular, on-going meetings at all levels, including at the level of government, parliament, civil society, and academia can become permanent. This could help make the current positive dynamics in Central Asia irreversible.”

CONNECTIVITY CASE STUDY: ENERGY, WATER, AND THE ECOSYSTEM IN CENTRAL ASIA

Breakout panels reinforced this point. For example, the panel on cooperation in water, ecology, and energy noted the progress made in boosting electricity trade in Central Asia and the trans-boundary efforts to manage water issues. Panelists also stressed the inextricable connection between energy and environmental issues, especially climate change.

In addition to seeing the disappearance of the Aral Sea, Central Asia may face a higher increase in average temperatures — 1.5 to 3 degrees Celsius — than the rest of the world. The region's growing population signals a growing need for water, but the lack of water in some

areas is already a critical and divisive problem. Water is also a key means of generating needed electricity in the region. Tajikistan is one of the top ten hydro-power producing countries in the world. However, these and other systems will be affected, as run-off from the Himalayan massif first increases with rising global temperatures' melting the glaciers and subsequently declines as annual snowfalls drop from current levels. Uzbekistan has taken positive steps to mitigate possible negative outcomes — panelists repeatedly noted the shift in Uzbekistan's policy from opposing the Rogun Dam in southern Tajikistan. However, managing water supplies will be difficult and require the Central Asian states' coming together at multiple levels.

Electricity and oil/gas are other vectors where it makes sense to build links at a variety of levels among the states of Central Asia. For example, the CASA-1000 project will enable seasonal exports of electricity from Kyrgyzstan and Tajikistan to Pakistan and Afghanistan. Uzbekistan exports electricity to Afghanistan today, easing shortfalls there. A panelist from Turkmenistan cited progress on the Turkmenistan/Afghanistan/Pakistan/India gas pipeline. However the region's own demand for power, like its demand for water, will require greater supplies in the future. China and India, whose increases in energy consumption have already reshaped global energy markets, will continue to see



Bactrian camels graze in a dried section of the Aral Sea.

Image: National Geographic

a growth in demand. In addition, the energy issue involves maintaining, as well as retiring and replacing current sources, including power generation facilities, and developing new oil or gas deposits. There is great wind and solar potential — one panelist stated Kazakhstan could use wind power to produce 30 times its estimated electricity needs in 2030 — but these systems will need facilities to ensure baseloads as well as to connect to sufficient grid transmission systems. Financing these systems is another factor. As with water management, the development and management of energy systems in Central Asia and the broader region will require on-going linkages among experts as well as the appropriate political frameworks and cover.

CONCLUSION

Uzbekistan's change in lead-

ership and the stronger sense of independence and identity that has developed in Central Asia since 1991 are facilitating interest in increased connections and cooperation. Experts, businesses, and agencies can come together to craft and implement approaches to the evolving situation, but political cover — or better yet the express blessing of national leaders — will be necessary for optimal engagement. Steps towards increased connectivity are integral to addressing needs in the region and beyond for stability and increased prosperity. Therefore, we at the Caspian Policy Center would recommend the establishing of a six-country secretariat consisting of the five Central Asian states plus Afghanistan to facilitate and institutionalize cooperative work on regional issues.



Draining the Caspian

Fred Starr and Svante Cornell

The Caspian Sea has been an impediment to east-west trade throughout history. Most traders in the caravan era skirted it to the south or to the north rather than risk crossing it. The Amu-Darya River emptied into the Caspian for many centuries, which made it theoretically possible for Central Asian traders to ship goods directly from deep in Afghanistan to ports on the west side of the Caspian Sea. But this rarely happened, and eventually the river's access to the sea closed off. Trans-Caspian shipping barely existed under Russian and Soviet rule. What little trade existed was north-south, from Astrakhan to Baku

and Rasht in Iran.

Momentous events in the past quarter-century have changed this picture. After Azerbaijan, Kazakhstan and Turkmenistan gained independence, planners in Western capitals as well as in Beijing began to see the opening of the Eurasian landmass as an opportunity to restore land-based trade to its former glory. However, it would also mean greater influence by both western powers and China. This met with resistance: an informal axis soon developed between Moscow and Tehran to limit cross-Caspian transport of goods or energy and to prevent either Europe (including Turkey) or China or other Asian powers to gain a voice in Caspi-

an matters.

The first battle was over the oil resources of the Caspian. Russia and Iran sought together to limit the ability of smaller riparian states to develop these resources independently and bring them to market. Moscow and Tehran both understood that to maintain influence over Azerbaijan, its oil needed to be exported across their territory. While Baku, Ashgabat and Astana have all been happy to conclude oil transportation deals with Moscow and Tehran, they have made it a keystone of their foreign policy to ensure that no single power has sole control over the export of their most valuable resource. The Bill Clinton and George W. Bush



Image: The Conversation

administrations supported the development of multiple pipelines, as did successive Turkish governments. Meanwhile, Beijing supported the export of Kazakh oil, and subsequently Turkmen gas, directly to China. An east-west corridor of energy transportation slowly began to see the light of day. However, this corridor still lacks an essential component, namely the link across the Caspian. But the key infrastructure linking the South Caucasus to Europe, and Central Asia to China, is now in place.

The value of the East-West transport corridor became clear following the terrorist attacks of September 11, 2001. U.S. and NATO defense planners needed to supply a large-scale oper-

ation in the heart of Eurasia; they soon found that the route across the Caucasus, Caspian, and Central Asia was absolutely central to their success. An air corridor over the Caspian became a reality, because states like Georgia, Azerbaijan, Kazakhstan and Uzbekistan supported NATO objectives. This allowed U.S. bombers from bases in the Midwest to fly sorties to Afghanistan without landing on the way, refueling in the air. Still, the land corridor across the Caucasus and Caspian was only used sparsely.

The Obama era surge in Afghanistan further developed the land corridor a decade later. Deteriorating relations with Pakistan made it imprac-

tical to rely on a southern route through the port of Karachi and the Khyber pass. And while Russia cooperated with Latvia and Central Asian states in forming the “Northern Distribution Network,” planners at U.S. Transportation Command wisely concluded it would be a mistake to depend solely on Moscow’s good will for access to Afghanistan. Therefore, an estimated third of the total shipments used the “southern” route, transiting Georgia’s Black sea ports with Azerbaijan’s Caspian coast, from where they link with rail and road networks in Kazakhstan and Uzbekistan to reach Afghanistan.

Meanwhile, China’s assertive efforts to develop a “Belt and

Road Initiative” to secure trade routes to the west have also led to considerable investments in infrastructure in Central Asia and Eastern Europe. Remarkably, Chinese planners appear to think much like their American counterparts. While China gladly invested in transport routes to link to Europe through Russia in the 1990s, Beijing also made sure that it was not dependent on Russia alone. Against Moscow’s wishes, it invested equally in routes that transited its restive western provinces and Central Asian states. Indeed, Beijing’s ambitions went much farther; it began acquiring ports and investing in transportation infrastructure as far away as Greece and the Western Balkans.

Still, early maps of China’s BRI Initiative seemed to circumvent the Caspian either on the north or south. In particular, Beijing seemed to focus on a route through Iran to link to Turkey and Europe. China appears to have realized the attractiveness of the Trans-Caspian route since then. It has developed a growing presence in the South Caucasus, and now sees connections across the Caspian as an essential component of its network of routes to Europe.

The picture in the Caspian has changed radically since 2018. Four new ports have been built on the Caspian. Baku’s new port of Alat is already connected with Aktau in Kazakhstan and Turkmenistan’s new port at Turkmenbashi; Aktau is being supplemented by the port of Kuryk to its south. It is widely assumed

that China and the European Union funded the opening of East-West transport across the Caspian, the EU through its TRACECA program. While support from those quarters has been important, the countries of the Caucasus and Central Asia have themselves committed the majority of the funds to further the development of the east-west routes. To cite only a few examples: Turkmenistan funded the construction of a new road and railroad from the Afghan border to the Caspian, and also the new port of Turkmenbashi. Azerbaijan funded the construction of the Baku-Tbilisi-Kars railroad to Georgia and Turkey, as well as the new Caspian port of Alat, using its own resources. The Uzbek government is responsible for the lion share of the Pap-An-gren railway linking Tashkent and the Ferghana valley, while China and the World Bank also contributed. Similarly, Kazakhstan has invested large sums in rehabilitating and expanding the country’s railway network, and creating the dry port of Khorgos with China.

This means the littoral countries themselves have strong ownership of the new East-West corridor. By contrast, Russia has not invested in any of these projects, limiting its support to the North-South route through Baku that connects southern Russia and northern Iran. Its leaders should not be surprised that their country is being marginalized in trade after having failed to invest in any major east-west projects.

However, the sea was not delineated until the recent agreement between the five littoral states signed on August 18, 2018, and Russia claimed a potential veto against any trans-Caspian pipeline. The agreement, which is really a statement of intent, delineates the sea, gives each nation a fifteen mile zone, and in principle opens the path to east-west trans-Caspian pipelines. Russia will resist, but if three of the five littoral states favor such pipelines, their chances of being built are better than ever. Russia tolerates this, because it got assurances that foreign military bases will not be built in any of the signatory states, a possibility that neither NATO nor the U.S. ever contemplated.

With the certainty of expanded ship traffic moving both east and west across the Caspian, the steadily mounting likelihood of trans-Caspian energy pipelines, and a general expansion of human contacts between Azerbaijan and Georgia, on the one hand, and Kazakhstan, Turkmenistan, and Uzbekistan on the other, the Caspian is declining as an impediment to east-west interaction and becoming its facilitator.

The growing trend toward regional cooperation within Central Asia is key in this regard. the two largest economies of the region – Kazakhstan and Uzbekistan – have been strongly committed to foreign policies that focus on Central Asia and to the development regional cooperation since the election of

Shavkat Mirziyoyev in Uzbekistan. The three smaller states are fully supportive of this process as well. A first summit of Central Asian leaders took place in March 2018, after a hiatus of almost a decade. Central Asian states are removing irritants in their mutual relationships and seeking regional rather than foreign-imposed solutions to challenges facing the region more so than at any time since independence.

Central Asia is also taking a new approach to Afghanistan. That country was traditionally a deeply integrated part of Central Asia, but these linkages were progressively cut beginning two hundred years ago. Central Asians were wary of radicalism and instability emanating from Afghanistan in the first decades after independence, keeping the country at arms' length. But recently, as Central Asians rediscover their history and begin thinking of trade with southeast Asia and the Indian subcontinent, a new understanding is developing that Afghanistan is part of the region, and should be treated as such. In fact, Central Asian states realize they have an important role to play in stabilizing Afghanistan—thereby countering the foreign forces that contribute to Afghanistan's weakness by treating the country as a zone of rivalry.

This logic inevitably augments the importance of the Trans-Caspian connection. For the Caspian route will play an important role if Central Asia, including Afghanistan, is to

connect to world markets. The Trans-Caspian route connects not only to China, but to all south and southeast Asia, since it leads across Turkmenistan to Afghanistan, Pakistan, and India via Turkmenistan's port of Turkmenbashi.

Western states and international organizations are poorly poised to take advantage of these developments. Their bureaucratic divisions, far from assisting the logic of regionalism, actually tend to work against it. The U.S. government moved Central Asia out of the over-crowded Europe bureau over a decade ago and merged it with South Asia. Other government entities followed suit. This move was positive, since it allowed a regional bureau to provide some attention to Central Asia, which was not the case previously. But paradoxically, while it did help support regional thinking in connecting Central Asia, Afghanistan, and South Asia, it emphasized a north-south logic at the expense of the very east-west routes that had formed the rationale for U.S. policy in the region since the 1990s. The U.S. government stopped thinking in Trans-Caspian terms, because the South Caucasus remained in the Europe bureau.

The EU External Action Service, European states, and international organizations suffer from another problem: they often put Central Asia and the South Caucasus in the same unit, and Afghanistan in another focused on South Asia. They

have thus proven incapable of adapting to the growing links between Afghanistan and Central Asia, let alone contributing to it.

Last but not least, both American and European bureaucracies have, by inertia, kept Mongolia together with Northeast Asia, as an appendix to China, inhibiting those forces that seek greater interaction between Mongolia and Central Asia. Americans and Europeans alike continue to view the vast territory stretching from the Black Sea to Mongolia as peripheral to other concerns and great powers. As a result, their bureaucracies divide up the region in at least three regional divisions, thereby preventing what the EU would call trans-regional thinking. But developments in Central Asia and the Caucasus are quickly surpassing these wooden, antiquated boundaries that correspond to the colonial logic of outsiders.

The expansion of intra-regional traffic across the Caspian will steadily knit Azerbaijan and Georgia with Central Asia and vice versa. The expansion of long-distance trade across the Caspian will make Europe and Asia active defenders of unimpeded movement along this route. Russia will no longer be able to dictate terms of use for this "Caspian corridor," when this occurs. Thus, the effect of these changes, which are only now gaining momentum, will be to "drain the Caspian."



Connectivity and Conflict Mediation: What Afghanistan and Turkmenistan Hope for From Their New Strategic Partnership

Sara Huzar

President of Afghanistan Ashraf Ghani and President of Turkmenistan Gurbanguly Berdimuhamedov signed a Strategic Partnership Agreement on February 21 in Ashgabat.

In a speech following the signing, President Ghani stressed that the relationship between Afghanistan and Turkmenistan is about connectivity. Along those lines, he praised the Lapis Lazuli Corridor and added that the first priority on Afghanistan and Turkmenistan's joint agenda is its expansion. The corridor is a massive infrastructure project involving roads, railways, and maritime routes to connect Afghanistan to Turkmenistan, then (via the Caspian) to Azerbaijan and Georgia, and finally through the Black Sea to Turkey and Europe. It opened in December after the multinational agreement on its route was finalized in 2017, and the first imported goods arrived in Herat, Afghanistan just last week. President Ghani explained that now that the corridor is up and running, the next step is to make it "completely reliable."

His second priority is transmission lines. Specifically, he hopes to see 300MW of power sent to northern Afghanistan through Aqina and another

220KV line connecting Mary, Turkmenistan, to Herat. However, according to Ghani, these exchanges are "just the beginning," as the Turkmenistan-Afghanistan-Pakistan transmission line continues to unfold. Construction of TAP lines began just over a year ago in February 2018; in that time, Turkmenistan has consistently increased its supply of electricity to Afghanistan. Even before TAP, Turkmenistan sent electricity to its neighbor via the Ymamnazar-Andhoi and Serhetabat-Herat routes.

The final priority President Ghani identified is railways. Turkmenistan and Afghanistan recently agreed to construct two new railways connecting their countries: one from Aqina to Andkhoy, and another from Torghundi to Herat.

President Berdimuhamedov placed a greater emphasis on the security dimension of the agreement, noting that bringing peace to Central Asia and implementing the United Nations Global Counterterrorist Strategy was one of the "key directions" of the document. He also added that Turkmenistan, as a neutral state, was willing to help orchestrate direct talks between Taliban representatives and the Afghan government. So far, Taliban negotiators have refused to meet with current Afghan officials.

Afghanistan's conflict is a persistent point of concern for Turkmenistan, who shares 500 miles of border with the restive country. Earlier this year, the Turkmen government launched a drive to register all men under fifty for the army reserves, a move sources within the Defense Ministry said was linked to the "tense situation along the border."

However, as the recent agreement shows, these concerns have in no way hindered the almost-fraternal relations between Afghanistan and Turkmenistan. In many ways, the agreement was simply codifying what already existed. Many of the projects related to the new strategic partnership were already well under way, including all three of the initiatives President Ghani listed as priorities. As ever, engagement with Afghanistan is marred by security issues, but such engagement is likely the best remedy to the longstanding conflict, as it gives the rest of Central Asia a stake in the country's success. Turkmenistan and Afghanistan seem poised to build a connection even deeper than the one they already enjoy—something that will be beneficial to both countries.

To the left: Afghan President Ashraf Ghani and Turkmeni President Gurbanguly Berdimuhamedow shake hands. Image: TDH.gov



Cultural Tourism in Azerbaijan

CPC Staff Contributors

The phenomenon of growing connectivity in the Caspian region shines a spotlight on the tourism industry, particularly that of Azerbaijan, one of the region's most vibrant and fast-growing economies. Azerbaijan's increasingly amicable relations with its neighbors have allowed the country to ease the process of entry and welcome a growing cohort of visitors from the region and beyond into its borders in recent years. Travelers discover in Azerbaijan an unique and surprising marriage of religious and secular, ancient and modern, and East and West, which the country hopes will attract more and more visitors in the future.

The growing ease of travel to Azerbaijan is an indicator of and a boon to growing connectivity in the region. Head of the Ministry of Culture Fuad Naghiyev explains, "Our [tourism] strategy includes cooperation with our neighbors: Russia, Georgia and Turkey." Cooperation within the region has allowed Azerbaijan to visas easier and more affordable to attain for the many regional and global travelers to Azerbaijan. Furthermore, the new Baku Heyday Aliyev International Airport, which signals a tremendous improvement in Azerbaijan's connectivity to the region, has increased capacity for entry by "millions of passengers." Naghiyev explains that ease of travel "reinforces the Silk Road tradition and makes further development attractive

for the region as a whole."

In fact, the renewal of Silk Road ties accounts for a substantial portion of visitors to Azerbaijan in recent years. Naghiyev said, "Our current approach targets travelers in the Caucasus region (Russia, Georgia and Turkey), Asia (China & India) and Middle East. However, our regional hub structure allows us to be nimble and opportunistic, and to capitalize on new marketing opportunities as they arise." This strategy is paying off. There was a reported influx in tourists from the Arab states of Oman, UAE, and Saudi Arabia in 2017. Nationals of India and Pakistan are frequently spotted sightseeing in the capital of Baku.

Azeri culture reflects the country's location at the crossroads of Eastern Europe and Western Asia. It places religion and secularity, ancient and contemporary history, and European and Asian lifestyles in juxtaposition with one another. In Naghiyev's words, "In Baku, you can walk from the UNESCO heritage site of the Old City to the futuristic skyscraper complex Flame Towers in minutes. Where else can you time-travel like this?!" Cultural tourism in Azerbaijan presents an opportunity to explore these dichotomies as well as to acquaint oneself with the nation's unique heritage, traditions, folklore, and ancient history.

The first destination for any foreigner visiting the country would be the capital of Baku, known for being the lowest lying national capital in the world at

28 meters below the sea level. Baku, with its ultramodern, soaring skyscrapers and large museums, is constructed around the fortified Icheri Sheher (Old City).

The Walled City of Baku with Shirvanshah's Palace and Maiden Tower is one of Azerbaijan's two UNESCO World Heritage sites; it is a prime example of Azerbaijan's ancient—even prehistoric—offerings. The Walled City, which once housed the entire population of Baku, is one of humanity's oldest stomping grounds, having been occupied since the Paleolithic period. It contains Zoroastrian, Sassanian, Arabic, Persian, Shirvani, Ottoman, and Russian markers—evidence of thousands of years of life and travel in the region. The most ancient landmark in the Walled City of Baku, and one of the most iconic landmarks in Azerbaijan, is the Maiden Tower, which may date back the 7th or 6th century BC. The limestone tower rises 29.5 meters or eight stories and features designs of repeated bands around the top.

The original purpose of the Maiden Tower is a subject of continuing scholarly debate, as this national pride also constitutes a national mystery. Featured in Azeri currency notes, the Maiden Tower is rumored to be have been a fire worship temple when Azerbaijan used was still the global centre of Zoroastrianism. One legend tells of a shah who fell in love with his daughter and demanded to marry her. His horrified daughter asked the shah to first build

“No less historic than Azerbaijan’s ancient sites are the Flame Towers, a symbol of Azerbaijan’s fiercely modern future.”

a tower for her, hoping that time would change his mind. She threw herself from the top of it once its construction was completed, giving the temple its name. Others argue the temple earned its name, because no enemy has penetrated its walls. Travelers visit every year seeking to solve its mysteries. However, just like any lady, the Maiden Tower stays true to its secrets.

The city’s well-preserved 12th century walls contain within their battlements an-

other tremendous monument, the Shirvanshah’s Palace. The palace dates to the same era as the walls and boasts a number of large domed buildings, each of which is surrounded by ornate, geometric arches. These overhang a complex of interlinking walkways. Its architects were the Shirvanshahs, who ruled the current territory of Azerbaijan 861 to 1538, making them the longest lasting dynasty in the Islamic World. In the words of a writer for UNESCO, “The

Shirvanshahs were a dynasty of fused Persian and Arab descent, and were empathetic toward peoples and travellers of different cultures and religions, leading to a blossoming period for Baku and the commerce of the Silk Roads.” Visitors may find that the same principles guide the state that stands on the Shirvanshahs’ land today. The state converted the palace into a museum in late 1900s, making it one of the most popular sites for tourists today.

The Flame Towers at night. Image: SkyriseCities.Com





The Gobustan Rock Formation. Image: AzerNews

The second of the two UNESCO World Heritage Sites in Azerbaijan is Gobustan Rock Art Cultural Landscape. Located in the center of Azerbaijan, the landscape consists of desert boulders with over 6,000 pieces of rock art, created over the span of 40,000 years. According to UNESCO, “The site also features the remains of inhabited caves, settlements and burials, all reflecting an intensive human use by the inhabitants of the area during the wet period that followed the last Ice Age, from the Upper Paleolithic to the Middle Ages.” This site boasts some of humanity’s best preserved early artistry. The Azeri government has proposed nine more historic

sites to UNESCO as potential World Heritage Sites. These, like the Walled City of Baku with Shirvanshah’s Palace and Maiden Tower, and the Gobustan Rock Art Cultural Landscape, will draw visitors seeking a taste of the ancient and prehistoric world in a timeless global crossroad.

No less historic than these ancient monuments are the Flame Towers, a symbol of Azerbaijan’s fiercely modern future. Traxon Technologies, which constructed the towers, articulated the towers’ powerful symbolism, writing of the project, “...the three towers were inspired by Azerbaijan’s ancient history of fire worshipping, and will illuminate

the city and act as an eternal flame for modern Baku.” These “futuristic” towers are located beside the Walled City of Baku with Shirvanshah’s Palace and Maiden Tower. While the towers proclaim Azerbaijan’s modernity, their flame shapes pay tribute to the past, making reference to the fire worship alleged to have once occurred within the Walled City. A tourist to the country will note the contrast between the towers and the neighboring ancient structures as essential to the complex character of Azerbaijan.

Sources: Forbes, UNESCO, WTTC, Traxon Technologies

MEDIA HIGHLIGHTS OF THE WEEK

CPC



CASPIAN
POLICY
CENTER

WEEKLY BRIEF ABOUT THE LATEST
DEVELOPMENTS IN THE CASPIAN REGION

CPC



CASPIAN
POLICY
CENTER



Trans Caspian Forum 2019

23 May, 2019
U.S. Chamber of Commerce
Washington, D.C.

