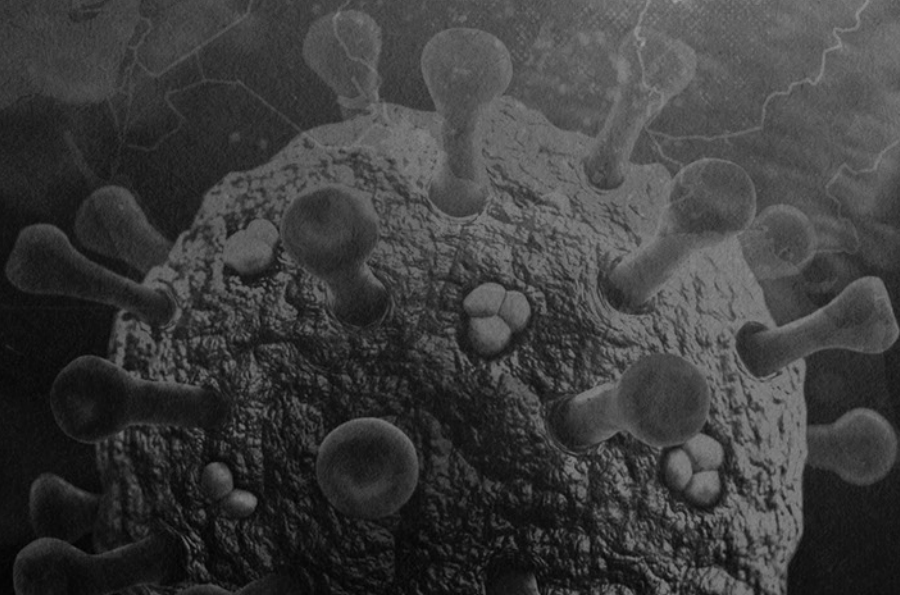


# TRADE ROUTES AND SECURITY ALLIANCES







# THE POST-PANDEMIC SECURITY TERRAIN IN CENTRAL EURASIA

By Dr. Gregory Gleason, Marshall Center professor

As the human costs of COVID-19 mount on a global level, the world struggles with the immediate medical consequences and lives lost during this unprecedented pandemic. Medical organizations such as the World Health Organization and the Johns Hopkins University of Medicine Coronavirus Resource Center record the millions of infections worldwide. The numbers are expected to rise until populations develop sufficient immunity, either through natural means or through vaccines, to combat the spread of this dangerous virus. Until that point is reached, the only effective way to combat the virus is through reducing transmission. The only sure way to reduce transmission, in turn, is to reduce interaction and that means disrupting the interaction of people all around the world.

The disruptive effects of interrupted supply chains for goods and services in 2020 may have curtailed the transmission of COVID-19, but it also imposed severe constraints, depressing trade and commerce and having an exceptionally deleterious effect on the livelihoods of individuals and profits of businesses. Economic activity has been severely constrained, and national and state government revenues, which rely heavily on the turnover of commerce, have been dramatically curtailed. At the same time, states have faced soaring expenses for social protection programs.

While the success of counterinfection programs ultimately rests on the behavior of individuals and families, governments play a critical role in medical programs. National governments around the world are reeling from the economic costs of the pandemic and turning to international organizations for support. The events of 2020 have set in motion processes that will lead to a fundamental transformation of the global order. States face similar challenges, but the choices each makes will entail opportunities and risks that are quite different.

The broad region of Central Eurasia links the countries of the Far East and South Asia with the countries of the Middle East and Europe. Central Eurasia is often defined as including the countries of Central Asia and the South Caucasus: Armenia, Azerbaijan, Georgia, Kazakhstan,

Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. All these countries have deep historical roots and are rich in natural resources and agricultural potential. But an important reason these relatively sparsely populated countries are of importance to the world as a whole is that their territory is a “land bridge” connecting the densely populated regions to their east and west and their north and south. Supply chains connecting the primary commodities and the trade in goods and services across the land bridge are of great and growing importance in contemporary globalization.



A man is helped to an ambulance outside a COVID-19 medical center in Bishkek, Kyrgyzstan, in July 2020. AFP/GETTY IMAGES

The COVID-19 pandemic magnified the importance of the Central Eurasian land bridge in the early part of 2020. As global transportation hubs drew to a standstill, air, rail, road and maritime connections throughout the Eurasian region either closed down or greatly reduced volume. Governments in China, Russia, Iran, Pakistan and Afghanistan, as well as the Central Asian states and Caucasus states, implemented emergency measures, imposing curfews

in many urban areas and having law enforcement and even their militaries enforce strict lockdown measures. In all of the states, these measures have further magnified the interaction between political and economic challenges. State governments can disengage and seek self-reliance for only a limited time; eventually, economic and political relationships need to be restored to survive in today's highly globalized, technological world. The only way to restart state-to-state interaction is through multilateral cooperation.

Stable and productive regional communities typically arise from one of two motivating factors — political or economic values. The core political interest of states in regional interaction is national security. The core economic interest is trade and development. Both core goals are typically pursued through formal cooperative organizations. Regional international security communities arise out of common political concerns regarding the protection of national security interests. Regional economic communities arise because of commercial interests driving economic actors to engage states in creating and sustaining conditions favorable to international trade and commerce. In some cases, either the political or the economic factors are predominant, but in most cases the two interact and reinforce one another.

This reinforcement of economic and political factors tends to make formal regional institutions resilient and resistant to change. Economic actors become resistant to change, which implies economic loss, and political actors also become committed to continuity. The formalization of relations among states on a regional level, through the articulation of trade agreements and the establishment of security cooperation organizations, holds down economic transaction costs and ensures transnational political predictability. The establishment and proliferation of supply chains are the basic building blocks of modern, technologically advanced globalization.

#### **ECONOMIC DOWNTURN IN CENTRAL EURASIA**

The disruption of transnational and even transregional supply chains is a familiar historical phenomenon associated with epidemics. The spread of COVID-19, beginning in late 2019 and early 2020, was unprecedented in terms of the disruptive effects it had on interaction among countries. By March 2020, borders had closed around the world, bringing to a halt much of the supply-chain commerce between East and West, which traversed the countries of Central Asia and the South Caucasus. In rapid succession, the countries of Central Asia and the Caucasus imposed extraordinary measures, drastically

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A construction site in the central business district of Beijing. The Chinese-led Asian Infrastructure Investment Bank is part of China's efforts to challenge established international institutions. THE ASSOCIATED PRESS



**TABLE 1: COVID-19 CASES REPORTED TO THE WORLD HEALTH ORGANIZATION**

	<b>Population</b> (millions)	<b>Cumulative Cases</b> as of January 16, 2021	<b>Deaths</b> as of January 16, 2021
<b>Armenia</b>	<b>3.0</b>	<b>164,235</b>	<b>2,987</b>
<b>Azerbaijan</b>	<b>10.1</b>	<b>226,549</b>	<b>2,983</b>
<b>Georgia</b>	<b>3.7</b>	<b>247,025</b>	<b>2,916</b>
<b>Kazakhstan</b>	<b>18.7</b>	<b>211,901</b>	<b>2,885</b>
<b>Kyrgyzstan</b>	<b>6.6</b>	<b>82,986</b>	<b>1,382</b>
<b>Tajikistan</b>	<b>9.4</b>	<b>13,705</b>	<b>91</b>
<b>Turkmenistan*</b>	<b>6.0</b>	<b>0</b>	<b>0</b>
<b>Uzbekistan</b>	<b>34.2</b>	<b>77,904</b>	<b>619</b>

\* Turkmenistan did not provide data to WHO

Sources: Population data: Population Reference Bureau; COVID-19 case and death data: World Health Organization

reducing interaction of all forms and, in many cases, imposing lockdowns requiring individuals to shelter at home. Supply chains relying on transportation of goods and services were greatly restricted and, in some cases, simply halted. Measures were adopted, particularly in urban areas, to contain, mitigate and contact-trace transmission and provide therapeutic medical response. At the same time, staggering economic effects in terms of interruptions in the exchange of goods and services and the loss of incomes and revenues were borne particularly hard by the Central Asian and South Caucasus countries.

In the early stages of the COVID-19 pandemic, the specific features of how the virus was transmitted were not well understood. Governments imposed measures they expected to be necessary and sufficient to slow the spread of the disease. By and large, aggressive measures were justified by the dangers to public health. The experience of the first 10 months of the pandemic in Central Asia and the Caucasus (Table 1) illustrates that significant progress was made. To the extent that the data reported is accurate, the levels of infection are appreciably lower than in countries that were less assertive in adopting control measures.

Epidemiologists point out that the spread of infectious disease tends to follow typical patterns of periodic phenomena. COVID-19 is more aggressive in its expansion than most other virus strains and has created more havoc than is common, but it is nonetheless expected at some point to recede in influence. Moreover, the rapid development of a number of different vaccines may further contain the spread and damage done in the period ahead. The disruption will continue to affect the social, political and economic life of the countries in the region as well as their land bridge role. This raises serious questions concerning the potential effects of the disruption on closely linked security and economic relationships in the region. When the influence of COVID-19 recedes, what will be the likely effects on renewed supply chains throughout the region and how will this influence regional security cooperation?

## EMERGING FROM THE ECONOMIC DOWNTURN: TWO CHALLENGES

Globalization creates gains in efficiency and effectiveness that offer vast economic advantages to states, producers and investors. The technological change that brings down the transaction costs of everything from researching, exploring, mining and producing to transporting and marketing, is a driving force moving everything in the direction of greater and greater modernization. The economic integration facilitated by globalization is inevitable, but that does not mean that the specific directions it takes are predetermined by the process itself; there are many highly varied forms that integration can take. One important difference in the process of integration is the degree to which it is an advantage to vertical connections as opposed to horizontal ones. Vertical forms of integration start from a single point, identify a single terminal state and then manage the process to move to that state. Horizontal forms of integration rely on price factors to guide the process, seeking to reward efficiencies of production and transportation to decide what gets produced and how it gets distributed. Vertical forms of integration tend to identify actors and end up picking winners and losers in the process. Horizontal forms of integration tend to conform to scarcities reflected in price differentials and allow the winners to emerge from the process.

The restoration of the supply chains disrupted by the COVID-19 national lockdowns will have to address the conventional problems of state-to-state relations. There are two fundamental, age-old problems for collective action: In political relationships, the main problem is overcoming the security dilemma; in economic relationships, it is avoiding the pitfalls of economic nationalism.

Economic nationalism refers to a country's efforts to achieve unilateral economic advantage in trade relations. Policies of economic nationalism usually involve mechanisms to increase a country's foreign trade surplus with respect to its major trading partners. Currency regulation, state subsidies or government-financed parastatals are used to promote targeted and sanctioned exports. The



unsanctioned export of state-subsidized consumer goods such as food and clothing are usually restricted. Tariffs, quotas and mechanisms such as unrequitable documentation requirements are established to discourage unwanted imports. Customs inspectorates are established at plane, rail and road border stations, creating long delays. Because these delays cause losses for shippers, they also create almost irrepressible inducements to circumvention through bribery and corruption. They thereby create a need for the state to reinforce itself against itself, by sanctioning police to monitor and control the customs inspectorate.

The security dilemma refers to a country's competitive search for assurances that its integrity, territorial or cultural, will not be compromised by the actions of foreigners. The security dilemma was first articulated by Thucydides in his discussions of the Peloponnesian Wars. It describes a situation of antagonism, in which one party seeks to increase security to prevent being attacked, subjugated or annihilated by another party. In the context of nation states, as countries strive to maintain security from foreign threats, they are driven to acquire more and more power to offset the power of others. This creates a situation that renders the other countries more insecure and compels them to prepare for the worst. Because none can ever feel entirely secure in such a world, power competition ensues, and a vicious circle of security and power accumulation is initiated. Thus, even if we make the minimalist assumption of only legitimate self-preservation goals — and obviously countries often have more aggressive goals — the anarchic state of international society drives countries to adopt policies that impel them toward conflict with their neighbors. In circumstances of rapid institutional change, such as the collapse of an empire or the outbreak of a pandemic, stable expectations break down and are replaced by apprehension, anxiety, distrust, suspicion and fear. Anticipating the worst, countries begin to feel that they must “get their retaliation in first.” They often turn to the realist self-help maxim of the Ancient world: *Si vis pacem, para bellum* (If you seek peace, prepare for war).

The conventional solution to problems of the security dilemma and economic nationalism are typically regional cooperation organizations, focusing on either security or economic policies, which are mutually beneficial.

## MULTILATERAL COOPERATION

Globalization has brought us to an era when the world's established leading institutions — the United Nations, the World Bank, the International Monetary Fund, the International Atomic Energy Agency and many other regional cooperation institutions — are being challenged by competing institutions championing a new global political and economic “architecture.” The most significant among these in the greater Central Eurasian region in political (security) respects are the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO). The most significant new institutions in the economic realm are the Eurasian Economic Union, or Eurasian Union, and One Belt, One Road (OBOR), since renamed the Belt and Road Initiative.

The CSTO is a regional international security organization with origins in a military treaty signed to address security and defense issues in the wake of the breakup of the Soviet Union. In 1992, Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan signed the Collective Security Treaty (CST) at a meeting in Tashkent, Uzbekistan. Three other post-Soviet states (Azerbaijan, Belarus and Georgia) signed the CST the following year, and the treaty came into force in 1994 with the codicil that it would be reviewed every five years. In 1999, the CST was renewed by six members, but three (Azerbaijan, Georgia, Uzbekistan) did not renew. The six remaining members established the CSTO in the form of a military alliance. Uzbekistan joined in 2006 but withdrew in 2012.

The SCO is a regional international security organization. Multilateral cooperation grew out of two-party, Sino-Soviet diplomatic negotiations starting in 1986 over border cooperation, and culminated in a five-party treaty (China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan) on border agreements signed in April 1996 as the Shanghai Accord. The cooperation led to continued and expanded discussions, resulting in the establishment of the SCO in June 2001. The SCO has since added members (Uzbekistan, India, Pakistan) and observing states (Afghanistan, Belarus, Iran, Mongolia), as well as dialogue partners (Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka, Turkey).

The idea of a Eurasian economic community emerged from negotiations at the December 1991 Alma-Ata Agreement. However, for many years the economic integration movement was pushed forward only by Kazakhstan and was opposed or hindered by others. Following Russia's economic default in 1998, Russian support for the idea of economic integration shifted. In October 2000, the Eurasian Economic Community was formally formed at a meeting in Astana, Kazakhstan. The goal was to promote the movement of people, goods, services and capital throughout Eurasia by creating a system of regionwide standards, a customs union and by taking over the responsibility for negotiating with the World Trade Organization as one party. The Eurasian Customs Union came to life in January 2010 and was followed by the treaty that formed the Eurasian Economic Union, which came into effect in January 2015. But the idea of the “Union” went beyond the loose fabric of the Commonwealth of Independent States or the Economic Community; it was to create an interlocking system of institutions involving economic, legal and political dimensions. After beginning his third term, Russian President Vladimir Putin refocused the idea of a new overarching architecture by emphasizing consolidation in the post-Soviet space. Putin introduced the idea of “multidimensional integration” as a means of bringing together security, political and economic concerns in the format of the Eurasian Union.

The idea of OBOR emerged as a platform for Chinese foreign investment in 2013 and was soon championed by Chinese President Xi Jinping. It is a global infrastructure development program adopted by the Chinese government.

Xi originally called it the “Silk Road Economic Belt” during an official visit to Kazakhstan in September 2013. “Belt” refers to the idea of an economic belt, reminiscent of the overland routes for road and rail transportation through Central Asia and the Caucasus region along the famed historical Silk Road trade routes of the era of Marco Polo. “Road” refers to Indo-Pacific sea routes, a 21st century maritime Silk Road.

OBOR is associated with a parallel project, the Asian Infrastructure Investment Bank (AIIB). The AIIB is a multi-lateral development bank and is an international financial institution. The bank was proposed by China in 2013, and the initiative was launched at a ceremony in Beijing in October 2014. Founding members joined China, and the AIIB started operation after the agreement entered into force December 25, 2015.

#### **NEXT GENERATION ‘HARDWARE’ AND ‘SOFTWARE’**

Logic, no matter how clear and compelling, does not always guide politics. In politics, sometimes matters of principle and logic are important, but calculations of self-interest get in the way. The early stages of development in the post-Soviet space, after the disintegration of the Soviet Union, provide a good example. When the founding meeting of the Commonwealth of Independent States took place in Alma-Ata, Kazakhstan, in December 1991, one of the few things the political leaders could agree upon was the idea of maintaining a “common economic space” throughout the entire Eurasian region. To all of those present at the first post-communist negotiations, the traditions

of cooperation in economic and commercial relations were uniformly desired, the economic relationships were seen to be practical and the idea of maintaining a “single economic space” was expected to be easily achievable. However, the collapse of the Soviet Union was not followed by the emergence of graceful economic cooperation. The period was characterized by a great deal of economic one-upmanship and narrow, self-interest-driven protectionism. The dedicated efforts of the post-Soviet negotiators to coordinate currency, customs, trade and investment policies produced far more cooperation on paper than in practice; an enduring diversity and incompatibility of standards, policies and practices slowed integration and harmed trade within the entire Eurasian region. This experience of the Central Eurasia states underscores the importance of finding cooperative relationships to build the infrastructure for trade, transportation, energy, telecommunications and natural resource management in the region, as well as the policies, financing and expertise to operate these systems effectively and efficiently. There are two aspects of any infrastructure system: the material “hardware” systems and the “software” policies. In 2020, the Central Eurasian countries started a rapid phase of infrastructure development to facilitate the new land bridge concept throughout the region. The COVID-19 pandemic slowed down much of that development, although it may soon regain momentum. But there are important questions regarding the way these systems are developed.

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Workers build a stretch of highway in Haripur, Pakistan, constructed as part of China's One Belt, One Road infrastructure program. THE ASSOCIATED PRESS







Russian-led Collective Security Treaty Organization peacekeeping forces take part in the Unbreakable Brotherhood 2020 training exercises on the Losvido firing range in Belarus. *REUTERS*

A good example is OBOR investment in roads, power, telecommunications and energy in the Central Eurasian countries. Many large OBOR infrastructure projects are now in the first stages of implementation. Examples are the interconnection of rail, road, port facilities, power grids and airspace control, and fixed electronic communication systems including transmitters, relay towers and receivers, and so on. These projects raise important questions: Can the construction of the new OBOR hardware of infrastructure projects in transportation, energy and telecommunications create a new framework for cooperation in the greater Silk Road-Eurasian region? Will the software of government policies and practices sync with the hardware, or will government policies lead to inefficiencies or conflicts? To the extent that these fixed infrastructure projects can offer greater operational efficiencies, will these also introduce inflexible geostrategic implications? Will an enlarged prosperity zone also result in a parallel security sphere?

Fixed physical distribution systems such as roads, railways, oil and gas pipelines, water distribution systems, irrigation systems, electrical distribution grids and fixed telecommunication networks often come with features of a natural monopoly. Commodity markets are economically most efficient where there are many producers, many consumers and competitive prices determine the terms of exchange. These features describe the standard market model. Natural monopolies do not share all these market features. Fixed distribution systems tend to fail the conditions of efficient markets, particularly if there is low diversity of producers and consumers.

The case of a single oil pipeline between a producer and a consumer illustrates the problem of a natural monopoly. If the consumer is offered only a limited number of suppliers — as is usually the case with oil pipelines — the price of the commodity will be determined not by a market equilibrium, but by the supplier's determination of what is a "fair" price. Oil and gas consumers served by transport pipelines with a limited number of alternative sources or substitute energy fuels are familiar with the problems of energy dependence and the results of price gouging, shortages and disruptions. The energy dependence of consumers is a common complaint and a public concern. Producer energy dependence, in contrast, is less often discussed. But producer dependence is also a major factor in shaping the national policies of energy producers and the governments that rely or even depend on energy sales revenues.

Electrical power transmission provides an important example of the distorting effects of natural monopolies on prices. One of the traditional constraints of electric power systems is that production has needed to be closely linked to consumption. However, new electric storage capabilities are rapidly expanding with technological changes and large-scale electric storage costs are decreasing. Traditionally, however, electricity has not been storable in large volumes. Consequently, production has needed to be flexibly scaled to meet fluctuation in demand. This has been a source of great difficulties for large, regional electric transmission projects. Due to these market features, electricity distribution systems tended not to be organized in terms of supply and demand,

but rather in terms of the engineering aspects of the facilities for production, transmission and distribution.

Forms of economic and political organization tend to be interrelated and the forms of foreign policy, which countries adopt with respect to their foreign partners, tend to reflect these differences. States that possess horizontal, deliberative and civil forms of government tend to have market-based economies. Those that possess vertical, summary and praetorian forms of government tend to have concentrated and state-administered economies. As it is common for like entities to associate with like entities, vertical states tend to associate more readily with other vertical states in the political aspects of their foreign policy, even when the supply and demand requirements of their economies might dictate otherwise. Because many of the formal and policy-oriented relationships of trade agreements have a political character, vertical states tend to form trade agreements and maintain partner relations with similar states. Formal trade agreements bundle a variety of values, norms, standards, policies, instruments, mechanisms and channels of trade. Currency arrangements, customs controls, health and safety standards, banking practices, financial regulatory institutions, such as ratings agencies and certification bodies, and many other administrative details are resolved in the format of state policies and state-to-state agreements.

The vertical and horizontal aspects of the form of integration are important because they also reflect the political influence in the economic decision-making. The Eurasian Union provides a good example: Some critics see it as basically a political project. The goal, they claim, is to bring together under one political structure the territories of the former Soviet Union. The Eurasian Union is essentially a vertical integrative process, driven by centralized objectives, with top-down processes managed by the Kremlin. It is not a horizontal integrative process, driven primarily by economic or informational factors that lower costs and increase efficiency through the conformance of standards and the convergence of interests. The Eurasian Union serves as an economic complement to the CSTO. Success of the Eurasian Union project would, in the eyes of its supporters, make it possible for the CSTO to assume the status of an organization similar in function to the Warsaw Treaty Organization.

## STRATEGIC DESIGN IN POST-PANDEMIC RECOVERY

The efficiency and the effectiveness of infrastructure improvements in the Central Eurasian region is highly dependent on the extent to which the dynamic potential of horizontal drivers wins out over the tendency to establish and ossify vertical relationships. At the same time, it is important to resolve whether integration efforts are to be driven primarily by economic objectives or by political (meaning national security) objectives. The political and economic institutions are, of course, always at play in some mixture and mutually reinforcing. But a great deal depends on which is the primary vector, making the most important contribution, and which institutions are sponsoring the integration makes a critical difference. Key sponsors

have differing interests in the political-economy of Central Eurasia's next generation of infrastructure development. China, backing OBOR, is clearly driven primarily by its economic objectives. Conforming political pressures can be expected from Chinese sponsorship. In contrast, Russia's sponsorship is primarily political and geopolitically strategic in its design. Russia can be expected to continue to push the CSTO and rely upon the Eurasian Union for support.

As Andrew Michta, dean of the College for International and Security Studies at the Marshall Center, has argued, the shift to new sinews of power amounts to a "grand inversion." In his article, "U.S. Alliances: Crucial Enablers in Great-Power Competition," published by the Heritage Foundation in 2020, Michta contends that China's OBOR policy, which is heavily focused on Central Eurasia, may have geostrategic importance. He writes that for hundreds of years, the prevailing maritime trade routes preempted land routes, shifting international power toward maritime resources and away from land forces. Initiatives such as OBOR are premised on inverting those age-old relationships. Beijing is calculating on replacing this maritime supremacy in such a way that the European Rimland would cease to be the transatlantic gateway to Eurasia, becoming instead the terminal endpoint of a China-dominated Eurasian empire. China's OBOR would tie the economies of Europe, Russia and Africa to China as part of its larger effort to form a single Eurasian supply-chain network.

## CONCLUSION

COVID-19 caused unprecedented supply-chain disruptions throughout Eurasia in 2020, with immediate social, economic and political effects, but 2021 is apt to witness long-term strategic changes. In ages past, the expression "sinews of power" referred to the fusion of financial advantage with military might. Grand strategies of great power competition of the leading nation-states from the 17th to the 21st century were founded in industrial prowess, financial wherewithal and military might. In blunt terms, the industrial age produced international competition where success in iron and steel output joined tactical and strategic military capacity as the leading factors in determining the outcome of competitions.

Today, in the post-industrial, information-dominated age, bits and bytes are just as significant as guns and butter. The expression "sinews of power" may still refer to a combination of military capacity and economic influence, but in very different contexts where the hardware and software are of equal importance. The Central Eurasian region is a good example of the importance of the success of the hardware of fixed infrastructure for transportation, energy and telecommunication, in conjunction with the successful software of efficient policy and financial relationships. The belt of states linking the Far East and the West — the states of Central Eurasia — are positioned at the dynamic seams of the international system and will serve as a critical connecting region among today's major powers. □