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Regionalism in Central Asia

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In this essay, we will be seeking to explain why, despite the proliferation of regional organizations in Central Asia, effective economic regionalization still has not taken place. Mansfield and Milner offer a variety of definitions of regionalism. For the purposes of this essay, we will be using their relaying of Fishlow and Haggard's definition of regionalism as "a political process characterized by economic policy co-operation and co-ordination among countries" (Mansfield and Milner 1999, p.592). Firstly, we will consider some of the arguments put forward to explain the failure to regionalize in this part of the world and evaluate their potential. This will involve looking at economics and trade, regime types, and cultural factors. We will then go on to explain why, in the light of these obstacles, an unusually high number of regional organizations still exist in Central Asia. Finally, giving consideration to our conclusions, we will briefly discuss the future of regionalization for Central Asian countries. We will draw on a range of sources from the literature: Pomfret's arguments that regionalism is not economically viable in the region, Collins' discussion of regime type, Allison's security-based explanations for 'virtual regionalism', and Bohr's exploration of the role of international dynamics in the area.

Pomfret argues that regionalization is not worth going through with in Central Asia. He claims that due to their similar economies that specialized in a similar group of primary goods they are not naturally suited to regionalization (Pomfret 2008, p.54). He instead presents the WTO as a more viable option for trade liberalization in the region, citing its access to larger markets, strengthened dispute resolution mechanisms, and the potential for Central Asian countries to lobby for their interests as a group and within other groups such as the nineteen developing countries lobbying for changes in WTO rules on agriculture (Pomfret 2008, p.58-59). He also alludes to the economic costs of importing from a neighbor who is not the least cost producer of a product (Pomfret 2008, p.59). However his principle argument is in the likelihood of trade diversion, claiming that it would lead to tariff losses and low quality goods (Pomfret 2008, p.63). Although convincing in theory, there are a number of limitations to Pomfret's arguments.

One problem with his argument is based in the short-term to medium-term and fails to take into account the long-term gains of regionalization. While it is true that Central Asian countries have similar export-based economies, there is a lot of potential for growth in other industry areas that would be fed by regionalization. Collins discusses an example of such an industry with potential for growth is energy (Collins 2009, p.257). She also demonstrates other benefits that would occur from regionalization, including, but not limited to, the saving of \$300 million lost to trade barriers, transit and transport, the reduction in cost of corruption, and the preferences of foreign investors for open economies (Collins 2009, p.257-259). Pomfret's suggestion of the WTO as an alternative means for liberalization in Central Asia is also deficient. He fails to take into account the unwieldiness and inefficiency of the WTO as evidenced in the ongoing Doha round of multilateral trade negotiations. Finally, Pomfret's claim that regionalization would divert trade may be true and certainly in theory multilateral liberalization is best, but as Lamy points out, this incorrectly presumes we operate in a world of perfect competition and again fails to take into account that industry would develop and eventually become trade creating (Lamy 2002, p.1401-1402). In light of these points, it would be fair to advance the claim that the economic benefits of an effective regional agreement would outweigh the disadvantages. Now that we see it is economically viable to follow through with regionalization, we will consider some other possible reasons for Central Asia's failure to regionalize.

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Allison mentions that the failure to regionalize could be attributed to the fact that Central Asian states are undergoing a process of nation-building and as a result have to contend with “deep-seated local conflicts” within their nation (Allison 2008, p.188). Bohr draws attention to the fact that the elites in these countries are attempting to eliminate subnational identities in order to create unity in their countries “revising national histories, upgrading national languages and creating new iconographies” (Bohr 2004, p.495). Taking the difficulties associated with these efforts to create a nationality among so many competing identities within these countries into account it would not be surprising that they are not willing to go about creating a supranational identity also. The instability of the nations could also explain the reluctance to undertake major regionalizing projects. An effect of these being young countries is that the capacities of the state to undertake ambitious projects may be weak (Allison 2008, p.188). In addition the geopolitical rivalries of the states within the region, especially between the two competing powers of Kazakhstan and Uzbekistan, may be a barrier to meaningful progress in regional union (Allison 2008, p.188). It is well known that an antagonistic relationship exists between President Karimov of Uzbekistan and President Nazarbayev of Kazakhstan rooted in their competition for regional hegemony (Allison 2008, p.187).

Although each of these factors may indeed contribute to the difficulties regionalizing in Central Asia, it is unlikely that they are enough to cause the situation we see at the moment. In the process of nation building, one of the most important things to work on is economic success, and, as we saw earlier, there are many economic gains to be garnered from the process of regionalization. In the case of whether the states have the capacity to follow through on their agreements, it must be conceded that it is a possibility, but this does not explain the ongoing creation and rhetoric surrounding the creation of regional organizations. The geopolitical rivalries and mistrust that exists between states and leaders in Central Asia are also a possible explanation for the lack of progress in the area, but, once again, it is difficult to conceive that this is the sole reason due to the obvious economic gains to be made. Each of these factors may contribute, but it is their interaction with another characteristic of Central Asian states that creates the situation that we can see in the area.

Collins puts forward the most convincing argument for the lack of meaningful regional integration in Central Asia by looking at regime type. She points out that the overwhelming majority of the literature and explanations put forward for regionalism, or lack thereof, are based around discussions of Western configurations, whereas Central Asia “is largely dominated by patrimonial-authoritarian regimes, and is thus distinctly different from the democratic states of West European, North American, and Latin American regions and even from the consolidated authoritarian states of East Asia, around which most of the literature on regionalism has developed” (Collins 2009, p.250). So seeing as the literature assumes an independent legislature and executive accountable to voters and the presence of interest groups, sectors and classes, which are distinctly lacking in post-Soviet states, she argues that the regular explanations put forward fall short (Collins 2009, p.253). Frye and Mansfield found that non-democracies where power is more dispersed are more likely to liberalize trade than those where power is more concentrated (Frye and Mansfield 2003, p.656), and power in Central Asian states is highly centralized. The reason that this regime type of highly-centralized and personality-based power structure is unfriendly to regionalism is that lacking any other legitimacy, the leader draws his power from a close circle of allies who support, and in turn are supported by, the leader. These circles surrounding the president are in control of key positions in “major state enterprises, the ministries responsible for taxation, customs, border guards, the police, the banking system and agriculture” (Collins 2009, p.262). Instead of the institutions of liberal democracy, there exist informal institutions of “corruption, bribery, rent-seeking, nepotism, personalistic ties and clannishness” (Collins 2009, p.253). Those in power seek to advance their own wealth and survival with little regard for the good of the nation.

Collins explains the affect that regional trade liberalization would have on the regime. If tariffs were lowered, it would cut into government revenues – the source of the leaders power and patronage – as well as having to deal with customs corruption: a lowering of trade barriers would lead to a loss of a tool used to build support among business interests; liberalizing trade exposes monopolies to competition; and currency unions affect vested interests in the banking system and undercut the black market for currency (Collins 2009, p.256). This argument is more convincing when compared to the suggestions of the limitations caused by nation building, regional rivalries, or weak state capacities. We will now go on to consider the possibilities for why there has been a proliferation in numbers of regional organizations in Central Asia despite the lack of any meaningful advancement, and see how it is also closely linked with regime type and the motivations of the elites in these countries.

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There have been a massive amount of regional organizations set up in Central Asia since the break-up of the Soviet Union: the Eurasian Economic Community, the United Economic Space, the Central Asian Economic Community, the Central Asian Cooperation Organization, and many more besides. These various regional trade organizations that “have at some time envisaged preferential trade policies—variously described as free trade areas, customs unions, common markets, or a common economic space” but in reality there has been very limited progress made (Pomfret 2008, p.51). A number of explanations for this litany of meaningless organizations have been put forward. Pomfret claims that the high number of organizations is linked with the speed that political alignments change in Central Asia. He states that “for the presidents, treaties of friendship and economic cooperation are cheap ways of signaling political alignments”, and that coming from a Soviet culture, where economic contracts meant very little, it was not expected that any would be followed through with (Pomfret 2008, p.62).

This is a very simple answer to what is a much more complicated question and has a number of faults. It is a very elaborate way to signal alignment and the fact that they seemed to choose the formation of economic regions as their medium for communication is unlikely. Moreover the creation of many of these organizations has been encouraged and facilitated by outside parties and countries. For example the Asian Development Bank and the International Monetary Fund are heavily connected with CAREC, the Shanghai Forum was facilitated by China, and the UES existed under Russian hegemony (Pomfret 2008, p.51-57). Even if Central Asian countries were willing to take significant periods of time creating elaborate agreements to signal political alignments, it is extremely improbable that powerful nation states and reputable international organizations would get involved. Once again, we will incorporate domestic politics into our reasoning to try to explain this phenomenon.

A reason that could explain the existence of this ‘virtual regionalism’ is that regime leaders need to appease what little civil society exists in their countries. Collins notes that countries that undertook liberalizing initiatives early on after their independence are more likely to participate in ‘virtual regionalism’ than those who did not. She points out that Kyrgyzstan, Kazakhstan and Tajikistan are more likely to be involved in regional arrangements than Uzbekistan and Turkmenistan. “The former group undertook some limited political and economic reforms in the 1990s, and such reforms had a liberalizing legacy in spite of subsequent retrenchment by the regime” (Collins 2009, p.272). This liberalizing language could also be for the benefit of international organizations pressuring regimes to open up. Collins notes that “as with rhetoric about democracy and elections, rhetoric about economic liberalization and regionalism often serves to satisfy domestic audiences and the international community that progress is taking place” (Collins 2009, p.273). This argument fits in well when one considers that those in power in Central Asia are chiefly concerned with their own survival and profitability. However, as we will see, it is not solely the appeasement of weak civil society and international organizations that drive the chronic foundation of regional organizations.

Collins notes that regional arrangements nowadays include “many issue areas, from trade to security, human rights, the environment, and political integration” (Collins 2009, p.253). Security is one of the few areas in which regional cooperation has advanced in Central Asia. Since 2002 security cooperation in the areas of intelligence sharing, military training and cooperation, joint exercises and military modernization has grown (Collins 2009, p.257-260). This is reflective of the true goals of the regimes in power – their continued survival and capacity to expand their wealth. With a strong security force, it is much more likely that the patrimonial leaders will continue to fulfill these goals. So we can see that regional cooperation is in fact possible, but only when it benefits the regime. Therefore it is reasonable to assume that the creation of so many regional organizations has been done to facilitate the survival of the regimes. The reasoning behind them is twofold.

“One explanation for Central Asian leaders’ interest in these macro-regional groupings is the need to manage tensions within the Central Asian security sub-complex (one linked to a broader regional security complex around Russia)” (Allison 2008, p.188). Managing intra-regional tensions is key to the continuing survival of the regime. It would not be good for the stability of their regimes if a war was to break out in the region. Furthermore, the threats of terrorism and revolution are better dealt with on a regional basis. Following the colored revolutions, these will have become very real concerns for the authoritarian regimes in Central Asia. This goal is reflected in the mandates of the organizations. For example, in the SCO mandate, they vow to fight “terrorism, separatism and extremism” (Allison 2009, p.196). As Allison notes, these statements could be used to refer to any number of threats to the regimes (Allison 2009, p.196). The other protection that these organizations offer their participants is protection from external

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pressures. "Regional coordination, cast in the grandiose language of regional integration for at least the EAEC and CSTO, creates a basis for political solidarity between state leaders and their protection against or resistance to a perceived interventionist agenda of democracy-promotion by Western states, international organizations and donor agencies" (Allison 2008, p.188). These platforms give the regimes an international platform to express their solidarity and bolster their legitimacy.

This would also explain the involvement of Russia and China in many of these regional groupings. Russia especially is undertaking a strategy to counteract Western attempts to promote democracy in the region: "One element of this Russian strategy has been to encourage regional organizations to advance agendas which are effectively destined to counter the diffusion of democracy or, as Moscow and Central Asian leaders would tend to view it, to counter externally promoted efforts aimed at the subversion of constitutional order in sovereign states" (Allison 2009, p.190). Bohr points out that the Central Asian countries also benefit from more powerful countries by playing them off each other in order to extract military support, equipment and training (Bohr 2004, p.490-492). Uzbekistan's agreement to host the Regional Anti-Terrorist Structure of the SCO despite being a clear ally of the US is a good example of this (Bohr 2004, p.492).

Now we can see that both the failure to regionalize and the proliferation of regional agreements are both intrinsically linked to the patrimonial authoritarian nature of the regimes in Central Asia. Though other factors exist that would make regionalization difficult – intra-regional tensions, uniformity in exports, weak civil society – it is clear that they are all pale in comparison or are as a result of the types of regimes in power. The United States' 'New Silk Road' initiative is the most recent attempt at regionalization. In light of the above analysis and a plethora of other factors, it is unlikely to succeed. The unpredictability of the regimes in the area and their tendency to do what is best for them in the short-term is a massive liability. If there are not sufficient incentives for the regimes, they are likely to either pull out or just allow the agreement to join the rest of the regional organizations in irrelevance. Furthermore, the instability in Afghanistan is a major risk. As Prokop pointed out, Afghanistan is forecasted to be central to the initiative as the 'Asian roundabout', and yet it is also the weakest link (Pyatt et al 2012, p.2). To expect the amount of long-term investment that they have forecasted in the country is unrealistic. Also, the exclusion of the major regional power of Iran is shortsighted and the perception that this is a vie for regional hegemony by the United States by reorienting the region away from Russia and towards South-East Asia are also limiting factors (Pyatt et al 2012, p.2).

In conclusion, we have seen that though there are a number of factors that may possibly contribute to the failure to achieve meaningful economic regionalization in Central Asia, the overwhelming factor at play is the corrupt and patriarchal nature of their leadership. We have also seen that regionalization is possible, and in fact underway, in the area of security. Supporting the above hypothesis however, it has only taken place in circumstances that are agreeable or advantageous to the leaders in each country. We have also seen how the proliferation of organizations without any meaningful function once again serve the interests of the patrimonial authoritarian regimes in providing them with legitimacy and a single voice in the international community, as well as giving them the opportunity to play large powers off each other. The most recent attempt at regionalization do not take this into account and ignore a number of other factors also, and therefore the 'New Silk Road' initiative is likely to fail. In order to see any meaningful progress towards liberalization in Central Asia in the future, it is necessary to liberalize domestic politics.

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