

Charles Santos

Chairman, Uzbekistan Investment Group, Inc.

House Committee on Foreign Affairs

Subcommittee on Europe, Eurasia and Emerging Threats

Date: Wednesday, 21 May 2014;

Time: 2:00 p.m.

Title: The Development of Energy Resources in Central Asia

Former Soviet Central Asia is a bridge between Europe and China, Russia and the Indian Subcontinent, consisting of Uzbekistan, Kazakhstan, Turkmenistan, Kyrgyzstan, and Tajikistan.

It is a region more developed than its neighbors to its South. It straddles some very large energy reserves (and I have listed this in the appendix), most importantly natural gas, oil, metals, minerals and significant agricultural capacity.

With the collapse of the Soviet Union at the end of 1991, our objective was to ensure the freedom of the newly independent countries of Central Asia. We saw in their significant energy resources the possibility of economic growth and development and by having multiple markets for their energy, economic independence as well. We therefore pursued policies that focused on supporting private sector approaches to the development of energy resources, the development of pipelines and transit corridors—seeing a modern version of the Central Asia’s historical experience as the heart of the Silk Road.

Our interest in the region weakened, bordering on disengagement, as energy prices collapsed in the late 1990s, the Taliban emerged in Afghanistan and the countries of Central Asia failed or were slow in adopting transparent and investor friendly policies and political reforms.

Our disengagement from Central Asia ended on September 11, 2001 but our return was far more narrowly focused: namely, Afghanistan and Pakistan and later Iraq, never returning to the previous policy that saw the strategic importance of Former Soviet Central Asia, except as a logistics base for operations in Afghanistan. Afghanistan became the Center of our Central Asia for us.

While we sacrificed more than 3000 lives and spent more than a trillion dollars on a disappointing nation-building project in Afghanistan, China sought to fill our policy vacuum, focusing on energy and pipelines in Central Asia, taking a page out of our policy playbook.

Our allies in Europe with even a more at stake in pursuing gas resources in countries like Uzbekistan and Turkmenistan followed the US lead even when it meant losing the possibility of greater energy supply diversification.

With the withdrawal from Afghanistan and growing East-West tension, 2014 has demonstrated that our disengagement from Central Asian has left the US and its European allies doubly exposed: the countries bordering Northern Afghanistan have become frontline states not only in the battle against extremism but also in aiding in the diversification of energy supplies for Europe.

The economic potential of Central Asia will not only help to stabilize Afghanistan through trade and the possible transit of Afghan energy but

also through the value that the more advanced economies of Central Asia bring in terms of technical expertise combined with historical and cultural understanding that bordering countries bring.

The countries of Central Asia also enable another strategic objective: the possible further diversification of European energy supply from gas from Turkmenistan, Uzbekistan and even potentially Afghanistan.

Strengthening Central Asia by encouraging economic development and investment in both energy and energy transit infrastructure and by building a more significant security relationship is the most cost effective strategy we have.

Regional stability will emerge from a strong, moderate and independent Central Asia yet we seem to have not made this a priority. Our future cooperation with Central Asian countries should value economic development and the encouragement of the investment and transparency as the best way of achieving stability. This is just as important as cooperation on matters of security.

There are some key things we could do:

- Renew support for the construction of the Trans-Caspian Pipeline, which will link gas supplies from countries like Turkmenistan, Uzbekistan and Afghanistan to Europe;
- Support economic capacity building, particularly the private sector;

- Support multilateral financial institutions and mechanisms to ensure financing for economically viable private sector projects.
- Support regional governments in their efforts to build more transparent and investors legal framework as a way of unlocking further investment.

Finally, there is no single way to solve the Europe's energy dependency or bring stability to the region—particularly Afghanistan. But ignoring the importance of Central Asia, particularly the key countries that border Afghanistan and forgetting our initial insights about the region will surely make matter worse. When we ignore building broader strategic relationships, as we have during the past twelve years, we make our country and our Allies more vulnerable. The confluence of the Afghan withdrawal and growing tension in Europe this year is giving us a chance to refocus our policies to help build a stronger and more independent Central Asia. It is an opportunity we should not squander.