

CENTRAL ASIA IN A GLOBALIZING WORLD: CURRENT TRENDS AND PROSPECTS

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The Central Asian States After the Breakup of the U.S.S.R.

On the threshold of the 21st century, the strategic importance of the new sovereign states of Central Asia, endowed with huge oil, gas, uranium, gold and other mineral reserves, sharply increased.

The newly formed states sought to become independent from Russia and to develop political and economic contacts with other countries on a parity basis. In a short period, they established diplomatic relations with most countries of the world, became members of the United Nations and other international organizations, signed hundreds of interstate treaties and agreements, and entered into highly complex trade and economic relations with over 140 countries.

However, throughout the entire independence period interstate relations in Central Asia have remained very complicated and have developed inconsistently under the simultaneous influence of two opposite trends: integration and disintegration.

The interregional and intersectoral contradictions of what used to be a single national economic complex, earlier compensated from the Union budget, were automatically transformed into interstate contradictions. At some undemarcated and internationally unrecognized sections of the Uzbek-Kyrgyz, Uzbek-Tajik and Uzbek-Kazakh borders, disputes and conflicts flared up and are still simmering today. Ultimately, close neighbors were pulled apart by different models of economic and political reform, competition for foreign investment and leadership in the region, the incompatible regional and international ambitions of their leaders, and their sometimes different positions with respect to the CIS and Russia.

The contradictions were generated by the very geopolitical peculiarities of Central Asia: abundant natural resources in a closed transport space with limited outlets to world markets and a relatively undeveloped network of communications, especially external communications (numerous alternative oil and gas pipelines are still at the project stage); the new states' striving for economic independence and their strong economic and transport ties with Russia; the "artificial" nature of interstate borders; significant human resources (over 60 million people) and labor shortages, which have become particularly severe as a result of the migration of Russian-speaking people; vast water resources in mountain areas and severe water shortages; overpopulation and insufficient living space in the Fergana Valley (up to 500 persons per sq km) coupled with vast unpopulated desert areas.

These contradictions have been sharpened by serious miscalculations in economic policy, growing social discontent, mass unemployment, impoverishment of society, endless disputes between countries over water and land use, an intensifying struggle for redistribution of property, and stepped-up activities of terrorist organizations and drug dealers.

Add to this the image of “hangers-on” gradually cultivated in Russia (before and after the breakup of the U.S.S.R.) with regard to the former Union republics, which had year after year obtained subsidies from the Union and Russian budgets.

After the disintegration of the U.S.S.R., the Central Asian states tried to develop integration at their regional level. The Russian Federation was first an observer and in 2004 became a member of the Central Asian Cooperation Organization (CACO), but the latter did not achieve any impressive successes in the matter of integration. Its goals and purposes were proclaimed, but no timetables were set and the parties’ obligations remained unspecified. The member states developed a strategy and program for Central Asian integration, but there was no action plan indicating concrete performers or setting deadlines. There is good reason to believe that these were more in the nature of letters of intent, because there was no sign of real economic integration between the member countries.

In view of Uzbekistan’s entry into the EurAsEC, there was no longer any reason for the separate existence of CACO (whose other states were also represented in the EurAsEC), since CACO had recently integrated into that organization.¹ That was preceded by Russia’s accession to CACO, which for some reason remained virtually unnoticed. As a result, there were two organizations with the same members and roughly similar objectives playing “on the same field.” Hence the simultaneous decisions on Uzbekistan’s entry into the EurAsEC and on the merger with CACO.

Back in 1999, five EurAsEC member states signed a Treaty on the Customs Union and a Treaty on a Common Economic Space. For a start, it was planned to ensure a free trade regime without any administrative, fiscal or quantitative restrictions in mutual trade, whereupon it would be possible to go over to the second stage: the creation of a Customs Union with a common customs tariff and abolition of customs control at internal borders. It should be noted that the EurAsEC accounts for up to 80% of foreign trade operations with the CIS.

Today it must be admitted not only that customs problems have remained unresolved over the past seven years, but also that the free trade regime is not actually free. At a summit on 23 June, 2006, the EurAsEC heads of state set the time limit (year-end 2006) for the preparation of a legal framework for the Customs Union and coordination of activities in acceding to the WTO. By this time, among other things, Uzbekistan should accede to all the agreements already effective within the EurAsEC (over 70) and should strictly perform all its obligations to its partners (in the first place, it should accede to the actually operating Free Trade Area).

This could possibly somewhat reduce the regional competition for leadership between Uzbekistan and Kazakhstan. Before Tashkent got down to active cooperation with Moscow and Beijing, there were two regional forces in Central Asia: Kazakhstan, which from the very beginning took a largely pro-Russian stand, and Uzbekistan, which made no secret of its pro-Western leanings. Now the confrontation will not be so strong; at the same time, one cannot expect Uzbekistan to acknowledge Kazakhstan’s leadership in the economic sphere, so that there is bound to be continued friction between these two countries.

After suspension of membership for six years, Uzbekistan has returned to the Collective Security Treaty Organization (CSTO). This decision has radically changed the current geopolitical situation not only in Central Asia, but also throughout the entire post-Soviet space. For Uzbekistan, this is a long-term strategic move providing it with security guarantees both against possible action by terrorist organizations and groups of militants appearing from time to time on its southern borders and against any possible encroachments on its state sovereignty, given the sharp increase in external pressure on that Central Asian country after the Andijan events.

From now on, four of the five CA states (except Turkmenistan) will be within the CSTO’s zone of influence, and this will in large measure expand Russia’s opportunities to play a more significant role in Central Asia than it did in recent years. The CSTO has turned into the main instrument for

¹ The Republic of Uzbekistan officially joined the EurAsEC on 25 January, 2006.

ensuring security in Russia's area of responsibility; it has become an active partner of the EurAsEC and the most weighty factor of effective integration processes within the CIS.

In 2006, Russia and Kazakhstan officially founded a Eurasian Development Bank with an authorized capital of \$1.5 billion; Russia's share constitutes \$1 billion (two-thirds of the votes), and Kazakhstan's share, \$500 million (one-third of the votes). Although the Bank was established by these two countries, it is of great importance to all EurAsEC members in terms both of its name and its declared goals. One of the main tasks set before the Bank is to promote the implementation of infrastructural (including transport and energy) projects in the Community. This financial body is designed to promote sustainable development of the EurAsEC economies, to expand mutual trade and encourage direct investment, including investment in the form of a private-public partnership. In the territories of Russia and Kazakhstan, the Bank is exempt from any taxes, charges or duties (with the exception of those which constitute fees for specific services).

The expansion of the EurAsEC in conditions of globalization and growing interdependence in the international community has significantly increased the importance of real integration between the CA countries' economic, financial, productive and human resources for joint solution of regional cross-border problems, regeneration of the Aral Sea, development of intraregional cooperation and confidence building in mutual relations.

The Central Asian states are linked together into an integrated ecological system by the common river basins of Syr Darya and Amu Darya. Their primary task is to work out a single water and energy strategy for Central Asia. Turkmenistan, Uzbekistan and Kazakhstan have 4.3% of the world's proven gas reserves, constituting about 8 trillion cubic meters. There is a common gas pipeline running across these countries (Gazli-Bukhara-Tashkent-Shymkent-Almaty), which makes it possible to supply natural gas to Russia, Ukraine and the countries of Transcaucasia; in the future, export volumes are bound to increase. Turkmen gas supplied to CIS states transits Uzbekistan and Kazakhstan, so that its delivery depends on the availability of free space in the Uzbek and Kazakh gas transportation systems. In their supplies of gas to Europe, these countries are dependent on Russia and Ukraine, but they for their part can put pressure on the latter as well.

In Kyrgyzstan and Tajikistan, gas fields are virtually nonexistent or are undeveloped. These countries themselves are gas importers, and supplies of natural fuel from Uzbekistan are vitally important to them.

The need for integration derives from a whole range of urgent economic problems which cannot be resolved by CA countries on their own, inducing them to look for new forms of regional cooperation that would ensure the sustainable development of individual states in the world economy.

The effectiveness of integration is influenced by differing economic interests in the use of common natural resources, "national egoism" in price and tariff setting, numerous remaining administrative restrictions in payment and settlement relations and mutual convertibility of national currencies, and also by significant differences in the pursuit of socioeconomic reforms, liberalization of foreign economic policy, and the role of the state in managing the economic, production and financial activities of enterprises.

Central Asia and the Shanghai Cooperation Organization

The Central Asian region faces challenging military-political problems: maintaining peace and stability, fighting terrorism and religious extremism, turning the region into a stable security zone, and making joint use of natural and technological resources.

After 11 September, 2001, the struggle for Central Asia assumed global proportions: it entered a new stage associated with closer integration into world economic and geopolitical relations. Strategically speaking, strong powers have clashed in Central Asia. The main actors—the United States and Russia—pursue diametrically opposite goals. In its urge to gain control over the region's abundant energy resources, Washington is doing its utmost to thwart Moscow's attempts to once again rally together the FSU republics.

China too aspires to the role of a key actor in Central Asia. It has been playing its own game in order to exploit existing contradictions both between Russia and the United States and within the CIS, although Beijing had no direct contacts with countries of the region for over 100 years, because they were not subjects of international law and lacked the authority to engage in international relations.

The pattern of interaction between Russia, the U.S. and China in Central Asia is very complicated: rivalry between the "great" powers for influence over "small" nations, their coinciding interests, irreconcilable contradictions, and the development of a common strategy in an increasingly globalizing world.

Whereas in the 1990s it was the U.S. that strengthened its influence in the region, today we are witnessing the arrival of China, Central Asia's great neighbor. It has recently demonstrated not only its growing interest in the region's raw material resources and large markets, but also its obvious aspirations to political and economic influence, primarily through the structures of the Chinese-initiated Shanghai Cooperation Organization (SCO), which includes four CA states (Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan) and Russia.

In 2005, India, Iran, Mongolia, Pakistan and Afghanistan joined the SCO as observers, which testifies to the emergence of an institutional basis for fundamentally new trends in modern international relations, including trends toward the implementation of economic and energy projects. The SCO is regarded as a major factor in ensuring lasting peace and stability in the region. This organization has all it needs to become a central element in the configuration of a "rising Asia."

Russia's growing attention to the Asian vector of its foreign policy is evident from Russian President Vladimir Putin's participation in the meeting of the SCO Council of Heads of State in Shanghai on 15 June, 2006, which was held to mark the fifth anniversary of that organization and which demonstrated its growing political weight. At that meeting, countries with observer status, primarily Iran and Pakistan, expressed their desire to become full members of the SCO. Right after the Shanghai forum, on 17 June, 2006, the leaders of 17 member states of the Conference on Interaction and Confidence Building Measures in Asia (CICA) met in Almaty, where they emphasized the need to strengthen large-scale trade, economic, scientific, technical and energy cooperation between energy-supplying and consuming countries.

Today the SCO's sphere of activity covers key areas of interstate cooperation, such as ensuring peace, stability and security in the Central Asian region, combating terrorism, separatism, cross-border crime and illegal drug and arms trafficking, developing economic, scientific, technical, educational and cultural cooperation, and resolving illegal migration problems. The SCO states are currently developing 120 economic programs in the field of transportation, energy, environmental protection, the agroindustrial complex and border partnership. The organization has successfully functioning standing bodies such as the SCO Secretariat in Beijing and the Executive Committee of the Regional Anti-Terrorism Structure in Tashkent.

Russian foreign policy shows evidence of a trend toward ever closer relations with China. Russia is obliged to look for points of contact with a country which is capable, if not today then in the near future, of acting as a real "counterweight" to the world's only superpower. This is the reason for interaction between the two states within the framework of the Shanghai Six whose main purpose is to prevent the U.S. from gathering geopolitical strength in Central Asia.

Cooperation with China is important to Russia, among other things, because it helps the latter to uphold its positions in the settlement of major regional conflicts, as in the case of the "aligned" nuclear ambitions of North Korea and Iran. Recently, the "Chinese card" has also been played to put more

pressure on the countries of the European Union, which is trying to prevent Gazprom from gaining access to Chinese gas distribution networks. In this context, Russia is considering the prospects and preparing feasibility studies for investment in a project for developing the gas pipeline infrastructure in order to increase gas exports to China.

Of course, both Beijing and Moscow, whose interests in the SCO largely coincide, hope to expand their opportunities for control over Central Asia, to reduce U.S. influence, and to strengthen their positions in the Asia-Pacific Region (APR).

Europe too has recently shown greater interest in Central Asia. It is quite possible that in time the EU will become a “fourth force” in relations between the major powers in the region.

In the struggle for influence over Central Asia, the main players have been joined by Turkey, Iran, India, Pakistan and Japan, which creates new and unexpected interests and affects the stability of development in the entire region.

Japan has stepped up its activities in Central Asia in an attempt to “win” the region over to its side. In 2004, a mechanism was created for a dialog between the parties (Central Asia Plus Japan). In June 2006, the foreign ministers of Japan, the Central Asian states and Afghanistan met for a regular meeting in Tokyo to discuss a wide range of issues, including terrorism, drugs, energy and the environment, and also matters of improving the road and transportation infrastructure, which are all part of a far-reaching plan to transform the Central Asian region and neighboring countries into a “corridor of peace and stability.” Japan is prepared to promote open intraregional cooperation and to provide the CA states with investment, goods and technology, and also with tax and customs privileges for imported equipment. The action plan will also include measures to simplify access to transportation facilities for resource-rich Central Asia (construction of a road to transport natural resources through Afghanistan to India).

So, Central Asia is in the center of a complex pattern of intertwining interests involving Russia, the United States, China, Europe and the Islamic world. All these actors are competing for influence over the Central Asian region, seeking to change the vectors of the CA countries’ political and economic orientation toward themselves. At the same time, the U.S. and the EU will pursue their policy in the region through Turkey, Ukraine, Azerbaijan and Georgia. Among other things, the United States will be able to use its political influence in the region to control energy supplies from Central Asia to Europe. Both America and the European Union support the construction of gas pipelines bypassing Russia from the south, but the EU, in contrast to the U.S., is itself in need of gas resources and is Washington’s competitor in Central Asia. In this connection, Russia needs a whole set of measures to maintain and increase its influence in the region, for which there is ample opportunity. This factor has a significant impact on the orientation of international economic ties, while an analysis of the latter is important in developing and adjusting Russia’s foreign economic strategy as a strategic partner of the CA states.

The SCO’s Central Asian members (Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan) would not like to see Central Asia become an arena of confrontation between the leading world and regional powers; they do not want to be pawns in the political game of other states. They seek to maintain a “fine balance” between their interests and hope to see the SCO turn into an organization which will help them resolve practical security and economic development problems.

The logic of current events confirms the growing interest of Central Asian countries in greater interaction with Russia, both on a bilateral basis and within the EurAsEC framework. The treaties on strategic partnership and allied relations between the Republic of Uzbekistan and the Russian Federation of 16 June, 2004, and 15 November, 2005, marked a fundamentally new stage in Russian-Central Asian cooperation.

In a situation where Russia has been making serious efforts to restore its influence in Central Asia, it is bound to have “mixed feelings” about China’s buildup of its political and economic presence in Central Asia. On the one hand, Russia is aware that it cannot maintain stability in Central Asia

all on its own, and on the other, the SCO enables Russia to control and limit China's CA activities as the latter deepens its involvement in regional processes and strengthens its positions in the region.

Moscow and Beijing have more and more common ground in Central Asia. In these conditions, there are two scenarios for the development of Russian-Chinese relations: either stronger cooperation or stiffer competition. It is extremely important for both countries to restrain competition and develop mutually beneficial cooperation. Tensions in the sphere of trade and economic interaction within the SCO are associated with the problem of leadership. In contrast to the EurAsEC, Russia obviously does not play the title role in the SCO: at the very least, it shares this role with China.

Beijing's membership makes it possible to expand the scope of the organization to a considerable extent: the SCO has an opportunity to extend its influence not only to the territory of China proper, but further on to Southeast and Northeast Asia in the southern direction and to South Asia in the western direction. China is also the largest country of the Asia-Pacific Region, which is valuable for the development of the SCO members' cooperation and openness with the APR. With the advance of globalization and regionalization processes, China can become the main connecting link between the CA countries and the APR.

Beijing's participation in the work of the SCO offers new economic opportunities as well. Given China's rapid development, its SCO membership is a major factor of economic cooperation. On the one hand, it is capable of playing the role of one of the "economic locomotives" in the region as a supplier of commodity, financial and technical resources to Central Asia, and on the other, it can be seen as a vast potential market for Central Asian goods. China is increasing its economic presence in the region through massive financial infusions into the economy of CA countries: in 2006 alone, its investments exceeded \$900 million.² The SCO's long-term goal is to create a regional free trade and economic area. At a meeting in Dushanbe on 15 September, 2006, the SCO Council of Heads of Government approved a project to create a transportation corridor from the Caspian Sea to China through the territories of Russia, Kazakhstan, Uzbekistan and Kyrgyzstan. Under this plan, Russia is to build a bridge across the Kigach River and to complete the E 40 Highway.

Central Asia has no direct outlet to the sea; without the participation of Russia and China, it would have lost its key importance in "linking together" Europe and the APR. Consequently, in the near future the SCO will become a powerful regulatory and in every way attractive factor in Central, South and Southeast Asia and in the APR as a whole. Moreover, it can become the main stabilizing force in the world and prevent a war against Iran. From the technological standpoint, the SCO can organize cooperation with the International Atomic Energy Agency in order to create a new "four-party" format: Iran-Russia-IAEA-SCO.

All of this makes it necessary to update Russia's and the CA countries' approaches to SCO activities. Russia and Central Asia with their territorial, multiethnic and historical specific features are in need of a new model for integration into the globalizing world.

Energy as the Key Component of International Cooperation

The strategic area of cooperation between Russia and the CA states is undoubtedly the most challenging global problem of providing the world economy with energy.

The oil and gas complex of the world economy has been developing against the background of intensifying but as yet insufficiently pronounced competition between the Euro-Atlantic and Asia-Pacific regions.

² See: *Vremia novostei*, 18 September, 2006.

No wonder that the G-8 St. Petersburg Summit in July 2006 defined global energy security as the most important problem of our day. It is quite obvious in this context that this is a sphere in which Russia can act as an equal and truly significant partner of the most developed countries of the world.

The days when energy markets were purely local are long past: these markets (first of oil and then of natural gas) have rapidly developed into regional and global markets.

In recent years, Central Asia has become a prominent player in these markets, moving into the forefront of the struggle for control over oil and natural gas reserves and major transportation routes. Its key states—Kazakhstan, Uzbekistan and Turkmenistan—are among the top 15 countries in possession of the largest proven hydrocarbon reserves.

Russia is highly interested in maintaining a full-scale presence in the CA energy market, because it is sufficiently dependent on supplies of Central Asian hydrocarbons. By inviting Kazakhstan to take part in the G-8 Summit, Moscow demonstrated that it is well in control of the situation in the zone of its strategic interests and intends to act from the position of a common natural resource potential of Russia and Central Asia.

The implementation of the Russian initiative to set up a Central Asian association of oil and gas exporters, supported by Uzbekistan and Kazakhstan, gives these states wider access to foreign markets and, consequently, increases their revenues from energy exports.

The creation of a common energy space within the SCO framework—a regional Energy Club—could become an important element of global energy policy. This club could include both producers of energy materials (Russia, Kazakhstan, Uzbekistan and SCO-associated Iran, and later, possibly, Turkmenistan and Azerbaijan) and consuming countries (China, Tajikistan, Kyrgyzstan, and also India and Pakistan).³

The major Asian players in the CA gas market are China, India, Japan, South Korea, Pakistan, Turkey, Iran and Azerbaijan. Whereas today the United States and the EU are Russia's main rivals in Central Asia, China will become a dangerous competitor in the near future.

In 2010, the PRC is expected to import up to 80 billion cubic meters (bcm) of gas. Gazprom is prepared to increase its supplies to China to 40 bcm, but Beijing is inclined to diversify its gas connections, primarily with CA states.

The interdependence between Russia and the Central Asian countries in matters of gas transit arose after the division of the single gas transportation network and the setting of supply prices. Over the past two years, purchase prices for gas from Kazakhstan, Turkmenistan and Uzbekistan more than doubled for Gazprom, and this in conditions of relatively small volumes and the existence of "stringent" contracts. At the same time, the "price ambitions" of Russia's southern neighbors, which naturally want to share in the profits from high export prices in Europe and now in Asia as well, go much further.

Given sufficient investment, Turkmenistan can roughly double its current potential. Its proven reserves of natural gas at year-end 2004 totaled 2.9 trillion cubic meters. In 2005, it produced 63 bcm of gas and exported 45.2 bcm. Turkmenistan has concluded an agreement to supply large amounts of gas to Russia up to 2008 while promising to supply an almost equal amount to Ukraine. Many Russian and foreign experts believe that it cannot provide the market with the promised amounts of gas, exaggerating its capabilities in order to push up prices. Since Turkmenistan is ranked as an "unpredictable" state, it is unclear whether it will honor its commitments in building new pipelines or its contractual obligations to supply gas to other countries.

Gas supply prices remain in confusion. Gazprom's relations with Ukraine, Belarus and Turkmenistan at times erupt in open conflicts. Russia and Ukraine are expecting a possible increase in Turkmen gas prices to \$130.⁴ The same applies to Belarus.

³ See: G.I. Karimova. "Predposylki formirovaniya iedinogo energeticheskogo rynka v ramkakh ShOS," *Mir peremen*, No. 4, 2005, p. 155.

⁴ See: *Kommersant*, 22 June, 2006.

Turkmenistan's tough stand is in large part inspired by the activities of Gazprom itself, which some time ago pointedly declared it was raising gas prices for the CIS countries to the average European level while insisting on the need to maintain purchase prices in Turkmenistan at the same level as before. In its open conflict with Gazprom, Turkmenistan runs no risk: just as Uzbekistan and Kazakhstan, it has alternative buyers of gas and oil not only in the CIS, but also in the APR.

Russia's positions in Central Asia so far appear to be secure, because Russian gas business is actively involved in exploration and production in the region and controls the gas transportation system for exports from Central Asia to Europe. Russia has signed contracts for the entire amount of Turkmen and Uzbek gas due for export. Even if Ukraine, Belarus or Georgia buy gas in Turkmenistan, Uzbekistan or Kazakhstan, they will in fact be unable to get it delivered without Russian participation. Nevertheless, Russian positions in Central Asia are not what they used to be in the days of the U.S.S.R. The impossibility of political pressure makes it necessary to strengthen market-based economic instruments, to look for compromises, and to make use of old ties and experience of work in the region. In the long run, Russia (like Ukraine) will have to meet the "challenges" of the Central Asian gas suppliers, who are strengthening their positions and who are bound to raise prices and seek independent access to world markets.

On the other hand, Russian influence in the region reduces the growing dependence of CA states on Asian, primarily Chinese, capital. Whereas the northern and north-western vectors of their gas policy were predetermined back in the days of the U.S.S.R., the Asian vector of cooperation in the gas sector has been actively developing in recent years.

Further Russian cooperation with CA countries is of crucial importance for control over gas supplies from the region to Western markets and, consequently, for helping Russia to retain its positions in the European gas market. Otherwise Central Asian gas export pipelines may run not only through Russia to the EU, but also to China, Pakistan and India, competing with Russian gas in these countries.

Russia can strengthen its economic positions in the region by providing large credits or taking part in the modernization of the transportation infrastructure, by using Russian gas pipelines for export transit, promoting Russian companies and businesses in CA states, investing in gas exploration and production, and setting up joint ventures in gas production and transportation.

The Central Asian countries are potential suppliers of gas to China, Japan, South Korea, India and Pakistan. Their competitors in the region could include Iran and Azerbaijan, which have long-term plans to develop offshore gas fields in the Caspian Sea. Iran, which is second only to Russia in terms of gas reserves, can become a supplier to the EU and a dangerous rival of Turkmenistan. And Azerbaijan, given active gas production from Caspian offshore fields, can become a gas exporter in the next few years, while low prices due to shorter transportation routes will turn the country's gas exports into a worthy competitor to Russian, Iranian and Turkmen gas in European markets.

By 2015, Kazakhstan plans to increase its oil production to 150 million tons, and oil exports, to 125 million tons; natural gas production in that country is to go up to 40 bcm, and in Uzbekistan and Turkmenistan, to 110 bcm. By that time, a significant proportion of this gas will be exported to Asian countries.

Over the longer term, experts are expecting a sharp increase in energy supplies from Russia and Central Asia to China, Japan, Korea and Southeast Asian countries. The share of the APEC states in Russia's trade turnover is expected to increase from 9.5% in 2004 to 35% in 2025.⁵ Similar changes will occur in the export structure of Central Asian countries.

Various project options for the construction of new gas pipelines with the participation of CA states, including those bypassing Russia, are currently under consideration. Their routes are to run,

⁵ See: *Strategicheskoe orientirovaniye vneshneekonomicheskikh svyazey Rossii v usloviakh globalizatsii*, Nauka Publishers, Moscow, 2005, p. 118.

for the most part, from Central Asia to Europe through Iran and Turkey bypassing Russia from the south, and also in the Asian direction: to China, India, Pakistan and Japan. One of them is the Trans-Afghan Pipeline, whose construction is supported by the United States. The Trans-Caspian Gas Pipeline is designed to export Central Asian (primarily Turkmen) gas to Turkey and then on to Europe. The project for gas transportation from Turkmenistan to Turkey is a direct alternative to the Russian Blue Stream pipeline, which is also designed to supply gas to Turkey along the Black Sea floor. These pipelines are almost equal in capacity and are oriented toward the same markets. Kazakhstan and China are actively working on a project for the construction of a joint oil pipeline to China's Tarim Basin; they are also considering the possibility of building a gas pipeline running in that direction.

Although it is more convenient for Kazakhstan to pipe oil and gas to world markets through Iran, the republic is sufficiently strongly oriented toward Russia. Nevertheless, Kazakhstan is trying to diversify its risks: on the one hand, it is an active member of the SCO, EurAsEC and CSTO, and on the other, it has become a party to the Baku-Tbilisi-Ceyhan pipeline "patronized" by the United States (in this way, the country is increasingly competing with Russia in the world energy market). Moscow has just started building an oil pipeline to China, and Astana has already completed its own line to that country. Moreover, Kazakhstan plans to build a gas pipeline to China as well. It is indicative that oil and gas pipelines from Kazakhstan are the first ones in China's history "linking" its territory with foreign hydrocarbon reserves.

Let us note that gas pipeline projects routed around Russia with the participation of CA states require significant investment and carry considerable risks. It should be borne in mind that bypass gas pipelines change the balance of power in the region, and this could result in a conflict of interest. Countries find it more advantageous to have a monopoly over "sales areas" than to make their territories available for transit of competing gas. As regards exports to China, these are complicated by the high cost of transportation to the industrially developed eastern regions of that country. Many experts are sure that cooperation with Russia in the gas transportation field is more effective for Kazakhstan. The construction of most gas pipelines is only possible given a predictable policy on the part of Turkmenistan and Iran, a reduction in the opportunities for military conflicts and terrorist acts in Afghanistan, and an easing of tensions in relations between India and Pakistan.

In the next few years, these countries have virtually no real alternative to gas exports through Russia, because the construction of bypass pipelines will take several years, while their full utilization is not guaranteed. The Russian-controlled Central Asia-Center gas transportation system so far remains the only actually existing route for gas exports from CA countries, but in the long term one cannot rule out the construction of bypass gas pipelines. In the future, China has a good chance of becoming a competing destination for the construction of gas pipelines from Central Asia.

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So, the foreign economic policy of the Central Asian states should pursue the following purposes:

- to strengthen national sovereignty and independent development while deepening mutually beneficial economic cooperation based on joint use of the region's water, energy and other natural resources;
- to look for mechanisms of mutually beneficial border trade;
- to attract foreign capital for the construction of the TRACECA common transportation system (restoration of the Great Silk Road) ensuring new access routes to the Middle East and world markets;

- to use Central Asia's intermediate position between Russia and the biggest countries of the world, China and India, and also the region's transit potential to ensure Russia's unimpeded partner relations with China, India, Iran and the APR states;
- to ensure stability in Central Asia based on the principles of strategic partnership both within the region and with neighboring countries (primarily within the framework of the EurAsEC and the Shanghai Cooperation Organization).