

**CENTRAL ASIA:
A REGION OF
ECONOMIC RIVALRY AMONG
RUSSIA, CHINA, THE U.S.,
AND THE EU**

Maksim BRATERSKY

*D.Sc. (Politics),
professor at the Chair of World Economics,
Department of World Economics and World Politics,
State University-Higher School of Economics
(Moscow, Russia)*

Andrei SUZDALTSEV

*Ph.D. (Hist.),
associate professor at the Chair of World Economics,
Department of World Economics and World Politics,
State University-Higher School of Economics
(Moscow, Russia)*

Introduction

Over the past 15 years, since about 1993, Central Asia has been a primary topic in foreign political analytical publications. There were times in these years when publications on the Central Asian problems appeared more frequently, in 1993-1997, as America's search for new opportunities invigorated its interest in the region, and in 2005-2008, when the rise in world prices for raw materials generated greater interest among foreign states in these resources.

There were times when less was written about the prospects of foreign nations cooperating with the Central Asian states. As a rule, this happened when the world economic and political situation pushed other priorities to the forefront, for example, Iraq, Afghanistan, and the Latin American countries.

A look at the domestic and foreign literature on Central Asia reveals two main themes. First, experts have been concentrating their attention on regional security problems and the regional influence of the rivalry among the foreign players—Russia, China, the U.S., and the Europeans in the form of the EU and NATO.¹

¹ See: R. Menon, "The New Great Game in Central Asia," *Survival*, January 2003, Vol. 45, Issue 2; L.C. Harris, "Xijiang, Central Asia and the Implications for China's Policy in the Islamic World," *The China Quarterly*, Vol. 2, 1993; S.F. Starr, "A Partnership for Central Asia," *Foreign Affairs*, July/August 2005; R. Allison, "Strategic Reassertion in Russia's Central Asia Policy," *International Affairs*, Vol. 80, Issue 2, 2004; M.M. Narinskiy, A.V. Malgin, *Iuzhniy flang SNG. Tsentral'naia Azia-Kaspii-Kavkaz: vozmozhnosti i vyzovy dlia Rossii*, Moscow State Institute of International Relations (university) of the Russian Foreign

Another topic that constantly attracts the attention of specialists in geopolitics and energy is control over the production and especially the transportation of the Caspian's energy resources. Many articles and specialized works have been written on this topic in which the authors mainly analyze the ways foreign players can create and control new routes for exporting energy resources to the world markets, as well as the political, economic, and geopolitical consequences of specific projects. A significant part of the analysis is focused on the rivalry among the main players (Russia, the U.S., the EU, and the PRC).²

Ministry, Logos, Moscow, 2003; D.B. Malysheva, "Tsentral'naia Azia i Yuzhny Kavkaz: Regional'naia bezopasnost' v epokhu novogo miroporiadka," in: *Rossia i musul'manskiy mir*, RAS Scientific Research Institute of Social Sciences, RAS Institute of Oriental Studies, Moscow, 2002.

² See: A. Cohen, "U.S. Interests and Central Asia Energy Security," Background 1984, Heritage Foundation, November 2006; J.P. Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," *International Energy Economist*, December 2005; S.J. Blank, "Eurasian Energy Triangle: China, Russia, and the Central Asian States," *Brown Journal of World Affairs*, 2005; M. Karayianni, "Russia's Foreign Policy for Central Asia Passes through Energy Agreements," *Central Asia and the Caucasus*, No. 4 (22), 2003; I. Tomberg, "Central Asia and the Caspian: A New Stage in the Great Energy Game," *Central Asia and the Caucasus*, No. 59 (41), 2006; I.D. Zviagelskaia, "Faktozy nestabil'nosti na postsovestskom prostranstve (Tsentral'naia Azia i Kavkaz)," in: *Energeticheskie izmereniia mezhdunarodnykh otnosheniy i bezopasnosti v*

Without denying the primary importance of international and energy security in Central Asia, both for the countries of the region itself and for Russia, it should be noted that the main foreign players have broader economic interests in this part of the world. These interests pale in comparison to main elements of their regional policies, but they do exist, and in the long run could be just as important as the security and energy spheres. This aspect of the policy of the foreign powers in the region has been studied in less detail,³ but also deserves attention.

This article is an attempt to analyze the economic interests of the Russian Federation, the PRC, the U.S., and the EU in Central Asia. Today, when the geopolitical struggle in the region is in the doldrums, an attempt should be made to analyze the economic interests of the foreign nations concentrated here and determine the extent to which they contradict or complement each other.

Vostochnoy Azii, edited and supervised by A.V. Torkunova, MGIMO; Navona, Moscow, 2007.

³ See: L.Z. Zevin, N.A. Ushakova, "Rossia i Tsentral'naia Azia: problemy i perspektivy ekonomicheskikh otnosheniy," in: *Vostok. Afro-aziatskie obshchestva: istoriia i sovremennost'*, RAS Institute of Oriental Studies, No. 2, 2005; Iu.I. Iudanov, "Tsentral'naia Azia—novyy favorit inostrannykh investorov," *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 3, 2000; *Trudovye resursy i trudovoi potentsial*, Institute of Eurasian Studies, Moscow, 2006.

The Current Political-Economic Situation in Central Asia

The economic policy of the main foreign players in Central Asia goes hand in hand with the political-economic conditions that exist in the regional countries. On the whole, it can be said that political risks in most states of the region (with the exception possibly of Kazakhstan) are quite high, which puts a damper on the activity of foreign business there.

First of all, the presence of two inert conflicts in the region (Uzbekistan-Tajikistan and Uzbekistan-Kyrgyzstan) is arousing particular concern. The opposition between these countries has reached the brink of a full-scale war on several occasions.

The situation in the region has also been aggravated by the presence of two countries that essentially fall into the category of "failed states"—Kyrgyzstan and Tajikistan. They are rapidly deteriorat-

ing, their governments do not have full control over their national territory, and they cannot provide the population with the minimum acceptable standard of living and development.

The relations between Uzbekistan and Turkmenistan are causing concern and there is still tension on the Uzbek-Kazakh border. It is not difficult to see that Uzbekistan is in the epicenter of most of the regional problems. It is still the focus of internal social and confessional contradictions, without the prospect of rapid resolution. Agrarian overpopulation (in the Ferghana Valley there is 10 sq. m. of land per person), the extremely difficult socioeconomic status of the population, and the high level of unemployment are making the situation extremely tense.

The traditional perception of Central Asia's political-economic problems through the prism of the water-and-energy crisis is somewhat modified today. The lessons of the 2007-2008 winter, when Tajikistan's energy complex was in a state of complete collapse, showed that the mountain dwellers no longer hold their traditional monopoly on water and electricity. At the same time, the investment plans in Tajikistan's and Kyrgyzstan's energy complex have yet to be realized. Neither the region nor the foreign players have the necessary financial resources, and the technology and "schools" necessary for creating powerful hydropower facilities in mountain areas have been lost. The political instability, corruption of the government, and ambiguous situation with respect to the protection of investor rights are interfering with the implementation of projects.

Afghan drug trafficking has a particularly detrimental impact on the political situation in Tajikistan. We will note that drug production in Afghanistan has risen ten-fold since 2002. Almost all of Afghan drug trafficking goes north, to Russia. Its human infrastructure is comprised of almost 400,000 Afghans living in the south of Tajikistan.

Dushanbe perceives Uzbekistan, which has a very combat-ready army, as an adversary. The borders between the countries are mined, which arouses mutual mistrust even more. Tajikistan also feels ethnic pressure from the Uzbeks in the form of the Uzbek diaspora, which is influential in its northern part. Tajikistan is essentially experiencing a revival of the old, even medieval, traditions of opposition—a civilizational split, one of oldest in Central Asia—between Iran and the Uzbeks.

Kyrgyzstan is moving slowly but surely toward the brink of collapse. Kazakhstan, which just recently was considered the main buyer of Kyrgyz production assets, is withdrawing its capital from the country, which shows that political-economic situation there is limping. The south of Kyrgyzstan has gradually become a base for the Uzbek Islamist underground. There are Islamist camps and training centers there that are readying fighters for waging a civil war in Uzbekistan. Most (more than 60%) of the population in the south of Kyrgyzstan consists of Uzbeks and their numbers are rapidly growing. The Kyrgyz are gradually being pushed toward the north, to Bishkek.

The situation developing in Kazakhstan is arousing concern. In September-November 2007, the country experienced a domestic default, which entirely erased the long propaganda campaign conducted by competent Kazakh structures throughout the world. A close look at the economic and political situation in Kazakhstan makes it possible to diagnose a severe domestic crisis there.

The ruling circles of the Central Asian countries are at once united and separated by common political-economic trends and factors. On the one hand, the desire to create a new network of transit routes for exporting energy resources unites Ashgabad and Tashkent with Astana, while it is just through Kazakhstan that the region can organize the sale of its gas to the East. On the other hand, political fears about China clearly prevail over the desire to expand mutually advantageous economic cooperation with it. The growing instability in the region is also arousing concern in China, which is trying to isolate Xinjiang from Afghanistan and the destabilizing factors coming from the Ferghana Valley.

The impending change of power in Kazakhstan and Uzbekistan (Nursultan Nazarbaev and Islam Karimov have each been in power for a couple of decades) could launch a regional crisis. An

intricate knot of contradictions has formed in the region that affects not only Russia, but other CIS countries, too.

Due to its geographic location, the Russian Federation is directly affected by the impending crisis. It is neither physically nor technically possible to fully control the six-thousand-kilometer Russian-Kazakh border. It will be difficult for Moscow to keep the situation under control single-handedly without the participation of the Europeans and Americans, but practice has shown that Europe is interested exclusively in gaining access to Central Asia's resources, and the U.S. is worried about the Chinese factor and the war in Afghanistan.

The role of the CSTO in the impending destabilization is largely unclear since this military-political bloc keeps afloat on the voluntary consent of its member states. NATO, as the Afghani experience has shown, has proven a rather incompetent structure in this region. Moreover, the North Atlantic Alliance is categorically refusing to establish contacts with its natural ally in this part of Eurasia—the CSTO. NATO may very well withdraw from Afghanistan, which will complicate the situation in Tajikistan and Kyrgyzstan even more.

The Region's Economy

Central Asia is considered one of the new and rapidly growing markets of Eurasia, which naturally makes it attractive for investments from the RF, EU, PRC, and U.S. The neighboring states have their own economic interests in the region, some of which are claiming the role of regional nations—Turkey, Iran, and Afghanistan. The interest in Central Asia is generated by its energy and transit potential, as well as by its mineral supplies.

Investments in producing and delivering energy resources to the foreign markets form the bulk of the investments in the region's economy, but they are not enough to develop Kazakhstan's and Turkmenistan's fuel and energy complexes.

The production and export of cotton are Uzbekistan's and Tajikistan's main industrial assets, but the development of cotton-growing is hindered by state control and problems with water supply. However, Central Asian cotton is in demand on the world markets.

The region is one of the world leaders in uranium supplies. The production of aluminum (Tajikistan) is also of interest. But the underdeveloped transportation infrastructure, corruption, tax and tariff policy of the regional states, tension on their borders, and the national specifics of conducting business are hindering Central Asia's full-fledged integration into the world market.

Central Asia has sufficiently high supplies of energy resources. In particular, Kazakhstan has the largest proven oil supplies in the region—9-29 billion barrels, and also has between 20 and 25 tcm of natural gas, according to different estimates. Kazakhstan's oil export amounts to approximately 1.3-1.5 million barrels a day, which is a significant resource. According to the latest data, Turkmenistan has more than 37.5 tcm of gas, which is equivalent to Russia's proven supplies.⁴

Uzbekistan has lower supplies of hydrocarbons than Kazakhstan and Turkmenistan, but this does not stop it from exporting its gas to Kyrgyzstan and Tajikistan.

Until recently Russia was able to retain control over the export of energy resources from the region. Central Asian gas is delivered to the Russian and European markets via the Central Asia-Center gas pipeline system that existed back in Soviet times.

Gazprom entered a 20-year contract on the bulk of Turkmenistan's gas. Nevertheless, in December 1997, President Niyazov opened a small gas pipeline to Iran (Korpeje-Kurdkui), which made

⁴ [<http://www.grani.ru/Politics/Russia/m.142749.html>].

it possible for the country to export between 5 and 8 bcm of gas a year bypassing Russia. In 2008, Ashgabad, Tashkent, and Astana came to an agreement with the PRC on building a gas pipeline to China (30 bñm a year). It is to be put into operation in 2010.

Gazprom's price policy also changed with respect to Central Asian gas suppliers. Beginning in 2009, the price of gas will come as close as possible to the market level, which should reduce Kazakhstan's and Turkmenistan's need to build a trans-Caspian gas pipeline. Back in the fall of 2007 the Kazakh leadership suggested that the two countries unite or coordinate their financial claims with respect to Russia in terms of gas sale conditions and begin consultations to build a Trans-Caspian pipeline.⁵

The oil produced in the region is delivered to the foreign markets via the Russian oil pipeline system. Russian shareholders have the control set of shares in the Caspian Pipeline Consortium (CPC), which has been delivering oil from Kazakhstan to the port of Novorossiisk via the new oil pipeline since 2001. But in October 2005, Kazakhstan and Azerbaijan reached an agreement on deliveries of some of Kazakhstan's oil via the Baku-Tbilisi-Ceyhan oil pipeline, and it was only the August Russian-Georgian war that somewhat cooled Astana's interest in this oil export route.

The first Kazakh export oil pipeline that does not cross Russia was put into operation at the end of 2005, linking Atyrau on the Caspian coast of Kazakhstan with the province of Xinyang in China. Its capacity will be raised to 45 million tons of oil a year.

At present it can be claimed that the main vectors of energy resource export (primarily natural gas) from Central Asia have been fully formed. They are:

- the Caspian, designed for transit through Russia;
- the trans-Caspian, designed for joining up with Nabucco;
- the Eastern, oriented toward the Chinese market.

Table 1

**Development of the Central Asian Gas Transportation
Network until 2012**

Gas pipeline	Capacity (bcm, million tons)	Entry into operation
Caspian gas pipeline	20.0-30.0	2010
Trans-Caspian gas pipeline	10.0-20.0	2011-2012
Nabucco	25.0-31.0	2012
Kazakhstan (Turkmenistan, Uzbekistan)-China	40.0	2010

Russia's Economic Interests

In recent years, Russia's economic position in Central Asia has perceptibly strengthened, but it has not become dominating. It managed to build up its presence here for a while by relying on the

⁵ See: "Kazakhstan predlagaet Turkmenii vmeste opredeliat' "vygodnuiu" tsenu na gaz," available at [<http://www.afn.by/news/default.asp?pg=2&newsid=90381#data>].

“Andijan syndrome” in the leadership of the region’s countries. But, as in the 1990s, the integration processes called upon to unite the Russian and Central Asian economies are still in a state of stagnation and the new initiatives in the EurAsEC and SCO did nothing to help their development.

Russia’s main efforts in Central Asia are aimed at preserving the economic and political status quo, strengthening the isolation of the region’s markets from the world market and fortifying its own positions as a geopolitical intermediary in the regional countries’ interaction with external actors. By keeping the clamps on its economic expansion, Russia risks losing in the impending struggle for the redivision of the spheres of influence in the region.

While criticizing Russia for the “sluggishness” of its capital in Central Asia and for its lack of desire to invest in significant joint projects and programs on which the sociopolitical and strategic stability in the region depends, the critically low level of protection of Russia’s investments in Tajikistan, Kyrgyzstan, Kazakhstan, and Uzbekistan must also be recognized. However, if Russia chooses not to participate in the resolution of water-and-energy and transport-communication problems or in the resolution or other economic tasks in the region, this may have a negative effect in the future on ensuring its national security from the south.

Due to the specifics that have developed over the centuries of economic relations between Russia and Central Asia, the countries of the region still count on Russian economic aid. There is a popular opinion that Russia’s financial and technological support should be unconditional, aimed at reducing the socioeconomic tension in the region that is leading to an increase in extremist sentiments.⁶

The Russian Federation is continuing its attempts to retain its monopoly on the delivery of Central Asian hydrocarbons to the world markets. After coming to terms in June 2007 with the presidents of Kazakhstan and Turkmenistan on building the Caspian gas pipeline, in September 2008, Russian Prime Minister Vladimir Putin reached an agreement with the Uzbek leadership on building a gas pipeline in Uzbekistan parallel to the Sredniaia Aziia-Tsentr-1 and Sredniaia Aziia-Tsentr-2 routes. The new pipeline will deliver gas from Turkmenistan through Kazakhstan to Central Russia.

Russia is not only interested in the region’s hydrocarbons. After the collapse of the Soviet Union it was left without any large uranium fields, while its nuclear industry had no raw material. At present, the Russian Federation has only one industrial mine in the Chita Region which produces 2,000 tons of uranium a year, whereas the demand reaches 4,000 tons.⁷ Russia has no alternative but to resolve this problem by means of uranium production in Uzbekistan, which has significant supplies of this resource (25% of the world reserves).⁸ But it is already encountering serious competition for the right to develop Uzbek uranium fields from Japanese and South Korean companies.

The main interest of Russian capital is still concentrated in the energy sphere. In particular, after many years of talks, in January 2008 Tajik President Emomali Rakhmon, Deputy Chairman of the Russian government Sergey Naryshkin, and Chairman of the Board of UES Russia Anatoli Chubais solemnly launched the first hydro unit of Sangtuda GES-1 on the River Vakhsh, which marked Russia’s gradual return to resolving Central Asia’s hydropower problems.⁹

Russia’s assistance in launching the first units of the Sangtuda GES (a EurAsEC profile project) prompted a meeting on the water-and-energy problem, which was held on 10-11 October in Bishkek at the CIS-EurAsEC summit. Russia was conducive in beginning active talks among the regional

⁶ See: G. Maikova, “Tsentral’naia Azia – paradoksy rossiiskoi politiki, amerikanskii innovatsii i blizhaishie perspektivy regiona,” available at [<http://centrasia.ru/newsA.php4?st=1172572320>].

⁷ See: A. Vaganov, “Uranovaia treshchina. Rossii skoro budet ne oboytis’ bez Uzbekistana,” *Nezavisimaia gazeta*, 12 July, 2006.

⁸ *Ibidem*.

⁹ See: “Zapushchen pervyy gidroagregat ‘Sangtudinskoi GES-1,’” 21 January, 2008, *Nezavisimaia gazeta*, available at [http://www.ng.ru/cis/2008-01-21/7_tadgikistan.html].

countries on the regulations for a dialog in the water-and-energy sphere. In so doing, it had to act as a mediator in settling the contradictions between Tashkent and Bishkek. Moscow promised to facilitate financial issues with respect to deliveries of Uzbek gas to Kyrgyzstan. With its help, “Tashkent and Dushanbe also reached an agreement on the important issue of water use in the trans-border river Syr Darya.”¹⁰ But on the whole, neither within the framework of the EurAsEC nor in the context of the Central Asian integration initiatives has any real progress been achieved in resolving the water-and-energy problem. The Sangtuda GES is not the main link in the strategy to provide Central Asia’s agrarian sector with water and energy. The regional states do not have the resources to implement other projects. Only Russian specialists and energy companies have the knowledge and experience to resolve this problem in the region. Their participation in dealing with the water-and-energy problem must be coordinated at the political level.

Russian business does not have enough political support: Russian corporations are being drawn into economic projects in the region which European or American investors have refused to participate in for one reason or another. In particular, steady bargaining has been going on for quite a while now regarding the participation of Russian business in the Stroitrangaz project (Uzbekistan)—a complex for producing liquefied gas at the Mubarek gas refinery, the construction expenses on which look artificially high. The Uzbek side is taking advantage of LUKoil’s interest in producing gas in Uzbekistan to draw it into participating in this project. At the same time, as the Russian press notes, “the Uzbek authorities are refraining from offering Russian companies most favored nation treatment in trade.”¹¹ Russian business also has difficulties in the markets of Tajikistan, Kyrgyzstan, and Kazakhstan.

The interests of Russian industry continue to rally around the production assets inherited from the Soviet Union. In particular, in 2008, an agreement was reached for the Tashkent Aviation Production Association to join the United Aviation Construction Corporation.¹²

Russia is also interested in Central Asia with respect to setting up labor-intensive production units and importing workers.

China’s Economic Interests

At present, the PRC is the second largest energy consumer in the world after the U.S.¹³ China has been unable to meet its needs using its own resources since 1994, and by 2015 it will import 50% of the energy it consumes.¹⁴ For this reason, China’s primary economic interests in Central Asia focus on the import of hydrocarbons and several Chinese economic projects in the region, for example, the Atasu-Alashankou Kazakh-Chinese pipeline, are designed to resolve the problem of supplying China’s internal market with energy.

China’s second economic interest in the region is to turn it into a sales market for Chinese goods, particularly those produced in its western, relatively undeveloped, and impoverished region.¹⁵ As of

¹⁰ A. Dubnov, “Bishkekские sensatsii SNG,” *Vremia novostei*, 13 October, 2008.

¹¹ P. Sidibe, “Shampanskoe s gazom,” *Rossiiskaia gazeta*. Federal issue, No. 4742, 3 September, 2008.

¹² RIA “Novosti,” available at [<http://www.afn.by/news/default.asp?newsid=95329#data>].

¹³ See: H.J. Kenny, “China and the Competition for Oil and Gas in Asia,” *Asia-Pacific Review*, Vol. 11, No. 2, 2004, pp. 36-47.

¹⁴ See: B. Gill, M. Oresman, “China’s New Journey to The West: China’s Emergence in Central Asia and Implications for U.S. Interests,” *CSIS Reports*, 2005, p. 21.

¹⁵ See: N. Swanström, “Chinese Business Interests in Central Asia: A Quest for Dominance,” *Central Asia-Caucasus Analyst*, Central Asia — Caucasus Institute, 18 June, 2003, available at [www.cacianalyst.org].

today, China's trade turnover with the Central Asian countries comprises a small part of its foreign trade, but it is growing and includes not only raw material, but also products from the machine-building, electronics, and high-tech industries. Chinese investments in Central Asia (with the exception of the energy sphere) are relatively small and concentrated in the textile, mining, and food industry. They are hindered by local corruption and the backwardness of the regional transportation network. China is gradually resolving several of these problems by linking its railroad network with Uzbekistan, Kyrgyzstan, and Tajikistan. It is trying to influence the authorities of the regional states at the political level in order to create a safer and more attractive climate for its investments.

China's long-term economic goal in the region is to turn it into a free market—a source of raw material for the Chinese economy and a sales market for Chinese goods. China's economic interests are clashing in this area with the corresponding interests of Russia and the EU. The former is cautious about the idea of a free market in the region, while the latter, like China, is interested in gaining access to the energy resources of Central Asia and the Caspian.

Development of the pipeline network connecting Central Asia with the western regions of China is transferring the rivalry between the PRC and EU to the sphere of geopolitical competition. Keeping in mind that more attractive prices have traditionally developed in the European energy resource market than in China's developing market, the hydrocarbon exporter countries have a choice. But China, which is less hampered by political problems when creating energy communications, clearly has an advantage over the EU. The first Turkmen gas will reach the PRC as early as 2010.

The EU's Economic Interests

The main economic interests of the EU countries in Central Asia are focused on gaining access to hydrocarbon fields that do not involve Russia, which meets the aim to diversify the sources of energy reaching the European Union. This strategy is built on the fact that Central Asian hydrocarbons are the last closest to the European Union and as yet not fully tapped energy resource.

The EU is keeping in mind Russia's desire to retain control over Central Asia's energy but is hoping that it will be able to counterbalance Moscow's political pressure. The Central Asian states are very satisfied with the current situation and are not shying away from the political and economic possibilities they are offered by playing on two fronts—the Russian and the European. In addition to diversifying energy resource export routes, the new transport routes are offering the regional states ways to activate their political ambitions.¹⁶

The Nabucco gas pipeline is the main project of united Europe called upon to ensure its sustainable access to the gas fields of Central Asia. In September 2007, France¹⁷ joined the project in the form of the Gaz de France state company. The conception of the gas pipeline, which was originally supposed to reach the eastern border of Turkey, has repeatedly changed. The orientation toward Iranian gas evidently did not justify itself, and now Nabucco's future is tied to Central Asian gas. In this respect, the Trans-Caspian gas pipeline is turning into a mandatory and inalienable component of Nabucco. But the August Russian-Georgian war has made the participation of Georgia, an important transit partner in the future energy network, dubious. It is possible that over time, a southern pipeline from Iraq and the Persian Gulf countries, as well as possibly from Iran in the event of political changes, will be joined up to the Nabucco gas pipeline.

¹⁶ [<http://centrasia.ru/newsA.php4?st=1169588400>].

¹⁷ [<http://www.polit.ru/news/2007/09/14/gaz.popup.html>].

The EU is continuing to work with Astana regarding the building of a Trans-Caspian oil pipeline (at present Kazakhstan is shipping oil to Baku in tankers). This oil pipeline should become a component of the Baku-Tbilisi-Ceyhan route, which will largely resolve the problem of loading the terminal in the Turkish port of Ceyhan.

The countries of Central Europe, primarily Poland which in cooperation with Ukraine is trying to create new oil delivery routes from Kazakhstan circumventing Russia, are playing a special role in the attempts to tie Central Asian energy resources to the European markets. Poland has its alternatives for transporting Kazakh oil, which differ somewhat from the general EU and U.S. strategy. The Kazakh oil coming to Baku must be intercepted and re-channeled at the port of Supsa on Georgia's Black Sea coast to Odessa. If Kazakh oil reaches the Odessa terminals, Poland is ready to receive it via the Polish section (Plotsk-Gdansk) of the Ukrainian Odessa-Brody oil pipeline that is planned to be completed by 2011.

In 2008, the Russian leadership was able to torpedo the proposals of Polish President Lech Kaczyński, who arrived in Astana on an official visit. Moscow was able to make serious concessions to Kazakhstan. It promised to increase the volume of oil deliveries through Russian territory in the next five years, sign an agreement on building an atomic power station in Kazakhstan, increase investments in Kazakhstan's economy, and so on. President Nursultan Nazarbaev's statement on Kazakhstan's willingness to participate in Kaczyński's project providing Russia joined it was the political solution to the problem of the appearance of the new "Polish" energy corridor.¹⁸

However, the Polish project has certain prospects keeping in mind that by 2015 Kazakhstan plans to double its oil production (from 63 million to 130 million tons a year). The thing is that it is extremely difficult to increase the capacity of the CTC, and not only for technical reasons: shipping Kazakh oil from the terminal in Novorossiisk increases the load on the Bosphorus and Dardanelle straits.

We will emphasize that the European Union's economic interests in Central Asia are rallied exclusively around ensuring the EU's energy security and expanding the transport infrastructure. The participation of European business circles in other investment activity in Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan is restricted.

The U.S.'s Economic Interests

The U.S. has a systemic approach to defining its economic interests in Central Asia, tying them to European regional strategy and its economic goals in specific countries of the region. The U.S.'s policy is aimed at bringing the region closer to the world markets, which includes activating international economic relations between the regional states and Europe. The U.S.'s strategic goal consists in weakening the position of OPEC in the world energy markets, which should be promoted by additional independent supply of Central Asian energy resources in the world market.

By assisting Central Asia to expand its transport infrastructure, the U.S. is solving both economic and military-strategic tasks. The building of transport routes between Tajikistan and Afghanistan meets these tasks.

Different government and nongovernmental foundations are actively studying the region, training personnel, acting as advisors, and providing various consulting services to support American and European business in Kazakhstan, Uzbekistan, and Kyrgyzstan. At present, the U.S. only has bilateral investment agreements with Kazakhstan and Kyrgyzstan.

¹⁸ [<http://21.by/u.php?u=http://www.kommersant.ru/doc.html?docId=755102>].

Large investments by American corporations in the region's economy are concentrated mainly in the Kazakh fuel and energy complex where American capital features in all the projects in small amounts. American investors are not showing any activity in other spheres of the economy. Washington does not want to be drawn into the region's difficult and financially expensive problems, primarily water-and-energy, preferring to observe the efforts of the leadership of Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia from the sidelines.

On the whole, the U.S. is acting as the main center for lobbying the idea of creating new energy routes that circumvent Russia. It is also actively creating different projects and schemes to create routes for delivering Central Asian energy resources to the world markets that do not pass through Russia. At the same time, the U.S. is trying to keep the regional countries from transiting energy resources through Iran. The United States is advancing the Trans-Caspian gas pipeline project, which is an alternative to the Russian Caspian route. For example, in September 2007, representative of the U.S. State Department D. Sullivan succeeded in preventing the presidents of Russia, Turkmenistan, and Kazakhstan from meeting in Ashgabad to discuss building a Caspian gas pipeline.¹⁹

The Iranian problem is having a serious impact on the U.S.'s economic and political strategy in the region largely by restricting Washington's possibilities in Turkmenistan and particularly in Tajikistan where the U.S.'s interests are concentrated on rendering assistance in conducting U.S. and NATO troop operations in Afghanistan.²⁰

It seems that Russia could take advantage of the U.S.'s investment passivity in Central Asia to fortify its position in the economy of the regional countries.

Conclusion

As this analysis shows, the interests of the foreign powers in the Central Asian region essentially do not contradict each other beyond the framework of narrow energy issues. And in the energy sphere an unusual balance has formed: as of today, all the main players have ensured themselves a certain share in the region's energy sector and none of them has been able to acquire a monopoly position. The situation could dramatically change only if Iran's international status changes. If Iran comes out of international isolation, the Central Asian states could acquire an alternative route to the world energy markets, which will greatly weaken the position of Russia, the EU, and the U.S. China will retain and strengthen its position in any event. In the other spheres of the economy, Russia and China have an advantageous position for promoting their economic interests in the region. They are upholding different strategies, whereby in the current political circumstances in Central Asia (type of political regime), Russia's strategy is sufficiently efficient although not sufficiently flexible. The Russian Federation should regard the region as a multi-profile resource; now is the time for it to build up its economic presence.

¹⁹ See: V. Panfilova, S. Gamova, S. Mamedov, "Ashkhabad igraet na gazovykh trubakh," *Nezavisimaia gazeta*, 4 September, 2007, available at [http://www.ng.ru/cis/2007-09-04/1_ashhabad.html].

²⁰ See: V. Panfilova, Ramsfeld poprosil podderzhku u Dushanbe, available at [http://www.ng.ru/cis/2006-07-12/6_dushanbe.html].