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**IN THIS ISSUE:**

**ELECTIONS AND POWER**

- Lasha Tchantouridze.** ON THE RESULTS OF THE SPECIAL PRESIDENTIAL ELECTIONS IN GEORGIA ..... 7

**NATION-BUILDING**

- Rico Isaacs.** MANAGING DISSENT, LIMITING RISK AND CONSOLIDATING POWER: THE PROCESSES AND RESULTS OF CONSTITUTIONAL REFORM IN KAZAKHSTAN ..... 16

**REGIONAL CENTERS OF POWER AND THEIR POLICY IN CENTRAL EURASIA**

- Noor Omarov, Esen Usubaliev.** THE REGIONAL CENTERS OF POWER: IS THERE A CONFLICT OF INTERESTS, IDEOLOGICAL COOPERATION, OR A CONFLICT OF STRATEGIES AMONG THEM IN CENTRAL ASIA? ..... 26

<b>Huseyn N. Najafov.</b>	IRAN AND THE SOUTHERN CAUCASUS .....	35
<b>Pavel Varbanets.</b>	REGIONAL CENTERS OF POWER AND THEIR EURASIAN POLITICS ( <i>Rivalry in the Islamic East— The Turkish Vector</i> ) .....	43
<b>Guli Yuldasheva.</b>	TURKEY'S NEW FOREIGN POLICY LANDMARKS AND CENTRAL ASIA .....	51
<b>Irina Komissina.</b>	WILL INDIA BECOME A FULL-FLEDGED PARTICIPANT IN THE BIG GAME IN CENTRAL ASIA? .....	57
<b>Alexander Lukoianov.</b>	THE TEHRAN SUMMIT, OR THE RUSSIAN PRESIDENT'S VISIT TO IRAN .....	69

### HYDROPOWER POTENTIAL: REGIONAL POLITICS

<b>Larisa Sidorova.</b>	PROBLEMS OF THE JOINT USE OF TRANSBOUNDARY WATER RESOURCES IN CENTRAL ASIA .....	78
<b>Timur Valamat-Zade.</b>	TAJIKISTAN ENERGY SECTOR: PRESENT AND NEAR FUTURE .....	89

### REGIONAL POLITICS

<b>Marat Naribaev.</b>	THE REPUBLIC OF KAZAKHSTAN AND THE ECONOMIC COOPERATION ORGANIZATION: PRESENT STATE AND FUTURE COOPERATION .....	98
<b>Murat Laumulin, Mukhtar Shaken.</b>	KAZAKHSTAN AND RUSSIA: RELATIONS AS PART OF RUSSIA'S FOREIGN POLICY STRATEGY .....	112
<b>Kosimsho Iskandarov.</b>	TAJIK-AFGHAN INTERRELATIONS TODAY AND THEIR FUTURE PROSPECTS .....	124

**RELIGION IN SOCIETY**

**Geoffrey F. Gresh.** PROMOTING PROSPERITY:  
THE ISLAMIC DEVELOPMENT BANK AND  
THE RISE OF ISLAMIC BANKING AND  
FINANCE IN CENTRAL ASIA ..... 135

**Shukhrat Yovkochev.** ISLAM AND THE POLITICAL AND  
SOCIOECONOMIC DEVELOPMENT  
MODEL OF THE MUSLIM STATES ..... 146

**MIGRATION AND ETHNIC RELATIONS**

**Mamuka Komakhia.** GEORGIA'S ETHNIC HISTORY AND  
THE PRESENT MIGRATION PROCESSES ..... 154

**Elena Sadovskaya.** CHINESE MIGRATION TO KAZAKHSTAN:  
CAUSES, KEY TRENDS, AND PROSPECTS ..... 160

**FOR YOUR INFORMATION**

*The Special Feature section in the next issue will discuss:*

- The GUAM Organization for Democracy and Economic Development in Regional and International Dimensions
- Central Eurasia: Politics Today
- Energy Policy and Energy Projects in Central Eurasia

## ELECTIONS AND POWER

**ON THE RESULTS OF  
THE SPECIAL PRESIDENTIAL ELECTIONS  
IN GEORGIA**

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*I n t r o d u c t i o n*

The 5 January, 2008 snap poll was the first ever truly competitive presidential election in Georgia. The incumbent, Mikhail Saakashvili, just managed to retain his seat, narrowly avoiding a run-off with the main opposition candidate, Levan Gachechiladze. According to the Central Electoral Commission (CEC) of Georgia, and the exit polls commissioned by government controlled television companies, Saakashvili received between 50.8 and 54 percent of votes, while Gachechiladze stayed below 30 percent. Local and international observers have noted numerous irregularities, but overall they have endorsed the elections as democratic. Opposition parties, however, have been less than convinced in fairness of the results as they have insisted that

the current outcome is, indeed, a result of the noted irregularities.

The snap presidential poll is a step forward for Georgian democracy, with credible opposition now emerging in the country. Both Saakashvili and the main opposition camps have made some gains. The main set-back for democracy was the suppression of Imedi TV, the only nongovernment controlled nationwide television channel. The January 2008 poll was the culmination of a very tense stand-off between the government and the opposition, which started in September 2007 with shocking revelations from a former defense minister Okruashvili. The stand-off reached its climax on 7 November, 2007, when the special forces of the Ministry of Interior brutally dispersed a mass

rally in the center of Tbilisi, and the government imposed the state of emergency, suspending all news broadcast by TV and radio media, and closing down all but a couple television and radio channels.

The November 2007 events demonstrated a huge erosion of popular support to once widely admired Georgian President Saakashvili. The latter, who was swept into power by similar mass rallies four years earlier, won his previous poll with more than 90 percent of the vote. The 2003 mass rallies, which was subsequently dubbed as the Rose Revolution, saw the resignation of then President Shevardnadze, followed by the snap January 2004 presidential elections, which Saakashvili won with overwhelming popular support.

Since then, U.S.-educated Saakashvili has been billed a revolutionary pro-Western reformer, whose fiery anti-Russian rhetoric has appealed to many in Georgia. To save his regime from a complete isolation and collapse, Saakashvili had no other logical choice but to call for a snap poll, either presidential or parliamentary. He opted for the former, as his National Movement, which currently holds majority of seats in the parliament is even less popular than him, and besides, it was the spring parliamentary elections the organizers of the mass rallies in Tbilisi were calling for in the first place. Saakashvili's gamble has won him a short respite and some credibility, but in the long run he will likely be a lame duck of Georgian politics.

## The November 2007 Crisis

The events that led to the snap poll read like a suspense novel with all kinds of dramatic turns and twists involving many influential actors, and action taking place in Georgia, Russia, the United Kingdom, and Germany. It was once Saakashvili's closest ally and friend, a former defense minister Irakli Okruashvili who started it all. On 25 September, 2007, while President Saakashvili was attending a U.N. General Assembly in New York, Okruashvili organized a sensational news conference, followed by a special on Imedi TV, in which he leveled several serious allegations against his former ally and boss, Mikhail Saakashvili.<sup>1</sup>

Okruashvili accused Saakashvili of anti-Georgian and criminal activities. He alleged that when he held the post of the Minister of Interior (May 2004-December 2004), he was forced to release from police custody one Mr. Temur Alasania, charged with extortion and racketeering, at the insistence of his nephew, President Saakashvili.<sup>2</sup> Okruashvili further asserted that there was a cover-up over the death of Prime Minister Zurab Zhvania, who died in suspicious circumstances on 3 February, 2005. The official version of Zhvania's death has been given as carbon monoxide poisoning caused by a faulty heater in his friend's apartment. Okruashvili insisted, however, that Zhvania died elsewhere and his body was later moved into his friend's apartment, who was also found dead with Zhvania.

In addition, Okruashvili accused President Saakashvili of being an enemy of the Church in Georgia, and wanting to instigate a schism within the Church in order to undermine the Patriarchate's high moral stance and influence in the country. He later elaborated on Saakashvili's alleged plans to break the church in an interview to the *Resonance* daily.<sup>3</sup> Okruashvili also accused Saakashvili of cowardice and indecision at restoring Tbilisi's control over the breakaway Tskhinvali region—as then Minister of Interior, Okruashvili was behind the summer 2004 incursion into the separatist region.

<sup>1</sup> Program "Droeba," Imedi TV, available at [<http://www.youtube.com/watch?v=WkoxqIRJ7Po>].

<sup>2</sup> Temur Alasania is also rumored to be a former KGB officer, and a go-between Saakashvili and Putin. Okruashvili alleged that Alasania was detained and charged with the extortion of US\$200,000.

<sup>3</sup> See: "What Does Okruashvili Intend?" *Resonansi*, 27 September, 2007 (in Georgian).



Georgian forces captured important strategic points, and were about to take Tskhinvali, the seat of the secessionist regime, but were pulled back by Saakashvili. Once again, in summer 2006, then Defense Minister Okruashvili devised a plan to take the separatist regime down through a lightning military strike, but according to him, was held back by Saakashvili.<sup>4</sup>

Most importantly, Okruashvili alleged that during his tenure as Defense Minister of Georgia (December 2004–November 2006) Saakashvili twice asked him to organize an assassination of business tycoon, Badri Patarkatsishvili. According to Okruashvili, Saakashvili first told him to assassinate Patarkatsishvili in July 2005, and even suggested to use a car bomb for this purpose. Okruashvili also alleged that Saakashvili repeated this request at least one more time, but after Okruashvili passed this information via an unnamed non-Georgian citizen “to the Americans,” Saakashvili never again spoke about this issue with him.

The reaction of the Georgian government to these allegations was swift: upon Saakashvili’s return from New York, Okruashvili was arrested on 27 September, 2007, and was charged with extortion, money laundering, and abuse of power while minister in Saakashvili’s Cabinet. On 28 September, several opposition parties organized a rally in his defense. On 8 October, the Georgian government released a videotaped confession by Okruashvili, who recanted his previous allegations against Saakashvili, and stated that he and Patarkatsishvili had devised a plan to discredit the Saakashvili administration, and grab power in the country.<sup>5</sup> After this, Okruashvili was released from police custody on 9 October, but not before certain individuals posted a US\$7 million bail on his behalf.<sup>6</sup>

Opposition parties and Okruashvili supporters insisted that the videotaped confession was made under duress, and that the former defense minister was in a very poor shape, both physically and mentally, after his release from the police custody. The Okruashvili affair was a tipping point for the opposition parties, who had themselves previously accused the Saakashvili government of all kinds of sins, ranging from corruption and illegal property acquisition to abuses of human rights and political persecutions. The opposition parties scheduled a mass protest rally in Tbilisi for 2 November, and called their supporters from other parts of Georgia to join them.

As protesters started to gather in front of the parliament building, Okruashvili found himself on German soil. According to a government spokesperson, Okruashvili was allowed to leave as he was seeking medical help. According to the opposition, and Okruashvili himself, he was deported by authorities in order to prevent him attending the mass rally. Okruashvili managed to participate in mass protests, nevertheless. On 5 November, he made an appearance on Imedi TV via a satellite link from Munich, in which he said that, indeed, he was forced to recant in the 8 October video recording, and that his confession of anti-government conspiracy was made under duress.

Meanwhile, the government agencies were trying their best to undermine the credibility of the opposition leaders: they released a series of recordings of phone conversations between opposition members, as well between them and some Russian officials as the evidence that the protest rally was planned in Moscow, and that the opposition leaders were Russian agents. Television specials aired on government controlled Georgian TV channels accused opposition leaders of anti-Georgian activities, and branded them as Russian agents; however, the government failed to provide any hard evidence proving their allegations.

Government efforts to counter the opposition through mass propaganda did not work, as all TV channels were far behind Imedi TV in terms of popularity and trustworthiness. The opposition was

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<sup>4</sup> Talk show “Ghia eteri,” Imedi TV, available at [<http://www.youtube.com/watch?v=V1VD80aIRNw&feature=related>].

<sup>5</sup> A video-recording of Okruashvili recanting his previous statements was broadcast by Mze TV, available at [<http://www.youtube.com/watch?v=y58B3DoSAcE>].

<sup>6</sup> According to a government version, the bail was posted by Okruashvili’s associates; however, Okruashvili himself denied the knowledge of the people who posted the bail alleging that they were, in fact, Saakashvili’s friends.

gaining a momentum, and Imedi TV served as the main vehicle for their message through a wide coverage of mass rallies. It was becoming clear to the government that they were losing control of the situation, and the Saakashvili administration decided to act immediately.

The opposition had four demands: to hold parliamentary elections in spring 2008, and not extend the current parliament's powers till the fall of 2008; to allow the opposition to appoint its supporters in the body that administers national elections; to make changes to the first-pass-the-pole electoral system; and to release political prisoners and prisoners of conscience. Despite the claims by the government that they used force against the protesters in order to prevent a coup instigated by members of the opposition and supported by Moscow, there was no evidence for this. Despite its size, the rally was entirely peaceful, the participants were not armed, no one was attacked or threatened, and no property was damaged.

In the morning of 7 November, police and the special forces of the Ministry of Interior attacked the protesters and broke up the rally. The operation was personally headed and supervised by Minister of Interior Ivane Merabishvili, one of the most feared individuals in the country. The authorities used batons, rubber bullets, water cannons, tear gas, and voice cannons—the so-called Long Range Acoustic Devices (LRAD).<sup>7</sup> As a result, hundreds of people were injured and about 508 of them sought medical help.<sup>8</sup> The police also attacked journalists, and many of them were chased around the town. The TV cameras and the equipment of Imedi TV, which alongside with other Georgian, and foreign television channels was covering the event live, were destroyed.<sup>9</sup> Police even chased protesters to a nearby Qashueti Cathedral, and attacked people in it. Priest of the Cathedral, Father Elizbar, told journalists that police brutality was worse than what he had witnessed on 9 April, 1989, when Soviet troops dispersed a mass rally organized on the same location.<sup>10</sup>

On the same day, President Saakashvili declared the state of emergency in the country, and ordered all news coverage by electronic media to be suspended. The two main opposition TV channels, Imedi TV and Kavkasia TV, as well as radio channels including Radio Free Europe/Radio Liberty (RFE/RL) were ordered off the air. The latter switched its broadcast to a short wave frequency, the first time since the collapse of the Soviet Union. Later on 7 November, the offices of Imedi TV were raided by the special forces, the staff harassed and threatened and television equipment was destroyed.<sup>11</sup>

Despite the police having emergency powers, and the cracking down on the electronic media, and despite charging some opposition leaders with high treason, opposition supporters continued to rally in various parts of Tbilisi. On 7 November, the police dispersed one rally on Rike, in another part of the city, but spontaneous gatherings continued in various places. It was clear that despite the heavy-handed treatment by the government, the opposition was not willing to go away quietly, and the Saakashvili regime would not be able to regain control without further violence, and mass arrests. This was impossible to do without Saakashvili completely losing his political capital, and on 8 November, in his television address, Saakashvili announced the presidential elections for 5 January, 2008. This announcement calmed down the tensions considerably, and allowed the govern-

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<sup>7</sup> Tbilisi is the first known case in the world of a police force employing LRAD against protesters. The device may well damage hearing of people if they are too close to the cannon, and if the equipment is used without care and indiscriminately.

<sup>8</sup> The rally break-up in photos is available at [<http://www.youtube.com/watch?v=S7pR8rLZaqq>]. Imedi TV footage showing injured citizens is available at [<http://www.youtube.com/watch?v=yWYixsepck&feature=related>].

<sup>9</sup> According to Imedi TV, the police attacked and injured more than 30 of its journalists, editors, camera people, and technical personnel—available at [<http://www.youtube.com/watch?v=ncp-De9ziO8&feature=related>].

<sup>10</sup> Imedi TV footage showing police violence is available at [<http://www.youtube.com/watch?v=j2ANkc4Zetk>]

<sup>11</sup> There is a dramatic footage available on YouTube.com showing the final minutes of live broadcast from Imedi TV news studio, as the special forces storm the newsroom and the screen goes black (see, for instance: [<http://www.youtube.com/watch?v=v17XL11VVPE>]).

ment to gain some breathing space and time to regroup—the state of emergency was left in place till 16 November with all its prohibitions, and this allowed the Saakashvili camp a head start for the upcoming polls.

It is important to note that the opposition was not demanding early presidential polls, but their major demand was to hold the parliamentary elections in the spring of 2008, as it was supposed to be held according to the Georgian Constitution, and not in the fall of 2008, as the Saakashvili administration wanted to schedule it. The rally would have dispersed had Saakashvili made this concession. However, he opted for the use of force and the state of emergency to put out Imedi TV off the air, and force its co-owner and his major competitor, business tycoon Patarkatsishvili, to flee the country.<sup>12</sup>

With Patarkatsishvili in the country and Imedi TV functioning, Saakashvili and his National Movement had no hope of winning the spring parliamentary poll. The top Saakashvili ally in the National Movement, MP Giga Bokeria, is one of the most loathed figures in Georgian politics. Saakashvili still enjoys support of at least 30 percent of the population, while with that kind of support the National Movement would have been a minority party in the new parliament. In other words, with about 30 percent support, Saakashvili has a good chance of keeping his seat—the head start in the election process, the use of state funds for his campaign, the damage done to the Imedi TV, support and favorable coverage by the state controlled TV and radio companies, the absence of his main competitor from the country, the control of the Central Electoral Commission by his appointee, and the opposition's inability to come up with a single presidential candidate—all these gave Saakashvili a significant advantage over his opponents in the extraordinary presidential contest.

## International Observers and Murky Waters of Georgian Politics

The January 2008 presidential election in Georgia was welcomed by international organizations, observers, and foreign governments as a step forward, and endorsed as democratic. The first to release the interim report was the International Election Observation Mission (IEOM), sponsored by the OSCE (the Organization for Security and Cooperation in Europe) Office for Democratic Institutions and Human Rights (OSCE/ODIHR), the OSCE Parliamentary Assembly (OSCE PA), the Parliamentary Assembly of the Council of Europe (PACE), and the European Parliament (EP). In its Interim Report released on 6 January, the IEOM noted that “while the 5 January, 2008 extraordinary presidential election in Georgia was in essence consistent with most OSCE and Council of Europe commitments and standards for democratic elections, significant challenges were revealed which need to be addressed urgently.”<sup>13</sup> The IEOM head, German diplomat Dieter Boden, once again affirmed the findings that the presidential election was democratic on 8 January after meeting with one of the opposition candidates.<sup>14</sup>

NATO also welcomed the January poll as “an important step in Georgia's democratic development.” James Appathurai, NATO spokesperson, was quoted saying that the presidential poll “was a

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<sup>12</sup> It is interesting to note that Patarkatsishvili was almost simultaneously charged by Georgian authorities and a Moscow court in Russia (see: “Moscow Court Orders Patarkatsishvili's Arrest,” *Resonansi*, 10 October, 2007, in Georgian).

<sup>13</sup> “Statement of Preliminary Findings and Conclusions,” International Election Observation Mission: Georgia—Extraordinary Presidential Election, 5 January, 2008, *Civil.Ge*, available at [<http://www.civil.ge/files/files/OSCEinterimfindings.pdf>].

<sup>14</sup> See: “‘No Mass Falsification’—Chief OSCE Observer,” *Civil.Ge*, available at [<http://www.civil.ge/eng/article.php?id=16837>].

viable expression of the free choice of the Georgian people.”<sup>15</sup> NATO echoed European Union foreign policy chief Javier Solana, who on the previous day welcomed the presidential elections and congratulated “the Georgian people on peaceful conduct of truly competitive presidential elections.”<sup>16</sup> The EU called on all Georgian political parties to respect the election results “in order to ensure that Georgia continues moving forward.”<sup>17</sup> Both NATO and the EU cited the IEOM endorsement of the election results.

The U.S. State Department was more cautious and less enthusiastic, but they welcomed the elections as well. The State Department agreed with other observers that this was “the first genuinely competitive presidential election in Georgia,” and called on all parties to “work peacefully and responsibly for a democratic Georgia.”<sup>18</sup> Americans also cited the IEOM interim report as the basis for their evaluation.<sup>19</sup> On the other hand, Terry Davis, Secretary General of Council of Europe, openly sided with Saakashvili, and condemned the attempts by the opposition to protest election results. In a statement released on 6 January, Davis was quoted calling opposition members’ assessment of the poll “both premature and immature.”<sup>20</sup> A group of observers from Estonia and Lithuania followed the suit by calling the poll “democratic, free, and fair.”<sup>21</sup>

David Gamkrelidze, presidential candidate from New Right Party, expressed bewilderment at almost universal endorsement by the international community of the Georgian presidential election. Gamkrelidze, who according to the official results only received about 4 percent of the vote, stated on 8 January that he was convinced that the Central Electoral Commission was manipulating the results. According to Gamkrelidze, there should have been a run-off, the second round of the elections between the two candidates placed first and second, Saakashvili and Gachechiladze.<sup>22</sup> Dieter Boden, the head of the IEOM group, met with Gamkrelidze who presented him with evidence of the manipulations of the election results, but Boden has remained unconvinced, and issued the above-mentioned additional statement emphasizing that he would not even revise a word in his group’s preliminary findings.<sup>23</sup>

Gamkrelidze’s protest is very much noteworthy, as he is the most conservative of all candidates, and is not known for staging acts of protests. His political party consistently refused to participate in mass rallies, and has often sided with the government rather than the opposition. Gamkrelidze has been supported by other presidential candidates, such as Giorgi Maisashvili,<sup>24</sup> according to whom, Gachechiladze received more votes than Saakashvili.<sup>25</sup> Labor Party leadership has also sided with Gachechiladze.

<sup>15</sup> “NATO on Georgia’s Elections,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16838](http://www.civil.ge/eng_/article.php?id=16838)].

<sup>16</sup> “EU Foreign Policy Chief on Georgia’s Elections,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16821](http://www.civil.ge/eng_/article.php?id=16821)].

<sup>17</sup> “‘Respect Election Results’—EU Tells Political Parties,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16823](http://www.civil.ge/eng_/article.php?id=16823)].

<sup>18</sup> “U.S. State Department on Georgian Election,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16824](http://www.civil.ge/eng_/article.php?id=16824)].

<sup>19</sup> There was an American Congressperson observing the elections, who also issued a very positive assessment.

<sup>20</sup> “CoE Secretary General on Georgia’s Elections,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16827](http://www.civil.ge/eng_/article.php?id=16827)].

<sup>21</sup> “Estonian, Lithuanian Observers Hail Polls as Democratic,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16805](http://www.civil.ge/eng_/article.php?id=16805)].

<sup>22</sup> See: “Gamkrelidze Calls for Run-Off, ‘Surprised’ with International Response,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16836](http://www.civil.ge/eng_/article.php?id=16836)].

<sup>23</sup> See: “‘No Mass Falsification’—Chief OSCE Observer.”

<sup>24</sup> Mr. Maisashvili is a former Enron Risk Analysis Department Chief, who resigned in protest from the former U.S. energy giant prior to its collapse. After returning to Georgia, Maisashvili was briefly allied with Saakashvili and worked as his economic adviser.

<sup>25</sup> See: “Maisashvili ‘Concedes Victory’ to Gachechiladze,” *Civil.Ge*, available at [[http://www.civil.ge/eng\\_/article.php?id=16794](http://www.civil.ge/eng_/article.php?id=16794)].

Overall, the leaders of the opposition allege that the poll was marred with enough violations to allow the incumbent pass the 50 percent barrier, which made a run-off unnecessary. In other words, the opposition is convinced that overall, Saakashvili received less than 50 percent of the popular vote, and that the main opposition candidate Gachechiladze had a very good chance of defeating him if the second round were to be held. Essentially, the opposition has disputed 4-5 percent of votes, which translates in about 90 thousand disputed ballots or few zeros added to the numbers on few interim protocols.

For a small country, Georgia has a rather complicated and large electoral system. There are more than 3,500 polling stations in the country of about 4 million people. The electoral administration has three levels: the central, the local, and the interim. The opposition has alleged a number of things: some degree of ballot-staffing and rigging at some polling stations, falsification of the vote results at the interim level,<sup>26</sup> the merry-go-round practice,<sup>27</sup> intimidation of opposition observers, and the destruction of ballots from precincts where the incumbent lost. The opposition provided evidence of all of the above.<sup>28</sup> The Radio Free Europe/Radio Liberty's Georgian language service in its 6 January broadcast also talked about some blatant violations. Minority of unaffiliated observers from the U.K., Israel, and the U.S. also registered their opinion of the Georgian presidential polls being "undemocratic."<sup>29</sup>

The IEOM group headed by Boden obviously rushed with their assessment of the elections, which was issued the very next morning, on 6 January. The official results were not available yet, neither were preliminary results. It is highly unlikely that the IEOM group had observers at every polling station, i.e. more than 3,500 thousand of them. Boden has provided no evidence that his group monitored the work of the interim electoral administration, which according to the opposition, was responsible for most violation. By the time the OSCE sponsored IEOM group released its interim findings, the results of less than 3 percent of the total vote was officially released.

There was something else known on the morning of 6 January, however, and it was the results of the exit-polls commissioned by Georgia's four TV companies. Here it is necessary to dive in murky waters of Georgian politics. The exit-poll results were released and widely distributed and widely reported in both Georgian and Western media on the voting day, 5 January, around 9 pm local time. It was this assessment that was picked up by BBC, CNN, CBC (Canada) and many other news media in English-speaking countries (cautiously) declaring Saakashvili the winner.

The CEC was supposed to release its results by midnight, but it did not. Then the CEC re-scheduled the release of the official results several times; however, on the morning of 6 January, after officially summarizing less than 3 percent of the votes, the CEC chairman, Levan Tarkhishvili basically acknowledged that the official results were consistent with the exit poll findings. After this, the OSCE sponsored group endorsed the elections as "democratic." In short, the exit-polls announced Saakashvili the winner, which was supported by Tarkhishvili citing 3 percent of officially counted votes, which was endorsed by the OSCE sponsored IEOM group, which was used by other international bodies and Western governments as the basis for their positive assessment.

The television companies, the Georgian Public Broadcasting, Mze TV, Rustavi-2, and Ajara TV, which commissioned the exit-polls are all controlled by the government. Mze TV and Rustavi-2 are

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<sup>26</sup> The interim level administration collects the results from the local precincts and transmits them to the central administration.

<sup>27</sup> The merry-go-round practice, observed in almost all Georgian elections, consists of organized supporters of a candidate voting in several polling stations.

<sup>28</sup> Summaries of violations and descriptions of evidence, which are quite extensive, are available in several reports on [www.civil.ge] website; more specifically, see: "Opposition Alleges 'Fraud' in Vote Summary Process," 8 January, 2008, *Civil.Ge*, available at [http://www.civil.ge/eng/article.php?id=16825].

<sup>29</sup> "Several Foreign Observing Organizations Evaluate Elections as Undemocratic," *Prime News*, 8 January, 2008, available at [http://eng.primenewsonline.com/news/121/ARTICLE/18032/2008-01-08.html].



privately owned, but the identities of their owners are anonymous. The majority shareholder of Mze TV, for instance, is registered in the Marshall Islands. Popular opinion in Georgia regards both Mze and Rustavi-2 as being controlled by members of Saakashvili's close circle of friends.

Tamar Kintsurashvili, Director General of the Georgian Public Broadcasting, was appointed in this position in 2005 with Saakashvili's blessing. The board of trustees, which supervised the appointment of Director General at that time, and subsequently supervised performance of its administration, was headed by Levan Tarkhnishvili, the current head of Georgia's Central Electoral Commission. Ms. Kintsurashvili, one of the least qualified of all candidates for the position of Director General, was apparently selected because of her close association and friendship with parliamentarian Giga Bokeria, reportedly the second most powerful man in the country after President Saakashvili. Mr. Tarkhnishvili is also a close friend and associate of Mr. Bokeria.<sup>30</sup>

The exit-polls commissioned by the four government controlled TV companies were administered by two "think-tanks," the Georgian Foundation for Strategic and International Studies (GFSIS), and the Caucasus Institute for Peace, Democracy, and Development (CIPDD), and two institutions of higher education, the Chavchavadze State University, and the Georgian Institute of Public Affairs (GIPA). These four institutions were billed as non-partisan bodies managing the exit-polls.

Mr. Ghia Nodia, head of CIPDD, and another pro-Saakashvili pundit, is also a friend and ally of Tarkhnishvili. In 2005, Nodia was a member of the same board of trustees headed by Tarkhnishvili, which was charged with selecting head of the public TV. Leadership of the Chavchavadze State University has been appointed by Saakashvili as well, who in 2005, almost completely purged this university of non-sympathetic academics. The board of directors of GIPA includes Saakashvili ally Giorgi Baramidze, a Minister of State in the Georgian Government, and Levan Ramishvili, head of Liberty Institute and close friend and associate of Giga Bokeria.

In short, the results of the exit-polls should be at least a tad suspect, since the bodies and individuals that played crucial role in its administration are pro-Saakashvili activists. Further, none of the organizations mentioned above provided any evidence that had any experience of conducting exit polls at a national level. The exit-poll results did not provide the vote breakdown among different areas and/or cities of Georgia, but provided one set of numbers, which placed Saakashvili 2 to 4 per points higher above the 50 percent barrier. It did not come as a surprise that the opposition outright rejected the findings of the partisan exit-polls, and threatened with protest rallies even before the official results were released.

Television coverage of the election campaign, especially by Rustavi-2 and Mze TV, was highly biased and one-sided favoring Saakashvili. Although he had resigned from his post, as it is mandated by the Georgian Constitution, Saakashvili campaigned as a serving president. He was the only candidate to broadcast a congratulatory message on the New Year's eve on television, alongside the acting president, and the Patriarch of the Church in Georgia. The official website of the President of Georgia never removed Saakashvili's name, biography, and other data, as he continued to be listed as President of Georgia, and his wife as the first lady. Saakashvili appeared on pre-election rallies accompanied by Cabinet ministers, and Tbilisi mayor.

One of the main challengers, Patarkatsishvili, was not allowed in the country, as he feared arrest on the charges of high treason, although, according to the Georgian Constitution, presidential candidates cannot be prosecuted. Patarkatsishvili, who placed third in the contest and received almost 10 percent of votes in absentia, is a co-owner of Imedi TV (the majority of shares is owned by News Corp. headed by Rupert Murdoch), which was persuaded to shut down by authorities.

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<sup>30</sup> Interviews in Tbilisi, July 2005.

## *C o n c l u s i o n :* **Winners and Losers**

Despite all the major shortcomings and apparent biases in the process, the main parties participating in the presidential elections have emerged with overall political gains. Georgian democracy also made a step forward—only a few weeks prior there was no credible alternative seen in Georgian politics to the person of Saakashvili. It is a highly dubious assessment to call the January 2008 presidential poll as “democratic,” and it definitely was not fair, but the election did demonstrate that Georgia is becoming a competitive democracy with people having more than one credible choice among the candidates.

Saakashvili survived, but his friends had to do a lot of tricks, and his Western allies had to issue rather rushed endorsements to make his victory look legitimate. The opposition, especially the Gachechiladze camp, has made a major headway forward. If they keep this momentum going they will do well in this year’s parliamentary polls. The Georgian people have won through peaceful and more or less orderly elections, and learned yet another lesson in democracy.

The major loss of this election campaign was shutting down of Imedi TV, the only nationwide alternative to the state controlled television channels. Imedi TV has become the main casualty of the bitter struggle that goes on between Saakashvili and Patarkatsishvili, the business tycoon. Freedom of speech will suffer in Georgia, no doubt, if Imedi TV does not resume its broadcast in more or less the same spirit they used to have prior to 7 November.

The election observation mission sponsored by the OSCE and headed by Dieter Boden should be regarded as another major loser of this affair, as they clearly issued half-backed conclusions that were based on rather dubious exit-poll results. The OSCE does not need to push things as far as this, as it will surely lose trust of the people it is actually trying to help. Maybe there was some incomprehensible wisdom in IEOM’s rush endorsement of the election results, which subsequently became the basis for other international endorsements.

Maybe the OSCE sponsored mission really believe the claims made by Saakashvili and his allies that all his opponents are Russian agents trying to divert Georgia from a Western path of development. It is also likely that with the events in Pakistan and Kenya unfolding in the background, the OSCE people tried to make things look as legitimate as possible at the earliest opportunity. However, such one-sided endorsement of a political party that tries to cheat at every turn, and relies on authoritarian methods may well backfire in the end. If people lose confidence in democratic process and civil norms, and international bodies act as partisan actors, then Kenyan, Pakistani or Afghan scenarios are more likely than not.

## NATION-BUILDING

**MANAGING DISSENT,  
LIMITING RISK AND  
CONSOLIDATING POWER:  
THE PROCESSES AND RESULTS OF  
CONSTITUTIONAL REFORM  
IN KAZAKHSTAN**

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The transition in much of the former Soviet Union has not led to democracy but instead to varying degrees of authoritarianism and dictatorship.<sup>1</sup> Yet some states driven by endogenous and exogenous factors are pursuing a process of constitutional reform for the purpose of democratizing political processes. In the cases of Ukraine and Kyrgyzstan, among other factors, the process has been driven by the emergence of a “counter elite” that has provided an effective challenge to the incumbent power. The constitutional

reform process in both Ukraine and Kyrgyzstan has been characterized by elite conflict, civic protest and the paralysis of government in both the executive and legislative branches. In Kazakhstan President Nursultan Nazarbaev believes his country is pursuing a unique model of constitutional and political reform that is defined by a moderate step-by-step process. Unlike the crises that have enveloped the process in Ukraine and Kyrgyzstan, the Kazakh model places economic stability before political reform and posits gradual democratization over radical change.<sup>2</sup> Whereas in Ukraine

<sup>1</sup> See: M. Mcfaul, “The Fourth Wave of Democracy and Dictatorship: Non-cooperative Transitions in the Post-Communist World,” *World Politics*, No. 54, 2004, pp. 212-244; Th. Carothers, “The End of the Transition Paradigm,” *Journal of Democracy*, Vol. 13, No. 5, 2002, pp. 5-21.

<sup>2</sup> See: “Prezident veren svoemu slovu,” *Kazakhstanskaia pravda*, 17 May, 2007, available at [<http://www.kazpravda.kz/?uin=1152520370&chapter=1179348899>].



and Kyrgyzstan a counter elite emerged, Nazarbaev has been able to define the political rules of the game on his own terms by disabling the ability of competing elite and opposition groups to compete for power. However, the Kazakh specific model of political modernization does not exist in a vacuum as internal and external factors are driving the process. Externally, approval from the international community has been a driving factor; in particular, the bid for chairmanship of the OSCE in 2009 has added a sense of urgency to complete the process. Internally, the emergence of an economic counter elite, the nontransparent electoral process and conflicts between competing elite groups, were all factors contributing toward the initiation and continuation of the reform process.

On 16 May, 2007, the president announced to a joint session of parliament changes to the constitution that were to signal, in particular to the West, that Kazakhstan is finally moving to reform its authoritarian political system. In the West some analysts and political representatives responded positively to the amendments.<sup>3</sup> The administration is arguing the reforms constitute a shift to a presidential-parliamentary system. In this context, the aim of this paper is to survey the process and results of constitutional reform in Kazakhstan. It seeks explore and address two questions: what were the factors influencing the process of reform? And what do the results of the process tell us about the nature of Kazakhstan's

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<sup>3</sup> See: "US Ambassador Favors Constitutional Amendments, but not the Exception Made for Nazarbaev," *Interfax-Kazakhstan*, 23 May, 2007; A. Cohen, "Kazakh Political Challenge," 24 May, 2007, available at [<http://www.heritage.org/Press/Commentary/ed052407a.cfm>].

political transition. In answering these questions the article will examine the three bodies<sup>4</sup> created by the president that have been used as a conduit for developing a dialog between the authorities, political parties and wider civil society, thus exploring the interconnection between the endogenous and exogenous variables affecting the process. The article will also analyze the results of the process in the form of the constitutional amendments. In analyzing the activities and role of the three bodies designated as enablers of political reform, the factors driving the process, and the output of the process, this article will argue that the changes were formulated by the presidential administration as an attempt to balance the competing demands of internal and external pressures. This is reflected in a need by the president to manage dissent within the country, while at the same time promoting Kazakhstan's specific model of political modernization to the international community. However, the results of the process, which has seen the marginalization of opposition voices, suggest the president is limiting the possibility of any form of risk that challenges his position, while at the same time trying to present to the West the democratization of Kazakhstan. Therefore, the reforms amount not to a shift toward a presidential-parliamentary system, but instead a further consolidation of presidential power.

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<sup>4</sup> The Standing Council on Proposals for Further Democratization and Development of Civil Society (PDS), the National Commission for Democracy and Civil Society (NKVD) and the State Commission for Democratic Reform under the President are the three bodies which have slowly seen the systematic development of proposals for political modernization.

## Standing Council on Proposals for Further Democratization and Development of Civil Society (PDS)

The process of political reform began in November 2002 when President Nazarbaev created the PDS. The founding of the PDS followed a crisis that occurred in the ruling elite one year earlier in November 2001 which emerged as a result of conflict between groups within the political hierarchy

over access to the sell off of state resources and the limited nature of political reform. The crisis led to the creation of the political movement Democratic Choice of Kazakhstan (DCK) and a few months later the political party Ak Zhol (Bright Path). DCK, consisting of high-level public figures from the government and business,<sup>5</sup> was committed to economic liberalism and greater democratization. Arguably, the creation of an opposition party and movement that consisted of former members of the government placed pressure on the president to respond to their calls for economic and political reform.

The president appointed Deputy Prime Minister Baurzhan Mukhamedzhanov to oversee the arrangements of the body.<sup>6</sup> The composition of the PDS mainly consisted of government, state and pro-presidential figures. While the door was “never closed” according to Mukhamedzhanov, the opposition, with the exception of Ak Zhol,<sup>7</sup> never participated—however it is not clear whether the opposition was invited. Opposition forces such as DCK, the Communist Party, The Republican People’s Party of Kazakhstan and Pokolenie (Generation) remained outside the process.

The PDS was deficient in two areas. First, from the outset the body had no official constitutional status. It was an advisory body to the government and, therefore, constitutionally its recommendations for pursuing political reform had no legal status. The government, in general, could choose to disregard any proposals advocated by the body. Consequently, the remit and discussion of the PDS were limited and the recommendations weak and ineffectual. Second, its composition was highly skewed in favor of pro-presidential forces.<sup>8</sup> This was a clear concern of Ak Zhol who noted in a statement published in *Vremia* that a recent meeting of PDS had demonstrated to them “a reluctance and lack of government participation in fair dialog. Instead of there being an objective criteria for determining who should participate in the meeting, the government gives itself the right to determine its composition alone.”<sup>9</sup> Both problems highlight the tight control the executive maintained over the proceedings. As expected from an authoritarian regime it underscores how the president managed any form of dissent. Not surprisingly after eighteen months the PDS had delivered very little in terms of output.

## National Commission for Democratization and Civil Society (NKVD)

In November 2004 a new commission, the NKVD, was set up by the president to continue to explore the process of political reform. The NKVD presented an opportunity for the president to repudiate claims criticizing the limited nature of democratic development in Kazakhstan. Additionally, revitalizing the reform process was a way of exhibiting to the West that Kazakhstan was a progressive force in the region important for stability and natural resources. Arguably, the president was facing

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<sup>5</sup> For further reading on the reasons for the emergence of DCK and the crisis that fractured the ruling elite, see: B. Junisbai, A. Junisbai, “The Democratic Choice of Kazakhstan: A Case Study in Economic Liberalization, Inter-elite Cleavage, and Political Opposition,” *Demokratizatsiya*, Vol. 13, Issue 3, Summer 2005, pp. 373-392.

<sup>6</sup> See: A. Chebotarev, “PDS kak forma kvazidialoga vlasti s obshchestvom,” 15 January, 2003, available at [<http://www.materik.ru/index.php?section=analitics&bulid=38&bulsectionid=2801>], 20 May, 2007.

<sup>7</sup> During this period Ak Zhol was seen as more constructive with the government and the presidential administration.

<sup>8</sup> See: A. Chebotarev, op. cit.

<sup>9</sup> “Lidery ‘Ak zhol’a’ pozhinaiut gor’kie plody dvurushnichestva: tak s kem vy gospoda?,” *Vremia*, 26 December, 2002, available at [<http://freeas.org/?nid=446>], 23 May, 2007.

internal and external pressures to re-ignite the process as inside<sup>10</sup> and outside<sup>11</sup> the country there had been criticism regarding the conduct of the 2004 parliamentary elections.

Initially the opposition parties Ak Zhol, the Communist Party, and Alga, DVK (Forward, DCK) were invited to participate<sup>12</sup> and the intention “was to invite all political parties for a constructive dialog.”<sup>13</sup> However, by the time the commission convened the opposition was noticeable by their absence and their reasons for not participating were threefold. Firstly, the president had signaled he might chair the commission and it was important for the opposition that the process would be a dialog between themselves and the president, however, it became evident that Nazarbaev was not going to chair the commission. Secondly, the ambiguity of the NKVD’s legal status frustrated opposition hopes that the product of the commission would result in significant constitutional amendments. Finally, the opposition believed participation did not make political sense. In their view, playing a part in a pro-presidential process would play into the hands of the presidential administration.<sup>14</sup> The main players who made up the bulk of the commission were well-known figures from the government, prominent ministers and judiciary members.<sup>15</sup> Perhaps wary of the criticism that was leveled at the PDS, the chair of the commission Bolat Utemuratov declared that despite their absence, “the members of the commission will take into account their [opposition parties] party programs in developing their proposals.”<sup>16</sup>

Three factors distinguished the NKVD from its predecessor. First, its status was considerably higher. As a national commission it was the forum which could provide the basis for “nothing less than a future draft of constitutional reform.”<sup>17</sup> Second, the NKVD’s attempts to reach out to the regions and create a national dialog<sup>18</sup> suggest, at the very least, an effort to engender a nationwide consensus on reform. Thirdly, there was a greater degree of responsibility invested in the commission. In his 2005 annual address, the president proclaimed that he believed the commission should “analyze and summarize the results of the nationwide discussion, prepare the initial legislative framework for a national program, prepare recommendations for the president and parliament on the implementation of the national program of political reforms, and coordinate the final adoption and enactment of the political reforms package.”<sup>19</sup> Despite a higher degree of status, broader measures for dialog and significant investment of responsibility, the commission still suffered from considerable weaknesses.

The commission failed to act on its extended position because of the general nature of authority in Kazakh politics, which, as policy implemented into law, comes directly from the presidential office. Without clear guidance from the very top of the administration the NKVD seemed uncertain of

<sup>10</sup> See: “Bolee nechestnykh vyborov my nikogda ne videli!,” *Respublika*, 1 October, 2004, available at [<http://www.kub.kz/article.php?sid=6992>], 18 November, 2006.

<sup>11</sup> See: *Election Observation Mission Report, Republic of Kazakhstan Parliamentary Elections, 19 September and 3 October*, OSCE/ODIHR, Warsaw, 15 December, 2004.

<sup>12</sup> See: “Utverzhen sostav Natsional’noi komissi po voprosam demokratizatsii i grazhdanskogo obshchestva pri presidente,” available at [<http://www.government.kz/ru/news.asp?IDspis=1676>], 4 June, 2007.

<sup>13</sup> “Demokratia est’ pravlenie cherez obsuzhdenie,” *Kazakhstanskaia pravda*, 11 November, 2004.

<sup>14</sup> Author’s interview with senior Nagiz Ak Zhol party worker, 8 June, 2007, Almaty.

<sup>15</sup> Prominent figures included: Maksut Narikbaev, Chairman of the Kazakhstan Democratic Party Adilet (Justice), Gani Kaliev, Chairman of the Auy! Party (Village), Azat Peruashev, Chairman of the Civic Party, Dariga Nazarbaeva, Chairman of Asar Party (All Together) and deputy of the Majilis, and Berik Imashev, Assistant to the Secretary of the Security Council.

<sup>16</sup> “V Astane otkrylos’ pervoe zasedanie Natsional’noi komissii po voprosam demokratizatsii i grazhdanskogo obshchestva pri prezidente RK,” 8 December, 2004, available at [<http://www.zakon.kz/our/news/news.asp?id=31789>], 20 May, 2007.

<sup>17</sup> “Boevoe kreshchenie NKVD,” *Liter*, 9 December, 2004.

<sup>18</sup> See: A. Dzhanaganova, “V plane demokratii my daleko ne samya otstalaya strana,” *Kazakhstanskaia pravda*, 23 June, 2005.

<sup>19</sup> *Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization*, Presidential Annual Address, 18 February, 2005, available at [[http://www.akorda.kz/page.php?page\\_id=156&lang=2&article\\_id=80](http://www.akorda.kz/page.php?page_id=156&lang=2&article_id=80)], 25 April, 2007.

which direction to take and thus produced no output. Besides, the make up of the commission continued to be influenced by non-critical voices, it was a controlled environment whereby the presidential administration could monopolize the parameters of debate by staffing it with sympathetic representatives. The dialog, therefore, was not meaningful but theatrical.<sup>20</sup> The opposition, despite being invited, understood that to participate was to associate, and to be seen as being sympathetic and constructive with the president and implicit in supporting the direction of the president's reforms.

## State Commission under the President

The murder of Altynbek Sarsenbaev, cochairman of Nagiz Ak Zhol (True Bright Path),<sup>21</sup> in February 2006, demonstrated that a line had been crossed in the conflicts between elite groups.<sup>22</sup> Since independence Nazarbaev had constructed a political system that centered on vertical chains of political and economic dependence leading only to him. Furthermore, underneath him elite groups fought among themselves for power and favors while he acted as arbitrator of the competing claims of each group. The murder of Sarsenbaev represented a serious rupture within elite politics in Kazakhstan. It was soon after this in March Nazarbaev announced the establishment of the State Commission for Democratic Reforms, a body he himself would chair.

The fact that the president was to chair the state commission gave hope to some politicians that the process this time round would be more productive.<sup>23</sup> The purpose of the commission was similar to that of the previous two bodies. As with the previous bodies the composition was framed in favor of pro-presidential affiliates. The opposition's unwillingness to sit down and participate in a dialog was again multi-faceted: the dominance of pro-presidential forces leading to an unproportional representation and diminishment of opposition voices, the direction the trial of Sarsenbaev's alleged murderers was taking, and uncertainty surrounding the constitutional status of the commission were all factors contributing to the opposition's reasoning for noncooperation.<sup>24</sup> Ak Zhol, however, did participate in the commission. According to one senior member, Ak Zhol decided to participate because their three conditions had been met.<sup>25</sup>

There were seven areas of discussion within the commission. In the first case there was the issue of the system of electoral representation. This focused on the debate concerning the percentage of deputies elected by party list as opposed to single mandate constituencies. Second, linked to suggestions of altering the electoral mechanisms was the debate concerning the increase in elected representatives in the parliament. The general consensus was that seats in the Majilis should be increased from 77 to 134.<sup>26</sup> Third, there was a focus on strengthening the legislature by the transfer of certain powers from the president to the parliament. This featured at two levels: the transference of powers from the

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<sup>20</sup> *Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization*, Presidential Annual Address, 18 February, 2005, available at [[http://www.akorda.kz/page.php?page\\_id=156&lang=2&article\\_id=80](http://www.akorda.kz/page.php?page_id=156&lang=2&article_id=80)], 25 April, 2007.

<sup>21</sup> A split occurred in the leadership of Ak Zhol after the parliamentary elections which led to three of the cochairman, Bolat Abilov, Oraz Zhandosov, and Altynbek Sarsenbaev forming Nagiz Ak Zhol. Alikhan Baimenov was left with a rump Ak Zhol Party that was considered to be on more constructive terms with the authorities while Nagiz Ak Zhol was considered far more oppositionist to the president and government.

<sup>22</sup> Author's interview with senior National Social-Democratic Party figure, 13 November, 2006, Almaty.

<sup>23</sup> See: Y. Dosmukhamedov, *Atameken: Building Democracy in Kazakhstan*, Almaty, 2006, p. 26.

<sup>24</sup> Interview with senior Nagyz Ak Zhol party worker, 8 June, 2007, Almaty.

<sup>25</sup> The conditions were "the national commission to be turned into a state commission, the head of state to chair the commission and for Kazakhstan to meet the requirements for OSCE chairmanship in 2009." Author's interview with senior member of Ak Zhol, 18 January, 2007, Almaty.

<sup>26</sup> Author's interview with Senior Ak Zhol figure, 18 January, 2007, Almaty.

president to the parliament with regard to the formation of the Constitutional Council and the Central Election Commission, and to strengthen parliament by giving it greater responsibility in forming the government. Fourth, much emphasis was placed on increasing the role of political parties. By increasing the role of parliament in the formation of government the responsibility of political parties also increases, thus giving them, for the first time, a stake in the political process. Fifth, there was the question of party funding, all parties involved in the process of the commission were not surprisingly in considerable agreement over this issue.<sup>27</sup> Sixth, the direct democratic election of akims (regional governors) was given consideration. Finally, greater local government representative empowerment was another issue that received significant attention with discussion surrounding increasing the role and power of the Maslikhats (regional councils) proving a focus for the debate.<sup>28</sup>

Arguably, the State Commission was a forum for debate concerning amendments to the political system that theoretically could have provided for an enhancement of democratization in Kazakhstan. The overall impression given by those involved in the process was that the possible changes would “add up to great changes in the political system,”<sup>29</sup> and would be “a great step forward for the country.”<sup>30</sup> Only Alikhan Baimenov, Chairman of Ak Zhol, sounded any note of caution, believing that “in the long-term if they [the recommendations] are all implemented it will bring positive changes because of the change in the role of parliament and parties. However, in the short-term it might cause the domination of one party at the present time.”<sup>31</sup>

While the state press presented the work of the commission as “a synergy of efforts of hundreds of Kazakhstan residents; experts, scientists and public communities,”<sup>32</sup> criticisms from the opposition centered on several attributes of the process. It was felt that the proposals did not indicate a real restructuring of the political system instead they only “implied small changes.”<sup>33</sup> On a constitutional note, Serikbolsyn Abdil’din, leader of the Communist Party, believed the commission was unconstitutional because any political reform should be “debated and decided on by the parliament and not just the president.”<sup>34</sup> There was also criticism regarding the limited representation of the opposition. The largest criticism, however, concentrated on Nazarbaev’s role as chairman of the commission. His position illustrated that the state commission’s modus operandi was dependent on the will of one man.<sup>35</sup> From this perspective, the whole enterprise was considered a pretence because according to one analyst “all the recommendations were heard at the very first meeting from Nazarbaev himself. He had already said how and what should be done.”<sup>36</sup>

## The 2007 Constitutional Changes

The president announced the proposed changes on the 16 May, 2007 at a joint session of the parliament. While there were many aspects to the political changes announced, three areas in particular illustrate how the president is limiting any form of political risk and consolidating his own power.

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<sup>27</sup> In all the interviews with party elites where the issue of state funding of political parties was discussed all were in favor.

<sup>28</sup> See: A. Birtanov, “Maslikhaty: novaya rol’ v obshchestve. K predstoiashchei reforme politicheskoi sistemy strany,” *Liter*, 9 June, 2006, available at [<http://www.liter.kz/site.php?lan=russian&id=151&pub=3862>], 7 May, 2007.

<sup>29</sup> Author’s interview with Altynshash Dzhaganova, Leader of the Rukhaniyat, 7 March, 2007, Astana.

<sup>30</sup> *Ibidem*.

<sup>31</sup> Author’s interview with Alikhan Baimenov, 6 March, 2007, Astana.

<sup>32</sup> *Kazakhstanskaia pravda*, 20 February, 2007, p. 1.

<sup>33</sup> Author’s interview with Zharmakhan Tuyakbai, 30 January, 2007, Almaty.

<sup>34</sup> Author’s interview with Serikbolsyn Abdil’din, 30 January, 2007, Almaty.

<sup>35</sup> *Ibidem*.

<sup>36</sup> Author’s Interview with Sergei Duvanov, 28 November, 2006, Almaty.



These three areas are: the development of greater pluralism, increasing the role of the legislature, and increasing the role of political parties.

*Development of greater pluralism:* The assertion that the reforms amounted to an increase in pluralism in Kazakhstan is based on amendments allowing for an electoral system consisting of 100% proportional representation. Therefore, all deputies would be elected by party list as opposed to the current 10%. The claim of greater pluralism needs to be understood in the context of several factors. In the first instance, one of the other amendments concerns the increase in the numbers of deputies in the Majilis, and the Senate. The number of deputies in the Majilis is to rise from 77 to 107. However, the electorate will directly elect only 98 with the remaining 9 being appointed by the inter-ethnic body the Assembly of Peoples of Kazakhstan (APK), a pro-presidential body. An additional eight senators were to be added to the current 39 making the total 47. The extra eight are to be appointed by the president which if added to the seven senators who are already presidential appointees means the president is appointing thirty percent of senators.<sup>37</sup> Moreover, the remaining senators are only indirectly elected by the deputies of the Maslikhats and not by the electorate overall. The increase in deputies in both the Majilis and the Senate point not to an expansion in the representation of the plebiscite, but instead a further increase in the president's representation in both bodies through direct presidential appointments (in the case of the Senate) and indirect presidential appointments (in the case of the nine representatives from the APK). The issue that arises with indirect presidential appointments in the lower chamber is that by adopting this system Kazakhstan no longer fulfils the OSCE requirement as stipulated in the 1990 Copenhagen document that at least one chamber of the national legislature should be freely contested by a popular vote.<sup>38</sup>

A second factor is the widely discussed and anticipated direct election of regional and city Akims at all levels. Surprisingly this was not featured in the package of reforms. Instead, Akims will continue to be appointed by the president but now with approval of the Maslikhats. The requirement of the Maslikhats approval of Akims is a minimal constraint on presidential power and does not denote the expansion of pluralism. The Maslikhats are predominantly full of pro-presidential forces with Nur Otan (Light of Fatherland) holding roughly between 70-80% of all seats across the country. Consequently, the dominance of pro-presidential forces ensures local bodies will not reject the president's choice of an akim. Clearly, to allow the direct election of akims by the electorate is a far too greater risk for the president. There would be no guarantee that his preferred candidate would be elected.

Finally, the shift to a fully proportional voting system has to be viewed in connection with the conduct of the electoral process itself. A greater pluralism through proportional voting will not be possible if elections in Kazakhstan continue to be non-transparent and if they continue to fall short of international norms. This is not just through the issue of vote rigging but also the preference given to propresidential parties like Nur Otan in the state media during the election campaign. Not all parties and candidates have equal access to the media, as was highlighted by the OSCE report on the last parliamentary elections in 2004 and 2007.<sup>39</sup> The move to a fully proportional system while superficially indicating a deepening of pluralism in Kazakhstan, in fact highlights the president is only willing to open up the political system if institutional guarantees are in place which limits any risk to the erosion of his control of the political system.

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<sup>37</sup> This is the claim of lawyers, working on behalf of Nagiz Ak Zhol, who published a comparison of the new amendments against the old constitution (see: "Politiko-pravovoi analiz izmenenii i dopolnenii v konstitutsiiu RK ot maya 2007 goda, podgotovlennii partiei 'Nagyz Ak Zhol'," available at [[http://www.akzhol-party.info/activity/legislation/2007/05/21/legislation\\_1406.html](http://www.akzhol-party.info/activity/legislation/2007/05/21/legislation_1406.html)], 23 June, 2007).

<sup>38</sup> See: *Final Report of the 18 August, 2007 Parliamentary Election in Kazakhstan*, OSCE/ODIHR, 30 October, 2007, p. 1.

<sup>39</sup> The OSCE report suggests that during the 2004 election access to the media, and the tone of the coverage of political parties was highly skewed in favor of propresidential parties such as Nur Otan, Asar, and the Civic Party. Further info can be found in the report itself.

*Increasing the role of the legislature:* Increasing the role of the legislature in the political process is defined by the transfer of some powers from the president to the parliament. For some in the West this shift of powers was considered to be significant.<sup>40</sup> According to the constitutional amendments, the Majilis will have a much larger role in the appointment of many governmental positions, including that of the prime minister. According to Nazarbaev, “the prime minister should be nominated by the president after consultations with factions from political parties and with the consent of the majority of the deputies of the Majilis.”<sup>41</sup> The consent of the majority of deputies is an already existing constitutional practice and does not represent any shift of power. The consultation with factions from the majority political party had already begun as an informal process during the appointment of the most recent Prime Minister, Karim Massimov. Even with this informal process constitutionalized, as long as the parliament continues to remain dominated by Nur Otan, the power invested in parliament in having a greater responsibility in the appointment of the prime minister and other governmental positions will be nothing more than ceremonial.

Further expansion of parliament’s role includes: parliament being allowed to appoint two members for both the Central Election Commission and the Constitutional Council and only a simple majority of votes within the legislature are now needed to express a vote of no confidence in the government. Stylistically, these amendments do point to a further expansion of parliamentary power. They do give parliament a greater stake in the political and electoral process by making the CEC and the Constitutional Council responsible to parliament. Yet they do not detract from the overarching power of the presidency, and this will remain the case for as long as pro-presidential parties who, with their unfair access to state and media resources, continue to win elections in conditions contrived in their favor. A pro-presidential legislature will appoint Nazarbaev-sympathetic representatives onto these two bodies. Similarly a simple majority for a vote of no confidence in the government will be meaningless as a compliant and acquiescent political force, Nur Otan, dominates parliament.

Simultaneously, while an expansion of the legislature’s powers are being offered, the constitutional amendments also subtly increase the power and influence of the president. The president will continue to appoint and dismiss the chairman of the National Bank. Previously, to carry out such an action the president required the consent of both chambers of parliament. Under the new constitutional amendments he is obliged only to seek the consent of the Senate.<sup>42</sup> The most evident feature of this consolidation of power is the additional amendment, included in the package of reforms by the parliament, allowing the first president of Kazakhstan to stand for unlimited terms of office. Many critics argued that this move represented the “Turkmenbashization” of Kazakh politics.<sup>43</sup> While the specific situation may not be as dramatic as the “Turkmenbashization” of Kazakh politics given that Nazarbaev will still need to seek re-election, the amendment does in effect allow him to stand as president for life.

*Increasing the role of political parties:* Political parties as well as being marginalized from the political process are also weakly developed in organizational, ideological and legislative terms. Increasing the role of parties is primarily being achieved by the amendment which now allows the head of the majority party *fraktsiia* (faction) in the Majilis to discuss the nomination of the prime minister with the president. The idea behind this move was that “the party of parliamentary majority will bear the responsibility for formation and the subsequent actions of the government.”<sup>44</sup> Realistically, this amendment gives parties minimal influence over the executive. Discussing the nomination of the prime

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<sup>40</sup> See: A. Cohen, op. cit.

<sup>41</sup> “Prezident veren svoemu slovu.”

<sup>42</sup> See: “Politiko-pravovoi analiz izmenenii i dopolnenii v konstitutsiiu RK ot maya 2007 goda, podgotovlennii partiei ‘Nagyiz Ak Zhol’.”

<sup>43</sup> See: S. Duvanov, “‘Est’ situatsii kogda grazhdanskii dolg stanovitsia grazhdanskoi obiazannost’u,” available at [<http://www.kub.kz/article.php?sid=17591>], 24 May, 2007.

<sup>44</sup> “Prezident veren svoemu slovu.”

minister with the president is not the same as political parties nominating the prime minister themselves. Such a move, as stressed before, is of considerably less value as long as Nur Otan dominates the parliament.

The second major change is the introduction of state financing of parties. Such a move would certainly be welcomed by political parties and does infer legalization that attempts to bring transparency to party financing. However, parties will only receive state funding if they surmount the seven percent barrier required for entry into parliament. Effectively, therefore, the amendment is aimed less at developing a multi-party system, as many of the smaller parties will not reach the seven percent threshold, and more at shielding Nur Otan from constant criticism that it uses state and administrative resources.<sup>45</sup> This is because Nur Otan controls all the seats in the legislature and, as such, it is entitled to all state finances earmarked for political parties. Thus, in effect this amendment legitimizes Nur Otan's already all-encompassing dominance of state and administrative resources.

The final two amendments concerning political parties are: the rescinding of the restriction of state representatives being members of political parties, and the loss of imperative mandates<sup>46</sup> of Majilis members if they remove themselves or are expelled from their party. Both these amendments can contribute to the strengthening of political parties in the state, but not necessarily their role in the political process. Allowing state officials to become members of political parties was obviously included so as to allow President Nazarbaev to take up leadership of Nur Otan in an official capacity.<sup>47</sup> However, as a by-product, other state officials and members of the government have joined political parties<sup>48</sup> and thus, in a sense, it increases the profile of political parties. The removal of imperative mandates for Majilis deputies who are purged by their parties or who leave their parties again is a way of strengthening political parties in parliament by encouraging party discipline and loyalty. However, it is clear that it puts in place a mechanism for the presidential administration to rid themselves of any disobedient or non-acquiescent deputies. Both changes are aimed at Nur Otan and the improvement and strengthening of party cadre and party discipline.

## *C o n c l u s i o n*

It is clear from an analysis of the course of political reform in Kazakhstan that several exogenous and endogenous factors have been driving the process. Internally, the emergence of an economic and political counter elite in the form of DCK and Ak Zhol compelled the presidential administration to embark on a mechanism for political reform. The elite crisis of 2001 drew out the closed nature of elite conflict into the public arena. In so doing, it highlighted the limitations of Kazakhstan's political modernization and the concentration of power in Nazarbaev's hands. The members of DCK and Ak Zhol were Western oriented minded figures who were considered to have contributed to Kazakhstan's post-Soviet economic success. Moreover, Nazarbaev was commended for bringing the "young Turks" into government. Therefore, after the events of November 2001 they had become independent players who constituted a threat to the president and his hold on power. In response to their emergence Nazarbaev's commitment to a process through which political reform could be negotiated was a mechanism in which he could also retrieve, shape and define the political initiative on his own terms. The reform process continued to be affected by internal factors. The NKVD was initiated in anticipation

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<sup>45</sup> This was certainly the opinion of many opposition figures that I interviewed.

<sup>46</sup> Imperative mandate is based on the idea of direct democracy in that elected representatives have the freedom to carry out the will of those who elected them rather than follow any party line.

<sup>47</sup> Until now the President had been the unofficial leader of Nur Otan, with Bakytzhan Zhumagulov in place as Acting Chairman.

<sup>48</sup> See: "Akim Almaty sdelał svoi politicheskii vybor," 26 June, 2007, available at [<http://zonakz.net/articles/18273>].



of the 2004 parliamentary elections and then pursued further after criticisms from the opposition. It enabled Otan (Fatherland), the president's party, to argue that it was in support of step-by-step political modernization, as opposed to instant democratization which, in their view, could jeopardize economic stability. A causal link can also be found between the re-ignition of the reform process in the state commission and contingent internal factors. The murder of Sarsenbaev made evident the opacity and lawlessness of political process. The president needed to respond to regain control of political events and public opinion by instituting the state commission.

At the same time as having to balance the internal phenomena that threatened the carefully integrated power structures he constructed, Nazarbaev also had to contemplate external pressures. Kazakhstan's large deposits of oil and other natural resources make it a propitious country for foreign businesses and governments, all of whom have contributed to some extent to Kazakhstan's economic growth. Therefore, being seen to be trying to meet the expectations of the international community was an important factor in the instigation and continuation of the reform process. Criticisms from the OSCE concerning the conduct of the 2004 parliamentary elections and Kazakhstan's bid for OSCE chairmanship in 2009 have been significant factors in the issue of political reform being so high up the president's agenda in recent years. In particular, the rush to push through the constitutional amendments and hold early elections were, in part, down to seeing a conclusion to the process before a decision was made on the chairmanship in November 2007.

The nature of the process itself has been defined by the president having to balance these exogenous and endogenous pressures while managing to maintain control of the process and his central locus in the power structures. This has been achieved primarily by keeping opposition forces from the table. In the case of all three bodies, the opposition were either denied participation or the terms of their participation were set in such a fashion that they were unacceptable to them, thus allowing the president to keep in check any form of dissent within the system. In preventing competing elites from participating in the process, Nazarbaev has been able to present to both the public in Kazakhstan and the international community that a mechanism of reform was in motion, while at the same time controlling the boundaries of the process so that the output would suit his political needs.

The reforms that constitute the output of the process illustrate that Nazarbaev's tactic of balancing competing internal and external pressures while keeping competing elites from the table, has proven successful. The amendments to the constitution have been presented as a significant step in the development of Kazakhstan's democracy. Moreover, it is a development that fits neatly with the president's concept of Kazakhstan having a unique model of political and economic development in the post-Soviet space. Additionally, as discussed above, some in the international community viewed the amendments as a positive step. However, the reforms do not constitute a move to greater democratization. Instead they represent a consolidation of presidential power, as power relations will continue to center on the President. The constitutional amendments are all conditioned by mechanisms which minimize the risk and uncertainty that exist at the heart of democratic processes. As a result, Nazarbaev's power is consolidated vis-à-vis the changes to the political system. The fact the process was seen as theatrical and that the reforms only strengthen Nazarbaev's power comes as no surprise in the context of post-Soviet politics. The tactics and processes used by the president have been widely applied by other heads of state to consolidate their power and control over their respective political systems. In this sense the Kazakh model of political and constitutional reform is not unique but a widely seen phenomenon across the former Soviet space.

## REGIONAL CENTERS OF POWER AND THEIR POLICY IN CENTRAL EURASIA

### THE REGIONAL CENTERS OF POWER: IS THERE A CONFLICT OF INTERESTS, IDEOLOGICAL COOPERATION, OR A CONFLICT OF STRATEGIES AMONG THEM IN CENTRAL ASIA?

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The geopolitical vacuum of the post-Soviet period in Central Asia soon developed into a security vacuum to be filled, in the latter half of the 1990s, with various regional and sub-regional units set up by countries located outside the region. Many of them claimed regional lead-

ership and monopoly domination in the Eurasian security system.<sup>1</sup>

<sup>1</sup> The following authors have offered their highly interesting assessments of the emerging regional realities: A. Fenenko, "The U.S. Factor and the Crisis of the Trans-Eurasian Area," *Central Asia and the Caucasus*, No. 3 (21),

In the wake of 1991, the regional countries, in turn, restored the wide contacts, within the geopolitical and geo-economic context, interrupted by their long isolation, and also revived the natural course of interaction with the adjacent regions. This made them more responsive, to a certain extent, to the influence of their neighbors, members of all sorts of security structures on the Eurasian continent. The region, a closely integrated unit of Soviet times, is now torn apart by centrifugal and centripetal forces, but there is an obvious and natural desire to restore the geopolitical unity of the past on a new basis. The newly independent Central Asian states remain dependent on the old centers of influence (Russia, China, and the Middle East), while moving at the same time toward new geopolitical partners represented by the United States and the European Union.

It should be borne in mind that this process was part of the global developments and, as such, spoke of the post-Soviet Central Asian states' intention to integrate into the global expanse and join the global struggle against transnational security threats. Their foreign policies followed the principles of multilateral cooperation and active reliance on the new allies' potential for the simple reason that, caught in the midstream of the transformations, most of the smaller Eurasian countries with their limited resources were too weak and badly needed outside support. This was one of the most obvious manifestations of the *defensive strategy* of their development in the globalization context, which reduced their role to that of an outsider and part of the obedient retinue of the stronger world powers.

Seen through the prism of interaction among the world and regional powers in Eurasia, the above suggests the following conclusions.

Each of these powers has its own ideas about the means and methods it should apply to ensure Eurasian security based on its own long-term

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2003; M. Laumulin, "Stolknovenie interesov v Tsentral'noy Azii na sovremennom etape," *Materialy mezhdunarodnoy konferentsii "Vzaimootnosheniya mezhdu Rossiei i stranami Tsentral'noy Azii v novom strategicheskom kontekste"* (Almaty, 26 noiabria 2003g.), available at [http://www.ipr.kz].

national interests. In our case, they can be adequately described as projects implemented with the use of all sorts of tools.

Russia's *post-Soviet* project is designed to restore its former influence in Central Asia and to use the Central Asian countries as a factor contributing to trimming America's role on the world scene. Russia is obviously building a new model of relations with the local countries that will take their interests and the new reality into account.

Washington's foreign policy is shaped by a set of diverse factors; even American political experts cannot agree about its future and its potential impact on world development.<sup>2</sup>

The American political leadership has undoubtedly formed its ideas about Central Eurasia's strategic future. Washington's *neo-imperial* project is designed to fill in the geopolitical vacuum, while remaining in control by setting up a chain of political regimes along the Russian and Chinese borders that are economically and financially dependent on the United States. Today, the project's more active stage is unfolding before our eyes, the pseudo-democratic Color Revolutions being one of the strategic tools.

China has opted for an *assimilation* project born from a combination of the contemporary worldwide realities and the domestic aims of the political elite of the country with a long historical tradition. China is using the strategy of multilateral and bilateral cooperation in the economic and security spheres. Even though the region is of secondary importance in the context of China's

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<sup>2</sup> See: *The Future of American Foreign Policy*, Second Edition, ed. by Eugene R. Wittkopf, St. Martin's Press, New York, 1994, 350 pp.; J.L. Washburn, "United Nations Relations with the United States: The U.N. Must Look Out for Itself," in: *The Politics of Global Governance. International Organizations in an Interdependent World*, ed. by Paul F. Diehl, Lynne Rienner Publishers, Colorado, 2001, pp. 467-483; Ch.A. Chupchan, *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-First Century*, Knopf, New York, 2002; H.N. Ray, *At Home Abroad: Identity and Power in American Foreign Policy*, Cornell University Press, Ithaca, New York, 2002; *Unilateralism and U.S. Foreign Policy. International Perspectives*, ed. by David M. Malone, Yuen Foong Khong, Lynne Rienner Publishers, Colorado, 2003, 480 pp.; R.J. Art, *A Grand Strategy of America*, Cornell University Press, Ithaca, New York, 2003.

worldwide policy (a potential U.S.-China confrontation in Southeast Asia is coming to the fore), its growing impact in Central Asia is assessed as a fact to be reckoned with.

The EU *integration* project designed to set up similarly integrated units in Central Asia deserves special attention. Slowly but surely it is overcoming the accumulated centrifugal inertia of recent years by urging the local states to pool their efforts to arrive at commonly acceptable alternatives. European policy is playing a stabilizing role across the CIS, which is testified in particular by the new EU strategy in Central Asia adopted in 2007 for the period up to 2014, which envisages cooperation in all fields.

Each of the projects is expected to ensure the security of those Eurasian countries that support it and of the states incorporated in the

project's sphere of influence. Life has amply demonstrated that the smaller Eurasian countries' security concerns are pushed aside when extra-regional players emerge on the stage with their own interests. The position of the regional centers of influence as extra-regional players resolved to actively affect the situation deserves special scrutiny.

It should be said in this connection that the Chinese and Japanese strategies in Central Asia evoke special interest. In the early 1990s and the first half of the decade, it was the Turkish-Iranian rivalry and the potential impact of these countries on Central Asia's future that riveted the attention of experts and analysts. Today the expert community has found it much more interesting to compare the cooperation models offered by China and Japan and their potential.

## Chinese Strategy in Central Asia: Present and Future

China intends to create a "good-neighborly belt" in Central Asia using multilateral (within the SCO) and bilateral cooperation based on direct contacts with the local states to deal with the global problems of international terrorism and extremism, which are seen in China as the worst of the threats. Indeed, the country is encircled by an "instability arc" formed by the Central Asian states, Afghanistan, Pakistan, and India in the northwest, the west, and southwest, which could potentially destabilize the situation. China's adjacent areas—the Xinjiang-Uighur Autonomous Region and Tibet striving for independence—are least developed and may easily become the scene of turbulent protest movements and confrontation. China is sparing no effort to reduce the risk of new conflicts in the already unstable area.<sup>3</sup>

In Central Asia, Chinese diplomacy has succeeded in establishing smooth and expanding economic cooperation in essentially every sector; this was especially obvious in previous years.

In recent years, the Chinese side laid several projects on the table designed to encourage closer economic cooperation with the Central Asian countries, including a free trade zone and regional infrastructure within the SCO to promote the sustainable growth of mutual trade in goods and services and lower and gradually remove non-tariff barriers. There are large-scale projects in energy, transport, telecommunications, agriculture, and the light and textile industries. So far, the local states are of two minds about the Chinese suggestions: there is the danger of mass access of Chinese goods to the local markets, which might push aside local products. There is the fear that, if implemented, the projects might increase legal and especially illegal labor migration from China, which will lead to a burgeoning of the already growing Chinese diaspora in the SCO countries.

<sup>3</sup> See: B. Rashidov, "Kitai i Tsentral'naia Azia," 31 January, 2007, available at [www.Ferghana.Ru].

At the same time, there is the opinion that to increase its economic cooperation with the Central Asian countries, China is drawing them into its national projects, new transportation routes being one of them.<sup>4</sup>

By 2010, Beijing plans to complete the China-Kyrgyzstan-Uzbekistan railway. According to ChinaPRO, the decision adopted on 9 May, 2007 by the Committee for Development and Reforms of the Xinjiang-Uighur Autonomous Region confirmed that China meant business. It intends to complete the railway stretches between China and Kyrgyzstan and Uzbekistan during its 11th five-year plan (2006-2010). All the countries involved will undoubtedly profit from it; the railway will contribute to the economic development of the entire region and will boost its economic cooperation with Southern Asia and Europe.

The countries directly involved in the project are pursuing their own interests: Uzbekistan and Kyrgyzstan are interested in its economic advantages, which may improve the domestic political situation. China is seeking wider cooperation with its neighbors to promote its own business interests. The project will allow Beijing to acquire first-hand knowledge about the domestic political situation in Kyrgyzstan, a fairly open country, and Uzbekistan, of which little is known, and to adjust its cooperation tactics to the local elites. The railway will improve the transportation structure in XUAR and the country's west as a whole and introduce positive changes in the vast area. The railway will provide China with a transportation corridor that will connect Eastern and Southeastern Asia with Central and Western Asia and with Southern Europe. China will obviously profit more than the others from this project.<sup>5</sup>

Oil and gas pipelines are especially important for China, one of the largest energy-fuel importers. Today, it comes third after America and Japan in terms of energy consumption. In ten years time, however, it will probably outstrip Japan in this respect. According to Chinese experts, by 2020 China will consume between 380 and 400 million tons of oil (some 170-180 million tons will be locally produced).

The so-called four cooperation platforms program between Urumqi (the administrative center of XUAR) and the Central Asian republics initiated by China is an important lever for ensuring China's greater involvement in the region.<sup>6</sup>

- First it is planned to set up a platform of multi-channel trade: Urumqi, which has already set up communications with eight neighbors, created two zones of state importance: one of them is designed to process exported products, and there are also five checkpoints of the second category and about 200 commodity markets. Thirty-two of them can boast of an annual trade of over 100 million yuans; and 10 report a figure of over 1 billion. In 2006, Urumqi was responsible for over 50 percent of the XUAR's total foreign trade flow.
- Second, it is planned to create a highly efficient exchange platform. The correlation between agriculture, industry, and services in Urumqi can be described as 1.5 : 37.0 : 61.5. The commodity circulation and services sphere is responsible for over 60 percent of the GDP; at the same time, the city can boast of much better logistic patterns and a basis for highly efficient commodity exchange.
- Third, China plans to create a platform needed to move production from the east and to expand mutually advantageous cooperation in Central Asia. Urumqi has at least 10 basic indus-

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<sup>4</sup> See: O. Sidorov, "Kitai v XXI veke nachinaet postepenno vovlekat v svoi natsional'nye proekty respublik Tsentral'noy Asii," 17 July, 2007, available at [<http://gazeta.kz/>].

<sup>5</sup> Ibidem.

<sup>6</sup> See: "Urumchi planiruet sozdat 'chetyre platformy,' orientirovannye na Tsentral'nuiu Aziu," available at [<http://easttime.ru/analytic/3/8/305.html>].

trial branches: petrochemistry, metallurgy, the textile industry, machine-building, high technologies, the construction materials industry, pharmaceuticals, the production of foodstuffs, furniture, and clothing.

- Fourth, there will be a platform for a trade and economic cooperation forum in Central Asia.

The above suggests that China is steadily expanding its economic and political presence in Central Asia: in the mid-term perspective it stands a good chance of becoming the main foreign partner of all the Central Asian states.

## Japanese Strategy in Central Asia: “Transformation of Central Asia into a Corridor of Peace and Stability”

Since 1992, Japan has been studying Central Asia, a previously unknown region, and slowly but surely pushing its way into it. While gradually readjusting itself to the new conditions, its foreign policy passed through several stages and pursued various aims coordinated with the domestic policy of all the regional states and the international situation as a whole. It should be said that Japan has been and remains a prominent member of the Western community and that, while pursuing its own aims, it also represents American interests. This means that its regional initiatives are inseparable from the interests of the United States. More than that: for over 50 years now the two countries remain bound by close relations based on the Security Agreement and intertwined economic systems.

- **1992-1996:** this was the time when Japan, the United States, and the EU began their material assistance to the former Soviet republics in the hope of promoting democratic, economic, and other reforms. Subsidies, loans, and grants under Japan’s Development Assistance Program were the country’s contribution to the common cause of stabilization of the post-Soviet expanse. The Japanese money poured into the Central Asian countries was spent on:
  - reorienting the former Soviet republics toward the West, very much in line with Japan’s allied relations with the United States;
  - creating Japan’s positive image in the Central Asian republics and the world as a whole, in line with its intention to play a greater role in world politics and to become, at some later date, a permanent member of the U.N. Security Council.
- **1996-2001:** during the first half of this stage Japan stepped up its involvement in Central Asia in accordance with the Eurasian Diplomacy of Prime Minister Hashimoto (1997) and the Program of Action within the Silk Road Diplomacy of Prime Minister Obuchi (1998). Brimming with bombastic slogans about confidence-building and mutually advantageous and long-term cooperation and a more practical idea of developing the region’s transportation infrastructure to move Central Asian rich energy resources to the world markets, the initiatives pursued important and fairly obvious aims.

By the mid-1990s, having gathered enough information for analysis and spurred on by Central Asia’s (and the Caspian’s) vast resources, Tokyo moved toward active economic measures. To suc-



ceed, it formulated clear conceptions that detailed Japan's Central Asian policy, took into account the adjacent countries, and outlined active measures of cooperation in the key spheres.

The conceptions were based on the fact that Central Asian's geographic isolation would not allow it to fully tap its resource potential and to offer mutually advantageous cooperation to other countries unless it acquired state-of-the-art and well-integrated transportation routes, which some time in the future could become part of the Silk Road for Central Asian energy resources. This spurred on Japan's involvement in the region and encouraged it to pour more money into the key economic sectors. On top of this, Japan's involvement moved Central Asia into the world community's attention range.

In the latter half of the same period Japan remained an active participant in the energy projects implemented within the Eurasian initiatives; it was also involved in close economic cooperation in the region's fairly unstable southern margins. Japan's policy is long-term; it is pursuing its interests in Central Asia in the expectation of changes for the better (particularly in the security sphere), when it will become possible to implement all its projects.

As soon as Japan formulated its Eurasian initiatives, it became obvious that inadequate Central Asian security is the main obstacle to the grandiose plans to turn it into a bridge between the East and the West. The instability in Afghanistan casts doubts on one of the key projects of energy fuel transportation. Japan, unable to improve the local context, had to concentrate on developing bilateral relations with Kazakhstan and Uzbekistan, two key Central Asian states.

Its political priorities in the region and corresponding financial assistance were in line with the obvious need to rely on the Central Asian leading states because of their favorable geographic location, resource potential, and foreign policy orientation.

Aware of Kazakhstan's resources and its leading position in Central Asia, Japan selected it as its strategic partner; close relations and regular consultations on pivotal international issues were of special importance, since Kazakhstan was one of the main (in fact, the only one as long as instability in Afghanistan continued) route by which energy resources could be moved to the APR.

In the wake of the 9/11 events and in view of the resultant American military presence in the region, Japan established a strategic partnership with Uzbekistan, which played one of the key roles in supporting the military operation in Afghanistan. Since 1996, Uzbekistan became the recipient of Japan's greatest financial assistance in the region and a target of Japanese investments.

These conclusions are only one side of Japanese policy in Central Asia—it was America's military presence in the region that made it possible to look at Tokyo's involvement from a different point of view. It turned out that Japan and America were working together in Central Asia without, however, being too obvious about it.

Japan used different approaches to deal with identical issues in the Central Asian republics (human rights, democratic and economic reforms, and economic liberalization) in tune with its regional priorities. The "dual standards in Central Asia" practice and the direct connection between economic assistance and the foreign policy orientations of the recipients reveal that Japan's policy was tied to America's policy in the same region.

Many of the initiatives have nothing to do with the specific aims and tasks Japan was pursuing in Central Asia and were nothing more than mere declarations. Tokyo's intention to promote democratization and liberalization of the Central Asian economies (two most frequently used terms) was of no importance and never affected its bilateral relations with the resource-rich countries.

This was particularly true of Kazakhstan and Uzbekistan, Japan's close strategic and economic partners. Their quasi-democratic regimes were never aware of any pressure from Tokyo when it came

to the human rights issue and persecutions for political and religious reasons. This was also true of Turkmenistan's authoritarian regime, which never prevented Japan from being involved in joint projects in the gas export and other spheres.

In fact, Japan's large-scale economic involvement in the land-locked and unstable region and in numerous local projects testifies that its political aims are different from the stated ones. For several years Japan was engaged in latent political activities, the aims of which came to light only when America fortified its military presence in the region. It became obvious that Tokyo remained convinced that regional security, without which no sustained deliveries of energy resources to the world market would be possible, hinged on America's military presence in Central Asia.

The country, which aspired to improve its international prestige through globalization of foreign policy, had to readjust certain key principles of its international activities. In the 21st century, cooperation between Japan and the United States acquired a worldwide nature. The instability in Afghanistan, China's increasing regional influence, and other objective circumstances stimulated U.S.-Japan cooperation in Central Asia to draw it into their sphere of influence through economic and political initiatives.

The post-9/11 developments—the counterterrorist operation in Afghanistan, the American military bases in Kyrgyzstan and Uzbekistan, and the removal of the Taliban regime—opened a new page in Japan's pressure in Central Asia and revealed the true meaning of many of its earlier initiatives and the interconnection between the previous 12-year-long history of its presence in the region and America's resolve to realize its strategic presence in Central Asia. On the whole, Tokyo's policy can be described as an element of the financial insurance of America's future presence in Central Asia.

Japan's present policy also brings to mind its cooperation with the United States during the Cold War period (which ensured Japan's security and helped America contain the Soviet Union in the Far East and the APR); this meant that the old realities were reborn in new geopolitical conditions.

The events in Afghanistan, China's greater role in the APR and Central Asia, and the revision of the Japanese-American Security Treaty (1996) and the U.S.-Japan security cooperation guidelines, as well as Tokyo's Eurasian and Central Asian initiative, were interconnected.

We should particularly bear in mind that China serves as the link between the APR and Central Asia, which explains Japan's and the United States' concern with China's growing military and economic potential. The fact that certain provisions of the Security Treaty and the U.S.-Japan security cooperation guidelines were revised testified that the allies were resolved to contain China in the APR and Southeast Asia.

China's greater role in Central Asia could not but cause concern in the United States and Japan, which were resolved to trim its influence in the region. This explains the new aspects of Eurasian diplomacy and the Silk Road Diplomacy Program designed to deal with specific issues outside the economic sphere. These initiatives opened up a period of active funding of the transportation projects in Central Asia (particularly in Uzbekistan and Kyrgyzstan); later these republics became the main toehold of America's military presence in the region, thus providing the United States with an excellent opportunity to fully tap its potential.

Tokyo's financial aid to Uzbekistan pursued the aim of keeping the latter's regime afloat and of buying its loyalty to the United States. America needed it to address its military tasks in Afghanistan. Kyrgyzstan, which also received financial support, was indispensable not only because of the 2001-2003 military operation, but also because of China's future containment, its closest neighbor.

Despite Japan's desire to play a greater role on the international scene, it is still following in America's footsteps. In Central Asia, Japan has already played its usual role (the Gulf War of 1991) of the main source of funds for America's strategic maneuvers.



In 2006, Japan's Foreign Minister Taro Aso, when speaking at a meeting of the national press club, publicized a new Central Asian initiative that outlined Tokyo's key objectives in the region.

His contribution fell into two distinctive parts:

First, he outlined his country's general approach to Central Asia as a foreign policy target; then he moved on to reveal Tokyo's new approaches to the system of regional relations and described his own revised approaches to Central Asia.

He pointed out that in the 21st century Central Asia would play an important role as a region rich in natural resources and as an important link in the global security system. Seen from Japan, global security is all-important for a country that needs to import natural resources from Central Asia.

There is the opinion that until secure and sustained deliveries of energy resources from Central Asia to any of the suitable ports on the Gulf or the Indian Ocean become possible, the money poured by Japan and other countries into the export-oriented oil-and-gas sphere in land-locked Central Asia and the Caspian area is wasted. Those who offered these arguments took into account the Middle East, which still dominates the world market, while Caspian oil merely tips the balance, and not to the benefit of certain states. These arguments hold water in the short- and mid-term perspective.

In view of the rapid economic growth and the concomitant increase of oil consumption in the long-term perspective, the Caspian energy reserves will be hailed on the world market. This much is clear. What remains to be seen is who will control the transportation routes of Caspian energy resources and who will pay for the technologically complicated and therefore hugely expensive oil and gas pipelines? The Central Asian countries, no matter how vast their hydrocarbon reserves, can neither pay for the entire length of the pipelines, nor ensure their security.

For this reason, the local states have to cooperate with countries that have adequate resources. Japan, together with the United States, Russia, and China, is one such country, which also has allied relations with the United States into the bargain.

The regularly extended and readjusted Security Treaty, which in the near future can be transformed into a fully fledged military strategic alliance of the world's two leading economic countries and, if Japan abandons its pacifist Constitution, two leading military powers, have already pushed their allied relations beyond the APR.

This means that any analysis of Tokyo's Central Asian policy should take into account its close allied relations with the United States and the sides' traditional roles, which in the 21st century spread to global dimensions. This brings us to the second part of Tokyo's initiative—Transformation of Central Asia into a Corridor of Peace and Stability.

Japan has identified three directions of its Central Asian policy: the long-term perspective, support of open regional cooperation, and partnership based on universal values. The first two deserve closer examination, while the third is nothing more than a declaration designed to embellish the country's new policies.

All the known initiatives and Japan's foreign policy in general have been geared to long-term interests; its Central Asian policy being no exception in this respect. Throughout the entire known length of its diplomacy, Japan has never limited itself to one-time actions; its policy has been always pragmatic and always pursued long-term aims.

In view of the region's resources, Tokyo associates its long-term expectations with ensuring the safe transit of energy resources across Afghanistan and Pakistan. Foreign Minister Aso pointed out in his address to the national press club that Afghan stability directly influenced Central Asian developments and that his country was still concerned about security in the adjacent countries. The United States is obviously expected to guarantee stability—despite the far from simple situation in Afghan-

istan, it still preserves its military presence there. Nobody knows whether America is managing to ensure the very much-needed security, but in the long-term perspective Tokyo and Washington still have the time and levers to remain in the region at least as long as the Middle East remains the main oil supplier.

Tokyo is resolved to promote open regional cooperation in Central Asia, since it is convinced that the narrow branch specialization inherited from the Soviet Union, as well as the region's landlocked nature, are the two main obstacles on the road to prosperity. Indeed, with the death of the Soviet Union, the local countries were no longer part of the integrated economic system of the past and found themselves very vulnerable. Japan is convinced that regional cooperation alone gives hope.

In view of the above, Japan intends not only to encourage regional cooperation, but also to launch it in certain spheres in the hope that the local states will use its support to tighten their contacts and improve cooperation. Tokyo intends to develop cooperation with the Central Asian republics in the spirit of openness and to concentrate on coordinating its activities with what the other donors to the Development Program and the other transnational financial institutions are doing.

This initiative testifies that Japan is determined to assume a different role in the Central Asian processes. While in the past, it painstakingly formed its positive image of a power willing to help the young independent Central Asian republics for altruistic considerations, while exploiting this aid to enlist their support for its claims as a U.N. Security Council permanent member, today it is inviting the local countries to pool resources for the benefit of everyone under its guidance. However, this may conceal far-reaching intentions.

It might be suggested that the dynamically unfolding cooperation among the local countries within the SCO contradicts American and Japanese strategic designs in this part of the world. Tokyo and Washington are fully aware that if nothing is done to stem the process this organization will soon openly divide the spheres of influence in Eurasia. The Central Asian countries are also aware of this.

It seems that Japan's initiatives in certain spheres of regional cooperation may be regarded, in the long-term perspective, as an alternative to any forms of Central Asian integration that would include Russia and China. More than that, Japan may be even more tempting as (1) a unique example of economic success, technological progress, and prosperity and (2) because of its relative distance from the region, which makes its influence less threatening than China's and, possibly, Russia's.

In the six months that have elapsed since the initiative was formulated, Tokyo has done nothing to move in the desired direction with the exception of several meetings within the "Japan plus Central Asia" dialog that discussed the initiative in greater detail. Today Japan is too much concerned with its domestic issues: it is revising the status of the National Defense Agency, discarding the Cold War heritage, and amending the state's "peaceful" Constitution. The Central Asian countries, in turn, merely hailed Japan's desire to be more actively involved in the region. All of them, however, know that the issue is not as simple as it looks.

Indeed, Tokyo's greater involvement will remain closely connected with America's regional policy. More than that, in the long-term perspective the combination of America's military might and Japan's economic potential (the two countries are working together elsewhere in the world) might develop into a serious factor of influence when it comes to distributing Central Asia's energy resources.

## IRAN AND THE SOUTHERN CAUCASUS

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The death of the Soviet Union and disbandment of the Warsaw Treaty Organization put an end to the bipolar world. In the new geopolitical conditions the United States remained the only superpower. Under the pressure of the changed circumstances, the Islamic Republic of Iran (IRI) had to readjust its foreign policy conceptions and foreign policy practice. The foreign policy dictum—Neither East nor West—Only Islam—lost its urgency. Traditionally Iran was balancing between two rivals—Russia and Britain in the 19th century and the U.S. and the U.S.S.R. in the mid-20th century. The new world order deprived the foreign policy tradition of any meaning.<sup>1</sup>

The new reality affected another basic foreign policy principle—export of the Islamic revolution to other countries. Today, Iran is satisfied with promoting Islamic culture throughout the world.

In the new conditions, Iran is more concerned with its own security and territorial integrity achieved through maintaining good-neighborly relations with the South Caucasian countries.<sup>2</sup>

The geopolitical importance of the Southern Caucasus for Iran can hardly be overestimated: it is a major communication center where the Christian and Muslim civilizations meet at the strategic crossroads that tie together Europe and Asia, a fuel and energy center on the Caspian shores.

In ancient times and during the Middle Ages, bits and pieces of what today is the Caucasus were part of Iran. Turkey and Iran spent the 16th, 17th, and 18th centuries fighting for domination in the Caucasus. It was the Russian Empire that squeezed Iran from the region: the Gulistan (1813)<sup>3</sup> and Turkmanchai (1828)<sup>4</sup> treaties between Russia and Persia turned out to be of historic importance. They divided the Azeri nation between Russia (which acquired Northern Azerbaijan) and Persia (Iran), which acquired Southern Azerbaijan. The Azeris who ruled Iran (the Turkic dynasties remained in power from the 11th century to 1925) and the Persians consider Iran to be their country.

<sup>1</sup> See: F. Nahavandi, "Russia, Iran and Azerbaijan. The Historic Origins of Iranian Foreign Policy," in: *Contested Borders in the Caucasus*, VUB University Press, 1996, available at [<http://poli.vub.ac.be/publi/ContBorders/eng/ch0601.htm>], 2 November, 2007.

<sup>2</sup> See: L.M. Kulagina, "Osnovnye napravleniya vneshney politiki IRI na sovremennom etape," in: *Blizhniy Vostok i sovremennoost*, IIIiBV, Moscow, 1996, Issue 2, pp. 170-183.

<sup>3</sup> According to Art III of the Treaty, the shah recognized the transfer "to the Russian Empire of the Karabakh and Ganja khanates, which were united into the Elisabethpol province; the Sheki, Shirvan, Derbent, Kuba, Baku, and Talysh khanates with the lands of the latter that now belong to the Russian Empire; at the same time, the whole of Daghestan, Georgia with the Shuragel province, Imeretia, Guria, Mingrelia, and Abkhazia, as well as all the possessions and lands between the newly drawn border and the Caucasian line with the lands and peoples neighboring on the line and the Caspian (*Giulistanskiy mirny dogovor (Mirny Traktat, zakliuchenny mezhdu Rossiey i Persiey. 12 (24) oktiabria 1813 g.*), available at [<http://www.hronos.km.ru/dokum/ruper1813.html>]).

<sup>4</sup> Under Art III of the Treaty "the Persian shah ceded to the Russian Empire to its full ownership Erivan khanate on this and on the other side of the Arax and the Nakhichevan Khanate." Art XII mentioned the names of Husain Khan, former ruler of Erivan, his brother Hasan Khan and Kerim Khan, former ruler of Nakhchivan (see: "Turkmanchayskiy mirny dogovor mezhdu Rossiey i Iranom," in: *Sbornik arkhivnykh dokumentov*, ed. by A.A. Sazonov, G.N. Gerasimova, O.A. Glushkova, S.N. Kisterev, Russkaia kniga, Moscow, 1992, pp. 314-324).

In 1925, with the advent to power of Shah Reza Pahlavi, Iran became “a Persian state” and the Azeris lost nearly all their influence in the ruling structures.<sup>5</sup> The new dynasty’s chauvinistic policies, under which the Azeri language was banned and the specifically Azeri makeup of the nation’s history and culture was ignored, stirred up discontent among the Azeri population.

The states that existed on the lands during the earlier periods had no generally recognized names—they were dynastic rather than territorial units and were known as the Azeri Safavid dynasty (which ruled Iran between 1501 to 1736), the Qajar dynasty (1779-1925), etc.

In 1941, the Soviet Union stationed its troops in Iran and remained in control of Southern Azerbaijan throughout the war.

In September 1945, the Azerbaijan Democratic Party was formed, which aimed at establishing an independent state with the prospect of uniting it with Soviet Azerbaijan.<sup>6</sup>

In the spring of 1946, U.S. President Truman demanded that Soviet troops leave Iranian Azerbaijan.<sup>7</sup> As soon as the Soviet Army left, the Democratic Party and the emerging republic were destroyed.

Southern Azerbaijan and its capital Tabriz have played and continue to play a very important role in Iran’s domestic and foreign policies and in the country’s economy. The city was the official residence of the Qajar crown princes. Southern Azerbaijan was regarded as *waliahd-neshin* (the residence of the crown princes), while Tabriz was known as *dar-us-saltane* (the royal house). For this reason Tabriz was the second Iranian capital and, for a time, even housed all the diplomatic missions. After the Turkmanchai Treaty of 1828, Russia’s envoy extraordinary and plenipotentiary to Persia had his residence in Tabriz; the general consulates of the Russian and Ottoman empires were also found in Tabriz. Until 1938, Southern Azerbaijan was one of the four provinces (*ostanha*) of Iran.<sup>8</sup>

At all times Iran was apprehensive of possible separatist sentiments among its Azeri population; in 1946, to prevent unwelcome developments, Iranian Azerbaijan was divided into two provinces—Eastern Azerbaijan with its center in Tabriz and Western Azerbaijan with its center in Rezaieyeh.

The disappearance of the 1,700-km long-border with the Soviet Union in 1991 was an event of geopolitical importance; it was an event of historic dimensions for Iran, which was no longer threatened from the north. This also created foreign policy opportunities in the Caucasus and Central Asia and opened the prospect of reaching Europe through the Caucasus.

Today, Iran borders on two of the three South Caucasian states: Azerbaijan and Armenia. The Iranian presence in the region is not limited to geographic circumstances: from the very beginning, the Iranian leaders indicated their intention of moving into the Southern Caucasus and operating there actively or even aggressively. It was one of the first countries to establish diplomatic contacts with the newly independent states.

Iran’s relations with Azerbaijan are far from simple: the IRI holds a very specific position in the Nagorno-Karabakh issue. While condemning Armenia’s territorial claims on Azerbaijan and supporting the latter’s territorial integrity, Iran extends considerable economic support to the Armenians in the form of indispensable commodities, fuel, etc. At the same time, Iran extends humanitarian aid to the Azeri refugees and forced migrants (driven away from their places of permanent residence in

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<sup>5</sup> See: A.M. Koknar, “Iranian Azeris: A Giant Minority,” June 2006, *Policy Watch* No. 354: Special Forum Report, 24 November, 1998, The Washington Institute for Near East Policy, available at [<http://www.washingtoninstitute.org/templateC05.php?CID=2476>].

<sup>6</sup> See: K.S. Gajiev, *Geopolitika Kavkaza*, Mezhdunarodnye otnoshenia Publishers, Moscow, 2003.

<sup>7</sup> See: H. Kissinger, *Diplomacy*, Simon & Schuster, New York, 1995, p. 495.

<sup>8</sup> See: F. Akhmedova, “O Toponime ‘Azerbaijhan’,” *IRS-Nasledie*, No. 1 (25), 2007, available at [[http://www.irs-az.com/gen/n25/n25\\_7.htm](http://www.irs-az.com/gen/n25/n25_7.htm)], 27 October, 2007.

Armenia and the occupied lands of the Nagorno-Karabakh region of Azerbaijan and seven adjacent districts) living in tent settlements.<sup>9</sup>

Hassan Rohani, Secretary of the Supreme National Security Council, stated that the Caucasus as a whole and Azerbaijan in particular belonged to Iran's national security zone.<sup>10</sup>

Southern (Iranian) Azerbaijan is another sore spot in the relations between the two countries. The local Azeris are believed to be Iran's largest national minority; in actual fact, however, they are Iran's largest ethnic group of about 30 million according to different sources. Today, the local Azeris play more prominent roles in the economy and religion than in politics.<sup>11</sup> It should be said that the IRI's state ideology—Khomeinism—officially denies the very possibility of the national question in the “united Islamic community, the Ummah,” where ethnic affiliation has no importance.

The Iranian Azeris, however, complain to the Special Representative of the U.N. Commission on Human Rights that they cannot use their native language and that the official assimilatory efforts are gaining momentum. They demand that their children should be able to study in their native language (along the Iranian language) in the areas with a predominantly Azeri population; that the local Azeris should be given the opportunity to listen to the radio and watch TV programs in Azeri and that there should be conditions for studying Azeri in schools and universities across the country. So far, Azeri is not even taught at Tabriz University. The local people need help to set up Azeri cultural centers. Cases of changing or distorting Azeri geographic names, refusal to register newborns with Azeri names, and persecutions of Azeri cultural figures and academics, etc. are not infrequent.<sup>12</sup>

In January 1993, in an effort to rule out all attempts at setting up an autonomy, Eastern Azerbaijan was divided once more; a newly formed Azeri province was set up with its capital in Ardabil.

The border between the two countries is too long and the Azeri diaspora in Iran of up to 30 million is too large for Baku not to attach great importance to its relations with Tehran. Despite the natural concern about the fate of the Iranian Azeris, Azerbaijan has no intention to interfere in the domestic affairs of a sovereign state.<sup>13</sup>

On 16 March, 2005, Baku hosted the Second Congress of World Azeris, which minced no words in its criticism of Iran. Enraged about some of the critical comments, Iranian Ambassador to Azerbaijan Afshar Suleymani (of Azeri extraction) handed in a note of protest to the Foreign Ministry of Azerbaijan in which he demanded that an end be put to “interference in Iran's domestic affairs.” In response, the Foreign Ministry informed the Iranian ambassador that the criticism had been offered by members of public associations and had nothing to do with “the country's official position.”<sup>14</sup>

From time to time, Iranian public figures offer the opinion that Azerbaijan should be reunited within “Iran as its historical homeland.” It should be said in all justice that the official position is more moderate, however, the issue itself is still topical. Even before the Iranian Revolution, General Ariana promoted pan-Iranian ideas. Today, some of the Iranian intellectuals and the military are still day-dreaming about reunification of Azerbaijan within Iran.<sup>15</sup>

<sup>9</sup> See: E. Najafov, *Iuzhny Kavkaz: ternisty put k bezopasnosti*, Nauchnaia kniga Publishers, Moscow, 2005.

<sup>10</sup> “Iran ob'iaivil Azerbaizhn zonoy natsional'noy bezopasnosti,” *Ekho* (Azerbaijan), No. 150, 9 June, 2001.

<sup>11</sup> See: S.E. Cornell, *Iranian Azerbaijan: A Brewing Hotspot*, Presentation to Symposium on “Human Rights and Ethnicity in Iran,” 22 November, 2004, organized by the Moderate (conservative) party, Swedish Parliament, Stockholm, available at [<http://www.cornellcaspien.com/pub2/0411IRAN.pdf>], 24 November, 2007.

<sup>12</sup> The U.N. Economic and Social Council. The United Nations Commission on Human Rights. 58th United Nations Commission on Human Rights. Report of the Islamic Republic of Iran.

<sup>13</sup> See: I. Aliiev, “Azerbaijan's Strategic Outlook,” *Policy Watch No. 354: Special Forum Report*, 24 November, 1998, The Washington Institute for Near East Policy, available at [<http://www.washingtoninstitute.org/templateC05.php?CID=1232>].

<sup>14</sup> “Kogo bespokoit nashe Edinstvo?” *Nash vek. Nezavisimaia obshchestvenno-politicheskaia gazeta* (Azerbaijan), No. 12 (355), 24-30 March, 2005.

<sup>15</sup> See: F. Nahavandi, op. cit.



The IRI has left the imperial development stage, when territorial expansion was considered desirable, behind. Today, all serious politicians know that any efforts to carry out territorial expansion will not only make their country's isolation worse, but will also tip the ethnic balance inside the country, which might not survive this.<sup>16</sup>

As soon as it gained its independence in 1991, the Republic of Azerbaijan officially declared that it did not claim any territories outside its state borders, including the Azeri lands that were originally part of Iran. Its National Security Concept says in part: "The Republic of Azerbaijan attaches great importance to its relations with neighboring Iran. The relationship between the two countries, which share a common rich historical and cultural heritage, is one of the important objectives of the country's foreign policy. The Republic of Azerbaijan is interested in promoting mutually beneficial relations with Iran in political, economic, cultural, and other areas."<sup>17</sup>

Iran was one of the first countries to recognize Azerbaijan's independence; today it is one of the key economic partners.

The relations between the Azeris and the Persians are far from simple; there are many things that cause friction, but as close neighbors who share the same religion (the majority in both countries are Shi'a Muslims), they have similar customs and traditions.<sup>18</sup>

They are divided ideologically and cannot agree on a number of political and economic issues, including the hydrocarbon reserves of the Caspian, the status of which remains a point of dissent in their mutual relations.

Azerbaijan, together with Russia, Kazakhstan, and Turkmenistan, stands opposed to Iran, which with 14 percent of the Caspian coast insists that the sea should be divided into equal sectors (20 percent per state) among the five Caspian states.<sup>19</sup> Disagreements over the principles of division of the Caspian even led to a military confrontation, the only one in the history of their bilateral relations, between Iran and Azerbaijan on the Caspian on 23 July, 2001.

On that day an Iranian warship and two fighter planes forced a ship of the British Petroleum-Amoco engaged in geological prospecting around the Araz-Alov-Sharg oil fields in the Azeri sector of the Caspian to cut short its work. Azerbaijan condemned Iran's actions as a violation of its air space and invasion into its territorial waters.

Some time later a Turkish Air Force squadron paid a visit to Baku, where it performed for a delighted public. On 25 August, 2001, Head of the Turkish General Command General Hussein Kyvykoglu arrived in Azerbaijan on an official visit. Some political analysts detected a cause and effect connection between the Iranian demonstration of power in the Caspian and the visit of the elite Turkish pilots to Baku and described it as Turkey's moral support of Azerbaijan.<sup>20</sup>

On mid-October 2004, Iran began large-scale military exercises in the northwest of the country, next to the border with Azerbaijan, with the intention of demonstrating its military might and convincing Baku that it should slow down its fast-developing strategic cooperation with Washington.

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<sup>16</sup> See: A.Iu. Umnov, "Geopoliticheskiy perekrestok vchera i segodnia (Kavkaz v politike Rossii, Turtsii i Irana), *Blizhniy Vostok i sovremennost*, Issue 4, 1997, pp. 267-273.

<sup>17</sup> *National Security Concept of the Republic of Azerbaijan*, Approved by Instruction No. 2198 of the President of the Republic of Azerbaijan on 23 May, 2007, available at [[http://www.mfa.gov.az/ssi\\_eng/foreign\\_policy/inter\\_affairs/nsc/NSC.pdf](http://www.mfa.gov.az/ssi_eng/foreign_policy/inter_affairs/nsc/NSC.pdf)].

<sup>18</sup> See: V. Sazhin, "On Relations between Iran and Azerbaijan," *Central Asia and the Caucasus*, No. 4 (28), 2004.

<sup>19</sup> The Republic of Azerbaijan believes that the Caspian Sea should be divided into sectors in which the sovereign rights and jurisdiction of the coastal states shall apply. The sea should be divided into sectors on the basis of the median line principle, the existing practice and with due respect to the sovereign rights of the coastal Caspian states (see: *On Legal Status of Caspian Sea*, Caspian Sea Issues, Ministry of Foreign Affairs of the Republic of Azerbaijan, available at [[http://www.mfa.gov.az/eng/foreign\\_policy/caspian.shtml](http://www.mfa.gov.az/eng/foreign_policy/caspian.shtml)]).

<sup>20</sup> See: "'Turetskie zvezdy' voskhitili bakintsev," *Ekho*, No. 141, 24 January, 2001.

Regional tension began to mount in May 2006 when public unrest swept Iranian Azerbaijan. Provoked by the cartoons insulting Azeris that appeared in one of the official newspapers, unrest spread to the entire region of Southern Azerbaijan with Tabriz as the epicenter. The Iranian leaders deemed it wise to apologize to the Azeris; the editor and the author of the offending cartoons were arrested, but the unrest did not diminish. The authorities had to use the army and special units to suppress the riots: by the end of May, nearly 50 people had been killed and over 1,000 wounded; about 11,000 were arrested.<sup>21</sup>

Baku is developing friendly relations not only with Washington, but also with Tel Aviv (Tehran's second worst enemy after the United States, which is invariably referred to as the Small Satan). This cannot help but irritate Iran, the foreign policy doctrine of which does not envisage strong extra-regional powers in the Caucasus, in the Caspian, or in Western Asia as a whole.

Recently Baku accepted Russia's suggestion that the Gabala radar station (the Daryal station) should be used by the United States and Russia for early warning about possible missile attacks from Iran and North Korea. This could hardly pacify Iran.

It should be said that certain tension in bilateral relations notwithstanding, the two countries never go beyond the diplomatically acceptable in their mutual accusations.

More often than not Iran's specific attitude toward the issues that come to the fore at the talks between Azerbaijan and Armenia is conditioned by its domestic Azeri factor. For example, Iran was dead set against an exchange of corridors that connected Armenia with Karabakh and Azerbaijan with Nakhchivan. If realized, the initiative would have extended the common border between Azerbaijan and Iran, something that Tehran preferred to avoid.

The IRI is using the Armenian-Azeri conflict to put pressure on Baku. It is Armenia's main supplier of commodities; it also delivers all sorts of commodities to Nagorno-Karabakh, over which Azerbaijan has no control.

For this reason, Erevan and the Armenians of Karabakh positively assess Iran's contribution to the talks, preferred Tehran to other foreign representatives, and would like to see Iranian observers stationed on the border between Armenia and Azerbaijan and in the Nakhchivan area. In October 2002, Foreign Minister of Armenia declared that Iran guarantees stability in the Karabakh area.

It would be wrong, however, to believe that Iran's position in the Nagorno-Karabakh issue is pro-Armenian. Iran does not want continued Armenian aggression in Azerbaijan, which will inevitably create another wave of refugees that might stir up separatist sentiments in Iranian Azerbaijan.

Iranian-Georgian relations deserve special mention. In the first years of Georgia's independence, Tbilisi tried to balance its relations with its southern neighbors to contain the pressure from the north and achieve more clarity in its relations with its historical neighbors. In particular, the newly independent republic wanted Istanbul and Tehran to recognize its new status and territorial integrity. Iran was one of the first states to recognize the sovereignty and territorial integrity of Georgia.

In 1801, when Georgia joined Russia, direct bilateral relations with Iran were severed for nearly 200 years to be resumed when the Soviet Union fell apart. As an independent state, Georgia acquired the opportunity to restore its old contacts. It was the IRI that initiated the process and established trade and economic contacts that helped Tbilisi to cope with the urgent problems at the first stage of its independence.

Georgia cannot ignore Iran, since it should develop its regional and international contacts, on the one hand, and seek a counterweight to Russia's impact, on the other. As one of the Black Sea

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<sup>21</sup> A.M. Koknar, *op. cit.*

coastal states, Georgia should exploit this advantage to become a regional communication and transportation center. Iran, in turn, uses Georgia as a transit state to move its commodities to Europe across the Black Sea.

Bilateral Iranian-Georgian relations are fairly stable and conflict-free. They can be described as cool yet good-neighborly. Tehran is naturally concerned with President Saakashvili's intention to establish the closest possible relations with the United States; it is naturally alarmed by the presence of a large American military contingent on the Georgian territory, the military agreement between Washington and Tbilisi on cooperation in the security sphere, and Georgia's intention to join NATO.

The relations between the two countries, especially in the near future, will be limited because of the geopolitical confrontation between the U.S. and Russia in the Caucasus and Tbilisi's cultural and political orientation toward the West. In the near future, the contacts between Georgia and Iran will depend on the American-Iranian relations, as well as on the level of American-Russian contacts.

Iran is treating the conflict in Abkhazia with a great share of pragmatism; Tehran prefers to deal with Tbilisi and remains indifferent to the calls (draped in religious and nationalist garbs) of the Abkhazian leaders to recognize their self-proclaimed republic as a sovereign state.<sup>22</sup>

Iran does not belong to the group of Georgia's strategic partners and limits itself to humanitarian contacts.

On 22 October, 2006, a Georgian delegation headed by Foreign Minister G. Bezhuashvili and Minister of Energy N. Gilauri visited the IRI to diversify bilateral political and economic relations between the two countries against the background of the strained relations with Russia. The Georgian delegation confirmed Iran's important role in the region and emphasized that its involvement was very much needed to ensure security in the Southern Caucasus and in the emerging system of regional security and stability. Tehran, in turn, formulated a new regional initiative: when talking to the Georgian foreign minister, President of Iran Ahmadinejad suggested for the first time that his country could become a mediator in Georgian-Russian relations. This was the first Iranian response to the issues regarding which the Iranian leaders preferred to remain neutral. Today, Tehran demonstrates its concern ("nobody gains from regional tension") and readiness to be actively involved in mediation efforts in the Southern Caucasus in line with its offensive regional strategy. Without betraying his biases, the Iranian president called on Russia and Georgia to demonstrate "wisdom" and "moderation" in order to defuse tension.<sup>23</sup> Tbilisi, interested more than ever in its energy security, is trying hard to find energy sources alternative to Russia's; it expects that it will be able to import natural gas and electric power from Iran via Armenia and Azerbaijan. The two sides signed a Memorandum on Cooperation in Exporting Iranian Energy to Georgia.

The new agreements are helping Tehran, which is positioning itself as a reliable source of energy, to increase its economic influence in the Southern Caucasus. The Iranian leaders tried at the same time to obtain certain diplomatic dividends from the visit by offering their mediation in Russian-Georgian contradictions.

According to the Tehran IRNA agency, which referred to the Georgian media, Georgian Ambassador to Iran L. Asatiani announced that Iranian businessmen were prepared to invest \$1 billion in the Georgian economy. "The sides are negotiating favorable treatment in the sphere of transportation... Direct investments are not the only sphere of Georgia's interests—Iran is a vast consumer market—this is a country with 70 million-strong population," said the ambassador. The Agency pointed out

<sup>22</sup> See: D.B. Malysheva, "Iran i problemy regional'noy bezopasnosti Zakavkaz'ia," *Blizhni Vostok i sovremennost*, Issue 9, 2000, pp. 351-360.

<sup>23</sup> See: A.A. Rozov, "Novaia geopoliticheskaia os 'Tegeran-Tbilisi'," The Middle East Institute, available at [<http://www.iimes.ru/rus/stat/2006/26-10-06.htm>], 24 November, 2007.



that Georgian-Iranian relations had received a fresh impetus after the 2004 official visit of President Saakashvili to Iran, the meeting of the Georgian-Iranian intergovernmental economic commission that took place in Tbilisi in 2005, and the business forum that attracted 80 Georgian and Iranian companies in November 2006 to Tbilisi.<sup>24</sup>

Washington's position regarding the energy agreement between the IRI and Georgia was described by U.S. Ambassador to Georgia John F. Tefft in an interview in the *Kviris palitra* weekly published in Tbilisi. He said that the United States appreciated the fact that Georgia had had to buy gas from Iran in January-February 2007 under extreme circumstances, when the Russian gas pipeline was destroyed by an explosion leaving the population to freeze to death. However, the ambassador continued, the United States was not prepared to accept "long-term strategic cooperation" between Tbilisi and Tehran in the gas sphere and invited Georgia to rely on Azeri gas from Shah Deniz and Georgia's own hydropower resources.<sup>25</sup>

Bilateral ties with Armenia can be described as very good: Iran was one of the first states to recognize Armenia's independence and was actively involved in its development. In this country, relations are very much affected by the problems between Iran and Azerbaijan and Iran and Turkey.

The Armenian diaspora in Iran is about 200,000 strong; it carries weight with Erevan and is traditionally patronized by the Iranian authorities. Armenia attaches great importance to its relations with Iran: "It is highly important for Armenia to have consistently developing relations with Iran if we take into account that out of our four neighbors we have good relations with only two—Georgia and Iran, while Armenia is in a state of undeclared war with Azerbaijan." This was how President of Armenia Robert Kocharian described his country's position at the meeting with students of Erevan State University on 27 April, 2007. He went on to say that Armenia was maintaining strategic relations with the IRI in several spheres and that there were several projects that would be realized. "While developing our relations, we are not setting ourselves against certain other countries: these relations suit Armenian's national interests."<sup>26</sup>

Today Tehran is not merely one of Erevan's largest trade partners—it is one of its largest investors. Its commercial investments in the Armenian economy comprise 26 percent of the total foreign investments. The IRI is Armenia's second (after Russia) largest trade partner; every day Iranian trucks cross the border with Armenia in great numbers practically unchecked (they are carefully checked at the border with Azerbaijan).

The relations between the two countries are developing within the framework of tripartite cooperation between Armenia, Iran, and Greece. In 1997, their representatives signed a Memorandum on Mutual Understanding and Cooperation in Athens; they set up an executive committee, as well as subcommittees for economy, energy fuels, industry, communication, and tourism.

The sides drew up plans for a gas pipeline that would connect the Iranian and Turkmenian gas fields with Ukraine and Europe (via Armenia). The gas pipeline between the IRI and Armenia will be 700 mm in diameter with the annual capacity of 1,2 billion cu m. At the early stages, Armenia will receive 1.1 billion cu m of Iranian gas a year; and starting in 2019, 3.3 billion. The treaty was concluded for 20 years. To achieve the planned figures, Armenia will have to lay 197 km of pipeline which will pass through Kajaran, Sisian, Jermuk, and Ararat. Armenia will repay every 1 cu m of Iranian gas with 3 kW of electric energy. The Megri-Kajaran pipeline is a 40 km-long stretch of the entire pipe-

<sup>24</sup> See: "Iran nameren investirovat v ekonomiku Gruzii 1 milliard dollarov," Informationnoe agenstvo Iranskoy Respubliki (IRNA), 15 June, 2007.

<sup>25</sup> See: "Nekhoroshiy gaz. Tbilisi i Washington razoshlis vo vzgliadakh na zakupki prirodnogo gaza v Irane," *Vremia novostey*, No. 219, 28 November, 2006.

<sup>26</sup> "Armenia pridaet vazhnoe znachenie svoim otnosheniam s Iranom," *Novy Region. Internet izdanie stran Iuzhno-go Kavkaza*, available at [<http://www.nregion.com/txt.php?i=12165>], 27 April, 2007.

line; it costs approximately \$35 million, 80 percent of which was loaned to Armenia by the Iranian Bank of Development; the rest was laid using Armenian money.<sup>27</sup>

Unconnected with the interests of Russia and the United States and putting a certain amount of pressure on Azerbaijan, the pipeline will produce certain diplomatic dividends for Tehran.

On 23 October, 2007, President of Iran Ahmadinejad came to Armenia on an official visit; it was planned in 2006 as a reciprocal visit after the July 2006 visit of President of Armenia Kocharian to Iran. This was the second meeting in 2007 between the two presidents, who jointly commissioned the first stretch of the Iranian-Armenian gas pipeline. The ceremony took place on 19 March, 2007 in the Armenian town of Agarak on the border between the two countries.

Tehran and Erevan signed a Memorandum on Freight Traffic which allowed Armenian long-distance drivers not merely to enter Iran, but also to pass through customs under simplified procedures and to cross the country to deliver their cargoes to the Caspian port of Anzali, Bandar Abbas on the Gulf, and other border checkpoints, which gave Armenia access to Russia and Central Asia across the Caspian. Its access to the strategically important Gulf was even more advantageous. Iranian transit is nearly 60 percent cheaper than the usual route via the Georgian ports of Poti and Batumi.

At a joint briefing the Armenian president informed journalists that the sides had agreed to step up foreign policy relations and that the feasibility studies for an oil refinery and a railway between the two countries were in progress. The gas pipeline between Iran and Armenia is being built to provide the latter with another source of fuel. In 2008, the sides intend to launch construction of two hydro-power stations on the border river Arax. At the same briefing President Kocharian pointed out that Iran was a very important partner and that the bilateral agenda was highly varied.<sup>28</sup>

The two countries are stepping up their bilateral relations due to the political context in which they have to operate today. Its aggressive policy cost Armenia its involvement in large regional projects; it cannot reach the world through Azerbaijan and Turkey and had to look for an outlet elsewhere. The transit route across Georgia cannot be used because of Georgia's strained relations with Russia. Armenia badly needs Iranian fuel, while Tehran is taking advantage of the situation to realize its claims to regional leadership.

The defense ministries of both countries will cooperate in the field of logistics. An agreement was reached at the Erevan meeting between the two defense ministers, M. Arutiunian and Brigadier General M. Mohammad-Najjar; an inter-departmental Protocol on Mutual Understanding and Partnership in the Sphere of Defense, which concluded the meeting, was signed on 8 November, 2007.

According to U.S. Chargé d'Affairs ad interim Anthony Godfrey, Washington is concerned with the relations developing between Erevan and Tehran. He said in particular that the United States had informed the Armenian leaders about its concern. "We hail the fact that Armenia is building its relations according to the principle of transparency and that the country's leaders are open about the future of their relations with Iran." The American diplomat said that his country would go on insisting that the Armenian authorities "should convince Iran to follow its obligations to the international community."<sup>29</sup>

Tehran is concentrating on preventing the extra-regional powers (particularly the U.S. and Israel) from gaining a stronger position in the Caucasus. Russia and Iran agree that the nonregional actors should not interfere in the domestic affairs of the Caucasus, the Caspian, and Central Asia. In the post-Soviet period Iran is using the Russian Federation to oppose American domination. Iran, just as Rus-

<sup>27</sup> See: "Gazoprovod Iran-Armenia vveden v ekspluatatsiu," *Informatsionnoe agentstvo Islamskoy Respubliki (IRNA)*, 19 March, 2007.

<sup>28</sup> See: T. Ovnatian, "Mahmud Ahmadinejad: 'V otnosheniakh mezhdu nashimi stranami net prepiatstviy i granits'," *Novoe vremia. Nezavisimaia obshchestvenno-politicheskaia gazeta* (Armenia), 23 October, 2007.

<sup>29</sup> "SShA ozabocheny rasshireniem otnosheniy Armenii s Iranom," *IA Regnum*, 15 June, 2007, available at [<http://www.regnum.ru/news/843520.html>].

sia, China, and India for that matter, is very negative about a unipolar world order and is working toward a new balance of power better suited to a multi-polar world.

In recent years, Iran has been extending its military presence in the Caspian in an effort to oppose the strategic ties developing between the United States and Europe with Azerbaijan and Kazakhstan. It is modernizing its Caspian forces and has also set up a special marine police force as part of its navy. The Iranian leaders are not hesitating to demonstrate that this is suggested by “foreign irritants.”

The Second Caspian Summit, which was held in Tehran in October 2007, was a very important event. The presidents of Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan agreed that the Caspian and its natural riches should be used solely by the coastal sovereign states. The presidents achieved an agreement on intensified economic cooperation and navigation under the flags of the coastal nations. They discussed ecological security (especially in relation to the hazardous fuel transportation), regional security and stability, protection of oil and gas production facilities, as well as the joint struggle against terrorism and extremism.

The summit adopted the Final Declaration signed by all the presidents which formulated the principles of action. It will serve as a political milestone for all the Caspian states until they agree on a Convention on the Caspian’s Legal Status (which so far remains vague). The document registered their refusal to let any other country use its territory for aggression or hostilities against any of the Caspian states.

So far, America and its European allies have not been concentrating on Iran’s moves in the Caucasus. In the future, however, both the U.S. and EU, which are pouring enough money into the political and economic developments in the local states to ensure their independent political orientations, will become concerned with Tehran’s policy and its greater involvement in the region.

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## REGIONAL CENTERS OF POWER AND THEIR EURASIAN POLITICS *(Rivalry in the Islamic East— The Turkish Vector)*

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In the last twenty years, the international relations system has undergone major changes, however, contrary to America’s expectations, the bipolar world order that disappeared together with the Soviet Union and the end of the Cold War was not replaced with a unipolar world. Today,

international processes are somewhat chaotic, which explains the appearance of several poles of power—the United States, EU, Russia, Southeast Asia, and the Islamic world. While in the West the rivalry over spheres of influence is drawing to an end and a new order has all but emerged, the Islamic world is only just being drawn into the process. There is the opinion in the expert community that the Muslim world will change its makeup and the Arabic domination of today will be replaced

with a new system concentrated around new centers of power such as Turkey and Iran. The former is claiming the role of a regional leader in the Islamic East due to several new circumstances: it enjoys the most advanced and stable Islamic democracy, a dynamically developing economy, and the largest corridors of energy resources. The mounting rivalry over regional domination will inevitably heat up competition in Central Asia and the Caucasus.

## The Turkish Model: Is It the Third Way for the Islamic World?

Turkey and Iran, two regional centers of power, are also two traditional rivals in Central Asia and the Caucasus. Each of them has close cultural, political, and economic ties with the Central Asian republics and enjoyed domination in the region in the past. They offer not only different formats of cooperation with the local states, but also different development models in which Turkish Islamic democracy stands opposed to the Iranian conception of Islamic society.

On the whole, throughout the 20th century, the Islamic world acquired two system-forming poles of regional influence. The first is the traditional pole with Iran and Saudi Arabia as its binary core. It is a source of politicized Islam with the corresponding stereotypes of reorganization of the socio-state systems of the regional countries, as well as their unification with the norms of the Shari'a. The second is the secular pole with Turkey as its core and the center of the transformation processes of the public and state foundations, according to the secular principles, with an orientation toward gradual democratization and liberalization of the political regimes. The West regards the Turkish model as the Third Way of social and political development of the Islamic world. It is considered to be the only one that promotes political liberalism. In the future, this model might develop into viable democratic Islamic states. According to Henri Tincq of *Le Monde*, coexisting side by side with the official Islam of the Arabic dictatorships and extremist Islam, the Turkish model is an example of the Third Way, where respect of religion is combined with democratic institutions, the secular state, ethnic tolerance, and integration into Europe.<sup>1</sup> The outcome of the competition between these two approaches to social and political life will determine the future of the Islamic world and settle the regional leader issue.

The Westernized political elite initiated the Turkish project back in the 1920s on the ruins of the Ottoman Empire with the intention of bringing about social changes and carrying out radical reforms of the state and society to fit Western civilization, which the secularists regarded as modern and universal, some time in the future. The project was based on a policy designed to modernize and secularize all spheres of state and public life. Later, similar attempts were made in Algeria, Tunisia, and Iran; early in the 1990s, Turkey actively promoted this model in Central Asia and the Caucasus.

<sup>1</sup> See: H. Tincq, "Islam Democratique Contre Islamisme Radical," *Le Monde*, 13 December, 2003.

The original configuration changed to a great extent under the pressure of social and cultural factors; in fact, internal contradictions born by political democratization and liberalization deprived the Turkish project of its anticipated viability. The sphere of Islam became a source of tension in the Islamic societies which had embraced the secular model: the proponents of spiritual conscience negatively responded to the intention to push religion away from public life. This moved large population groups into spiritual opposition to the basic principles of the dominating system and its norms, which were regarded as the worst of all the evils. This gave rise to the “paradox of democracy,” when Islamist forces used the liberalized regime to move to the political proscenium and cast doubt on the political model that allowed them to come forward. In Turkey, the crisis took the form of several military coups and a ban on the Islamists as the “last resort” of the state’s systemic defense.

The crisis ended in the late 1990s when moderate Islam somewhat fortified its position by promoting the ideas of Islamic democracy. After winning the parliamentary elections of 2002 and 2007 and the presidential election of 2007, the moderately Islamist Justice and Development Party became the dominant political force. Its leaders formulated and offered the nation a conception of conservative democracy, which the country’s Prime Minister R.T. Erdoğan described as the meeting place of civilizations and the people’s desire to embrace modern values: “A significant part of the Turkish society desires to adopt a concept of modernity that does not reject tradition, a belief of universalism that accepts localism, an understanding of rationalism that does not disregard the spiritual meaning of life. Our aim is to reproduce our system of local and deep-rooted values in harmony with the universal standards of political conservatism.”<sup>2</sup>

The new model blended, in an amazing way, the democratic social foundations with Islamic values and Turkey’s intention to join Europe with the state’s intention to strengthen its contacts with the Muslim world. It also helped to overcome the opposition of a-systemic forces inside the country by defusing their claims that the secular regime was guilty of persecuting Islam. These achievements, which allowed Turkey to overcome the economic crisis and stabilize the domestic situation, and the beginning of the process of Turkey’s joining the EU put the Turkish model into the center of the inter-civilizational discussion. The United States betrayed a great interest in the new conception: it is inclined to regard the Turkish Way as a good foundation for its Broader Middle East initiative and democratization of the Islamic region. The Turkish leaders are also actively promoting their model on the international scene in the hope that the other Islamic countries might use it in their interests. According to Prime Minister Erdoğan: “Turkey wants to see a more democratic, free, and peaceful Middle East” and “our country can ill afford not to address this problem. ... Turkey’s own interests require peaceful and stable neighbors that it can interact with positively at all levels.”<sup>3</sup>

Experts agree that Turkey has reached a level of economic and political development that potentially allows it to become a model for the rest of the Islamic world, which is waiting for democracy or expecting democratic developments. The events of 11 September and their aftermath demonstrated that Turkey could potentially avert a “clash of civilizations” and help the West and Islam to launch a dialog.<sup>4</sup>

By spreading its model, Ankara turned its attention to the Islamic countries of the Middle East and the Turkic republics of Central Asia and the Caucasus; it is seeking closer regional co-

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<sup>2</sup> *Conservative Democracy and the Globalization of Freedom*, Speech delivered by Prime Minister Recep Tayyip Erdoğan at the American Enterprise Institute 29 January, 2004, available at [<http://www.aei.org/events/filter.all,eventID.735/transcript.asp>].

<sup>3</sup> R.T. Erdoğan, “A Broad View of the ‘Broader Middle East’,” *Russia in Global Affairs*, No. 4, 2004, available at [<http://eng.globalaffairs.ru/numbers/8/587.html>].

<sup>4</sup> See: K. Kirişçi, *Turkey’s Foreign Policy in Turbulent Times*, Paris, 2006, p. 26.

operation through the cultural, political, and economic ties it has already established with these regions; it is seeking political stabilization and wants to become a model for the region's Islamic countries. Ankara is obviously seeking the role of a regional leader; its new regional policy speaks of the same.

## Turkey's New Regional Policy in the Islamic Middle East

After coming to power in 2002, the Islamist Justice and Development Party made relations with the Islamic world one of its foreign policy priorities. Despite the secular nature of its regime and its intention to join the EU, Turkey is seeking even greater influence and recognition in the Muslim world as one of the Islamic states for several political and economic reasons. In the political sphere, Turkey is drawing closer to the Islamic world to preserve its national security, territorial integrity, and political stability in the region as a whole. It also needs support of its foreign policy course. It is resolved to normalize relations with Syria and Iran, its neighbors, settle the Kurdish issue, and promote confessional solidarity in the Islamic world designed to support Turkey on the Cyprus issue. On a wider scale, it is looking for a new quality of regional consolidation and more balanced American and European policies. This process is intended to increase the import of energy resources, invite wider Arabic investments, and increase the volume of trade between Turkey and the Middle Eastern countries.

While pursuing strategic aims, Ankara seeks its greater regional role of a stabilizing center. Its past and unique geographic location make it possible for Turkey to hope to acquire the status of a political, economic, and cultural buffer between the Islamic regions (the Middle East, Central Asia, and the Caucasus) and the West as a whole.

To cope with these tasks, the Turkish Foreign Ministry readjusted its approaches to the regional problems in line with the new Middle Eastern policy. In the past, Turkey relied on force and confrontation; the Justice and Development Party relies on a dialog and mutually acceptable compromises to remove the problems that have accumulated in its relations with its neighbors. By launching the process to join the EU, the Turkish government earned additional dividends in the Islamic world. Turkey's position was also fortified by the fact that the country is ruled by the political party with obvious Islamic overtones, which means that democracy and Islam can live side by side. This is an important improvement: the country has moved away from its old image of a state controlled by confirmed secularists and the military.

During its five years at the helm, the Justice and Development Party has made great progress in realizing its regional policies; it normalized relations with Syria and Egypt and signed free trade agreements with them. Turkey is actively developing its cooperation with the Gulf states, which reciprocated by pouring more investments into the Turkish economy. The relations with Iran, an old regional rival, are better than ever. In the 1990s, Ankara and Tehran clashed in a war of ideologies (Iran could not keep out of Turkey's domestic affairs and interfered through political Islam and the Kurdish issue, which bred border conflicts). In recent years, the situation has changed dramatically: Ankara has reached a better mutual understanding and confidence in its relations with Tehran. It is importing oil and gas from Iran, while Turkish companies are involved in Iran's economic developments. Tehran reciprocated by taking a firm stance regarding the Kurdish fighters associated with the Kurdistan Workers' Party and operating in the mountainous areas in southeastern Turkey next to Iran and Iraq.



Regional security is another concern: Ankara could not accept the possibility of the American military presence in Iraq spreading to Syria and Iran. Then Foreign Minister Abdullah Gül parried all Israeli allegations that Syria was supporting terrorism by saying that the war should be limited to Iraq and went on to say that Syria and Iran were Turkey's neighbors with which Turkey would prefer to maintain good-neighborly relations. He pointed out that all the countries of the region, Israel included, needed stability in the region.<sup>5</sup>

Ankara wants a higher status at the peace talks; it is aspiring to help the West enter into a dialog with Syria and Iran, normalize relations of the Muslim states with Israel, and make its contribution to Palestinian settlement. In 2007, the country hosted numerous international conferences on the settlement of regional conflicts, at which it, as the sponsor, was represented by the highest officials. Turkish diplomacy went further than all the other foreign ministries and organized a meeting between the presidents of Afghanistan and Pakistan in Ankara. In March 2007, the Turkish capital hosted a meeting of the plenipotentiary representatives of EU and Iran (the corresponding delegations were headed by Javier Solana and Ali Larijani), who discussed the Iranian nuclear file.<sup>6</sup> Ankara is prepared to talk to all the sides in the Israeli-Palestinian conflict: in February 2006, Turkey received head of HAMAS Halid Mashal, turning a blind eye to Israel's and America's displeasure. In November 2007, Foreign Minister Gül organized a meeting between head of Israel Shimon Peres and head of Palestine Mahmud Abbas. They both spoke in the Turkish parliament, Shimon Peres thus becoming the first Israeli president to address the highest legislature of a Muslim country.<sup>7</sup>

The Muslim world approves of Ankara's peacekeeping activities; its integration into Europe is now accepted as a positive factor that could promote the region's political and economic advance. The Islamic states no longer regard Turkey's potential EU membership as joining the Christian Club. They interpret it as an element of the inter-cultural dialog and a chance to avoid a "clash of civilizations."

On the whole, Turkey can be described as an ambitious regional force with close cultural, economic, and political contacts in the Islamic Middle East, which is pursuing its own national interests by working toward stability and international cooperation in the region. Ankara, which wholeheartedly supports the idea of reforms and democracy in the Muslim world, expects to play the role of a stabilizing center in the Middle East.

The expert community has pointed out that Turkey's steadily growing influence in the region, its mediation between the Islamic states and the West, its involvement in the Middle Eastern developments, and its obvious desire to remain an impartial arbiter when dealing with the critically important regional issues have erased the former mistrust of the region's states and have earned it recognition of its leadership in building a productive regional political order. This is confirmed by the election of a Turk to the post of OIC Secretary General (for the first time in the organization's history), the invitation of the prime minister of Turkey to the summit of the League of Arab States with a "permanent guest" status, and the Forum of the Countries-Neighbors of Iraq<sup>8</sup> convened on Ankara's initiative. The country's new image was further confirmed by the Istanbul Declaration adopted on Turkey's initiative in June 2004 at the OIC summit, which called on the Islamic world to promote democracy.

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<sup>5</sup> See: *Hurriet*, 15 April, 2003.

<sup>6</sup> See: O. Sanberk, "Vneshniaia politika v obstanovke neopredelennosti," *Radikal*, 26 July, 2007, available at [<http://www.inosmi.ru/translation/235756.html>].

<sup>7</sup> See: *Turkiye*, 15 November, 2007.

<sup>8</sup> See: N. Mkhitarian, "The Process of Regional Integration in Turkey's Foreign Policy in the Post-Bipolar World Period," *Achievements of World Politics*, Issue 38, Kiev, 2007, pp. 211-212 (in Ukrainian).



## Evolution of Turkey's Foreign Policy in Central Asia and the Caucasus

Central Asia and the Caucasus are very important for the regional policies of Turkey, which began displaying its interest in the two vast regions in the early 1990s. It was a time when the end of the Soviet Union suggested to most Western political analysts the “end of history” and the era of triumph of Western democracy. Turkey, which found itself in the camp of the victors, was euphoric. It is no wonder that in December 1991 *The Economist* described it as the “Star of Islam” and offered it, a democratic country with a secular government and market economy, as a pattern for the newly independent post-Soviet states.<sup>9</sup> Supported by the West, relying on its considerable political, military, and economic potential and using its common history and ethno-linguistic kinship as a trump card, Turkey moved into Central Asia and the Caucasus.

At that time, Ankara never tired of explaining to the newly independent countries of the two regions that Turkey was strategically important for them as the only (in the new historical conditions) bridge between Europe and Asia. It offered its help in planting the Turkish development model (a secular democratic regime with a market economy and pro-Western orientation) and promised active economic and cultural support. Süleyman Demirel, the then prime minister and later president of Turkey, has written: “And it was a time to embrace and assist them in the daunting challenge of their process of political and economic transition from communism to democracy and from a centrally planned to a free market economy. We shared our experience and insight as to how to cultivate a culture of democracy, build democratic institutions, and realize structural reforms.”<sup>10</sup>

Ankara extended humanitarian and economic aid to these countries by allocating about \$1 billion in loans in 1992; it provided material and technical assistance to their armed forces, education, and culture. To extend its assistance to the Central Asian republics, Turkey set up the Turkish International Cooperation and Development Agency (TIKA), which implemented projects in education, health, transportation, and management for a total of over \$100 million. To promote multisided cooperation with the Central Asian countries, Turkey initiated summits of Turkic-speaking countries, the first meeting of which took place in 1992 in Ankara.

The West encouraged Turkey's active involvement in Central Asia to keep potential Iranian influence in check and to push Russia out of the region. By the mid-1990s, the local countries lost an interest in the Turkish model. Bayram Sinkaya of the Middle East Technical University in Ankara has written that several years were more than enough to realize that both the Turkish model and the alternative Iranian models could not help Central Asian states cope with their urgent problems. Each of them began developing its own models.<sup>11</sup> They lost interest in Turkey because its economic aid proved inadequate and failed to create economic prosperity and integration with Western economic institutions. The Turkish establishment, in turn, realized that the business climate in the region was hardly favorable: Turkish businessmen were scared away by the high level of corruption and the very low level of business competence. As a result, business contacts with Turkey receded to the margins of Central Asian economic activities.<sup>12</sup>

Ankara had to abandon its original plans for Central Asia, but persisted in its efforts to use the cultural and ethnic affinity with the regions' countries to its own advantage. Caspian oil and gas were

<sup>9</sup> See: K. Kirişçi, op. cit., p. 12.

<sup>10</sup> S. Demirel, “Changing Central Asia in the New World Order,” *Turkish Daily News*, 19 September, 2007.

<sup>11</sup> See: B. Sinkaya, “Turkey-Iran Relations in the 1990s and the Role of Ideology,” *Perceptions*, Vol. X, No. 1, Spring 2005, p. 12.

<sup>12</sup> See: S.A. Khan, “Iran's Relations with Central Asia—A Strategic Analysis,” *Perceptions*, Vol. IX, March-May 2004, p. 56.

the main attractions—there was enough of them to cover Turkey's needs for energy resources and to bring additional economic and political advantages in the form of re-orientating hydrocarbon transportation routes to Europe across Turkey. The import of energy resources is one of Turkey's priorities: today the republic imports about 90 percent of oil and practically 100 percent of gas (70 percent of which arrives from Russia). Today, Turkey covers merely 13 percent of its energy production by means of gas, but it is thought that in the future the growing Turkish industry will need more gas.<sup>13</sup>

The first agreement on the transportation of Caspian oil across Turkey was signed in November 1999 in Istanbul; the Baku-Tbilisi-Ceyhan oil pipeline was commissioned in June 2006. Later Kazakhstan joined the project and intends to link its oil fields to the pipeline. The Baku-Erzurum gas pipeline was commissioned in 2007. These two pipelines, the related infrastructure, and the planned Baku-Kars railway (the project was signed in February 2007) are important economic initiatives within the regional cooperation framework.<sup>14</sup>

The commissioned Asia-Europe energy fuels transportation projects made Turkey the key country in moving energy resources to the European markets; it has become the region's energy center. The established energy corridor will connect Central Asia and the Caucasus with Europe, thus moving them closer to the West. On the other hand, the projects will open a new page in Turkey's cooperation with the EU and increase its integration chances.

Recently, Turkey has extended its contacts with the region's states from the energy sphere to other economic branches. Turkey's economy has become stronger and is continuing to grow: the volume of its foreign trade increased from \$57.3 billion in 1995 to \$190 billion in 2005.<sup>15</sup> Central Asia still looms large in the system of Ankara's regional economic interests. "Turkish investments are in excess of 4 billion US dollars and projects undertaken by Turkish contractors are currently valued in the range of \$15 billion. There are some 1,000 large and small-sized Turkish firms operating in the region. Turkey's trade volume with the region last year stood at \$3 billion."<sup>16</sup>

After strengthening its economic ties, Turkey revived its earlier projects aimed at forming a single Turkic entity in Central Asia under its own leadership. Turkish politicians are very positive about President Nazarbaev's initiative to set up a Union of Central Asian States inspired by the EU model. It envisages a common market that will unite about 60 million through economic integration.

The 11th Congress of the Turkic Countries that took place in Baku on 17-19 November, 2007 was a very important event in this respect. The forum, which was attended by President of Azerbaijan Aliev and Prime Minister of Turkey Erdoğan, discussed issues of common interest for all the Turkic states. At the opening session, the Turkish prime minister said that there were no longer any obstacles that disunited the Turkic nations and countries. He went on to say that the Turkic nations should take advantage of this historic opportunity, which would determine the nations' common future and their common aims. He then pointed out that the unity of the Turkic states could become the most constructive tool to be used to defuse international tension in the region, in particular in Iraq, Nagorno-Karabakh, and Northern Cyprus.<sup>17</sup>

Some of the numerous suggestions voiced by the congress' commissions (a visa free regime, closer cooperation among the business communities, a single customs system, the Parliamentary Assembly of the Turkic states, joint NGO associations and municipalities, a common structure for women organizations, a common language, a joint TV channel, and a Turkic Union patterned on the European Union) were purely declarative, but they demonstrated that Ankara's intentions should not be treated lightly.

<sup>13</sup> See: *Ibid.*, p. 57.

<sup>14</sup> See: S. Demirel, *op. cit.*

<sup>15</sup> See: K. Kirişçi, *op. cit.*, p. 25.

<sup>16</sup> S. Demirel, *op. cit.*

<sup>17</sup> See: ANS-PRESS, 17 November, 2007.

To achieve regional security Turkey is actively exploiting its NATO membership, something that the other heavyweights (Russia, China, and Iran) treat negatively. Ankara's persistent promotion of NATO's interests in the region made the regional rivalry ever more bitter. In fact, regional security is a much more prominent issue than economic rivalry. Since the mid-1990s Turkey has been pushing Azerbaijan and Georgia to join NATO. In 1998, Turkey signed an agreement with Georgia on strategic military partnership, under which Georgia received \$5.5 million from Ankara to modernize its armed forces. In 1999, Turkey signed a similar agreement with Azerbaijan and allocated \$3.5 million to the modernization of its armed forces. Turkey, however, discovered that it did not have enough resources to ensure region-wide economic support and develop the corresponding infrastructure. Seen from Russia, this policy looks like the threat of increased American presence in the region.

The events of 9/11 changed the political context in Central Asia. The new threats caused by the confrontation between the international community and terrorism turned the region into one of the links of global security. The United States assumed responsibility for regional security and military cooperation with the local countries. Other important actors (the EU, Russia, China, Japan, and India) also turned their attention to the region. While the EU was more concerned with its energy security, Russia and China were more alarmed with the security threats, which pushed them into closer cooperation within the SCO.

On the whole, its great geopolitical importance allows Turkey to play a multidimensional and far from simple role in Central Asia. On the one hand, Turkey concluded agreements on cooperation in the sphere of security with the Turkic republics and is still in the center of NATO's activities in the region, which cannot but cause conflicts with Russia. On the other, Ankara is out to exploit its advantages created by the transportation of energy resources to maintain economic cooperation with all the regional players.

## Today and Tomorrow

While Turkey's EU membership remains vague, it is looking for a suitable place in the Islamic world as a state claiming regional leadership and serving as a model of democratic society for others. With this aim in view, Ankara is busy developing political and economic cooperation with the local states and is actively involved as a mediator in settling regional conflicts. Having established political, economic, and cultural ties with the Central Asian and Caucasian countries, Turkey is working hard to bring the Turkic-speaking countries closer together within a single economic and political expanse. It seems that Ankara does not have enough resources today to realize its plans to set up an integrated regional structure. In the future however, in view of Turkey's growing economy and international prestige, it might be able to implement these plans.

At the same time, Ankara's newly found orientation in the Islamic world does not clash with its pro-Western bias. Its Western allies can still count on Turkey as a bridge between the West and the East. Some analysts believe that in the future its position in the West will depend on the level of its influence in the East. Recent events confirmed this conclusion.<sup>18</sup> After gaining leadership in the Islamic East, Turkey will become even more valuable to the EU and America.

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<sup>18</sup> See: N. Mkhitarian, *op. cit.*, p. 207.

## TURKEY'S NEW FOREIGN POLICY LANDMARKS AND CENTRAL ASIA

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The geopolitical tension that became even more evident in the wake of the 2001 events, the de facto unfolding global war over energy sources and transportation corridors in the Middle East and Central Asia, and certain aspects of Turkey's domestic developments have greatly altered Ankara's international status, its political weight, and its role.

The victory of the candidate from the pro-Islamic Justice and Development Party (JDP) at the 28 August, 2007 presidential election created tension between the Islamic circles and the Turkish generals, since the JDP posed itself as the custodian of Kemal Atatürk's traditional principles of a secular state.<sup>1</sup> Today, however, the party is no longer perceived as another Islamic party, but rather as a conservative party resolved to blend Islam with the Turkish model and contemporary developments.<sup>2</sup>

<sup>1</sup> See: V. Akhmedov, "Armiya i vlast v novykh politicheskikh usloviakh Turtsii: perspektivy konfrontatsii i predely sotrudnichesva," The Middle East Institute, available at [<http://www.iimes.ru/rus/stat/2007/02-10-07c.htm>].

<sup>2</sup> See: N.Z. Mosaki, "Situatsia posle parlamentskikh vyborov v Turtsii," The Middle East Institute, available at [<http://www.iimes.ru/rus/stat/2007/29-07-07a.htm>].

It seems that the outcome of the latest presidential election was not paradoxical and perfectly fit the current global trends in the Islamic world, on the one hand, and was a logically justified response of the Turkish electorate to the post-2001 international developments, on the other. The party's obvious and growing popularity testifies that the nation is more or less united on the republic's foreign policy aims and its relative continuity.

The steadily increasing dependence on energy resources suggests that Ankara should concentrate on ensuring an adequate level of the republic's energy security. Indeed, nearly all the planned thermal power stations, which are expected to produce over 63 percent of energy in the republic, will use imported coal and gas. According to certain experts,<sup>3</sup> continued economic growth in Turkey and the need to bring its infrastructure to the EU level will increase the country's dependence on imported energy to become, in the final analysis, the "professional aptitude test" of the JDP Cabinet.

<sup>3</sup> See: A. Turker, "Turkey's New Challenge of Energy Usage," available at [<http://www.turkishweekly.net/energy>], 31 July, 2007.

### Foreign Policy Priorities Revised

The events around Iran and Iraq, the far from simple Turkey's relations with the Euro-Atlantic community, and its de facto international isolation on the Kurdish and Cyprus issues developed into fairly contradictory and even ambiguous foreign policies.

On the one hand, the country is still seeking a higher global and regional status, which it aspires to achieve by joining the EU and serving the Euro-Atlantic community as the main transit and cultural-civilizational “bridge” between the East and the West. In the long term, Ankara is working toward joining the group of big “players” responsible for the European countries’ energy security and diversification of energy sources for the EU, which accounts for the plans to unite the Caucasus and Central Asia into a single energy transportation system that would reach Europe via Turkey.

The Turkish leaders argue that as a neighbor of countries with 73 percent of the world’s oil and 72 percent of the world’s (proven) natural gas reserves, their country forms a natural bridge between the oil-rich Caspian, Central Asian, and Middle Eastern countries and the consumer (mainly European) markets.<sup>4</sup> In the globalized economy, the republic can exploit its unique geographic location to become the largest terminal and energy bridge between the East and the West.

On the other hand, recent events have been breeding even more skepticism in Turkish society regarding the United States and the EU, two of Turkey’s sponsors in Central Asia, and have cast doubt on the recent Euro-Atlantic priorities.

*The U. S.-EU:* About 83 percent<sup>5</sup> of Turkish citizens have a negative opinion about the United States, which was further confirmed by the disagreements with Washington over the Iraqi issue and recognition on 10 October, 2007 by the Foreign Affairs Committee of the House of Representatives of the U.S. Congress of the fact of genocide of the Armenians in the Ottoman Empire in 1915.

The Turkish leaders<sup>6</sup> accuse the United States of inadequate support of their country and, therefore, of indirect support of the Kurdistan Workers’ Party in northern Iraq. Turkish experts are inclined to explain the American administration’s reluctance to take strict measures against the KWP by Washington’s plans to use the Kurds against Iran.<sup>7</sup> Ankara cannot accept this; it needs to fight terror today.

Local analysts believe that the slow progress of the Turkey-EU talks forced the republic to use energy-related issues to put pressure on Brussels.<sup>8</sup> The recent economic progress allows Turkey to use it as another lever of pressure and to assert<sup>9</sup> that the country can move ahead even outside the EU. According to Turkish experts, the socioeconomic changes in Turkey have raised its economy to fifth place in Europe, while export rates increased from \$2.9 billion in 1980 to \$36 billion in 2002. At the same time, experts believe that the fast economic growth may bring EU membership closer.

Aware of Turkey’s role and importance in the Euro-Atlantic strategy in the Middle East and Central Asia (energy, Iran, Iraq, Afghanistan, and other issues), European circles<sup>10</sup> and the United States agreed that they should “restore the primacy of Turkey as one of our most important strategic partners.”<sup>11</sup> The U.S. Administration points out that Washington is Ankara’s partner in fighting the KWP, that it supports Turkey’s EU membership and approves of the new Cabinet’s course aimed at

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<sup>4</sup> See: “Kontseptsia strategicheskoy roli,” *Ekonomicheskoe obozrenie*, No. 11-12 (86-87), 2006, p. 54, available at [www.review.uz].

<sup>5</sup> See: *Washington ProFile*, 30 June, 2007.

<sup>6</sup> See: İ. Bal, “Why Turkey has Various Reasons to be Skeptic about the USA?” available at [http://www.turkishweekly.net/comments.php?id=2719], 11 September, 2007.

<sup>7</sup> See: A.A. Gur’ev, “Situatsia v Turtsii: oktiabr-noiabr 2007,” *The Middle East Institute*, available at [www.iimes.ru/rus/stat/2007/01-12-07.htm].

<sup>8</sup> See: I. Shleyfer, “Energeticheskoe sotrudnichestvo mezhdur Turtsiy i ES omrachenno problemami,” available at [http://www.eurasianet.org], 12 June, 2007.

<sup>9</sup> See: H. Kader, “Turkey’s Booming Economy and the European Union,” available at [http://www.turkishweekly.net/comments], 5 October, 2007.

<sup>10</sup> See: *Opening Speech Given by Foreign Secretary David Miliband to the House of Commons*, British Embassy, Berlin, available at [http://www.britbot.de/en/news], 12 November, 2007.

<sup>11</sup> “Burns Reiterates Importance of Turkish Relationship,” available at [http://www.washdiplomat.com/DPouch/2007/October/100307news.html].

promoting secular democracy and deeper political and economic reforms within the Turkish Muslim community. It seems that U.S. Under-Secretary of State Nicholas Burns was referring to Russia when he said: "We share a common interest in preventing the domination by one country of the oil and gas sources and pipelines."<sup>12</sup>

Despite the Turkish-American complications and because of this, Ankara is continuing its consultations with the U.S. leaders within the bilateral dialogue. On 27 October, 2007, the sides tried to find a mutually acceptable way out of the crisis at the meeting of the National Security Council of Turkey, as well as on 5 November, 2007 during the Turkish prime minister's visit to the United States.

The United States still supports Turkey-related projects in the economic sphere. On 16 August, 2007, the Republic of Azerbaijan and the United States signed an official agreement in Baku on feasibility studies of the Baku-Tbilisi-Erzurum gas pipeline across the Caspian that is expected to bring Central Asian gas to Europe via Azerbaijan, Georgia, and Turkey.

Today, Nabucco, the project that will bring natural gas to the EU (the Union approved in June 2003), is coming to the fore as one of the main European projects involving Ankara. It will bring gas from Iran, but Turkey wants to involve the Central Asian countries as well.

*Russia:* The relations between Ankara and Moscow are highly contradictory. On the one hand, their bilateral cooperation is going in the right direction in trade, investments, tourism, and security in the Black Sea region.

The trade turnover between the two countries rose from \$4.4 billion in 2001 to \$20.9 billion in 2006; the figure for the first 7 months of 2007 is over \$15 billion. Russia is Turkey's second largest trade partner after Germany.<sup>13</sup> According to Turkish experts, the long-term economic relations between the two countries hinge on their mutual dependence, if we take into account not only Turkey's gas imports from Russia, but also the transportation of Russian gas to Europe across Turkey.<sup>14</sup>

On the other hand, the two powers remain rivals in the transportation of hydrocarbon resources.

*The Muslim World:* To consolidate its economic (primarily energy) and political security, Ankara is actively operating in the Middle East.

It is commonly believed that Turkey with its newly acquired observer status in the League of the Arab States can influence the important political processes in the Arab world. Turkish diplomats have achieved considerable success in developing the country's relations with Iran (more details below) and Saudi Arabia, two heavyweights of the Islamic world. Over 100,000 Turkish citizens work in Saudi Arabia, while the volume of bilateral trade has already reached \$3.3 billion.<sup>15</sup>

Today Turkey has shifted its attention in its Middle Eastern policies to Iraq and the Israeli-Palestinian problem, which cannot be resolved unless the region pools its resources. To achieve this Turkey is out to interest the Turkic states in worldwide issues by means of these two major problems. From the Turkish point of view,<sup>16</sup> the absence of coordinated foreign policy efforts in all the Turkic-speaking countries with shared historical and cultural values and humanitarian contacts is damaging their own interests. This is important because social and economic factors have moved to

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<sup>12</sup> "Burns Reiterates Importance of Turkish Relationship," available at [<http://www.washdiplomat.com/DPouch/2007/October/100307news.html>].

<sup>13</sup> See: I.I. Starodubtsev, "Ob uchastii turetskikh mezhdunarodnykh kompaniy v mezhdunarodnom investitsionnom forume 'Sochi-2007.'" VI Mezhdunarodny investitsionny forum 'Kuban-2007,' 19-24 sentiabria 2007, Sochi," The Middle East Institute, available at [<http://www.iites.ru>].

<sup>14</sup> See: H. Kader, "Booming Economic Relations Between Turkey and Russia," available at [<http://www.turkishweekly.net/comments.php?id=2769>], 28 November, 2007.

<sup>15</sup> See: "Ob izmeneniakh v voenno-politicheskoy obstanovke na Blizhnem Vostoke i v Severnoy Afrike (5-11 noiabria 2007 goda)," The Middle East Institute, available at [[www.iimes.ru/rus/stat/2007/12-11-07.htm](http://www.iimes.ru/rus/stat/2007/12-11-07.htm)].

<sup>16</sup> See: N.Z. Mosaki, "Nekotorye aspekty vneshney politiki Turtsii," The Middle East Institute, available at [[www.iimes.ru/rus/stat/2007/30-11-07a.htm](http://www.iimes.ru/rus/stat/2007/30-11-07a.htm)].



the fore in dealing with international crisis situations, which has been amply demonstrated by Ankara's Kurdish problem.

It is no wonder that when speaking at the 11th congress of the Organization of Friendship, Brotherhood, and Cooperation of the Turkic-Speaking Countries and Communities held on 17-19 November, 2007 in Baku, Turkish Prime Minister Erdoğan put forward an initiative to set up a political union of Turkic-speaking states to coordinate their efforts in the main foreign policy spheres. The Turkish leaders pointed out<sup>17</sup> in this connection that the intensive relations with the Central Asian countries typical of the Demirel presidency should be restored.

In view of this, Turkey points out that its diplomacy has outstripped all other foreign policy departments in organizing the meeting between President of Afghanistan Karzai and President of Pakistan Musharraf that took place in Ankara.<sup>18</sup>

## The Energy Transportation Sphere

Despite its strained relations with the United States, Turkey is still pinning its political expectations on expanding the U.S. sponsored BTC pipeline that carries oil from Central Asia and the Caucasus. Today, it is mainly used to move Azeri oil, while Ankara aspires to link it to the Central Asian energy sources. There are other alternatives: the Nabucco, Samsun-Ceyhan, and Turkey-Greece-Italy pipelines.

To justify these measures, the Turkish expert community is holding forth about the need to lower their country's dependence on Russian gas (in 2006 about 60 percent of the gas used in Turkey arrived from Russia).<sup>19</sup> Russian projects of the Burgas-Alexandroupolis and South Stream type, as well as the new pipeline between Turkmenistan and Russia, might defuse the tension around the Black Sea straits somewhat, but they are interfering with Turkey's plans to become the main East-West and North-South energy corridor.

In these conditions Turkey had no choice but to step up its energy-related cooperation with Iran in disregard of Washington's displeasure and possible U.N. sanctions. On 20 November, 2007, the two countries signed an Agreement on Cooperation in the Energy Sphere in Ankara, which was a follow-up to the earlier Memorandum of Intent to Extend Cooperation in the Energy Sphere signed in July 2007. In the summer of 2007, Turkey reached an agreement with Greece and Italy on deliveries of non-Russian gas from the Caspian. It is expected that by 2011 this pipeline will reach its designed capacity and will bring gas to Europe and Turkey (15 percent of the total supply). Turkish experts<sup>20</sup> expect that some time later Kazakhstan and Turkmenistan will join the project.

In view of the geographic proximity and historical, cultural, and religious affinity between Iran and Central Asia, as well as Iran's energy potential, Ankara tends to regard it as a reliable, economically useful, and consistent partner for Turkey and the EU at some later date. The Nabucco agreement between Ankara and Tehran suggests that Turkmenistan might join it later. Turkish analysts<sup>21</sup> are convinced that this will integrate the republic into the shared Iranian-Turkish plans for the region. The

<sup>17</sup> See: B. Yinanç, "Gül to Revive Relations with Central Asia," available at [<http://www.turkishdailynews.com.tr/article.php?enewsid=88982>], 19 November, 2007.

<sup>18</sup> See: Ö. Sanberk (former deputy Turkish foreign minister), "Vneshniaia politika Turtsii v obstanovke neopredelenosti," available at [<http://cpanel.host.am/~karabakh/src/index.php?lang=ru&id=2&nid=12201>], 26 July, 2007.

<sup>19</sup> See: H.S. Ozertem, "Is Turkey Back in the Game?: New Deal with Iran and Nabucco!" available at [<http://www.turkishweekly.net/comments.php?id=2666>], 16 July, 2007.

<sup>20</sup> See: H.S. Ozertem, "Pipeline Politics and Turkey," available at [<http://www.turkishweekly.net/comments.php?id=2683>], 31 July, 2007.

<sup>21</sup> See: H.S. Ozertem, "Is Turkey Back in the Game?..."

project, however, is stalling for several reasons, particularly due to the anti-Iranian U.S. policy, which is creating money problems and making it hard to find enough gas to justify the project.

Turkey is actively cooperating with the Black Sea countries and looking into every possibility to extend and boost regional cooperation in all spheres and in the light of the Istanbul Declaration of June 2007 adopted by the summit of the BSEC members.

The Samsun-Ceyhan pipeline, which will cross Turkey to connect Black Sea and Mediterranean ports, is planned within Turkey's Black Sea initiatives; the expert community believes<sup>22</sup> that its future looks doubtful in view of the Russia-sponsored Burgas-Alexandroúpolis pipeline.

On 21 November, 2007, the Baku-Tbilisi-Kars railway project was launched in Georgia as an alternative to the Trans-Siberian Mainline of Russia. Ankara plans to create a special economic zone to tie Georgia and Azerbaijan to its own economy.

## Central Asian Involvement

The Central Asian states, which would like to see more diversified energy transportation routes based on the balanced interests of all the countries involved, eagerly responded to the current changes in regional geopolitics and geo-economics.

Kazakhstan pooled its efforts with Turkmenistan to set the price of gas exported mainly to Russia; Astana sends more oil to the BTC pipeline, which bypasses Russia, while Turkmenistan is involved in the Trans-Caspian Gas Pipeline project, which will move Iranian and Turkmenian gas across Turkey to Europe (Central Asia-Azerbaijan-Turkey-the Balkans) and later branch off to what was the Soviet Union's western part. According to Russian experts,<sup>23</sup> if Astana and Ashghabad ratify the European Energy Charter as distinct from Moscow, they will support America's and the EU's plans to leave Russia outside the main energy routes.

On 5 November, 2007, during Turkmenian President Berdymukhammedov's visit to Belgium, where he discussed the Nabucco project, he hastened to assure<sup>24</sup> the European partners that closer cooperation with the EU was high on the list of his priorities.

Turkish analysts believe<sup>25</sup> that Kazakhstan is also showing its interest in the Baku-Tbilisi-Kars railway project, which will provide it with the opportunity to move its products to the European markets. This will help Turkey to become even more involved in Central Asia.

No energy and communication network designed to connect Central Asia with the rest of the continent and Europe can be created without Uzbekistan, which is situated in the very heart of the region and the Eurasian transportation system. The republic, which is rich in natural resources, should accelerate its economic growth and raise its standard of living, which makes it an interested partner in all the energy transportation corridors either planned or in the process of construction. Under present conditions, it could not only supply its energy sources and other commodities, it could also become a "transshipment point" in the international distribution networks. To develop its transit potential and

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<sup>22</sup> See: R. Ibrahimov, "Kashagan: Possible Outcomes of the Kazakhstan Government Decisions," [http://www.turkishweekly.net/energy], 17 October, 2007.

<sup>23</sup> See: A. Chichkin, "Kazakhstan i Turkmenia ne khotiat 'priviazvat' svoy gaz tol'ko k rossiyskomu rynku," *Ros-sia*, No. 36, 20 September, 2007, p. 7, available at [http://www.arba.ru/news/3145].

<sup>24</sup> See: Ch. Durdiyeva, "Berdymukhammedov Enters a New Phase of EU-Turkmenistan Relations," *CACI Analyst*, 14 November, 2007.

<sup>25</sup> See: R. Ibrahimov, "Baku-Tbilisi-Kars: Geopolitical Effect on the South Caucasian Region," available at [http://www.turkishweekly.net/comments], 23 November, 2007.

lower the trade costs, which are fairly high because of the republic's present isolation from the world markets, it needs the widest possible international cooperation, including with Turkey. Both countries are obviously interested in developing the republic's energy resources, energy security, and wider trade contacts.

## Russia, Turkey, and the EU in Central Asia

The recent events around Iraq and Iran as well as Washington's ambiguous treatment of these countries make speedy normalization of the U.S.-Turkish relations improbable. At the same time, more moderate and more rational EU strategies make cooperation of Ankara with Brussels much more preferable and realizable. This gives Turkey a chance to go on with its alternative plans in Central Asia, which will include the EU's and Russia's regional projects.

The EU likes this alternative; German analysts stressed Moscow's and Ankara's key strategic position in Eurasia and their stabilizing role in Central Asia, the Middle East, and the Arab world. They are rightly convinced that the West cannot realize its common interests—security and stability in the changed situation and adequate supply of energy resources on acceptable conditions—without drawing Russia and Turkey into the process.<sup>26</sup>

Ankara, in turn, stresses<sup>27</sup> that its interests coincide with those of the EU and that it may become an intermediary between it and the Middle East, be it with respect to the Israeli-Palestinian problem, Iran, Syria, or Iraq. Turkey wants the region to become gradually integrated into the global system and believes that its EU memberships will help the EU to go ahead with its Middle Eastern strategies with Ankara, an influential and prospering Muslim actor, at its side.

President Putin and his Cabinet's flexible and realistic policies in Central Asia are conducive to this. Russian analysts, first, believe that Russia's revenue from gas exports to the EU will not suffer much if Turkmenistan starts trading directly with Europe. "According to the most optimistic forecasts," writes one of them, "by 2015 Turkmenistan will increase its gas production to 120 billion cu m. By that time, the EU will need up to 700 billion cu m of gas, while the share of imported gas will reach 75 percent. Turkmenian gas, therefore, will cover a small fraction of the EU's needs for energy resources, which means that the demand for Russian gas will remain stable."<sup>28</sup> This creates a considerable leeway for a compromise between Russia and EU in Central Asia and their continued energy-related cooperation.

Second, Moscow promptly responded to the changed Kazakhstani and Turkmenian approaches to gas prices. During the Gazprom delegation's latest visit to Turkmenistan, the sides agreed on a new gas price: \$130 per 1,000 cu m in the first half of 2008 and \$150 in the latter half of the same year. Later, until 1 January, 2009, gas prices will follow the market.<sup>29</sup>

For objective reasons—globalization and the mounting economic and political instability in the Middle East and Central Asia tied to Turkey historically and culturally—Ankara has to cooperate with Moscow and Tehran, its rivals. "This is all the more important," said Turkish Prime Minister Erdoğan,

<sup>26</sup> See: R. Lotar, "Geopoliticheskaia shakhmatnaia doska i mesto na ney Tsentral'noy Azii," *Frankfurter Allgemeine*, 15 November, 2007, available at [<http://www.centrasia.ru/newsA.php4?st=1195160640>], 16 November, 2007.

<sup>27</sup> See: S. Laçiner, "Turkey's EU Membership's Possible Impacts on the Middle East," available at [[turkishweekly.net](http://turkishweekly.net)], 23 March, 2007.

<sup>28</sup> R. Fedoseev, "Prezident Turkmenii Gurbanguly Berdymukhammedov podderzhal ideiu prodavat gaz Evrope napriamuiu, minuia Rossiui," *Delovaia gazeta "Vzgliad"*, 16 November, 2007.

<sup>29</sup> See: "Turkmenistan Raises Gas Price for Russia," available at [[www.itar-tass.com/eng](http://www.itar-tass.com/eng)], 27 November, 2007.

“because Russia and Iran are still two major suppliers of natural gas to Turkey. It is unthinkable to discontinue our cooperation with them in the energy sphere.”<sup>30</sup>

This means that while the American-Turkish disagreements continue and while America goes on with its sanctions against Iran, Turkey will build up its presence in Central Asia, the Caucasus, and the Middle East and will rely on the EU and Russia. Today, it is stepping up the pan-Turkic dimension in Central Asia in the hope of reaching security and economic stability and limiting any possible pressure from its potential rivals in Central Asia.

Past experience and the present contradictions will hardly help to transform cooperation of the Central Asian and Caucasian countries with Turkey into a union of the Turkic states. Bilateral and multilateral cooperation, including within the SCO, looks much more promising.

<sup>30</sup> “Turtsia budet sotrudnicat s Iranom, dazhe esli OON vvededt sanksii,” *NEWSru*, 21 September, 2007.

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## WILL INDIA BECOME A FULL-FLEDGED PARTICIPANT IN THE BIG GAME IN CENTRAL ASIA?

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Most analysts now agree that Central Asia has become an arena of the Big Game currently being played by the leading world and regional leaders. Nor has India been left on the sidelines, especially since it has clearly outgrown the role of generally accepted leader of the South Asian subcontinent of late and is making its claims to something more.

Central Asia is geographically close to India and has common deep historical roots with this country; so its presence in the zone of Indian strategic interests comes as no surprise. This is also promoted by the significant potential for cooper-

ation and good-neighborly relations that accumulated over the long years of traditional Indian-Soviet cooperation. Another important factor is that India is trying to prevent Pakistan—its permanent rival in the South Asia Region—from unilaterally increasing its influence on the Central Asian states where a power vacuum rapidly filled by numerous contenders formed after Russia withdrew. So the Indian leadership entrusted its foreign policy and foreign economy departments with the task of developing targeted relations and strengthening cooperation with the countries of the Central Asian Region. The so-

called New Silk Road of Indian Foreign Policy became an important step in this direction.<sup>1</sup>

The exchange of visits between the heads of state and numerous delegations of different levels and vectors clearly demonstrate Delhi's foreign policy priorities. The development of so-called people-to-people diplomacy is very important in the Central Asian vector.

When carrying out its policy, India was able to reach mutual understanding with the leaders of the Central Asian countries regarding the coordination of positions and diplomatic actions in a wide range of international problems such as peacekeeping, settling regional conflicts, opposing terrorism and separatism, combating illicit drug circulation, and so on.

One of India's main foreign policy goals (the very existence of this country as a single state is only possible provided the principle of secularism is observed) in Central Asia consists in preventing the spread and establishment in this region of belligerent Islamic fundamentalism. India is trying not to lag behind Pakistan, which is making wide use of the Muslim factor for this purpose, in terms of the intensity and dimensions of its cooperation with the Central Asian countries. It is primarily motivated by the desire to prevent the Central Asian states from coming too close to Pakistan in light of their Islamic communalism, which in the future could lead to them occupying a pro-Pakistani position on the Kashmir issue.

The Indian leadership realized from the beginning that despite the clear statements by the heads of all the Central Asian countries in favor of carrying out a secular policy in their states, the pro-Indian position of these countries was in no way guaranteed. This required active diplomatic efforts, which India's foreign ministry is still exerting to this day. These efforts have resulted in the region's republics joining the Nonalignment Movement, in which Delhi plays a leading role. Turkmenistan and Uzbekistan have already be-

come its full-fledged members, and Kyrgyzstan and Kazakhstan are acting as observers. At the same time, India is actively participating in the Conference on Interaction and Confidence-Building Measures in Asia (CICBMA), the initiator of which is Kazakhstan President Nursultan Nazarbaev. In turn, the Central Asian countries support India's candidacy as a permanent member of the U.N. Security Council and as an observer in the Shanghai Cooperation Organization. They are also in favor of the need for the U.N. to adopt the Universal Convention on Combating International Terrorism proposed by India.<sup>2</sup>

The sides' mutual interest in resolving regional security issues, settling the Afghan conflict, and combating religious extremism, terrorism, and drug trafficking is helping to build relations. The terrorist elements and groups infiltrating into the country, particularly the Kashmir region, from Afghanistan and their direct campaigns are posing a particular danger for both Central Asia and India. Thus, India signed bilateral agreements in 2003-2005 with Tajikistan, Kazakhstan, Uzbekistan, and Kyrgyzstan on cooperation in forming anti-terrorist groups, exchanging experience, and carrying out joint exercises and field training of these states' servicemen in India.

Military-political cooperation is particularly close between India and Tajikistan: the republic's national servicemen are undergoing training in Indian military academies, such as the Academy of National Defense (in Poona), the Indian Military Academy (in Dehradun), and others; and assistance is being rendered to improve the material-technical base of the Tajikistan army. What is more, in 2003, joint exercises were held of special service antiterrorist subdivisions. India has invested 25 million dollars in the reconstruction of the Ayni aerodrome near Dushanbe, which it used to deliver humanitarian aid to Afghanistan, whereby during the reconstruction work, reports appeared in the Indian mass media about India's supposed intention to deploy a squadron of Mi-17 helicopters (according to other data, 12 Mig-29 fighter planes)

<sup>1</sup> See: *Opening Remarks of Prime Minister Vajpayee at a Press Conference*, 5 June, 2002, available at [[http://www.indianembassy.org/special/cabinet/Primeminister/2002/pm\\_june\\_05\\_2002.htm](http://www.indianembassy.org/special/cabinet/Primeminister/2002/pm_june_05_2002.htm)].

<sup>2</sup> See: I. Komissina, "India: Cooperation with the Central Asian Countries in Regional Security," *Central Asia and the Caucasus*, No. 6 (24), 2003, p. 18.

and Kiran exercise-training planes at the aerodrome, and over time even turn it into its own military air base.<sup>3</sup> The Pakistani mass media evaluated this action as a step toward strengthening India's military presence in Tajikistan and in Central Asia as a whole. But Indian and Tajik officials have been denying these presumptions for several years now.

It is in the interests of India's own national security for stability to be maintained in the Central Asian states. After all if Islamic fundamentalist regimes, such as the Islamic Movement of Turkestan (the former Islamic Movement of Uzbekistan—IMU) and Hizb ut-Tahrir, come to power in the region's countries as a result of the activity of the extremist groups operating there, the Central Asian republics could fall under the influence of Pakistan, which could use them as allies when the spiral of military-political confrontation with Delhi makes its next twist. This is why India regards the Central Asian countries as a buffer zone for retaining international Islamic fundamentalism.

Rather a complicated situation is developing in the region. For example, problems of religious extremism are becoming aggravated, which is more characteristic of Kyrgyzstan, Uzbekistan, and Tajikistan. When they acquired their sovereignty, all the Central Asian states unequivocally chose the secular model of development, but later a trend toward the radicalization of Islam became increasingly clear. This is eloquently shown by the religious formation Hizb ut-Tahrir, which has put down the deepest roots in the region. After begin-

<sup>3</sup> See, for example: R. Pandit, "Indian Forces Get Foothold in Central Asia," *Times of India*, 17 July, 2007, available at [[http://timesofindia.indiatimes.com/Indian\\_forces\\_get\\_foothold\\_in\\_central\\_Asia/articleshow/2208676.cms](http://timesofindia.indiatimes.com/Indian_forces_get_foothold_in_central_Asia/articleshow/2208676.cms)]; "India Looking for Energy Supplies in Central Asia," *Times of India*, 13 September, 2006, available at [<http://www.asianews.it/view.php?l=en&art=7200>].

ning its activity in Kyrgyzstan, Tajikistan, and Uzbekistan, at the end of the 1990s, this organization also spread into Kazakhstan. Hizb ut-Tahrir was declared extremist, prohibited from functioning in the above-mentioned countries, and its followers were prosecuted. But this did not stop it from continuing to operate underground and carrying out active propaganda, which at times escalated directly into insurgent activity. Experts admit that Hizb ut-Tahrir became so radicalized in Central Asia under the influence of external and internal factors that the methods and forms of its activity no longer differed from those of other terrorist organizations and ran counter to the principles of its activity in Europe, the Middle East, and other CIS countries.<sup>4</sup>

This makes India's concern about the situation in the region and its serious attention to building security relations understandable. Former high-ranking Indian serviceman V.P. Malik believes that the Central Asian republics are geostrategically part of India's arena, which means that it must ensure its legal national interests in this region,<sup>5</sup> thus requiring Delhi to participate in the Big Game in Central Asia.<sup>6</sup> In so doing, the absence of any negative historical heritage in its relations with the region's countries is one of India's indisputable advantages, and it does not present any threat to the Central Asian states today, either ideological, demographic, or territorial.

<sup>4</sup> See: "Uzgen-Kadamzhai-Zhalalabat: tendentsiia ili sovpadeniia?" Mirnaia Azia Independent Research Center, available at [[http://tsps.infonet.rus/tbd\\_doc/1080812063031/1156313203140\\_Site/.htm](http://tsps.infonet.rus/tbd_doc/1080812063031/1156313203140_Site/.htm)].

<sup>5</sup> See: V.P. Malik, "Of Pragmatic and Sustained Policies. India, Afghanistan and Central Asian Republics," available at [<http://www.tribuneindia.com/2002/20020826/edit.htm#3>].

<sup>6</sup> See: R. Sikri, "India's Foreign Policy Priorities in the Coming Decade," *ISAS Working Paper*, No. 25, Singapore, 2007.

## India's Economic Presence in Central Asia

India sees the Central Asian countries as a large potential sales market for industrial production, as well as a promising source of heat and energy resources and minerals. Whereby, judging by the



results of meetings at different levels, this interaction meets the interests of all the sides.<sup>7</sup> In addition, India intends to use the Central Asian Region as a corridor for delivering its goods to Russia and the European states, although several contemporary publications of Indian experts and analysts, Indranil Banerjee, Gulshan Sachdeva, Rajiv Sikri, and others, stubbornly insist that Central Asia is important to Delhi exclusively from security considerations and not because it is attractive from a trade and economic viewpoint. In all likelihood, there is a certain element of cunning here, since it seems unlikely that a rapidly growing economy, which India undoubtedly is, would voluntarily waive the opportunity to engage in trade expansion to foreign markets. More likely something else is at play here. According to the same Indranil Banerjee (executive director of the SAPRA (Security and Political Risk Analysis) India Foundation, New Delhi), India joined the battle for Central Asian energy resources relatively late and too slowly. Moreover, the fact that it has no direct access to this region hinders its economic penetration into it.<sup>8</sup>

Delhi is particularly attracted by the prospect of importing raw material from the Central Asian republics, particularly oil and gas, as well as ferrous and precious metals, primarily gold. All the same, according to Indian economists, trade and economic cooperation between the sides is unsatisfactorily low, and we must agree with this, although there is high potential for mutual advantageous relations.

Although the sides created the necessary regulatory legal base during the years of cooperation (India signed agreements with almost all the Central Asian countries on establishing trade and economic partnership, stimulating and mutually protecting investments, avoiding double taxation, and instituting most favored trade conditions), the current situation is still characterized by a very low level of bilateral trade (see the table). Despite the trend toward growth, its volume is extremely small: in recent years, the region's share in India's foreign trade has been no higher than 0.1%, and India's share in Central Asian trade is just as miserly at 0.3%. Kazakhstan accounts for more than half of the trade turnover.

Trade between the states basically boils down to an exchange of traditional goods. India exports pharmaceutical products, medical equipment, information technology, textiles, tea, cosmetics, plas-

*Table*

**India's Trade Turnover with the Central Asian States**  
(in million dollars)

Country/Years	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
<b>Kazakhstan</b>	<b>59.6</b>	<b>84.7</b>	<b>96.81</b>	<b>117.16</b>	<b>171.54</b>
<b>Uzbekistan</b>	<b>25.62</b>	<b>42.84</b>	<b>52.81</b>	<b>50.57</b>	<b>63.56</b>
<b>Turkmenistan</b>	<b>15.70</b>	<b>28.55</b>	<b>26.12</b>	<b>31.18</b>	<b>45.89</b>
<b>Kyrgyzstan</b>	<b>15.13</b>	<b>38.74</b>	<b>50.19</b>	<b>29.57</b>	<b>38.01</b>
<b>Tajikistan</b>	<b>8.73</b>	<b>8.42</b>	<b>10.68</b>	<b>12.13</b>	<b>15.51</b>
<b>Total:</b>	<b>124.78</b>	<b>203.25</b>	<b>236.61</b>	<b>240.61</b>	<b>334.51</b>

*Source:* Indian Ministry of Trade [<http://commerce.nic.in>].

<sup>7</sup> See: FBIS. Daily Report, *Central Eurasia*, 20 September, 1995, p. 81.

<sup>8</sup> See: I. Banerjee, "India and the New Central Asian Game," *SAPRA India Bulletin*, May 2007, p. 4.

tics, chemicals, and so on to Central Asia. Import consists mainly of raw cotton, steel, iron, zinc, chemical products, and so on.

Nor was the special program called *Focus: CIS* adopted by the Indian government in 2003 of any help. It was designed to increase Indian export and expand bilateral trade cooperation with the CIS countries, including with all five Central Asian countries. India's leading trade (India Trade Promotion Organization — ITPO, Export Promotion Councils — EPCs, Apex Chambers of Commerce & Industry, etc.) and financial (EXIM Bank, Export Credit Guarantee Corporation — ECGC) structures participated in the program. A large number of measures are being carried within the program, including the exchange of delegations, the arrangement of exhibitions, fairs, and seminars, market research, the publication of product catalogues and brochures on special features of the local markets, to name a few.

The number of joint ventures is just as limited. There are no truly large Indian investments in the Central Asian economy, apart from the metallurgical project in Kazakhstan. Uzbekistan is the regional leader with respect to the number of joint ventures, where, according to the republic's State Statistics Board, 31 enterprises currently function with the participation of investors from India, including 13 joint ventures, 5 enterprises with 100% foreign capital, and 13 without an FDI status and with an authorized capital of less than 150,000 dollars. For reference: ten years ago, exactly the same number of joint ventures operated in the country.<sup>9</sup> The main vectors in the activity of enterprises with Indian capital include the manufacture of consumer goods, the production and processing of agricultural produce, the manufacture of medication, construction, tourism, wholesale and retail trade, and so on. India's Spentex Company invested 81 million dollars in Uzbekistan's textile industry (two textile combines near Tashkent and a textile company in Ferghana have been bought).

In October 2006, the first Kazakh-Indian joint venture, G.V.Display Solutions Pvt. Ltd., went into operation in Kazakhstan, which manufactures advertising equipment. India's Mittal Steel Company, which is owned by billionaire Lakshmi Mittal, purchased a metallurgical combine in Karaganda with a production capacity of 6 million tons of steel a year. According to the Indian Foreign Ministry, total investments in this project have reached two billion dollars.<sup>10</sup> Indian companies are also operating on the Kazakhstan construction market. For example, Punj Lloyd Kazakhstan Ltd. is implementing a project for laying a pipeline and building a power transmission line in the Atyrau Region, estimated at 80 million dollars. Another Indian Company, KEC International Ltd., won a tender for a total of 62 million dollars to build a power transmission line, including a fiber-optic communication line from the YUKTRES substation (Balkhash) to the Chu station.

In Kyrgyzstan, India's Jagson Oil Ltd. Company invested more than one million dollars to build six fill-up stations in the Osh Region.

According to the sides, the most promising areas of cooperation are mining, oil and gas, the electric power and textile industries, silk-worm breeding, agriculture, and high technology.

The still low level of economic cooperation is explained by the fact that Indian businessmen are leery about investing money in Central Asia. Underdeveloped banking relations are also slowing down the increase in Indian investments and the development of bilateral trade. The branch of an Indian bank, Punjab National Bank, opened just recently in Kazakhstan.

Nevertheless, it should be acknowledged that in recent years, due to the activity of such companies as Ajanta, Ranbaxy, and others, India is meeting more than 30% of the Central Asian countries' demand for medication. Several joint ventures that specialize in the manufacture of pharmaceutical

<sup>9</sup> See: I. Komissina, "Politika Indii v otnoshenii tsentralnoaziatskikh gosudarstv SNG," in: *Novaia Evraziia: Rossia i strany Blizhnego zarubezhia. Collection of Articles*, RISI, Moscow, No. 8, 1998, p. 80.

<sup>10</sup> See: *India-Kazakhstan Relations*, Internet site of the Indian Foreign Ministry, available at [<http://mea.gov.in>].

products have been created and are functioning, for example, Gufic Avicenna Limited, Shreya Life Scientist Pharmaceutical, Turkmenderman-Ajanta Pharma Ltd., and Reddy-Pharmed Limited.<sup>11</sup>

The main reason for the insignificant presence of Indian companies on the Central Asian market lies in the transportation and communication difficulties, they believe, since India does not have a common border with any of the republics, and the latter, in turn, do not have access to the ocean.

### Transportation Difficulties

As we know, India is separated from the Central Asian Region by Pakistan and Afghanistan. Due to the unstable situation in Afghanistan, the traditional route to Central Asia through its territory will most likely be blocked for a long time to come.

The shortest route to the region lies through Pakistan, but this country is stubbornly rejecting all of India's rights to transit goods through its territory. As a result, India is even encountering great difficulties in establishing direct trade with Afghanistan. The situation becomes particularly aggravated when relations worsen with Pakistan, which closes its air space to the passage of Indian airplanes, thus isolating India from the region. This forces India to use transportation routes passing through Iran in order to reach Central Asia.

Certain prospects for developing regional trade opened up when a trilateral agreement among Turkmenistan, India, and Iran on international road and rail transport and transit was signed in February 1997. This document gave India the opportunity to use a multi-modal corridor for delivering its goods through Iran and Turkmenistan to the CIS states and Europe, and specifically by sea to the Iranian port of Bandar Abbas in the Persian Gulf. From there, goods can be sent by land (road or rail) through Iran to the Turkmen border town of Serakhs and on to the CIS countries and Europe, as well as in the reverse direction. Later, Uzbekistan and Kyrgyzstan joined this route. This transportation corridor is already actively functioning.

The North-South international multi-modal transportation corridor, the decision to build which was adopted in St. Petersburg by Russian, Indian, and Iranian representatives in 2000, also made it possible to increase India's opportunities for developing trade relations with Central Asia, particularly after Kazakhstan, Tajikistan, and Kyrgyzstan joined it.

But according to Indian specialists, all the potential routes to Central Asia that pass through Iran are neither reliable, nor optimal, even without taking into account the current tense international situation around Iran. In this respect, the only acceptable alternative for Delhi to establish land communication with the region is to build a transportation corridor through China, relations with which have dramatically improved in recent years.<sup>12</sup> In particular, the matter concerns trade routes to Central Asia through the PRC. This alternative is particularly attractive keeping in mind China's recently announced plans to build 12 roads connecting Western Xinjiang with various cities in the region's republics, five of which will be laid in the near future.<sup>13</sup>

At present, the opportunity is opening up for creating another route between Central Asia and India—work was recently revived on the Euro-Asian Uzbekistan-Afghanistan-Pakistan-India railroad project. The matter concerns a 600-kilometer Termez—Mazar-i-Sharif—Kabul—Jelalabad—Peshawar—Islamabad—New Delhi railroad. The agreement to build this transport artery was reached by the governments of the Soviet Union, India, and Afghanistan as early as the mid-1950s, but political

<sup>11</sup> See: I. Komissina, "Ekonomicheskie interesy Indii v Tsentral'noi Azii," available at [<http://www.novopol.ru/article721.html>].

<sup>12</sup> See: R. Sikri, "Behind Oil and Gas: India's Interests in Central Asia," 29 June, 2007, available at [<http://www.opinionasia.org/article/print/271>].

<sup>13</sup> See: *Xinhua*, 7 April, 2007.

factors interfered with the implementation of this plan. At the end of the 1990s, the member states of the South Asian Association for Regional Cooperation (SAARC) declared the need to establish through rail communication within the above-mentioned bloc, that is, they remembered about this project. Nevertheless, a real opportunity to put this plan into effect did not appear until Afghanistan acquired the status of associated member of SAARC, which happened just recently. The project will be financed by this organization and, possibly, by the Islamic Bank of Development.<sup>14</sup>

So Delhi still has a chance to overcome the transport problems that continue to hinder the development of trade relations with Central Asia.

### Investment Cooperation

The situation in the investment sphere also leaves much to be desired. During the years of cooperation, credit lines totaling nearly 100 million dollars were opened for Central Asia. However, this amount is so insignificant that it can be described as merely a political gesture of goodwill, particularly since Uzbekistan, Kazakhstan, and Kyrgyzstan were not even able to fully assimilate these funds.

In recent years, certain steps have been taken to encourage Indian companies to invest in the economy of the Central Asian countries. For example, the possibility was considered of instituting a foundation that could render financial assistance to Indian businessmen wishing to create joint ventures in the states of the region. This Foundation, the India-Central Asian Foundation, ICAF, did not become a reality until 2005.

The most promising investment opportunity for all the sides is cooperation in power engineering, since Kazakhstan, Turkmenistan, and Uzbekistan have rich supplies of oil and gas, and Kyrgyzstan and Tajikistan possess large hydropower resources. India, which has recently been demonstrating rather high economic growth rates of up to 7% a year, is experiencing an ever-growing need for energy resources. The country occupies 6th place in the world in terms of the size of its energy market, whereby 40% of its domestic needs are covered by the oil and gas it has to import from abroad, which is making India increasingly dependent on imports. As a result, it has to diversify the sources of its raw hydrocarbons in the interests of its own security in order to decrease its dependence on deliveries from the Middle East, which reach 70%.

India is only just beginning to carve out a niche for itself in the energy sphere of the Central Asian states, although it expressed its intention to cooperate with the republics of the region quite a long time ago. As early as 1997, official Delhi made its first attempts to obtain concessions to explore oil fields in Kazakhstan and Turkmenistan, whereby it intended to carry out such work only in cooperation with foreign structures. The Oil and Natural Gas Corporation of India (ONGC) announced that it would focus either on creating consortiums for obtaining concessions or on forming joint ventures in order to assimilate the oil and gas potential of the Central Asian countries. Hindustan Petroleum Corp., Ltd. and Gas Authority of India, Ltd. also expressed the desire to join such concessions.

Nevertheless, India's presence on **Kazakhstan's** energy market is still nominal, although the Indian companies would like to enter contracts on the exploration and operation of oil fields in the Caspian. At the moment, India's ONGC-Videsh, Ltd. (a subsidiary of ONGC that operates exclusively abroad) owns sets of shares in the Kurmangazy and Alibekmola oil fields in Kazakhstan (10% and 15%, respectively). India is purchasing oil from Kazakhstan under substitution

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<sup>14</sup> See: A. Chichkin, "Vozobnovlennaya rabota nad proektom evroaziatskoi zheleznoi dorogi Uzbekistan-Afghanistan-Pakistan-India," *Rossiiskaia Biznes-gazeta*, No. 603, 15 May, 2007.

conditions: crude oil from Kazakhstan goes by sea to the Iranian port of Bandar Abbas, and Iran sends its oil to India.<sup>15</sup>

Meanwhile, Delhi is still hoping to enter a major contract, since bilateral cooperation between the AO KazMunaiGaz Oil Company and ONGC-Videsh, Ltd. in the exploration and development of the Caspian shelf was recorded in the minutes of the fifth session of the Kazakh-Indian Intergovernmental Commission on Economic and Trade, Scientific-Technical, Industrial, and Cultural Cooperation of 18 February, 2005. During this session, the sides also signed a Memorandum on Mutual Understanding. According to this document, India was offered the choice of two sections: Makhambet or Satpaev. Based on the results of their feasibility reports, the latter was chosen as the more promising for further joint activity.<sup>16</sup> Commercial talks are currently underway on the main conditions for implementing the project, but a consensus has still not been reached regarding the Indian company's share in the Satpaev oil block. The Indian side is insisting on a 50% share, but the Kazakh side thinks that India's share should not initially be higher than 35%. However, as the field is developed, this share could be raised to 50%.<sup>17</sup> According to the results of the talks, an Agreement on the Principles of Cooperation is to be entered, after which a proposal will be addressed to the Kazakhstan government on signing a Contract on Use of the Subsurface in this section. Prior to this, India lost two tenders in Kazakhstan. In order to develop the Satpaev section, a decision was adopted to create a joint enterprise composed of ONGC-Videsh, Ltd. and the Mittal Group, on the Indian side, and AO KazMunaiGaz Oil Company, on the Kazakh side. According to some data, this time the government of Kazakhstan is giving ONGC-Videsh, Ltd. the opportunity to purchase a share in the Satpaev oil block, expecting that in return India will support the republic's membership in the WTO.

In April 2007, Mittal Investments acquired 50% of the assets of Caspian Investments Resources (CIR) belonging to LUKoil's subsidiary company, LUKoil Overseas; the cost of the transaction amounted to 980 million dollars. Moreover, the foundation assumed the obligation to pay half of the company's unsettled debt for a total of 160 million dollars. CIR owns oil-producing assets at five of Kazakhstan's promising fields: Alibekmola, Kozhasai, North Buzachi, Karakuduk, and Arman, the supplies of which are estimated at 270 million barrels and production at which reached 11.6 million barrels in 2005.<sup>18</sup>

The Indian side has its sights set on joining the projects that Russia is carrying out. For example, talks are already underway at the highest level on joining the Kazakh-Russian project to develop the Caspian Kurmangazy oil field of India's ONGC-Videsh, Ltd. India is planning to invest some 1.5 billion dollars in the implementation of this project, which is to last for 30 years.

During Uzbekistan President Islam Karimov's visit to India in April 2005, questions of cooperation in energy were discussed, among other things. In so doing, it was noted that Delhi is willing to invest in Uzbekistan's oil and gas industry, which is attractive to Indian companies for two reasons. First, due to the possibility of active participation in the development and production of the country's oil and gas resources and in sub-projects, as well as in projects for transporting Uzbek gas via transnational pipelines to the markets of South and Northeast Asia. Second, India is interested in Uzbekistan joining the project to build the Turkmenistan-Afghanistan-Pakistan-India gas pipeline.<sup>19</sup>

<sup>15</sup> See: A. Lomanov, "India ne khochet uchastvovat' v bolshoi igre," Interview in the newspaper *Vremia novostei* by Director of the India-Central Asia Foundation Nirmala Joshi, 2 June, 2006, available at [<http://www.vremya.ru>].

<sup>16</sup> Exclusive interview by correspondent of *Trend* in Kazakhstan of President of AO KazMunaiGaz Oil Company Uzakbai Karabalin, 23 January, 2007, available at [<http://www.trend.az>].

<sup>17</sup> See: *SAPRA India Bulletin*, November 2006, p. 21.

<sup>18</sup> See: "LUKoil Overseas and Mittal Investments Sign Agreement Regarding Upstream Assets in Kazakhstan," 12 December, 2006, available at [[http://www.lukoil-overseas.com/press.asp?div\\_id=3&id=381&year=2005](http://www.lukoil-overseas.com/press.asp?div_id=3&id=381&year=2005)].

<sup>19</sup> See: N. Perevozskina, "Sinergiya vzaimodeistviia," available at [<http://www.review.uz/page/article/analyst/world-economy/2009>].

In April 2006, several documents on cooperation in the oil and gas industry were signed between the states. The Memorandum on Mutual Understanding in Cooperation in the Oil and Gas Industry between the Uzbekneftegaz National Holding Company and the Indian Ministry of Oil and Gas and the Memorandum on Mutual Understanding in Partnership for Exploring Gas Fields between the Uzbekneftegaz National Holding Company and Gas Authority of India, Ltd. deserve particular attention among them. In April 2007, the latter had the opportunity to develop two of the republic's gas fields.<sup>20</sup>

A serious breakthrough in India's energy cooperation with **Turkmenistan** occurred in October 2006 when a representative Indian delegation headed by state foreign minister E. Ahamed visited Ashgabad. The Gas Authority of India, Ltd. Company held successful talks with the Turkmenengaz state enterprise on participation in projects to explore and produce gas and build pipelines and urban gas-distribution systems. Another company, Engineering India, Ltd., expressed the hope of participating in modernizing the Charjou oil refinery and in building a new refinery.<sup>21</sup>

### Pipeline Projects

If Indian companies gain access to the development of Central Asia's oil and gas fields, it will be more difficult to ensure regular deliveries of raw hydrocarbons to India due to the absence of the necessary pipeline system.

India thinks that a successful solution to this problem could be implementation of the so-called Project of the Century—building of the Turkmenistan-Afghanistan-Pakistan gas pipeline actively supported by the U.S. Corresponding talks began as early as 1997, when the interested sides signed an agreement on laying a gas and oil pipelines, and Pakistan began increasing the capacity of the Gwadar port in the Province of Baluchistan. The cost of the route is estimated at 3.3 billion dollars. The gas pipeline with a diameter of 56 inches (1,420 mm) and working pressure of 100 atm. is designed to accommodate a throughput capacity of 33 bcm a year. According to the agreement with the Turkmen side, it was initially planned that over the span of 30 years up to 20 bcm of natural gas would be delivered to the Pakistan markets. But it later became clear that the latter's demands were no higher than 12 bcm, and extension of the gas pipeline branch to India was called upon to ensure the project's profitability; in so doing, the net cost of gas would be significantly reduced.

Pakistan exerted great efforts to advance this idea, inviting Delhi to participate in this project, but India had different approaches to participation in it at that time. According to several experts, deliveries of Turkmen gas through Pakistan to India could have become the basis on which their future cooperation began. The supporters of this approach believed that against the background of the vast dividends that Indian-Pakistani energy cooperation promises, even the unresolved problems, particularly Kashmir, would be perceived as mere "insignificant irritants" in the relations between the two states. Other specialists, on the contrary, mistrusted the project, justly believing that even if bilateral relations improved slightly, Pakistan would still intercept deliveries of Turkmen gas.

Due to the unstable situation in Afghanistan, the talks on creating a consortium, which have been going on for many years, did not come to anything. The victory in Afghanistan of the international antiterrorist coalition forces helped to reanimate the plans to build the mentioned gas pipeline. Ashgabad, Islamabad, and Kabul began talking almost in unison about reviving talks on the project. It

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<sup>20</sup> See: K.R. Jawahar, "Central Asia: Urgent Need for Raising India's Investment Profile," *SAPRA India Bulletin*, May 2007, p. 8.

<sup>21</sup> See: "India Bids for Share in Turkmen Energy," *SAPRA India Bulletin*, October 2006, p. 19.



stands to reason that finances were the main problem for the sides concerned. It comes as no surprise that the question of laying the pipeline was also discussed at the meeting between President Niyazov and U.S. Assistant Secretary of State Elizabeth Jones, who visited Turkmenistan at the beginning of 2002: "The situation has changed so much that the interest of American companies in this project will most likely be revived," she noted at the end of the talks.<sup>22</sup> Undoubtedly, Washington would prefer Turkmen, rather than Iranian, gas to go to Pakistan.

The Asian Development Bank (ADB), which joined the project as a fourth member in 2002 and allotted 1.5 million dollars to compile its feasibility report, presented the ministers of the oil and gas industry and mineral resources of the countries participating in the project with the final version of the feasibility report for the Trans-Afghan gas pipeline. India, which, taking into account the difficult domestic political situation in the region, long refrained from participating in the project, began to show its willingness to enter it. In February 2006, India participated, although as an observer, in the ninth sitting of the project's organizational committee, at which the governments of Turkmenistan, Afghanistan, and Pakistan signed a memorandum of intent to begin the construction. In May 2006, the Indian leadership approved the state's participation in the project and gave instructions to the Ministry of Oil and Gas to send an official request to the governments of the three countries about joining it.

But India still had a few worries about its participation in this project. They were related to the ongoing instability in Afghanistan, the revival of the Taliban movement, and the periodical cooling in the relations between India and Pakistan. India was also worried that Turkmenistan did not have sufficient gas supplies. These problems were partially resolved after America's De Golyer & MacNaughton Company, which conducted an independent audit of the Dauletabad field, estimated its supplies at 4.5 tcm, and ADB, after making a preliminary estimate of the situation, stated that it did not see any technical, economic, or environmental barriers at present to implementing the project.<sup>23</sup> India was to formally join it at a meeting of representatives of the four states on 28 November, 2007 in Islamabad.

When analyzing the prospects for implementing this project, it should be emphasized that the political unanimity among Ashgabad, Kabul, and Islamabad is still no guarantee of complete success, since there are numerous reasons that could make it impossible to carry out the above-mentioned plans at present. The most serious problem hindering implementation of the pipeline project is the uncertainty of settling the long Afghan crisis, since the large number of supporters of the Taliban movement and al-Qa'eda in Afghanistan poses the danger of diversions being carried out on the gas pipeline. The situation in Pakistan itself also arouses concern, where the existence of a large number of nationalist and radical Islamist groups threatens stability. The fact that in the fall of 2007 President Perez Musharraf introduced a state of emergency in the country shows how serious the domestic political situation is in Pakistan.

All of this indicates that potential foreign investors are still faced with a very high political risk with respect to the gas pipeline project from Turkmenistan to Pakistan and India. In addition to the political difficulties, economic problems could also have a significant influence on how quickly the project is implemented. These problems include the expediency of Pakistan<sup>24</sup> importing Turkmen gas in light of the competition from Iran and Qatar, etc.

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<sup>22</sup> See: "Ot truby Baku-Ceyhan k trube cherez Afganistan," *Russkaia mysl* (Paris), No. 4396, 14 February, 2002, available at [<http://www.rusmysl.ru/2002I/4396/439617-Fev14.html>].

<sup>23</sup> See: "India Bids for Share in Turkmen Energy," p. 20.

<sup>24</sup> Today there are two diametrically opposite viewpoints on the expediency of Pakistan importing gas from Central Asia, whereby both of them are based on different estimates of the production and consumption growth rates of natural gas in Pakistan.

The Oil and Natural Gas Corporation of India proposed a project in 2002 that called for competing with the Trans-Afghan gas pipeline. It envisages the participation of Russia, China, and India and acquired the high-sounding name of Energy Highway.

According to this project, the pipeline was supposed to stretch from the Russian Federation through Turkmenistan, Uzbekistan, Kazakhstan, and China's XUAR to the north of India (bypassing Afghanistan and Pakistan). The route was to pass through Kashi in XUAR, then continue along the so-called Line of Control—the internationally recognized border between India and Pakistan—through the Xiacheng glacier—to India's Kashmir and on to the state of Jharkhand-Pradesh and New Delhi.<sup>25</sup> Estimated costs on implementing this project reached 15 billion dollars, but ONGC did not finish estimating the economic and technical costs on building the pipeline.<sup>26</sup>

However, both the Russian and the Chinese sides, as it was revealed during a discussion of the project at the 3rd Chinese-Russian-Kazakhstan oil and gas forum in Shanghai (2006), expressed their doubts about the possibility of implementing it. Russia thinks the project is simply unprofitable, since it believes it would be easier to deliver oil to India by sea.<sup>27</sup>

Implementation of this project is even less feasible than the previous one from the financial viewpoint. Large foreign investors will not invest in a project that will compete with already existing and well-processed plans. A pipeline passing through several countries and, most important, through the Line of Control, is too risky and expensive for Indian investors. In contrast to the Central Asian republics interested in exporting oil and gas, Russia and China place top priority on geopolitical aspects and security issues. The Chinese government will hardly guarantee a corridor for the pipeline through the Line of Control of the Chinese-Indian border for security reasons. For the same reasons, the PRC has rejected Delhi's insistent requests since 1992 with respect to laying a railroad from India to Central Asia through western China.

So, despite the existence of several projects, there are still no real prospects for ensuring pipeline deliveries to India. This is possibly why Indian Minister of the Oil and Gas Industry Mani Shankar Aiyar, when talking in November 2005 at a conference of Asian producers and consumers of oil and gas products in New Delhi, suggested creating an Asian oil and gas network linking Bangladesh, India, Iran, China, Korea, Myanmar, Pakistan, Russia, Thailand, Japan, and the Central Asian countries. This network is to be more than 20,000 km in length and its construction is estimated at 22.5 billion dollars.<sup>28</sup>

### ***Cooperation in Personnel Training***

Education is a successfully developing area of cooperation between India and the Central Asian states. Since the beginning of the 1990s, an Indian Technical Economic Cooperation Program (ITEC) has been introduced in all the region's countries, which was initiated as early as 1964 for rendering economic and technical assistance to the developing states of Asia, Africa, and Latin America. With its help, India is passing on the experience it has accumulated by training foreign specialists at its educational institutions or sending experts to developing countries to carry out individual projects. The accent is placed on free study for foreigners at India's best institutions in such fields of special-

<sup>25</sup> See: "India-Kazakhstan Oil Pipeline to Bypass Afghanistan and Pakistan," *Financial Times*, 29 May, 2002.

<sup>26</sup> See: A. Kazi, "Is the Proposed Russia-China-India Pipeline Feasible?" *Central Asia-Caucasus Analyst*, Wednesday/3 July, 2002, available at [ <http://www.cacianalyst.org/Archives.htm>].

<sup>27</sup> See: Yin Ping, "Russia-China-India Pipeline Being Discussed," *China Daily*, 7 December, 2006.

<sup>28</sup> See: A. Chebotarev, "Pragmaticheskie interesy skazochnoi strany," 26 May, 2006, available at: [<http://www.sim.kz/?act=readarticle&id=945>].

ization as the mass media, banking, finances, diplomacy, management, small business, and agriculture. In the past years, more than 600 specialists from Uzbekistan, 561 from Kazakhstan, 200 from Turkmenistan, and 343 from Tajikistan have been trained under this program.

In order to assist the training of national specialists, India has formed Centers of Information Technology in Tashkent, Almaty, and Dushanbe. In 2006, Memorandums of Intent were signed to open such structures in Ashgabad and Bishkek. There are plans to create an Uzbek-Indian Center of Business Development in Tashkent.

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At the beginning of the 1990s, a new vector appeared in Delhi's foreign policy strategy namely, Central Asia. Its importance for India is primarily determined by the geopolitical importance and economic potential of the Central Asian countries, as well as by the deep common historical cultural roots they have with India.

It should be noted that the confrontation involving Kashmir that is still going on between India and Pakistan has made a significant mark on Delhi's policy regarding the Central Asian states. In this context, Delhi's main tasks, according to Indian scientists, consist in preventing the region from entering an alliance that would be hostile to India, as well as in carefully following all of Pakistan's strategic achievements in Central Asia. This explains why the diplomatic activity of both the Indian and Pakistani sides is extremely high in the region and generally more noticeable than their economic presence.

In recent years, India has been demonstrating rather high rates of economic growth, 6%-8% a year, but it is not able to offer the Central Asian countries large investments in the development of infrastructure and communications, or in the environment, that is, in those areas in which a solution to the most urgent problems on the current agenda of the region's states is most needed. This means that Delhi is not one of Central Asia's main investors or major trade partners. Despite the fact that relations between the sides have been friendly from time immemorial, India is unable to ensure the corresponding level of economic presence in the region.

Delhi is placing certain hopes on building cooperation in developing Central Asia's hydrocarbon supplies, which, however, is being slowed down due to the absence of a corresponding pipeline system. In so doing, it should be noted that essentially all the states in the region are showing an increased interest in transporting their energy resources in a direction that is profitable to them. There is no doubt that this strategy is pursuing specific geopolitical goals, since in today's world control over fuel and energy resources and the means for transporting them is becoming increasingly important. Moreover, it is obvious that in the future energy routes will define the future regional alliances and geopolitical situation not only in Central Asia, but also in the Eurasian space as a whole. In this respect, the route of the future pipeline from the region to India is extremely important.

Most experts believe that it would be better for Delhi to realize its ambitions in Central Asia in cooperation with its stable partner Russia. And for the Russian Federation too, India's role as a traditionally friendly country will continue to grow as the geopolitical situation changes.

Still, based on the results of an analysis of the development rates of India's political and economic cooperation with the Central Asian states, it can be concluded that it is unlikely to occupy a sufficiently important position here in **the short or medium term.**

But taking into account the entirely realistic possibility of augmenting Delhi's transportation and pipeline cooperation with the Central Asian countries, the influence of the Indian factor on the

situation in Central Asia should grow **in the long term**. India will most likely continue to play its role in maintaining the balance of interests in the region among such states as Russia, China, and the U.S.

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## THE TEHRAN SUMMIT, OR THE RUSSIAN PRESIDENT'S VISIT TO IRAN

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On 16 October, 2007, Tehran hosted the second summit of the Caspian states attended by Russia, Azerbaijan, Turkmenistan, Kazakhstan, and Iran. The importance of this international event is thrown into bolder relief by the failure (recognized as such by observers and analysts, as well as the leaders of the countries involved) of the first Caspian summit convened in Ashgabad in April 2002, at which the participants agreed on few issues and failed to arrive at an agreed final document.

In 2002, the world and regional situation were very different; three of the countries were headed by different people: Iran, by Mohammad Khatami; Azerbaijan, by Heydar Aliiev; and Turkmenistan, by Saparmurat Niyazov.

They got together in the capital of Turkmenistan to discuss the Caspian's status and the way its water area and the natural reserves should be divided—issues that surfaced when the Soviet Union died and the littoral Soviet Union republics became independent. In Soviet times, they shared the Caspian's reserves with all the other people of a single state. The Soviet Union's disintegration created numerous border problems; the fuel- and fish (mainly sturgeon)-rich Caspian acquired its share of post-Soviet problems.

The Iranian leaders, for example, were out to capitalize on this in order to claim larger share of the Caspian than before: they argued that, under the new conditions, the water body should be divided into five equal parts.

The post-Soviet states, however, refused to accept this. They insisted that the national zones should correspond to the lengths of the littoral line. In this case Kazakhstan would have received 28 percent; Russia, 18 to 19 percent; Turkmenistan, 19 percent; Azerbaijan, 21 percent, and Iran (along the Huseynkali-Astara line), 11.4 to 13 percent. Tehran preferred to look at the Caspian as a lake to be divided, in full accordance with international law, into equal shares (20 percent each). Iran also argued that it should get 50 percent of the Caspian, since the former Soviet republics, which appropriated the Soviet state's rights and shouldered its duties, should be satisfied with the other half.<sup>1</sup>

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<sup>1</sup> See: "Sammit v Ashkhabade: Piatero v odnoy lodke, ne schitaia SShA," available at [<http://www.yandex.cc/articles/2002/04/23/caspian/>].

Two years later, most of the littoral states were prepared to give Iran 13 percent. Andrew Neff, expert at the London-based World Market Research Center, described Iran's demands to expand its control zone to 20 percent as "excessive." Late President of Turkmenistan Saparmurat Niyazov subsequently moved over to Tehran's official position. Andrew Neff explained the U-turn by the May 2003 tripartite agreement Russia, Kazakhstan, and Azerbaijan signed to divide 64 percent of the Caspian's northern part, from which Turkmenistan was excluded. Under this agreement Kazakhstan got 27 percent, Russia, 19 percent, and Azerbaijan, 18 percent<sup>2</sup> of the Caspian. The two countries were left with 36 percent of the water body to divide it between themselves as they saw fit.

In 2004, Head of the Center for Strategic Studies Andrey Piontkovskiy commented that Iran's claims had been provoked "by the squabbles among the post-Soviet states." He added that when Russia reached an agreement with Turkmenistan, "Iran would be forced to drop its claims." The old Soviet model would triumph, said the analyst, and the sea would be controlled by the post-Soviet states.<sup>3</sup>

By that time, the Caspian was generally believed to be one of the world's richest oil and gas areas. This explains America's inordinate interest in the region, which it declared to be a zone of its vital interests and lost no time in moving into it. This proved to be easy: in the 1990s, the political elites of the local "newly independent states" were not only looking at the West and the United States—they wanted to join NATO. Azerbaijan, which clashed over many issues with Iran, expected to succeed with America's aid. Washington, in turn, demonstrated no mean skills when playing on the Caspian states' contradictions.

This explains the very apt title "Sammit v Ashkhabade: Piatero v odnoy lodke, ne schitaia SShA" (Summit in Ashgabad: Five in a Boat, To Say Nothing of the U.S.). The United States included the entire Black Sea-Caspian basin in the sphere of responsibility of its troops deployed in the Gulf area.

The first summit was convened amid the far from simple relations among the post-Soviet states and their far from simple relations with Iran. Earlier, the Caspian was the scene of clashes between Iran and Azerbaijan, which complained that Iranian fighter planes were patrolling Azeri oil prospecting ships, while Iranian boats and aircraft drove them from the controversial zone. President of Turkmenistan Saparmurat Niyazov, who hosted the summit, went as far as saying that had they failed to divide the sea, it "would have smelled like blood."<sup>4</sup>

Disappointed with the failure, Russian President Vladimir Putin said, upon his arrival at the base of the Caspian Flotilla in Astrakhan, that Russia "should build up its presence in the Caspian" and ordered complex military exercises to be held the following summer for the first time in the last 10 years. He pointed out that the flotilla should actively fight terrorism, drug trafficking, etc.

This created the impression that the Caspian would become a militarized, rather than demilitarized, zone.

The first summit failed to fix either a time or place for the next meeting of the heads of the Caspian states. Not until April 2004, at a press conference convened after the meeting of the foreign

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<sup>2</sup> See: E. Kravchenko, A. Tikhonov, "Prikaspiyskaia piaterka sygrala vpustuiu," *Finansovye izvestia*, 7 April, 2004, available at [<http://www.finiz.ru/economic/article819294>].

<sup>3</sup> "Kaspiy budet podelen po sovetsoy modeli," available at [<http://iran.ru/rus/bulletins/politic/2004-13/#19023>].

<sup>4</sup> M. Kozyrev, A. Nikol'skiy, "Kaspiy pod pritselom," *Vedomosty*, available at [<http://www.smi.ru/02/04/26/388252.html>]. Iran was displeased about the fact that in post-Soviet times mineral riches were being extracted in the Caspian very much because America had suggested this. A month or more before the summit, Steven Mann, special advisor to the U.S. State Secretary on Caspian energy diplomacy, during a visit to Kazakhstan, declared that the Caspian mineral resources should be actively extracted even before the status of the water body had been determined (see: "Sammit v Ashkhabade: Piatero v odnoy lodke, ne schitaia SShA").

On 26 March, 2002 in Moscow, speaking at an international conference on the Caspian's legal status, Steven Mann announced that the United States was no rival to Russia in the Caspian (see: "SShA poobeshchali ne meshat Rossii v Kaspiykom regione," available at [<http://lenta.ru/economy/2002/02/26/caspian/>]).

ministers of the Caspian states, did Foreign Minister of Russia Sergey Lavrov inform the journalists that the summit would be held in the latter half of 2004 in Tehran. He went on to say that the foreign ministers of Russia, Azerbaijan, Iran, Kazakhstan, and Turkmenistan had reached this agreement on 6 April, 2004. "We shall report to our presidents," said he. "It is for them to fix the date of the summit."<sup>5</sup>

The presidents were obviously not ready; finally it was decided to meet in Tehran in 2007.

By that time, Iran's ruling regime had lost its earlier popularity and the situation at home was far from simple. In October 2007, it looked as if the people were tired of the regime and the mullahs, who had failed to justify the nation's hopes. The president, Mahmoud Ahmadinejad, and the nation's religious leader, Ali Khamenei, enjoy the support of a mere 10 percent of the total population (as the returns of the poll conducted in the summer of 2007 by Internet publications *Ruz-e Now* and *Baztab* showed).

A possible American attack on Iran is one of the favorite subjects of the Iranian media, which the regime is actively exploiting to remain in charge. The people, meanwhile, are reacting very indifferently to the threat—there are no signs of frantic preparations to rebuff any hostile American actions.

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On 15 October, President of Kazakhstan Nazarbaev arrived in Tehran to be met at Mehrabad airport by Foreign Minister of Iran Manouchehr Mottaki; the Iranian side obviously attached great importance to the visit. The president of Kazakhstan was the first to arrive and the first to negotiate (before the summit) with the IRI highest leaders—its president and Ayatollah Ali Khamenei, its spiritual leader. They discussed bilateral cooperation and agreed to increase the trade balance in the near future to \$10 billion a year (compared with the current \$2 billion).<sup>6</sup> The Iranian media coverage was succinct and limited to fragmentary information about the talks. Journalists mainly wrote that bilateral relations should be developed and that the sides had signed "five documents on cooperation between Iran and Kazakhstan" in energy, transport, and other spheres.<sup>7</sup> President Ahmadinejad pointed out that the two countries shared common approaches to the Caspian issue and to certain other international problems and expressed his conviction that bilateral economic cooperation "will reach the highest level."<sup>8</sup> In fact, the president of Kazakhstan managed to settle all the problems of bilateral cooperation during his first day in Tehran. This probably accounts for his special position at the summit.<sup>9</sup>

<sup>5</sup> RIA Novosti, 6 April, 2004.

<sup>6</sup> See: *Tehran Times*, 16 oktobr, 2007.

<sup>7</sup> See: *Hamshahri*, 16 oktobr, 2007; *Tehran Times*, 17 oktobr, 2007.

<sup>8</sup> See: *Donya ye eqtasad*, 16 oktobr, 2007.

<sup>9</sup> The observers pointed out that Russia and Kazakhstan had disagreed on more issues than the others: they disagreed over the bioresources quota and the need to add a clause on the freedom of transit in the Caspian (transit of energy fuels and pipelines on the seabed) to the Convention. The president of Kazakhstan insisted that the routes should be agreed with the countries, the national sectors of which would be directly involved in the project. Russia, in turn, believed that the five littoral states should agree on the Transcaspian pipelines. The president of Kazakhstan wanted the sea to be a demilitarized zone and suggested that military involvement on the sea should be limited to the border units in the sea. President Putin was against the division of the Caspian into "zones" and "borders" and described security and protection of bioresources as top priorities. The president of Russia pointed out that the development of the pipeline system should be carried out within the Caspian Five framework on the basis of consensus. "Environmental safety should be the yardstick of all projects, especially in the energy sphere," said President Putin who obviously had in mind the Transcaspian Pipeline Project actively promoted by the United States (see: N. Melikova, "Neagressivny Kaspiy. Rossia, Azerbaidzhan, Iran, Kazakhstan, and Turkmenia ukrepliaut ekonomicheskie sviazi," available at [[http://www.ng.ru/world/2007-10-17/1\\_tegeran.html](http://www.ng.ru/world/2007-10-17/1_tegeran.html)]).



Meanwhile, President Putin's attendance allegedly remained questionable until the last day. The *Hamshahri* newspaper wrote that President Putin's arrival in Tehran on the morning of 16 October "disproved the rumors about the possible cancellation of the visit heatedly discussed by the Western media."<sup>10</sup> The Iranian media deemed it necessary to point out that the Russian president has been subjected to strong American and Western pressure to cancel his trip to Iran.

During his visit to Germany, one of the German journalists asked President Putin whether he was prepared to go to Iran and what he expected to achieve there. The Russian president answered that he would attend the Caspian summit in Tehran, an event scheduled well in advance, and that he expected positive results from his talks with the Iranian leaders.<sup>11</sup>

The Iranian leaders, in turn, expected much from the visit and spared no effort to prepare it. The international situation was very complicated, while the media of many countries were teeming with information about possible American military action against Iran.

The visit was very important for both states: first, this was Putin's second visit to the country, a fact that the Iranian leaders preferred to play down so as not to reveal its real value. The *Iran* newspaper pointed out that the visit was accompanied by biased commentaries in the American media and "certain European countries." They spoke a lot about the summit's real importance.

On the eve of President Putin's visit, *Donya ye eqtesad* carried an editorial, which said in particular: "From the point of view of Iran's vital interests, the coming Caspian summit is much more important than Vladimir Putin's visit."<sup>12</sup> The summit was described as a "historic day for the Caspian," since on 16 October, the participants signed bilateral and multilateral agreements on cooperation and a declaration of the five Caspian states, the 25 points of which opened the road to economic and political cooperation in the region. The forum was even presented as a step toward forming "another pole of the world economy."<sup>13</sup>

Tehran attached special importance to the visit of the Russian president: without him the summit would have been deprived of much of its political weight. The local media was brimming with information and photographs of the Russian leader; in collective photos the Iranian president invariably appeared next to his Russian colleague.<sup>14</sup>

Iran took adequate security measures long before President Putin arrived in the country; the measures were tightened as soon as the first information about an alleged attempt on the life of the Russian president reached the front pages of Russian and Western papers, even though it was treated as a political joke, or even a political provocation.

It should be said that on the eve of the summit, many of the electronic media offered very unusual (to say the least) coverage of the planned visit. They concentrated on the allegedly planned attempt on Putin's life and wrote next to nothing about the summit's agenda: the journalist community obviously doubted that the president of Russia would attend the summit.

The media remained just as riveted to the same two issues after the summit as before it: the Iranian nuclear file and the future of Russia's cooperation with the West and the U.S.

<sup>10</sup> *Hamshahri*, 16 oktobr, 2007.

<sup>11</sup> In her interview to *Die Welt*, Angela Merkel described Iran as a regional hazard and a threat to Europe and the world. She favored more severe sanctions if the talks on the nuclear issue stalled. Vladimir Putin described his position on the sanctions with a great deal of sarcasm: "It is useless to scare the Iranian leaders or the Iranian people—they are not easily frightened" (N. Melikova, "Tehran-007. 'V Wisbadene govorili preimushchestvenno ob Irane,'" available at [[http://www.ng.ru/politics/2007-10-16/1\\_tegeran.html](http://www.ng.ru/politics/2007-10-16/1_tegeran.html)]).

<sup>12</sup> M. Sadri, "Chera safar e putin mohem ast" (Why Putin's Visit Important), *Donya ye eqtesad*, 16 oktobr, 2007.

<sup>13</sup> "Halge ye tehran qotb re jadid e eqtesad e jahan" (The Tehran Summit as Another Pole of World Economy), *Iran*, 17 oktobr, 2007; "Ruz e tarikhi ye Khazar" (Historic Day of the Caspian), *Iran*, 17 oktobr, 2007.

<sup>14</sup> See, for example: *Keyhan international*, *Tehran Times*, *Iran Daily*, *Ettelaat*, *Keyhan*, *Jomhuri ye eslami*, *Tehran e emruz*, *Resalat*, *Jam e jam*, *Zaman*, *Etemad e melli*, *Aftab e yezd*, *Iran*, and other newspapers of 17 October, 2007.

Political analysts have correctly described and continue to describe the summit as a foreign policy move of Russia, which demonstrated that it is deeply concerned about what Washington and its allies are doing. There is a widely shared opinion that the trip of the Russian president and the nature of his meetings and talks were conditioned, to a great extent, by the American and Western, for that matter, course in relation to Russia and its interests in certain regions and the world as a whole.

Little was said about what appeared to be the region's central problem—the Caspian's status and its division—no prompt decision was expected anyway. Under the pressure of the global problems at hand, the Caspian issue was put aside to be discussed in the near future.

The Iranians, however, did not hesitate to state that they were dissatisfied with the division of the Caspian into national sectors. There were voices calling on Tehran to annul the “unfair” treaties of 1921 and 1940 related to “the lake” the Soviet Union had “imposed” on Iran: in the post-Soviet period, certain forces argued, the region should have acquired a “new community.”<sup>15</sup>

The Iranian leaders exploited the very fact of the second summit and the decisions on the development of regional cooperation to fortify their position at home and abroad. Tehran regarded the Russian president's participation as a diplomatic breakthrough, which discredited America's pressure on the IRI.

The Iranian political elite was satisfied with President Putin's statement made in Germany on 15 October to the effect that peaceful negotiations about Iran's nuclear program should go on and that other than peaceful methods were unacceptable. Iran attaches great importance to Russia's position on its nuclear research, which allows Iran to continue its national program. Even before the talks with the Iranian president, Vladimir Putin pointed out: “Every country has the right to implement peaceful nuclear energy programs.” It should be said that it was under the last Iranian monarch that Iran planned to launch a nuclear program, something that caused no objections and no fears of a nuclear bomb, even though the monarchy aspired to move the country into the front ranks of the world's leading powers with hardly predictable repercussions.

So far Russia is the only country that is helping Iran to carry out its nuclear program. It was thanks to the Russian president's position that the Tehran Declaration confirmed the rights of all signatories to the Non-Proliferation Treaty to develop peaceful nuclear energy within the Treaty and the IAEA mechanism.

The discussions of the military aspects of Iran's nuclear file pose several questions. First, Iran has just as much right as Pakistan, India, or Israel to develop defensive weapons. Whether these efforts are reasonable or safe is another question. Second, Iran announced several times that it was prepared to reject nuclear weapons and establish international control over its nuclear program. Third, if Iran cannot be trusted, the world community has reason to suspect that it has already created nuclear weapons of smaller capacity. Indeed, even in the United States weapon-grade plutonium disappears from time to time, while in the 1990s, goodness knows what changed hands in the CIS countries. Why not concede that Iran has already taken advantage of the situation and that today it is exploiting the nuclear file to secure its own political goals?

The statement President Putin made to the effect that he did not intend to set deadlines for the Bushehr project proved to be a strong move that earned him respect among the Iranians. It was especially important against the background of the recurring waves of criticism of Russia's alleged intention to deliberately slow down the project's progress.

Iran treated the words of President Putin as very important: “Under no circumstances should the littoral states allow the use of their territories by other countries to launch aggression or other military action against any of the member states.” This was entered into the final declaration.

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<sup>15</sup> *Etemad e melli*, 17 October, 2007. Mazandaran is a littoral historical area and province in northern Iran. Mohammad Khatami described the Caspian as Lake Mazandaran even during his visit to Azerbaijan in May 2002 after the first Caspian summit.

The Russian president agreed with the statement that navigation should be limited to the ships carrying flags of the littoral states. Security is another concern of the Iranian authorities, which explains why the *Iran Daily* carried an article entitled “5 Presidents Agree on Joint Security”<sup>16</sup> on its front page.

Because of Azerbaijan’s specific relations with America and Russia the republic is Iran’s second politically important partner after Russia, something that the Iranian side subtly hinted at. Moreover, Azerbaijan will host the next summit of the littoral states in 2008.

Significantly, some Israeli analysts interpreted the clause of the summit’s final document, under which the littoral states undertook responsibility not to allow the use of their territories for aggression or military action by third countries against any of the member states, as an attempt to transform regional cooperation into a military bloc. The analysts expected that the world community would at least voice its concern.<sup>17</sup> The Russian side, on the other hand, is convinced that the clause does not allow any third force (which primarily implies the United States) to turn the Caspian into a zone of conflict.

Gordon Jondro, spokesman for the U.S. National Security Council, announced after the summit that his country favored a “diplomatic approach” to the Iranian nuclear file,<sup>18</sup> but the White House remained convinced that America had enough reason to use force against Iran. Some of the Democrats, Hillary Clinton campaigning for president among them, side with the incumbent on this issue.<sup>19</sup>

No wonder the Iranian leaders fear that the United States might use force to bring down the ruling regime. Iranian-American relations are not as simple as that; this is actively discussed in Iran at different levels.

There are Iraq-related contacts; Iran holds a very special position on this issue. At the early stages of the war and on its eve, Tehran remained neutral; at the same time, it used its influence with the Iraqi Shi‘a community to wage its own political game in the region in the hope of changing the Iraqi political climate. The Shi‘a community (neutral throughout the American military campaign) was in fact a lever Iran used to put pressure on the United States once Saddam Hussein had been removed from power. Tehran tried to use the void left by destroyed independent Iraq to acquire, through its allies, like-minded people or puppets, administrative instruments in Iraq.

Iran openly supported America on certain issues; in 2005, Foreign Minister of Iran Kamal Harrazi congratulated the government and the people of Iraq on the successful parliamentary elections, which Iran described as a sign of maturity of a neighboring nation that had made an important step toward democracy based on the will of people, etc. The same statement said that the elections would promote the cause of regional stability and security without foreign military presence and would help establish closer relations and cooperation between the two countries. Spokesman of the IRI government Abdollah Ramazanzadeh declared that Iran would cooperate with the new regime, irrespective of its political orientation, for the sake of regional stability and the national interests of both countries.<sup>20</sup> Tehran willingly chose to give a helping hand to newly elected President of Iraq Talabani (a Kurd), who enjoyed Iran’s political support during the power struggle in the hope he would support its policy in Iraq.

Two weeks before the summit, the *Resalat* newspaper published bits and pieces of an interview by Dr. Ali Larijani, Secretary of the Supreme National Security Council of Iran, to *Financial Times*.

<sup>16</sup> “5 Presidents Agree on Joint Security,” *Iran Daily*, 17 October, 2007.

<sup>17</sup> See: “Visit Putina v Iran: vzgliad iz Israelia,” available at [<http://mnenia.zahav.ru/ArticlePage.aspx?articleID=4829>].

<sup>18</sup> See: “Putin v Irane poobeshchal dostroit Busherskiui AES, no sroki ne utochnil,” available at [<http://www.newsru.com/world/16oct2007/atoms.html>].

<sup>19</sup> See: R. Beeston, “Comment: Putin Visit Kills Off Sanctions Drive,” *Times Online*, 16 October, 2007, available at [[http://www.timesonline.co.uk/tol/news/world/middle\\_east/article2672044.ece](http://www.timesonline.co.uk/tol/news/world/middle_east/article2672044.ece)].

<sup>20</sup> See: “Iran priznal uspeshnymi proshedshie nakanune v Irake vybory,” available at [<http://www.centrasia.ru/newsA.php4?st=1107196320>].

The top Iranian politician offered his opinions about the Iraqi regime and its policy, about the American and Iranian positions in Iraq, and about the possible withdrawal of the occupation forces. The latter caused a lot of concern in Tehran because Washington might have shifted to the side of the new political forces in Iraq, which would cost the IRI its position in this country and the Muslim world as a whole.

Dr. Larijani pointed out that in the post-Hussein period, his country was the only one in the region to extend “constant support to the newly elected democratic government of Iraq” while, said he, “the American allies did nothing.” He denied that his country, according to American accusations, supplied the paramilitary units in Iraq with the latest weapons, acting through the Islamic Revolution Guards Corps. He dismissed this information as lies and demanded the names of the Corps members guilty of shady dealings with Iraq.<sup>21</sup> In fact, he showed his country’s concern over the loss of Washington’s faith in Iran’s willingness to settle the Iraqi question and its readiness to start cooperating with the Sunnis of Saddam Hussein’s former narrow circle. He revealed the fact that he possessed information about secret negotiations between the Americans and Ezzat Ibrahim Al-Duri, one of the highest-ranking Baath members. He voiced the common opinion of the Iranian leaders who described the secret contacts as a “tragedy” for the Iraqis and offered his country’s services to maintain stability in Iraq when America began withdrawing its troops. “If the Americans provide the final schedule for troop withdrawal,” said he, “we shall help to organize it.”<sup>22</sup>

The Iranians are obviously willing to overcome their disagreements with the United States and Europe—the nation is looking forward to completely restored contacts with both. During our stay in Iran in October 2007, we realized that the Western presence would be much more welcome than Russia’s, the attitude toward which is far from simple, it is even guarded and negative due to historical reasons. As an economically weak country, Russia cannot offer more or less large projects. Its weakness is confirmed by a trade turnover volume of \$2 billion (the same as with Kazakhstan), while Iran’s trade turnover with Germany is nearly \$25 billion.

In private talks, the Iranians frequently said that Russia, which exploited the contradictions between Iran and America in its interests, was worse than the United States. It is no wonder that on 17 October, 2007 the *Etemad e meli* newspaper carried a huge photograph of the heads of the Caspian states in Saadabad (the former shah residence) on its front page together with two articles entitled “The Meeting of the Heads of Caspian States with Supreme Leaders” and “Iran’s Contradictions with America and Europe are a Handy Tool for Russia.” The first article was adorned with the photo of Ali Khamenei, the second, with the photo of its author Ms. Elaheh Kulai, as if she was trying to warn the spiritual leader not to draw too close to Russia. The very fact that both articles appeared on the front page speaks volumes. The second article offers a succinct analysis of the summit and the international problems Russia faced and concludes that in the current situation Iran, for obvious reasons, was not in a position to negotiate the Caspian status and protect its national sovereignty. At the same time, Ms. Kulai, a member of the University Scientific Council, wrote: “Iran’s contradictions with America and Europe’s contradictions with Iran became a handy tool of Russia’s policies in these countries.”<sup>23</sup>

Back in 2001, Elaheh Kulai voiced her conviction that the West’s position was the main factor of Russian-Iranian relations. As a member of parliament and an expert on Russia, she said: “Close

<sup>21</sup> See: *Resalat*, 2 oktobr, 2007.

<sup>22</sup> Ibidem.

<sup>23</sup> E. Kulai, “Ekhtelafha ye iran va orupa, abzar e monassebe bazi ye rusiye” (Russia can Use the Contradictions between Iran, on the One Hand, and America and Europe, on the Other, for its Own Game), *Etemad e meli*, 17 oktobr, 2007. In 2001 Ms. Kulai was chairperson of the Iranian-Russian Parliamentary Friendship group of the Islamic Council Assembly (Mejlis). In 2002, she was an observer of the subcommittee of the Iranian parliament for Caspian affairs and member of the Majlis national security and foreign policy commission.

relations between Russia and Iran are a natural outcome of the pressure on us from the West.” She went even further with another important statement to the effect that “Iran also wants to exert leverage to prevent a renewal of close ties between Russia and Iraq, with which Iran fought an eight-year war.”<sup>24</sup>

Much has changed since that time, but Iran still treats Russia with caution, and this will not disappear soon.

The first steps toward a new regional structure of the Caspian states (with Iran playing an important role in this future Organization) and economic transformation of the Caspian Five were made in Tehran. The Iranian president described the summit declaration “a great achievement of our cooperation” and announced that the leaders of the Caspian states planned to convene an economic conference, on which a future Caspian economic structure would be patterned. Moscow was selected as the place of the forum to be held in 2008 under Vladimir Putin’s chairmanship.

The five countries agreed that the second Caspian summit was a success and that it opened new horizons of regional cooperation. Some painful issues, however, such as delimitation between Turkmenistan and Azerbaijan, were set aside to be addressed in the near future. The Caspian states agreed to refrain from the use of force when dealing with controversial issues and pledged not to interfere in the domestic affairs of independent states.

The winners and losers will be identified much later; so far there are several large-scale projects of economic cooperation, a channel between the Caspian and the Black seas being one of them. Iran has its doubts about the channel: it will add new options to the already existing communications, but it will strengthen Russia’s sovereignty still more. The opinion was voiced that Russia, rather than the Caspian states, would profit from it.<sup>25</sup>

All the Caspian states, however, will undoubtedly profit from demilitarization of the Caspian, something that the expert community finds very important in view of America’s recent attempts to become involved in the reorganization of the Azeri Navy under the pretext of guarding the Baku-Tbilisi-Ceyhan pipeline. The United States invited Kazakhstan and Turkmenistan to jointly develop military-technical cooperation in the Caspian.<sup>26</sup>

Iran and its leaders are among the winners: they are working hard to preserve the system, which needs radical transformation under pressure of the logic of the country’s and world’s development. President Ahmadinejad fortified his position to the extent that he was able to replace some of the top figures in order to tighten his grip on power. Dr. Larijani, son of the late Ayatollah Amoli and son-in-law of the late Morteza Motahhari, comrade-in-arms of Imam Khomeini, who served Secretary of the Supreme National Security Council of Iran and was top negotiator on Iran’s nuclear program, resigned on 20 October, 2007. This put the nation in shock.<sup>27</sup> Officially he resigned on his own free will, but the nation and the media<sup>28</sup> interpreted it as the president’s intention to fill the most important posts with his own people.

The summit provided the international support the Iranian regime badly needed; to a certain extent the summit and Vladimir Putin’s personal attendance stabilized the domestic situation and drew millions of Iranians onto the regime’s side.

<sup>24</sup> Ch. Clover, G. Dinmore, “Iran and Russia to Discuss Caspian Shares,” *Financial Times*, 1 March, 2001, available at [<http://iskran.iip.net/review/mar01/1ft1.html>].

<sup>25</sup> See: A.B. Peyvandi Zade, “Ettesal e darya ye mazandaran be darya ye siyah aamal e hakemiyat e rusiye ya afzayesh e tranzit dar mantaqe” (Will the Joining of the Mazandaran Sea to the Black Sea Promote Russia’s Integrity or Increase Regional Transits?), *Khorasan*, 21 oktobr, 2007.

<sup>26</sup> See: Expert channel Federal Press, available at [[http://www.fedpress.ru/federal/socium/world/id\\_71717.html](http://www.fedpress.ru/federal/socium/world/id_71717.html)].

<sup>27</sup> See: “Shok e khabari ye estefa ye larijani” (The News-Provoked Shock, or Larijani’s Retirement), *Khorasan*, 21 oktobr, 2007.

<sup>28</sup> See: “Khoda hafezi ye diplomat e hastei” (The Farewell of the Nuclear Diplomat), *Tehran e emruz*, Oct.21.2007.

The Tehran summit opened the doors for Iran to the Central Asian and Caucasian markets; the Iranian leaders are convinced that Russia did that to create a counterweight to the American and Turkish presence in the region. On the day President Putin arrived in Tehran and the summit opened, *Tehran e emruz* wrote: "Recently, Iran has greatly extended its economic presence in Central Asia, an area of Russia's traditional interests." The author also added that Moscow tacitly agreed that "the greater the Iranian presence, the narrower will be the American, Turkish, and to a certain extent Chinese presence in the region."<sup>29</sup>

If Iran's presence in Central Asia expands, the local Shi'a community will swell with newly converted Sunnis. Iran never spared any efforts to spread its cultural and religious influence in the region. This has already been done in Kazakhstan where a Shi'a Internet portal has been functioning for some time.<sup>30</sup> The changed religious situation might affect the country's economic and political context. The next summit will reveal the extent to which Tehran has tapped the favorable situation in Central Asia.

The heads of the Caspian states agreed on regular annual meetings; the next is scheduled for October 2008 in Baku, which might finally settle the Caspian's legal status and other equally important controversial issues.

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<sup>29</sup> "Kif e rusi" (The Russian Briefcase), *Tehran e emruz*, Oct.16.2007.

<sup>30</sup> The site [<http://al-gadir.kz/>]. There are Shi'a sites in Russia as well: [<http://imamat-news.ru/>], [[al-shia.ru/](http://al-shia.ru/)], [[shianet.ru/](http://shianet.ru/)].



# HYDROPOWER POTENTIAL: REGIONAL POLITICS

## PROBLEMS OF THE JOINT USE OF TRANSBOUNDARY WATER RESOURCES IN CENTRAL ASIA

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The joint use of water resources has been urgent problem in Central Asia for many years now. And although during the fifteen years of their independence, the region's countries managed to avoid large-scale water conflicts, the

debates still going on about the changes in the conditions regarding use of the Syr Darya and Amu Darya transboundary rivers are creating an atmosphere of looming uncertainty and arousing justified worries about the region's future.

### Water and Peace

At different stages in its evolution, mankind has constantly come up, in one way or another, against the problem of water shortage. One hundred and forty-five states of the world share so-called transboundary water basins with neighboring countries, and twenty-one states are located entirely on the territory of international basins.<sup>1</sup> Having to share water resources, particularly if they are limited, often leads to tension in interstate relations.

<sup>1</sup> See: M.A. Giordano, A.T. Wolf, "Sharing Waters: Post-Rio International Transboundary Water Management," *Natural Resources Forum*, Vol. 27, No. 2. Publication of the U.N. Public Information Department, November 2004.

The problem of the joint use of transboundary rivers as such gained momentum in the 20th century, when reservoirs, diversion canals, and other water-development works began being built on a global scale. As of today, most of these water-development structures have been built on 300 major rivers running through the territory of two or more countries. This has aroused the concern of the countries downstream, since these facilities have entailed a decrease in the amount of water reaching these countries or the sea, and have also had an impact on the state of the ecosystems along the entire river bed. Some of the largest environmental disasters were related to states' refusal to cooperate in cross-border water issues or because such cooperation came too late. A graphic case in point is Lake Chad. Its area today is only 10 percent of what it was 40 years ago.<sup>2</sup>

For a long time, countries have been trying to settle water disputes by diplomatic means. The legal conditions relating to cross-border water resources are regulated by international conventions and treaties that apply to the signatory states or to the countries that have joined them. There are two international conventions that regulate interstate relations with respect to the use of cross-border water resources—the Convention on Environmental Impact Assessment in a Transboundary Context (1991) and the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (1992). These documents are of immense international and political importance, but they are only recommendatory in nature and primarily touch on environmental problems. The mentioned Conventions say very little about the actual problems of river water management and do not envisage a mechanism for settling international disputes.

One of the main international agreements in effect on the use of transboundary water resources is the Rules on the Uses of the Waters of International Rivers adopted in 1966 in Helsinki by the International Law Association. The Helsinki Rules contain a set of regulations, both general and special, and, what is particularly important, they introduce the concept of “international drainage basin,” which implies “a geographical area extending over two or more States determined by the watershed limits of the system of waters, including surface and underground waters, flowing into a common terminus.”<sup>3</sup>

The legal conditions set forth in the Helsinki Convention were developed further in the two additional protocols to it—the London Protocol on Water and Health (1999) and the Kiev Protocol on Civil Liability and Compensation for Damage Caused by the Transboundary Effects of Industrial Accidents on Transboundary Waters (2003). The provisions of both protocols directly apply to transboundary water resources.

In addition to the mentioned documents, another two environmental agreements of the UNECE—the Convention on the Transboundary Effects of Industrial Accidents (1992, Helsinki) and the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (1998, Aarhus)—should be taken into account with respect to resolving issues on the protection of transboundary rivers.

After decades of discussion, the principles of joint water use were enforced in the U.N. Convention on the Law of Non-Navigation Uses of International Watercourses (1997) based on the Helsinki Rules of 1966.

In addition to the international conventions, other documents relating directly to transboundary water reserves are also very important, whereby bilateral agreements are prevalent. For example, two thirds of the 106 basins with water resource management institutions encompass three or more littoral states, but no more than a fifth of these documents are multilateral.<sup>4</sup>

<sup>2</sup> See: *Human Development Report, 2006*, UNDP.

<sup>3</sup> *The Helsinki Rules on the Uses of the Waters of International Rivers*, Adopted by the International Law Association at the fifty-second conference, held at Helsinki in August 1966, Report of the Committee on the Uses of the Waters of International Rivers, International Law Association, London, 1967, Ch. 1, Art 1.

<sup>4</sup> See: *Human Development Report, 2006*.

Over the past 50 years, water conflicts in transboundary reservoirs have been regulated by 1,800 such agreements. History knows of many instances when transboundary watercourses became catalysts for cooperation among the states located in their basins. The most well-known example is the treaty on use of the waters of the Indus which was concluded between India and Pakistan (1961) during extreme political tension and which “survived” several wars over Kashmir.

Very often, multilateral basins are regulated by an entire set of bilateral agreements. For example, agreements are in effect in the Jordan basin among Syria, Israel, Jordan, and so on.

The hydroeconomic policy of several countries uses the basin principle for managing cross-border water-development structures and the hydroeconomic systems associated with them throughout the entire basin of the river or lake. This ensures an integrated, balanced, technical, economic, social, and environmental-friendly policy that takes into account the special features of the watercourse and population throughout the entire water production area.

The degree of cooperation varies from coordination (information exchange) to joint work (drawing up national plans) and common efforts, which include the joint possession of infrastructure. In some cases, partnership resulted in the appearance of institutional formations, by means of which governments can interact on a regular basis. Basin management is based on international cooperation within the framework of the Convention on Protection and Use of Transboundary Watercourses and International Lakes. The basin approach to reviewing problems of water use and use of the environment as a whole is creating additional possibilities for resolving many questions and bringing countries closer together, which is ultimately making this approach universal.

For example, common frameworks have been established throughout the EU for managing the water industry and protecting water resources: the states and their constituents must cooperate within the boundaries of the drainage basin. In particular, the Rhine runs through Germany and the Netherlands, whereby in the first, it passes through the territory of three constituents. However, each of the actors retains its sovereignty in this question. It is presumed that disputes (for example, if the water of the Rhine runs into the Netherlands with a higher-than-permissible level of pollution) will be settled in the European Court (the Netherlands can file a petition compelling Germany to carry out the instructions of the Water Framework Directive).

Cooperation among the European countries in water management and pollution control in the basin of the River Danube is a good example of how effective a basin management agreement can be. The thirteen Danube states entered an agreement to improve the already existing and create new water-resource management systems.<sup>5</sup> The European Union allots large funds every year to finance the management structure of the Danube basin program and just as much comes from other sources. Sufficient subsidizing makes it possible to balance the interests of all the littoral states without particular effort. This includes analyzing water use, assessing the monitoring system and infrastructure of water services, establishing the need for waste water purification, and so on.

In general, the positive examples of cooperation on the basis of agreements and treaties is a great achievement. However, a closer look reveals serious shortcomings: insufficient provisions on monitoring, confinement mechanisms, and specific water-distributing procedures keeping in mind the variability of watercourses and changes in demand.

Specialists share the opinion that agreements on international watercourses should be more specific, envisage measures that ensure the mandatory fulfillment of the conditions set forth in the agreements entered, and contain detailed mechanisms of conflict settlement in the event that disputes arise. Precise and at the same time flexible distribution of water and setting quality standards keeping in mind hydrological phenomena, changes in the dynamic parameters of the basin, and social values are

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<sup>5</sup> See: V. Makarova, “Ekologiya bez granits,” *Nauka v Sibiri*, Nos. 36-37 (2422-2423), 26 September, 2003.

required to improve cooperation. Finally, the need may arise for certain compensation mechanisms during the development of international watercourses.

On the whole, globalization processes are making us take a fresh look at and re-evaluate many problems, including the use of cross-border water supplies. This problem, which affects the interests of essentially all states in one way or another today, is increasingly becoming a target of research. At present, lack of coordination in the use of transboundary rivers is still the rule rather than the exception. In most cases, the problems in this area are becoming chronic, which is leading to economic losses, environmental degradation of regions, and sometimes even to international conflicts.

## The Problem of Water Resources in Central Asia

Throughout the ages, the economy in Central Asia, the development of its social processes, and the establishment of a favorable environmental situation have been based on water resources—in other words, they have always been an incontestable prerequisite of human life. The countries of the region share the water reserves of the Syr Darya and Amu Darya rivers, as well as a network of water-development facilities comprised of dams, canals, and reservoirs. Under present-day conditions, the water-management system is acquiring a new qualitative context for the Central Asian states, which is determined by the factors presented below.<sup>6</sup>

- First, the water shortage in many of the Central Asian countries is perceived as a direct threat to national interests and security.
- Second, optimal operation of the river systems, which requires two branches of the economy at the same time (irrigation and power engineering), is very difficult to manage when they belong to different states.
- Third, the prospects for integration in Central Asia largely depend on how successfully and rationally the region's countries can resolve the water and energy use issues.

A special feature of Central Asia's hydrographic network is the extremely unequal distribution of its water facilities. The main sources of water of the region's five republics are located within the boundaries of two states. The water supply of the main arteries of the basin of the Aral Sea is mainly formed in Kyrgyzstan—the Syr Darya (80%) and Tajikistan—the Amu Darya (83%). The latter is the largest river in Central Asia and is 2,540 km in length. The Amu Darya basin accounts for about 62.9 cu km of the entire volume of water reserves (64 cu km) formed in Tajikistan. Moreover, enormous volumes of water are concentrated in glaciers, which constitutes more than 60% of Central Asia's supplies regulating the region's river balance. The Syr Darya is formed from the merging of the Naryn and Kadarya rivers in the eastern part of the Ferghana Valley and is 2,337 km in length; its water resources amount to 40.6 cu km.

At present, use of the Syr Darya's water resources is one of the greatest problems for the Central Asian states. This is mainly due to the conflict of interests of the water consumers with respect to the operating conditions (irrigational and energy) of the Toktogul reservoir, which is the largest in the Syr Darya basin. Due to the limited supplies of oil and gas on their territories, Kyrgyzstan and Tajikistan are vitally interested in using the energy potential of the water resources that form in the upper reaches

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<sup>6</sup> See: L. Guseva, "Problema ispol'zovaniia vodnykh resursov v Tsentral'noi Azii," *Analytic*, No. 1, 2000.

of this river. Most of the arable land is concentrated in Uzbekistan and Kazakhstan, which objectively defines these countries' interest in the irrigation conditions of the use of the region's water resources.

The network of water-development facilities created during Soviet times in the Syr Darya basin made it possible, based on the mechanism of compensation deliveries of energy resources, to use the Toktogul reservoir in the irrigation regime (accumulation of water supply in reservoirs during the winter for subsequent use during the vegetation period).

After they gained their independence, the Central Asian states agreed to leave the rules of water resource regulation of the Syr Darya River in effect, but the mechanisms for managing a once integrated water industry complex did not work in the new conditions. Beginning in 1992, there was an abrupt reduction in deliveries of fuel and energy resources to Kyrgyzstan from other republics—particularly from Kazakhstan and Uzbekistan. In order to meet the growing demands, Kyrgyzstan transferred to the energy operating regime of the Toktogul water facility, which changed the situation in water supply to consumers in the Syr Darya basin.

So the problems that arise annually in the basin of the transboundary Syr Darya River boil down to several issues that are difficult to resolve.

- First, in the winter, increased amounts of water must be discharged (due to the energy operating regime of the Toktogul cascade of the hydropower plant, which manufactures electric power for Kyrgyzstan's domestic needs), which are commensurable with the spring floods in high-water years. When ice forms in the river's lower reaches and its throughput capacity decreases, while an increased flow of water is discharged from the upper reservoirs of the Naryn-Syr Darya cascade, the very serious threat of submersion and flooding of the population settlements, as well as of the farm and other valuable land, along the banks of the Syr Darya arises.

- Second, in the summer, there is the problem of insufficient water for irrigating farm land, particularly along the Dostyk Canal for the Makhtaaraal area of the South Kazakhstan Region.

Before 2004, annual multilateral agreements or intergovernmental protocols were signed to resolve these problems, which defined the volumes of reciprocal deliveries of energy resources, the hook-up of electric power, and the water discharge for irrigation needs. Recently, due to the constant contradictions, bilateral protocols are frequently drawn up between the governments of the sides: Kazakhstan and Kyrgyzstan, Uzbekistan and Tajikistan, which does not guarantee the full-fledged settlement of the problems that arise.

- Third, without a multilateral agreement, Uzbekistan has been steering a course toward supplying itself with water by building accumulation reservoirs on its territory for the purpose of redistributing the winter water supply for the vegetation period and, in so doing, ridding itself of its dependence on Kyrgyzstan in the summer time.

Consequently, because the Central Asian states cannot coordinate the operating regime for the cascade of reservoirs of the Syr Darya River, idle discharges of water are permitted almost every year in the winter, which destroy engineering facilities, submerge population settlements and, correspondingly, create an acute water shortage during the summer.

There are just as many problems with respect to the Amu Darya River. A document defining the further strategy of comprehensive water management has not been drafted yet. Due to the absence of precise rules for regulating the water resources in the Amu Darya basin, which all the interested parties should be guided by, Tajikistan has been actively presenting plans in recent years designed to build up its hydropower potential. The priority projects include construction of the Rogun Hydropower Plant, which presumes the building of a dam on the Vakhsh River—the most important tributary of the Amu Darya. Further down the Vakhsh River is the large Nurek Hydropower Plant, which supplies electric

power to most of Tajikistan. And there are plans to build another two hydropower plants even further down the river. The Dashtijum Hydropower Plant on the Panj River with a capacity of 4,000 MW, annual output of 15.6 billion kWh, and reservoir volume of 17.6 cu km is the most economically attractive for Dushanbe.

Implementation of these projects designed to promote priority use of the energy potential of the Amu Darya's water resources is arousing worries in the republics located downstream, in particular in Uzbekistan and Turkmenistan, and is also fraught with aggravating interstate relations. Indeed, the rivers we are talking about do not belong to Tajikistan, or to any other country for that matter, which in itself defines the need to coordinate plans for their use.

In the meantime, many specialists in this field today, knowing how complex the topic of water resources in Central Asia is, are calling on the countries to exercise wisdom and not create tension. They add that several of the energy development projects on the upper reaches of the Amu Darya are not yet justified due to their capital-intensiveness, while others, if carried out sensibly, will not create significant problems for their neighbors. But this does not reduce the urgency of the problem in general.

So at present the serious threats to stability in Central Asia with respect to the use of cross-border water resources are caused by several problems given below:

- the absence of a sufficient and adequate legal base regulating the joint use of water reserves;
- the priority of each republic's own interests in the region, which essentially means a breakdown in the single water system, which has been unable to function under the local territorial conditions;
- the differences in the Central Asian countries' sociopolitical and economic development;
- the constantly rising demand for water resources.

The situation would most likely not have been so pernicious today if the water-consuming states had highly efficient economies, manufactured competitive products, and could, correspondingly, have allotted sufficient funds for maintaining the water facilities and hydroeconomic structures on their territory in a reliable state. So the task of harmonizing stances in the use of water resources cannot be reviewed separately from the efforts to draw up effective models of economic development for each country. The matter essentially concerns ensuring sustainable progress in the region, whereby water policy is its important component.

The breakdown of a once single water system, as well as the absence of budget funds in the Central Asian states' water management organizations, has led to the emergency state of reservoirs, canals, and pumping stations. The wear and tear on technical means for monitoring, controlling, and distributing the water resources of these major facilities is very high. The situation is aggravated even more by the fact that there is no single and coordinated policy of farm management in the region. Each republic is trying to increase its irrigable land and "appropriate" the available water supplies.

The problems of coordinated use of Central Asia's water reserves are not only technical, but primarily also international-legal in nature. But bringing the Central Asian states closer together to resolve the problems of the joint use of the hydropower resources of the Syr Darya and Amu Darya basins is a very slow process and characterized by low economic efficiency of the decisions adopted, since most of the treaties and agreements concluded are framework in nature. The conditions of agreements reached on specific water management facilities are not always carried out for various reasons.

As early as 1992, five countries of the region signed an Agreement on Cooperation in the Joint Management, Use, and Protection of the Water Resources of Interstate Sources. In so doing, they recognized the communality of the basin's water resources, equal rights to their use, and the responsibility for their corresponding supply and rational use. They also came to terms on creating condi-



tions for strict adherence to the agreed-upon procedure and set rules for use and protection of the water reserves.

In addition, an Interstate Coordinating Water Management Commission (ICWC) was created comprised of two basin hydroeconomic associations (BVO Amu Darya and BVO Syr Darya) on the rights of the executive bodies of the ICWC, the tasks of which included managing transboundary water basins.

In 1995, the leaders of the Central Asian republics declared their adherence to the ideas of equality and interstate cooperation on water problems at the international conference in Nukus. In the Nukus Declaration adopted, all the Central Asian countries confirmed their "obligation to full cooperation at the regional level based on mutual respect, good-neighborly relations, and determination" with respect to Central Asia's hydropower problem.

Later, the heads of state repeatedly declared the need to speed up the drafting of a water-sharing strategy and the formation of economic management mechanisms for the use of the region's water and energy resources. The need for creating a Hydropower Consortium in Central Asia was also declared. However, the idea of establishing a Hydropower Consortium still remains on paper.

In 2003, a Specific Action Program on Improving the Environmental and Socioeconomic Situation in the Aral Sea Basin in 2003-2010 drafted by all five Central Asian countries was approved, one of the priority vectors of which was the Development of Coordinated Mechanisms of Comprehensive Water Management of the Aral Sea Basin. The problems of regional use of water reserves were discussed again at an informal meeting of the leaders of the Central Asian states held in September 2006 in Astana. In 2007, within the framework of the SCO summit, questions were also raised of the "rational use of hydropower resources in the Central Asian region."<sup>7</sup>

So some issues are being resolved one way or another, but it has still not been possible to achieve the desired results and launch a viable mechanism for managing the region's transboundary water resources. A situation where the republics, declaring once again the need to reach a coordinated decision at the interstate level, have essentially absolutely different ideas about how to use the available water resources is becoming run-of-the-mill. The matter almost reached the point where each country of a particular transboundary river basin tried to draw up its own economic strategy based on common water resources. If these plans were to be joined together and viewed as a single whole, it would become clear that the available joint water reserves do not meet the general expectations. An obvious danger lies in the fact that the competing national plans of the upstream and downstream republics could become a source of tension and hindrance on the path to cooperation.

The region's current political, economic, and environmental reality requires drawing up effective conceptual approaches. If coordinated work is carried out, the established regulations of water use adhered to, corresponding water-saving technology introduced, and so on, the available water resources, according to specialists, will be quite sufficient for meeting the needs of all the consumers.

## The Water Problem in Kazakhstani-Chinese Relations

In addition to interregional problems of water use, the Central Asian states (primarily Kazakhstan) could very soon encounter the consequences of an aggravation of the problem of joint water use of the transboundary Irtysh and Ili rivers, which originate in Xinjiang. After Kazakhstan acquired its sover-

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<sup>7</sup> Initiative of I. Karimov at the SCO summit, 15-16 August, 2007 in Bishkek, available at [<http://rss.politikaonline.ru>].

eignty, it repeatedly appealed to Beijing in an attempt to legally establish bilateral relations in this field, but these initiatives did not always meet with understanding on the Chinese side.

Kazakhstan and the PRC share the water resources of some 30 transboundary rivers that originate in China. During recent years, due to the overall water shortage, the PRC has been carrying out several large irrigation projects to divert some of the water from the largest transboundary rivers of Ili and Irtysh (in China and until it runs into Lake Zaisan, the latter is called the Black Irtysh). It is enough to realize what these rivers mean to both states to understand the seriousness of this issue.

The Irtysh is one of the main water arteries of Kazakhstan. Some 2.5 million people live in the basin of this river on Kazakhstan territory. Large industrial centers are located here, such as Ust-Kamenogorsk, Semipalatinsk, and Pavlodar, where enterprises of non-ferrous and ferrous metallurgy are concentrated. Many areas of Central Kazakhstan also use the water of the Irtysh. In 1971, the Irtysh-Karaganda canal was built above the city of Pavlodar, via which water reaches the Karaganda industrial region. This project equally supplies water to such cities as Ekibastuz and Temirtau, as well as uses it for irrigation. What is more, the water of the Irtysh maintains the environmental balance in the Lake Zaisan zone located in East Kazakhstan.

The second river, the Ili, supplies water to Balkhash, the largest lake in Kazakhstan, situated in the southeast of the country. In turn, Balkhash is a source of water for meeting the needs of the population of Pribalkhashie, the local agricultural sector, as well as enterprises of the metallurgical industry. In the environmental respect, this reservoir plays a key role in maintaining the climatic balance of the southeast and central parts of Kazakhstan.

China, on the other hand, needs to divert some of the water from the transboundary rivers to implement its state program aimed at assimilating its western regions, which is of particular importance for the economic and social development of the PRC as a whole. China's growing industrial branches (primarily the oil industry, ferrous and non-ferrous metallurgy, and agriculture), as well as the population settlements being built, are experiencing an acute water shortage even today. So the main purpose of diverting water from the Irtysh and Ili is to supply the rapidly developing economic regions with water.

Another important point is the unsettled political situation in China's western regions, where separatist moods are prevalent. Based on this, the PRC leadership is hoping that dynamic economy-building will lead to a significant improvement in the standard of living of the local population and tone down the indicated negative trends.

Today Beijing has essentially made a unilateral decision to use the water resources of transboundary rivers. The Chinese have already built the Irtysh-Karamai diversion canal, and at the initial stage, according to several experts, collection from the Irtysh amounts to 0.8 cu km, which constitutes about 6-8% of the river's average annual water supply (Kazakh experts believe that the water supply of the Black Irtysh is equal to 9 cu km a year, while the Chinese side insists it is 12 cu km).

Beijing is making plans to build precisely the same type of canal on the Ili, which would join this river to the Tarim region of China. It stands to reason that there is no point in hoping the new facility will carry out moderate water collection. It is doubtful that anyone would build a multi-kilometer canal and spend enormous amounts of money only to divert small volumes of water.

Kazakh experts claim that the Chinese side could increase water collection to reach 15-20% of the rivers' total water supply in the very near future. This in turn will inevitably lead to several negative socioeconomic and environmental consequences for Kazakhstan.

For example, a significant decrease in the water volume of the Irtysh will entail a drop in technical water supply to Kazakhstan's industrial enterprises, threatening a halt of several production cycles. What is more, the collection conditions on the Irtysh-Karaganda canal will deteriorate, as a result of which the problem of water supply to the republic's central regions will be seriously aggravated. This primarily applies to Karaganda and the whole of the Karaganda region, for which this facility is the

main source of water supply. And, finally, a decrease in the water flow could disrupt the region's natural water balance and lead to a decrease in the natural moisture of the soil, a decrease in the harvest yield of agricultural crops, degradation of pastureland, as well as desertification of a large section of the northeast part of the country.

As for water collection from the Ili, it will essentially lead to the same consequences. The enterprises of the metallurgical and energy industries, agriculture, and the fishing industry could be dealt a serious blow. In the environmental respect, the shallowing and salination of the Balkhash could lead to consequences similar to the tragedy of the Aral. And these are all very real prospects.

Of course, it should be admitted that both the power and scientific circles in Kazakhstan are perfectly aware of the possible threat and the need to find a primary solution to the problem of transboundary rivers. During recent years, Kazakhstan's diplomacy achieved certain, even positive, results in resolving this question.

For example, several rounds of bilateral talks and meetings of working groups have been held, during which the sides were able to find some common ground. In particular, the volumes of China's water collection were determined and the parameters for evaluating the quality of water and several other provisions were coordinated. In September 2001, in Astana, an intergovernmental Agreement on Cooperation in the Use and Protection of Transboundary Rivers was even signed, although it is framework in nature and, while declaring adherence to the principle of non-infliction of damage, essentially does not envisage any real liability for the latter.

In 2005, an Agreement between the Ministry of Agriculture of the Republic of Kazakhstan and the Ministry of the Water Industry of the People's Republic of China on Emergency Notification of the Sides about Natural Disasters on Transboundary Rivers was initialed.

A Kazakh-Chinese Joint Commission on the Use and Protection of the Water of Transboundary Rivers has been created, which regularly holds meetings. Mutual exchange of hydrological and hydrochemical data of the border water posts on the Irtysh and Ili rivers is carried out. The sides collectively began designing a joint water facility on the Horgos River. So in recent years a certain amount of progress has been designated in the interrelations between Kazakhstan and the PRC. Nevertheless, terms have not been reached on a basic interstate agreement on water-sharing on transboundary rivers.

Keeping in mind all the complications of the negotiation process, several Kazakh scientists propose independently drawing up and implementing a project for carrying out water influx of the Irtysh and raising the quality of its water. This is to be carried out by creating water-development facilities on several Kazakhstan rivers. According to specialists, Kazakhstan can accumulate a water volume on its territory equivalent to almost half of the water supply of the Black Irtysh at the Kazakh-Chinese border. Nevertheless, all of these plans require a high-quality feasibility report, and most important, significant financing.

So on the whole, despite all the measures being carried out, there is still tension in the problem of the joint use of transboundary rivers. This trend will only increase in the future, and there are at least two reasons for this.

- First, it is obvious that China will continue to make growing demands on the water resources of the transboundary rivers (and not only of the Irtysh and Ili), since this question is of strategic importance to the PRC. New and very promising industrial zones will develop in the western areas of China bordering on Kazakhstan. We will present just a few statistics. Coal supplies in the Xinjiang-Uighur Autonomous Region (XUAR) amount to more than 40% of the total coal reserves in the PRC. According to specialists, this region accounts for 35% of China's total copper production and 15% of its aluminum production. In terms of rare metal (beryllium, lithium, tantalum, cesium, niobium, and uranium) and gold supplies, the XUAR

also occupies a leading place in the PRC. So China's growing economic and political potential is giving us real reason to confirm that its position on collecting additional water from the transboundary rivers could become quite uncompromising in the very near future.

- Second, it is just as obvious that Kazakhstan will also experience a growing demand for water resources, since the republic is essentially one of the most water-deficit countries on the Eurasian continent. The further development of industrial enterprises and building up of agricultural production will also require a corresponding level of water supply.

The negative consequences that Kazakhstan might encounter require that the republic find a solution to the problem of transboundary river use as quickly as possible, although several obstacles immediately arise here. First, the underdevelopment of the theoretical and practical foundations of the joint use of hydropower resources. Not one set of measures has been developed in either Kazakhstan or China for the rational use, protection, and quality improvement of water. As a result, there is no economic mechanism designed to ensure the joint use of the waters of transboundary rivers.

The second obstacle is that the Kazakh side cannot hold talks on a parity basis. One of the main reasons is Kazakhstan's almost total dependence on the PRC, due to the configuration of the river network. China, as an upstream state, is essentially not interested in discussing this question. The geopolitical breakdown of forces existing in the region is clearly in favor of China, and Beijing will take further advantage of the situation that has developed with transboundary rivers in order to retain its exclusive position.

So one of the primary tasks is to look for a solution at the political level, since without this component, any undertakings will not be carried out as necessary. However, as present experience shows, the Kazakh-Chinese format of the negotiation process will not make it possible to achieve the necessary efficiency in resolving the current questions. As mentioned above, China, which is located upstream and has significant political and economic clout, is directing the entire settlement process.

It would be different if bilateral Kazakh-Chinese talks on the problem of joint water use, and primarily with respect to the Irtysh, became multilateral. The question of including the Russian Federation in the dialogs has already been repeatedly raised in Kazakhstan, since the lower reaches of the Irtysh flow through Russian territory and run into the Ob. But Beijing's rather tough position, which prefers to decide all issues only at the level of bilateral talks, as well as Moscow's attitude toward this issue as a secondary problem are preventing this.

However, Russia in particular should be put on the alert by the fact that in addition to the purely economic-practical aspects, the collection of water from transboundary rivers is acquiring an increasing political component. China has a lever of influence on a state that traditionally belongs to the zone of Russian interests. The possible environmental consequences in the Irtysh basin, including on Russian territory, should ultimately prompt the Kremlin to take a more serious attitude toward this problem.

The Shanghai Cooperation Organization (SCO) could well act as a real basis for transferring the negotiation process to a multilateral format. First, it has members whose territory is joined one way or another by transboundary watercourses, and so resolution of the problem of transboundary river use is a common and essentially universal task. Second, the SCO has already accumulated a good amount of organizational-structural and negotiation experience, which is quite important. And, finally, third, the functioning of an efficient commission under the SCO for resolving the problem of transboundary rivers will meet the interests of the organization itself, one of the tasks of which is ensuring security and creating conditions for the sustainable development of the whole region. For if settlement of this problem is delayed, the overall situation could deteriorate in the future to the point of posing a threat not only to Kazakhstan's economic security, but also to the environmental safety of the whole of the Central Asian region, including Russia.

## *C o n c l u s i o n*

So the problem of water use in Central Asia has significant conflict potential that poses a threat to regional security. An analysis of the situation that has developed today in Central Asia makes it possible to draw the following conclusions:

- the problems of joint use of water resources could become a catalyst for intensifying ethnic and interstate contradictions in the Central Asian countries. A negative precedent in settling disputes over the use of transboundary water reserves could give rise to serious consequences for all the Central Asian states;
- water use is becoming a very powerful mechanism of economic and political pressure in the region on the part of several Central Asian countries;
- Central Asia is catastrophically dependent on the amount of water resources. It reacts very sensitively to water shortages and their negative consequences. Desertification is accompanied here by a change in the qualitative and quantitative composition of the population and is capable of having a most negative effect on the productive forces of the Central Asian countries and of leading to serious political, socioeconomic, and environmental consequences;
- in terms of their content, the questions relating to joint use of Central Asia's water reserves are mainly interregional in nature. But the conflict potential of the problems of interstate water use is being aggravated today by the use of the water resources of transboundary rivers such as the Irtysh and Ili and is thus assuming extra-regional dimensions;
- the solution to the key problems proposed by one of the sides is not always acceptable to the other actors. In addition, the initiatives of one side in the use of water resources is often perceived by the others as an attempt to apply pressure or enforce an advantageous position with respect to specific water resources.

There can be no doubt that the Central Asian countries have succeeded in expanding cooperation to a certain extent: a regulatory-legal base is forming, an institutional mechanism of cooperation among the states has been created, and international programs are being carried out to improve the environmental and socioeconomic situation in the region. Nevertheless, several problems still remain that are preventing cooperation from developing in this area. So today all the Central Asian countries should clearly realize that no national plans compiled beyond the framework of regional strategy of joint water use can be implemented without corresponding negative economic, social, and environmental consequences for the other states of the river basin. Local strategies can only be blended into the regional scenario of sustainable development by holding political talks, enhancing interstate agreements, and increasing the support of interstate basin organizations, since not one institutional structure can glean the benefits of transboundary cooperation on its own. Adequate financing of transboundary water management must be provided and general access to information created. Neighboring countries need information to be able to assess how ineffective unilateral programs are. It is important to remember that the management of common water reserves can be either a unifying or a destructive force, and we are the ones to decide which is given priority.

## TAJIKISTAN ENERGY SECTOR: PRESENT AND NEAR FUTURE

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Economically efficient use of energy is a major indicator which largely determines the economic development level of any country, its national security, and the well-being of its people.

Sustainable economic progress in modern societies implies that the energy factor is a key component of this progress. In the final years of the U.S.S.R., Tajikistan's electric power industry based on hydropower was one of the best not only among the Union republics, but also among Asian countries. Past political events have had an adverse effect on the republic's energy sector, but nevertheless, in contrast to many other sectors, it has passed this test and is now in the initial stage of recovery.

Let us consider the current state of the republic's electric power potential and its position compared to some CIS countries.

Tajikistan generates four times more electricity than Moldova, three times more than Armenia, over twice as much as Georgia, a third more than Turkmenistan, and more than Kyrgyzstan.

Nevertheless, there is an acute shortage of electricity in the republic. In winter, the population suffers and enterprises (including emerging businesses) incur losses, and this significantly hinders entrepreneurial activity in the country. In the conditions of tight restrictions on electricity consumption (limits), many enterprises suffer such heavy losses as to go out of business.

As it happens, hydroelectricity is the backbone of Tajikistan's energy sector. In this area, nature has endowed the republic with a huge po-

tential. Its renewable and environmentally clean water resources hold promise of a bright future for Tajikistan. The country's 14,500 glaciers (with a total area of 11,000 sq km, or about 8% of its entire territory) give rise to all large rivers whose waters are used in the national economy.

Tajikistan has 947 rivers over 10 km long, with a total length of 28,000 km. Overall, there are more than 25,000 rivers and streams, totaling about 90,000 km in length. Average drainage density in the country is close to 0.6 km per sq km.

Rivers are mostly fed by seasonal snowmelt runoff, whose share of annual river flow is 75-80%; the share of glacial runoff is 15-20%, and that of rainfall runoff, close to 5%. Average annual flow in Tajikistan is 76.7 cu km (1990), including 22.1 cu km of transboundary inflow from the territory of neighboring countries and 54.6 cu km of internally generated river flow. The republic's lakes hold 46.3 cu km of water.

In view of the above, Tajikistan ranks first in Central Asia and eighth in the world in terms of hydropower resources, which exceed 527 billion kWh per year. In terms of potential hydropower resources per square kilometer (3,682.7 thousand kWh per sq km per year), the country ranks first in the world, far surpassing other states.

Unfortunately, only 3.1% of these resources are currently being used, mostly by hydroelectric power plants (HPPs) built on the Vakhsh River.

Total installed HPP capacity in Tajikistan is 4,070 MW. The energy system also includes two thermal plants with a total capacity of 318 MW. Average annual electricity production, depending



on the dryness of the year and the availability of fuel at thermal plants, is about 16.5 billion kWh.

Tajikistan's largest hydropower station, the Nurek HPP on the Vakhsh River, has nine generating units with a total capacity of 3,000 MW and average annual output of more than 11.2 billion kWh. Downstream lies the Baipaza HPP (600 MW, 2.5 billion kWh), followed by a system of smaller hydropower stations: Golovnaya (240 MW), Perepadnaya (29.5 MW) and Central (15.1 MW).

Under the project, the Vakhsh hydropower system should include nine HPPs with a total capacity of 9,195 MW, five of which are already in operation.

The main uncompleted projects on the Vakhsh River are the Rogun HPP with an installed

capacity of 3,600 MW, the Shurob HPP with an installed capacity of 850 MW, and the Sangtuda-1 and Sangtuda-2 hydropower plants.

The Kayrakkum HPP (126 MW) on the Syr Darya River in the north of the republic is of unique importance to the region. Its reservoir is designed for irrigation and serves to regulate water flows to Uzbekistan and Kazakhstan in the summer months.

The Varzob hydropower system (25.43 MW) is located on the Dushanbe River that runs close to the capital. In addition, there are two combined heat and power plants: Dushanbe (198 MW) and Yovon (120 MW).

The current priority lines in the development of Tajikistan's energy industry are as follows.

## Continued Construction of the Rogun HPP

This project, designed and launched in Soviet times, is coordinated with all the republics. This HPP can ensure long-term flow management in the Vakhsh River, a tributary of the Amu Darya, which will enable Tajikistan to do away with the winter energy shortage and to nearly double the production of electricity. The project also provides for additional water supplies to Turkmenistan and Uzbekistan in dry years. Water storage in the reservoir will occur during floods, and this will partly protect downstream countries from inundation and destruction.

The initial design capacity of the Rogun HPP with six generating units 600 MW each is 3,600 MW; its annual output is 13.1 billion kWh, and its total cost is \$2.5 billion, of which \$804 million has already been utilized. The construction of the first phase of the Rogun HPP is a two-stage process. The first stage provides for the construction of a dam up to a normal water level of 1,100 meters, which will ensure additional generation of 0.45 billion kWh of electricity at the existing hydropower plants of the Vakhsh system. Later on, the dam is to be gradually heightened to a normal water level of 1,180 meters with the installation of two generating units totaling 800 MW. In this case, the Rogun HPP will be able to generate, in the process of long-term flow management in the Vakhsh River, 5.6 billion kWh per year, enabling downstream HPPs to produce an additional 0.7 billion kWh of electricity per year. The cost of the first stage of construction of the Rogun HPP is \$160 million, and of the first project phase as a whole, \$500 million. The capabilities of its regulating reservoir enable the Vakhsh hydropower system to operate in the required generation mode, producing base-load energy in summer and winter, and also to meet peak-load demand. This is particularly important in the Rogun HPP's joint operation with thermal power plants of neighboring states, which enhances the competitiveness of Rogun energy in the electricity market.

The completion of the Rogun HPP is of equal importance for the energy industry and for water supply to Uzbekistan, Turkmenistan and southern Kazakhstan. In dry years, its reservoir with a usable storage capacity of 10.3 billion cu m will be able to provide these countries with water.

## Completion of Sangtuda HPP-1

Sangtuda-1 with a capacity of 670 MW and an annual output of 2.7 billion kWh has been under construction since 1992. There is a fully completed engineering design, which has undergone all the required expert examinations. Investment in the construction of this facility has exceeded \$120 million; the amount of work done is over 25% of the design amount.

At present, the Sangtuda-1 project is being implemented under an Agreement between the Governments of the Republic of Tajikistan and the Russian Federation. The only purpose of this hydropower plant is to produce energy. The parties' equity stakes are as follows: Tajikistan has 25% (construction in progress), and Russia 75%.

When Sangtuda-1 is put into operation, this will make it possible, in the summer months, not only to supply domestic consumers with low-cost electricity, but also to export it to neighboring countries.

Preparatory works have been completed and construction has started on Sangtuda HPP-2 with a capacity of 220 MW. The project is co-financed by the governments of the Islamic Republic of Iran and the Republic of Tajikistan.

Sangtuda-2 is the downstream part of the Sangtuda hydrosystem; it operates in parallel (jointly) with Sangtuda-1 to release water from the Nurek Reservoir and makes it possible to balance storage and to meet, in part, peak load demand in winter.

With the completion of the Rogun and the two Sangtuda HPPs, generation of environmentally clean electricity in the country will reach 31-33 billion kWh. The possibilities for low-cost energy exports from the facilities being built in Tajikistan to consumers in Kazakhstan, Russia, Uzbekistan and Afghanistan will increase.

The implementation of these projects may be the first step toward tapping Tajikistan's enormous hydropower potential through the joint efforts of states and toward the development of a whole range of industries in neighboring countries.

## Construction of Small Hydropower Plants

In order to supply electricity to population centers in hard-to-reach mountain areas, over 30 small hydro plants with a capacity of 100 kW to 1,500 kW and over 40 micro plants with a capacity of 5 kW to 100 kW have been built in the republic. Their ecological cleanness manifests itself, first and foremost, in much smaller areas of flooding and waterlogging; their dams and reservoirs inflict much less harm than other energy facilities on the natural human and wildlife habitat, especially when they are sited on mountain rivers with erosion-resistant boulder and gravel beds and rocky hillsides. This is extremely important to the local population. Small hydro plants are particularly effective in areas with dispersed energy consumers located far from energy systems.

The potential of Tajikistan's small and medium rivers as regards the construction of small HPPs is over 30 thousand MW with an annual output of about 100 billion kWh. Unit costs in their construction are roughly \$600-\$800 per kW of installed capacity. In order to harness the energy of small rivers, the government has developed and adopted a Long-Term Program for the Construction of Small Power Plants for 2007-2020, which provides for the construction of 71 small HPPs with a total capacity of 79.6 MW and an annual output of 481 million kWh.

By now, feasibility studies have been prepared for 19 small HPPs with a total capacity of 18 MW, which do not require large investments and can be built virtually within a year. They are relatively easy to operate and have a short payback period.

At present, the question of financing the construction of 17 HPPs has been decided by the government of Tajikistan and investors (Islamic Development Bank, Asian Development Bank, UNDP, etc.). These plants are to be built and put into operation before 2010.

Naturally, matters of compliance with safety standards at these and other HPPs will have to be resolved within the framework of reorganizations in the republic's electric power sector projected for the near future.

In accordance with the National Strategy for Developing the Energy Sector in the Republic of Tajikistan (2006-2015), electricity generation is to reach 26.4 billion kWh in 2010 and 35 billion kWh in 2015.

With the completion of projects launched in 2006-2015 (the second phase of the Rogun HPP, the Shurob HPP on the Vakhsh River, and the Dashtidzhum HPP) and with the development of the Zarafshan River basin, electricity generation is to reach 57-60 billion kWh by 2020.

On the Panj River—the main tributary of the Amu Darya—it is economically feasible to build 14 hydropower plans ranging from 300 MW to 4,000 MW, with a total capacity of 9,350 MW and an annual output of 86.3 billion kWh.

Transmission of electricity is assuming great importance for the national energy system.

The republic's power distribution networks mostly consist of 220/110 kV transmission lines, with 500 kV overhead lines serving to transmit power from the Nurek HPP and to connect the national energy system to the integrated power system of Central Asia.

The total length of 110-500 kV transmission lines is 4,371 km, and the installed capacity of 110-500 kV step-down substations is 10,161.0 thousand kVA. Substations of 110 kV and over are mostly double-transformer ones. All these transmission lines are connected to the energy system of Uzbekistan.

There is also the 220 kV Kanibadam-Batken transmission line connecting the energy system of Tajikistan's Sogd Region with Kyrgyzstan, and 110 kV and 35 kV lines linking Tajikistan with Afghanistan. The total length of transmission lines ranging from 0.4 kV to 500 kV is 60,819 km.

The limited technical capabilities of the existing 500 kV transmission lines of the Integrated Power System have long made it impossible to use the export potential of Tajikistan's electric power industry in the summer months.

It is necessary to create an integrated power system covering the whole country, because at present its industrial North has no electrical communications with the South, while most of the country's power generation facilities are concentrated in its southern regions. In the past, electricity was supplied to northern Tajikistan through Uzbek transmission lines, but today this is possible only on a limited scale, as agreed with the Uzbek side.

In this connection, the republic's government has adopted a number of decisions whose implementation will make it possible to sell surplus energy to neighboring states without hindrance.

## **Construction of a 500 kV South-North Transmission Line**

This project provides for electricity supplies to energy-short areas in the republic's Sogd Region, the southern part of Kazakhstan, Kyrgyzstan, and then on to the Russian Federation and to China. This will enhance the security of the Integrated Power System.

The project is being implemented under an agreement with the PRC. The South-North high-voltage line has the following characteristics:

- length—386 km;
- cost—\$282 million;
- PRC credit—\$276 million;
- project implementation period—3 years;
- transfer capability—8.6 billion kWh per year;
- construction of two 500 kV substations (Dushanbe and Khujand);
- modernization of the 500 kV Regar substation.

All preliminary works are close to completion.

Characteristics of the 220 kV Lolazor-Khatlon transmission line:

- length—90 km;
- project cost—\$58 million;
- PRC credit—\$56 million;
- two 220 kV substations.

In 2007, in accordance with the ADB schedule, the parties started the construction of a double-circuit 220 kV transmission line from Sangtuda (Tajikistan) to Puli Khumri (Afghanistan) with an annual capacity of approximately 4 billion kWh, which will make it possible to meet Afghanistan's contract demand of 300 MW in 2008-2010 (in summer).

The implementation of this and other projects will significantly extend the republic's capabilities in regional electricity trade with a steady expansion of generating capacity and will help to achieve complete security of electricity supply.

The government of the Republic of Tajikistan and the government of the Islamic Republic of Pakistan have signed a Memorandum of Understanding on the construction of a 765 kV (500 kV) Rogun-Khorog-Wakhan Corridor-Chirtal-Peshawar transmission line. The construction of a 500 kV Rogun-Sangtuda-Puli Krumri-Kabul-Peshawar line is under consideration.

With the Islamic Republic of Iran, Tajikistan has signed a Protocol of Intent on the supply of 6 billion kWh of electricity to that republic. Even today Tajikistan has an opportunity to export electricity to Iran in the summer months in the amount of 1.5-2 billion kWh. The Iranian side is considering the question of electricity transit through Uzbekistan and Turkmenistan, and has started the construction of a 400 kV transmission line 245 km in length from Mary (Turkmenistan) to Mashhad (Iran). The question of the construction of a 500 kV Rogun-Sangtuda-Kunduz-Puli Khumri-Herat-Mashhad line is under consideration.

The Tajik government has successfully attracted investment from a number of countries (Russia, China, Iran, India and U.S.); other investors have expressed an interest in implementing new projects (Kazakhstan, Czech Republic, Turkey and others).

Tajikistan, together with Afghanistan, Pakistan and Kyrgyzstan, takes part in the Central Asian and South Asian regional electricity market. Under an Intergovernmental Memorandum of Understanding, Pakistan is to buy, while Tajikistan and Kyrgyzstan are to sell 1,000 MW of electricity on a year-round basis. In the future, this amount may be increased to 4,000 MW.

The republic's program for developing the fuel and energy complex in 2007-2015 provides for continued implementation of projects designed to modernize and reconstruct the key facilities of the energy system, including power stations, transformer substations and transmission lines.

Projects to modernize HPPs provide for their rehabilitation and, at the same time, for an increase in the capacity of generating units by up to 10%, with a resulting increase in the installed capacity of hydropower plants by 350-400 MW. This includes, in the first place, projects to reanimate the Vakhsh

and Varzob hydropower systems and the Kayrakkum HPP. For the successful implementation of energy-saving programs, the initial phase is to rehabilitate (repair and modernize) the main elements of the energy system, primarily the most worn out power grids and transformer substations.

In order to rehabilitate and modernize the energy sector and to enhance the energy and economic efficiency of the energy system, the government is implementing a number of measures.

In particular, a Power Rehabilitation Project has been launched in Tajikistan to restore the energy infrastructure in the south of the country. Its total cost is \$62.8 million.

A program called Reduction in Auxiliary Power Consumption at Power Stations and in Power Networks requires generation companies and grid operators to take measures to reduce transmission losses in 0.4-500 kV networks and auxiliary power consumption at power stations in 2007-2009.

A plan designed to reduce gas losses in municipal distribution networks is expected to save 65 million cu m of natural gas.

Work is underway to replace and repair internal oil supply lines in the south. The expected effect here is 6.0 thousand tons of oil.

An important task is to arrange an effective accounting system at every level, from end customers to generating plants.

To reduce excessive losses in electricity supply to customers in Dushanbe, Open Joint Stock Holding Company Barqi Tojik is implementing a project entitled "Energy Loss Reduction."

This project is designed to develop and install an automated control and accounting system and an automated billing system for electricity in Dushanbe. The project provides for the supply and installation of 160 thousand electricity meters, telecommunications and calibration equipment, and also materials for all electricity consumers in Dushanbe; an automated system designed to collect and transmit data from electric meters is to be developed and installed.

In pursuance of the Law of the Republic of Tajikistan on Energy Conservation, Barqi Tojik's training center has been training specialists under the Energy Conservation Program.

All these measures will undoubtedly enhance the efficiency of the country's energy sector.

At present, the power complex is going through reforms designed, among other things, to improve the environment for attracting investors, including private investors, into energy production and the development of the domestic energy sector.

Tajikistan has the lowest electricity prices among all CIS countries. Low-priced electricity, even with minimal production costs, does not allow the republic's electric power sector to repair all its equipment or to create new energy facilities at its own expense. This results in significant wear of equipment and makes it necessary to obtain foreign loans. With a correct tariff policy, Tajikistan's power industry should become one of the most profitable sectors. True, in today's conditions of winter electricity shortages and attendant restrictions imposed through power outages, two groups of consumers—enterprises and households—are faced with yet another problem: gaining access to electricity. This is partly due to the arrangement under which limits on electricity consumption in the country are fixed without regard to actual payments for electricity by consumers or their ability to pay more than the fixed rate (or, possibly, to the establishment of reduced rates for individual entities).

Low electricity rates are usually explained by the grave economic situation in the republic and the population's low ability to pay. For some time this was undoubtedly justified, but this period in Tajikistan has lasted too long. As a result, these low rates themselves not only serve to perpetuate the people's poverty, but also "provoke" a low economic level.

Today, even after the adoption of a Government Decree on Tariffs for Electricity and Heat, approved in June 2007, industrial consumers and those equated to them pay 4.4 diram (\$1 = 344 diram, 1 somoni = 100 diram) or 1.28 cents per kWh. Households pay 2.4 diram for less than 250 kWh, and 3.8 diram for over 250 kWh.

The existing energy system makes it possible to ensure the development of the national hydropower industry at its own expense with an electricity rate of 2.5 cents per kWh. To achieve this, the

government of Tajikistan has developed a program of gradual increases in electricity rates during 2007-2010 to the minimum level ensuring the system's financial viability: 2.5 cents per kWh, which will possibly make the republic more attractive to investors.

Gas consumers in Tajikistan pay 50 diram per cu m. The price of a ton of coal ranges from 47 to 80 somoni, depending on the method of its production (underground or surface mining) and its rank.

Low-priced electricity prevents wide use of gas and coal in the country.

Since hydropower is the cleanest and most economical kind of energy, the course for a regionalization of the hydropower market—at the current technological development level—can be regarded by all Central Asian states as an essential condition for future progress in the energy sector and the economy as a whole, and also for the creation of a Eurasian subregional economic space. The construction of hydropower plants and reservoirs in narrow mountain gorges will have a minimal impact on weather processes and the environment, preventing the evaporation of water, which is of great importance in a hot climate.

It is clear that in today's world an individual country, however well endowed with water and energy resources, will find it very difficult to ensure its security in isolation from international integration processes in the fuel and energy complex and close cooperation with neighboring states.

Fair and mutually beneficial distribution and rational use of water and electricity will resolve the problem of water and electricity supply in the region as a whole and, consequently, will guarantee agricultural growth. All these factors will improve the people's well-being and enhance political stability in Central Asia.

Generation and sale of renewable, low-cost and environmentally clean hydropower will make it possible to cover all costs incurred by investors with a big profit margin, to save oil, gas and coal for more effective use, and to improve the environmental and economic indicators of all electric power plants in the region.

Under normal operation, Tajikistan's energy system based on hydropower, which has no fuel component in its structure, can become highly efficient. This will allow more effective use of other energy sources available in the country.

Tajikistan has more than 40 coal deposits and fields with total reserves of about 5.0 billion tons. This includes the Nazaraylok deposit of superclean anthracite coal; the Fan-Yagnob coking coal deposit; the Ziddi hard coal deposit; and the oldest Shurob deposit (mine).

Nazaraylok anthracites are of a high quality and are identical to those of the Ha Tu deposit in northern Vietnam, considered the best in the world.

The Fan-Yagnob coking coal deposit is the largest one in Central Asia with total reserves of over 1.5 billion tons.

The Ziddi deposit with total geological reserves of 90 million tons lies 70 km north of Dushanbe. There is a project for test pit excavation at this deposit.

Coal is mined by 15 small enterprises; three of them engage in underground mining, and 12 in surface mining. Companies using the surface method have appeared since 2001. They have virtually no fixed assets or mining equipment on their balance sheet, leasing such (and other) equipment from individual and legal entities, which raises the cost of coal. Coal is mostly transported by road, and the cost of such transportation is double or triple the cost of the coal itself.

## Oil and Gas Industry

Tajikistan has an area of 143.5 thousand sq km, including 34.6 thousand sq km of oil and gas prospects.



The development of the oil and gas sector is of particular importance in the national fuel and energy complex, because over 98% of oil and gas products are currently imported from abroad.

Oil and gas production in Tajikistan started back in 1907 (at the Selrokho field). From the 1960s on, 24 oil and gas fields with occurrence depths ranging from 300 m to 5,000 m were discovered in the republic. Gas production peaked in 1973 (520 million cu m), and oil production in 1979 (418 thousand tons).

The top eight prospects in the country hold a total of 857 billion cu m of natural gas and 170 million tons of oil. Further exploration work may result in the discovery of large gas pools at depths of over 6-7 km (Rengan, Sargazon, Yalgizkak, Mahram, Khodja-Bakirgan, Eastern Supetau and Western Supetau). Tajikistan's proven oil and gas reserves now amount to less than 1% of total resources, estimated at 1,033 million tons of fuel equivalent. Over 100 prospects discovered in the country are awaiting geophysical and exploration work.

The most attractive renewable energy source in Tajikistan is solar energy, while wind energy, energy from biomass and waste, geothermal, and other kinds of energy can be ranked as secondary sources of little importance to the economy as a whole.

The share of renewable energy sources (excluding large HPPs) in the world as a whole is 1.6%. Most of these sources have a major shortcoming: irregular generation of energy. Units powered by such energy should be equipped either with storage batteries or with backup units running on conventional fuel, while electrical networks should be large and "flexible" enough to offset irregular supplies of energy. As a rule, energy obtained from such sources is more costly.

The republic has a huge potential for the use of solar energy comparable to its hydropower potential, but conversion of solar energy into electricity is so far economically inefficient.

At the same time, given foreign investment, solar power engineering is of great interest to the country's Murgab District, where the conditions for the operation of photovoltaic (PV) cells are extremely favorable. PV capacity may be gradually increased (as funds are obtained), using the resultant energy first for household needs, then for industrial production, and later possibly for export as well. PV cells may also be widely used in mountain expeditions, etc. Total PV capacity in the world exceeds 500 MW, and a number of countries have adopted national programs for large-scale PV installation (100,000 solar roofs in Germany and Japan, Million Solar Roofs Initiative in the U.S.). Given adequate insolation, the cost of photovoltaic electricity does not exceed 15-20 cents per kilowatt.

Since the high cost of energy generated by PV cells prevents their wide use, research and development designed to reduce their cost is conducted throughout the world.

The number of sunny days in Tajikistan ranges from 250 to 330 per year, which is why the use of solar energy is a major issue not only of today, but also of the near future.

The most effective way to obtain solar heat is in flat-plate solar collectors (solar water heaters). The total area of such collectors now installed in the world is estimated at 50-60 million sq m, which allows the annual production of thermal energy in the amount of 5-7 million tons of fuel equivalent.

Unfortunately, solar water heaters have not found wide application in Tajikistan, although local scientists conducted research and development in this area when such heaters had just come on the scene. In view of our climatic conditions, heat collectors of a mixed, solar-electric type are, in our opinion, particularly effective in the republic. Rising electricity rates will inevitably lead to the spread of such collectors among the population and in production.

In accordance with government documents, work has started in the republic to prepare normative legal acts for restructuring the power industry and the gas sector, since reforms here are long overdue. Their purpose is to enhance the economic efficiency of production and to improve service quality and reliability. The government is planning measures to separate energy production, transportation and distribution.

The country has a record of granting concessions to operate energy facilities. The government has concluded an agreement with the World Bank's International Finance Corporation, its International Development Association and the Aga Khan Fund for Economic Development on granting a concession to operate the Gorno-Badakhshan Autonomous Region's energy system for a term of 25 years.

Tajikistan has joined the common energy system of the CIS states, whose participants are working to harmonize their laws, regulatory frameworks and technical documentation in the field of energy and water saving. Another factor contributing to this is the republic's participation in EurAsEC and the SCO.

Joint work to reduce fuel and energy sector costs, ensure productive and mutually beneficial use of water and energy resources, and displace economically inefficient power-consuming equipment from the market can lead to a significant general increase in regional trade in goods and services.

To summarize, we can conclude that interest in Tajikistan's energy sector is bound to increase. In the foreseeable future, development in this sector will be concentrated in three main areas.

The first and most important area is hydropower. The more than 70-year operational experience of the republic's hydropower sector has confirmed the real possibility of effective industrial use of its hydropower resources and their very high profitability.

The second major area is effective use of the republic's oil, coal and gas potential.

And the third area is energy conservation, including wide use of solar energy to obtain hot water for heating and everyday purposes.

**REGIONAL POLITICS****THE REPUBLIC OF KAZAKHSTAN AND  
THE ECONOMIC COOPERATION ORGANIZATION:  
PRESENT STATE AND FUTURE COOPERATION****Marat NARIBAEV**

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**The ECO:  
Present State, Achievements,  
and Problems**

The Economic Cooperation Organization (ECO) was established in 1985 by Iran, Turkey, and Pakistan for the purpose of promoting multi-dimensional regional cooperation and creating conditions for sustainable socioeconomic growth in its Member States. In 1992, Azerbaijan, Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan became members of ECO, thus turning it into a major regional structure with immense economic potential. With a total territory of almost 7 million sq. km, a population of more than 350 million, vast supplies of raw minerals and various other natural resources, and a high transport-transit potential, this Organization has the necessary prerequisites for dynamic economic interaction among its Member States.

The ECO's main tasks include creating conditions for promoting advanced socioeconomic development in its Member States, enhancing the consistent and gradual integration of their economies into the global economic system, and encouraging active regional cooperation and mutual assistance in technical, scientific, and other spheres. In order to carry out these tasks, ECO formed the following multi-dimensional organizational structure of regional cooperation coordination and management. Its specialized agencies and regional institutions are the ECO Cultural Institute, ECO Educational Insti-

tute, ECO Science Foundation; ECO Shipping Company, ECO Air, ECO Chamber of Commerce and Industry, ECO Reinsurance Company, ECO Trade & Development Bank, and ECO Consultancy & Engineering Company.<sup>1</sup> This structure defines the main vectors of ECO cooperation, which include: foreign trade; the fuel and energy sphere; transportation and communication; industry and agriculture; and the social sphere, consisting of public health, education, and science.

In order to promote diverse and multifaceted cooperation among ECO Member States, an extensive contractual-legal base has been drawn up, consisting of more than 60 declarations, treaties, agreements, charters, protocols, and memorandums. They include five charters; about 20 economic documents; ten on the establishment of ECO institutions, and 24 on cooperation with international and regional organizations. At the 9th Summit held in May 2006, a conceptual document called ECO Development Prospects Until 2015 was adopted that reflects the main priorities for developing multilateral integration cooperation.<sup>2</sup>

Transport and communication is a strategic vector of cooperation in ECO. The following main documents have been adopted:

- (a) Basic Plan of Development for the Transport Infrastructure (Almaty Plan) (1993) was the first document on development of this ECO sector.
- (b) Program of Action in Transport and Communication Sector (ECO Decade 1998-2007) (1998).
- (c) Memorandum among the Railroad Administrations of Six ECO Countries (2001) on opening passenger traffic on the Almaty-Tashkent-Turkmenabad-Tehran-Istanbul branch of the Trans-Asian trunk line.
- (d) Memorandum on Tariff Policy on ECO Rail Transport at International Freight Fees (2004).

Rail transport, which handles approximately 80% of the freight turnover and more than 50% of the passenger turnover, constitutes the main transport system of the ECO region. An important vector in the Organization's activity is modernization and development of rail communication, whereby the following main results have been achieved:

- (a) In Turkey, the 420-km Istanbul-Ankara section has been completely electrified and equipped with a centralized dispatcher system. The speed of passenger trains reaches 260 km per hour.
- (b) In Iran, the section running from the Turkish border through Tehran and on to Mashhad has been modernized and electrified. The trains on this section run at a speed of up to 240 km per hour. A section has been built between Miane and Tabriz that reduces the length of the route by 110 km.
- (c) The Tejen-Serakhs-Mashhad junction has been put into operation on the border between Turkmenistan and Iran with a transshipment capacity of more than 3 million tons a year.
- (d) In Turkmenistan, a system is in operation at the Serakhs station for transferring wheel sets from a 1,520-mm-diameter gauge to the world standard gauge of 1,435 mm.
- (e) In Kazakhstan, a project is underway to build a Dostyk (Kazakhstan)-Gorgan (Iran) railroad. The route will pass through Aktogai, Zhezkazgan, and Beineu to the port of Aktau and on through Turkmenistan and the border with Iran to Gorgan. The volume of freight shipments along the route should reach as much as 100 million tons a year.

The western section of a 2,500-km fiber-optical communication line has also been built. This made it possible to organize transit communication traffic via a shorter route between the countries of Southeast Asia and Europe.

<sup>1</sup> [[http://ecosecretariat.org/Detail\\_info/principalfunc\\_ECO\\_Organs.htm#GS](http://ecosecretariat.org/Detail_info/principalfunc_ECO_Organs.htm#GS)].

<sup>2</sup> [<http://ecosecretariat.org>].

The ECO countries are also cooperating in the regulation of foreign trade activity in the region. Four basic documents were signed in this field, including:

- (a) An Agreement on Transit Trade (1995) aimed at improving transshipment and trade conditions among the ECO transit countries.
- (b) A Framework Agreement on Trade Cooperation in the ECO (2000), which envisages reducing trade barriers.
- (c) An ECO-ECOTA Trade Agreement (2003), in which a wider list of measures is envisaged for lowering and removing the existing tariff and non-tariff barriers.

It is expedient to hold regular meetings of the buyers and sellers of various types of goods. For example, in May 2003, a meeting of the sellers and buyers of foodstuffs was held in Almaty, with the cooperation of the International Trade Center and the UNDP, in which representatives from eight ECO countries participated. This meeting revealed untapped potential in this area. For example, the ECO Member States import only about 10% of foodstuffs inside the Organization.

The transportation of oil and petroleum products and the development of a network of power transmission lines are also very urgent issues in the ECO. For example, in 2001, some projects were approved by the energy ministers within the framework of a Plan of Action for Energy Cooperation in ECO Region (2000-2004). An important achievement of cooperation in this field was putting the Baku-Tbilisi-Ceyhan (BTC) pipeline into operation in May 2005. At present, planned work is being carried out to build a Kazakhstan-Turkmenistan-Iran pipeline with the participation of Kazakhstani, French, and Japanese oil companies. This route appears to be extremely attractive for Kazakhstan too, keeping in mind the promising markets in this direction, as well as the necessary infrastructure at the port terminals in the Persian Gulf. The new Baku-Tbilisi-Erzurum gas pipeline will ensure diversification of transit routes for Kazakh and Turkmen gas through the Caucasus to Turkey. This will make it possible to increase gas exports from the ECO region to the European markets.

The task to optimize oil transportation routes bypassing the Turkish straits (Bosporus and Dardanelles) includes implementing pipeline projects via the Burgas-Alexanrouópolis and Samsun-Ceyhan routes. The first route will pass through Bulgaria. The second route of 550 km in length will make it possible to pump oil through Turkey between the ports of the Black and Mediterranean seas with a production capacity of about 75 million tons of oil a year.

An important factor of cooperation development within the ECO in the energy industry is completion of the Sangtuda and Rogun hydropower plants in Tajikistan. These projects are being implemented with the participation of Russian and Iranian capital. Putting these facilities into operation will make it possible to increase the electric power potential of the ECO region to 4.35 million kWh. A project for building a modern power transmission line (LEP-500) along the Khujand (North Tajikistan)-Shymkent (South Kazakhstan) route through Uzbekistan is designed to increase energy supply in the ECO region. The length of this route will amount to a total of 320 km.

On the whole, implementing the above projects is helping to develop the transit potential of the ECO region and increase its export potential in delivering energy resources to third countries.

Today, consistent efforts are being exerted in the ECO to strengthen ties with more than 15 different regional and international organizations. In 1995, the Organization was granted the status of observer in the U.N., thus giving it the opportunity to develop cooperation with various U.N. institutions. For example, agreements with the UNDP are helping to involve investors in implementing the most important projects and stepping up the Organization's activity as a whole.

The ECO is also cooperating with the World Customs Organization, ASEAN, and the Organization of the Islamic Conference and its institutions. In public health, the ECO structures are actively cooperating with the UNFPA. Protecting maternal and child health, fighting infectious diseases, and providing national public health systems with the latest medications and equipment have become priority

areas of cooperation.<sup>3</sup> On the whole, the development of ECO relations with international organizations will make it possible to raise its status and provide financing for several projects.

However, despite the results achieved in developing cooperation among the ECO states, there are still several problems in the Organization's activity. An analysis shows that, despite its 15 years of activity, ECO still does not meet those requirements and visions its Member States vest in it. It has not reached the level of development of such associations as the Black Sea Economic Cooperation Organization or the Shanghai Cooperation Organization. The problems include the following:

1. There is a low level of cooperation in industry and agriculture. The Central Asian countries, including Kazakhstan, are implementing a small number of joint projects in these areas.
2. Several planned ECO programs and projects in transport and energy have not been completely implemented.
3. The level of cooperation in the scientific sphere is low and does not meet the potential the Organization's countries are capable of.

Efficient development of cooperation in ECO is being hampered by several economic, organizational, political, and other factors.

1. Economic Factors:

- different levels of economic development and potential of ECO Member States;
- different models of economic functioning of the region's countries;
- insufficient level of development of the transport-communication infrastructure in the region.

2. Organizational Factors:

- violation by the national structures of ECO countries of the deadlines for implementing action plans to execute decisions and documents;
- inefficient functioning of the national systems of the Member States in executing the adopted decisions;
- low level of activity coordination among the ministries, departments, and business circles of the Member States;
- non-adherence of the deadlines for presenting information and proposals on the organization and activity of many joint structures;
- absence of an efficient organizational structure of management, as well as an optimal decision-making mechanism and procedure.

3. Political Factors:

- high level of political instability in Afghanistan;
- drug trafficking through the Central Asian countries;
- instability of the political situation in some Central Asian countries (Kyrgyzstan, Turkmenistan, Uzbekistan);
- negative influence of the Indo-Pakistani conflict on political stability in the region;
- absence of a common approach to the transportation of raw hydrocarbons from the Central Asian countries.

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<sup>3</sup> See: K. Tokaev, *Pod stiagom nezavisimosti*, Bilim, Almaty, 1997, p. 686.



#### 4. Other Factors:

- insufficient level of activity coordination between the partners during practical implementation of joint projects;
- absence of the necessary information base of ECO activity for promoting the planning of joint measures and monitoring their implementation in a highly qualified manner.

Such factors as terrorism and extremism are also preventing the strengthening of integration interaction. In this respect, the ECO region remains a high risk zone.

## **Kazakhstan and the ECO: Main Vectors, Achievements, and Problems of Cooperation**

The main advantage of Kazakhstan's membership in ECO is that it affords it the real possibility of gaining access to sea routes in the Mediterranean Sea and the Persian and Oman gulfs. Due to this, it is interested in the ECO Member States as potential transit markets.<sup>4</sup> During its membership in ECO, Kazakhstan has proved itself an active and full-fledged participant in regional cooperation, upholding ECO principles and ideas. This is confirmed by the nature of Kazakhstan's participation and stance in ECO undertakings at different levels.<sup>5</sup> In particular, Kazakhstan is participating in such documents as the Revised Treaty of Izmir (the ECO Charter), and the Agreement on the Legal Status of the ECO, National Representatives, and International Staff. Kazakhstan has signed a total of more than 30 documents within the framework of ECO.

In 1998, the 5th ECO Summit was held in Almaty. During the 5th Summit, the Kazakhstan president was elected as chairman for a two-year term. An important factor in ECO participation for Kazakhstan is the fact that the priorities of the country's Development Strategy until 2030 are in full harmony with the Organization's main goals. The Almaty Declaration, which sets forth the priority vectors of regional cooperation, noted the need for the Organization to enter the 21st century as a viable regional structure.

Between 2003 and 2006, a Kazakhstan representative was ECO Secretary General. During this period, two summits were held — in Dushanbe (2004) and Baku (2006), where corresponding declarations were signed. In 2005, a conceptual document called *The ECO's Prospects Until 2015* was adopted. In June 2006, the 3rd Assembly of Ministers of Environmental Protection of the ECO Member States was held in Almaty, at which a communiqué on cooperation in environmental protection and assistance in providing environmental information in the region was adopted.<sup>6</sup> On the whole, Kazakhstan has made a certain contribution to the development of regional cooperation during its membership, acting in favor of the full-fledged use of ECO potential based on the region's favorable geostrategic position.

Kazakhstan's cooperation in ECO is becoming increasingly practical, whereby the strategic areas are: transport and communications, trade, the fuel and energy sphere, agriculture, science and culture.<sup>7</sup>

The trade sphere has become an extremely important tool in developing regional cooperation and is gradually moving into a priority position in the Organization's action plans. Kazakhstan is party

<sup>4</sup> [[http://ca-c.org/journal/cac-03-1999/st\\_07\\_chebotar.shtml](http://ca-c.org/journal/cac-03-1999/st_07_chebotar.shtml)].

<sup>5</sup> See: "Kazakhstan Reaffirms Support for ECO," *ECO Bulletin*, Secretariat, Tehran, July 2001, p. 4.

<sup>6</sup> [<http://ecoindustry.ru/news.html&id=9499>].

<sup>7</sup> See: K. Tokaev, op. cit., p. 680.

to the Transit Trade Agreement, the Visa Simplification Agreement for Businessmen from the ECO Member States, and the ECO Trade Agreement. This is making it possible for Kazakhstan to expand its commercial contacts with businessmen in the region. Non-tariff conditions of reciprocal trade are helping to increase the competitiveness of Kazakhstan's industrial production, which is having a positive effect on the foreign trade volume. According to Kazakhstan's customs statistics, the level of trade turnover between the republic and the ECO countries is on the rise (see Table 1).

Table 1

**The Main Indices of Kazakhstan's Reciprocal Trade Within ECO  
(in million dollars)**

Index	2000	2001	2002	2003	2004	2005	2006
<b>Trade Turnover</b>	<b>955.562</b>	<b>1,023.016</b>	<b>949.699</b>	<b>1,500.951</b>	<b>2,414.558</b>	<b>2,858.311</b>	<b>4,945.056</b>
<b>Export</b>	<b>632.950</b>	<b>683.667</b>	<b>724.747</b>	<b>1,064.954</b>	<b>1,749.858</b>	<b>1,974.190</b>	<b>3,662.906</b>
<b>Import</b>	<b>322.612</b>	<b>339.349</b>	<b>224.952</b>	<b>435.997</b>	<b>664.7</b>	<b>884.121</b>	<b>1,282.150</b>
<b>Balance</b>	<b>310.338</b>	<b>334.318</b>	<b>499.796</b>	<b>628.957</b>	<b>1,085.158</b>	<b>1,090.069</b>	<b>2,380.756</b>

*Source:* Data of the Customs Control Committee of the Kazakhstan Ministry of Finance.

Kazakhstan's export to the ECO countries mainly consists of heat and energy resources, products of non-ferrous and ferrous metallurgy and the chemical industry, agricultural products, and others. Kazakhstan's main partners in terms of export are Iran, Uzbekistan, Kyrgyzstan, and Turkey. The following commodities belong to the structure of Kazakhstan's import: agricultural products, ready-to-eat foodstuff, consumer goods, household and industrial electronics, chemical products, as well as gas and electric power. Kazakhstan's main partners in the ECO in terms of import are Turkmenistan, Turkey, Uzbekistan, Kyrgyzstan, and Tajikistan.

The trade conditions between Kazakhstan and other ECO participants are set forth in bilateral agreements. Trade with Kyrgyzstan and Tajikistan, as members of the EurAsEC, is carried out duty-free.

Uzbekistan, as a new member of the EurAsEC, is currently working to bring national legislation into harmony with this organization's requirements. Therefore, the free trade regime will be established between Kazakhstan and Uzbekistan without exemptions and restrictions. The free trade regime is in effect with Azerbaijan with exemptions on several items in the commodity itinerary. Kazakhstan enjoys most-favored-nation treatment with the other ECO countries.

Keeping in mind the constant increase in oil and gas production in Kazakhstan, there is an interest in increasing ECO cooperation in the oil and gas sector. The transportation of crude oil is still an important issue. Kazakhstan is participating in several projects in this area. In addition to cooperation between Kazakhstan and Iran in transporting Kazakhstani oil by means of the SWAP system, mention should be made of such projects as the Baku-Tbilisi-Ceyhan and Kazakhstan-Turkmenistan-Iran oil pipelines.

The Baku-Tbilisi-Ceyhan pipeline is promoting the diversification of oil deliveries to the world markets. Kazakhstan secured its participation in this project by signing a treaty on 16 June, 2006 with Azerbaijan on support and assistance in transporting oil from Kazakhstan through the Caspian Sea and Azerbaijan. Work on the Kazakhstan-Turkmenistan-Iran pipeline is being carried out in compliance with the Agreement on Joint Activity signed in 2002. Total, Inpex, the Japanese Oil Company, and the KazMunaiGaz Oil Company are participating in the four-way project.

Kazakhstani structures are exerting efforts to integrate national electric power transmission lines into the regional energy networks. In particular, Kazakhstan is taking part in parallel work of the electric power systems of the Central Asian states (Kyrgyzstan, Tajikistan, Uzbekistan).

The stage of interdepartmental agreements began with a project to build a transit power transmission line, LEP-500, from North Tajikistan (Khujant) to South Kazakhstan (Shymkent). There are plans to finance this project, the cost of which will amount to 800 million dollars, with participation of the Kazakhstani side.

Cooperation in agriculture is mainly being carried out in the bilateral format. At present, the list of agricultural products exported and imported by Kazakhstan remains essentially unchanged. Kazakhstan's main export products to the ECO countries are grain, cotton, wool, and the hides of cattle.

In order to expand cooperation in this sphere, Kazakhstan is participating in a project designed to create a single data base on production volumes and the situation on the ECO region's agricultural market, in working out Iran's and Pakistan's proposals on creating a center of agricultural mechanization, and in drawing up proposals to create a common market for ECO agroindustrial complex products.

Transport and communications is the most promising cooperation sphere with the ECO. Therefore, Kazakhstan is trying to take active part in the current programs and support the prospective projects in this sphere, which is confirmed by the leaders of the Organization.<sup>8</sup>

A Basic Plan of Development for Creating a Contemporary Transport Infrastructure was adopted at the Almaty meeting of ECO transport ministers in 1993, as a result of which the region will be interlinked with roads, railroads, and modern telecommunications. Multi-modal transportation development projects are being carried out within this Plan. Kazakhstan has been exerting efforts to organize multi-modal shipments. In particular, 22 container sites were opened, six of which can service 40-foot containers.

There are 13,400 km of trunk lines in Kazakhstan, 4,300 km of which are double-track lines and 3,700 km are electrified. In 1997, a railroad junction on the Trans-Asian trunk line was built on the Mashhad-Serakhs-Tejent section, which connects up with the 700-kilometer Batha-Bandar Abbas line. As a result, the port of Lianyungang on the east coast of China has been linked by rail to the Iranian port of Bandar Abbas via Urumqi, Almaty, Tashkent, and Tehran. This project has reduced transport times by 25-30%. Within the framework of the Program of Action for 1998-2007, the Kazakhstan section of the Aktogai-Druzhba line was upgraded, which helped to increase the freight traffic volume in the Europe-Asia direction. In 1999, the 4th session of railroad administration heads of the ECO countries was held in Almaty, at which a Protocol on Information Exchange on Rail Transport was signed.

In 2005, a test run of the Almaty-Tashkent-Tehran-Istanbul international supply line was carried out. The run was made within the framework of a train exhibit of Turkish commodities called "The Silk Road." Kazakhstan also participated in the project to build the Dostyk-Gorgan railroad, which passes through Beineu, the port of Aktau, through Turkmenistan toward Turkmenbashi and on to Iran, to Gorgan. By connecting Kazakhstan and China via a single railroad, this route will ensure that freight traffic reaches Western Europe. This will make it possible to significantly raise Kazakhstan's potential in making transit deliveries.

Road transport is also an important aspect of cooperation. In 1994, 11,700 km of Kazakhstan's roads were inspected for inclusion in the ECO highway network, and a National Program for their development was drawn up. Around 2,000 km of roads have international status. Kazakhstan entered bilateral agreements on international passenger and freight traffic with all the ECO members, apart from Afghanistan. Kazakhstan's road network is being developed:

- taking into account the building of international corridors with access to the Middle East, China, India, and Pakistan;

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<sup>8</sup> "ECO Secretary General's Call on Kazakhstan's President," *ECO Bulletin*, Secretariat, Tehran, July 2001, p. 1.

- in the direction of the cities of Nukus and Bukhara (Uzbekistan), which will make it possible to join the new vectors of Central Asian routes with the countries of Eastern and Western Europe through Kazakhstan;
- in the direction of Aktau-Zhanaozen-Fetisovo-Bekdash, which will ensure communication with the large ports on the Caspian Sea.

A state-of-the-art road bridge over the River Irtysh in Semipalatinsk has provided access to promising transit routes through the eastern regions of Kazakhstan. The reconstructed Almaty-Astana route is a section of the main North-South transit route. The work done by Kazakhstan in this direction will allow transshipments at the level of international standards with access to Pakistan and India.

It is obvious that water transport is playing a significant role in the development of the Kazakhstan economy, in which the port of Aktau constitutes the main structural element. Reconstruction of this port greatly increased the potential transshipment capacity of export and import freight. This is increasing transit traffic through the port from Azerbaijan and Iran, among other places. The Aktau port is set to process more than 3 million tons of oil and 500,000 tons of dry cargo every year.

Kazakhstan is a member of the ECO Shipping Company, which is registered in Iran as private. Due to the problems at the time it joined (1995) with contributing to the authorized capital, the company's board of directors made a decision for Kazakhstan to purchase a symbolic part of the capital in the amount of one share.

A certain amount of work is being done to develop air communication with the ECO countries. This vector of cooperation is quite important and should be encouraged since the most optimal air routes between Europe and Asia lie through Kazakhstan. Kazakhstan entered intergovernmental agreements on air communication with all the ECO countries, apart from Afghanistan. Regular flights are carried out from Kazakhstan to Turkey, Pakistan, Uzbekistan, and Azerbaijan. But they are carried out under general conditions, since Kazakhstan is not a member of the ECO Air Company.

In the telecommunication sphere, Kazakhstan has direct international communication with most of the ECO countries. Introduction of the Kazakhstan section of the Trans-Asian fiber-optic communication line of more than 700 km in length helped to develop telecommunications, thanks to which Kazakhstan has access to Europe and the Pacific Ocean through China.

Kazakhstan signed the Charters of the ECO Science Foundation and ECO Cultural Institute. Kazakhstan is also a participant in several agreements with other ECO countries in scientific-technical cooperation. Humanitarian relations are being actively developed with Iran and Pakistan. And cultural ties are being established with Turkey, Azerbaijan, Turkmenistan, Kyrgyzstan, and Uzbekistan within the framework of the Council of Ministers of Culture of the Turkic-Speaking Countries—TURKSOI.

In order to reorganize and raise the efficiency of the ECO, Kazakhstan participated in drafting and signing several vitally important documents.

1. A Memorandum of Understanding on Reorganization and Restructuring of ECO;
2. Functional Methodology of ECO;
3. Organizational Structure of ECO;
4. Organizational Chart of ECO Secretariat;
5. Rules of Procedures of ECO;
6. Staff Regulations of ECO Secretariat;
7. Financial Regulations of ECO Secretariat; and several others.

Kazakhstan introduced several specific proposals designed to optimize the structures and mechanism of the Organization's activity. In particular, a new mechanism was proposed for making deci-

sions in keeping with the consensus minus 1 system. Measures were proposed for limiting the quorum to five members instead of six. Such mechanisms have already proved their worth in such organizations as ASEAN.<sup>9</sup>

## Problems and Prospects

However, Kazakhstan's cooperation with ECO has several problems. They include the following specific issues.

There is no efficient mechanism for executing the decisions adopted at the interstate level. Many of the decisions and documents adopted by the Organization are not completely implemented. The main reasons for this are the non-mandatory nature of their execution, the absence of specific plans of action for implementing the decisions adopted, insufficient financing of joint projects, and others.<sup>10</sup>

The level of Kazakhstan's trade and economic relations with the region's countries varies to a great extent. For example, cooperation with Iran and Turkey has better indices than with Uzbekistan, Azerbaijan, Turkmenistan, and particularly Afghanistan. The main reasons for this situation are as follows:

- the significant differences in levels of economic development of the mentioned ECO countries;
- the unstable political situation in a number of the region's states (Kyrgyzstan, Uzbekistan, and especially Afghanistan);
- the significant economic isolation of Turkmenistan (until 2007) in establishing full-fledged foreign economic relations.

The insufficient level of Kazakhstan's use of ECO transport-transit potential. Transit routes do not provide access to the ports of the Mediterranean Sea and the Persian and Oman gulfs. Several factors should be singled out here:

- the insufficient level of practical interaction between the ECO countries (including Turkey, Pakistan, Turkmenistan, Azerbaijan, and Afghanistan) and Kazakhstan in raising the region's transit potential;
- the low indices of freight traffic speed through the ECO region due to poor coordination, which is increasing the cost and lowering the competitiveness of the goods being shipped;
- non-optimal tariff policy of freight traffic;
- insufficient development of air communication with the region's countries;
- poor technical condition of rail carriages;
- low technical level of railroad transport infrastructure.

The poor technical condition of the national section of the Aktogai-Moiynty road in Kazakhstan should be noted. These factors are significantly hindering Kazakhstan's integration into the region's transport system.

The low level of integration of Kazakhstan's energy systems into the ECO region. The level of interaction between Kazakhstan's energy systems and those of the other ECO countries is low due to:

- the underdevelopment of the hydrocarbon transport networks in the region;

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<sup>9</sup> See: M. Naribaev, *Stanovlenie, razvitie i povyshenie vneshneekonomicheskoi deiatel'nosti Kazakhstana*, Turkistan, 2005, p. 85.

<sup>10</sup> See: *Ibid.*, pp. 81-83.

- Kazakhstan's low level of participation in the Baku-Tbilisi-Ceyhan oil pipeline;
- the insufficient level of development of inter-system power transmission lines for fully — incorporating Kazakhstan's power lines into the regional networks.

In so doing, Kazakhstani capital essentially does not participate in the construction projects of the region's large electric power facilities.

Kazakhstan's insufficient representation in several regional institutions and specialized agencies of the ECO. Despite the policy being carried out to activate cooperation in the ECO, Kazakhstan is still not represented in several of the Organization's large agencies and institutions. These include ECO Air and the Trade & Development Bank. Moreover, the republic is not participating actively enough in such structures as the Shipping Company and Science Foundation.

The republic's structures are not participating efficiently enough in the timely and qualitative execution of ECO decisions and planned measures. And measures should be taken to step up their cooperation in ECO. Attention should also be paid to the insufficient level of their activity coordination in implementing the adopted decisions and planned measures, as well as in the drafting and inter-departmental coordination of proposals made by the Kazakh side for their further submission to the ECO Secretariat.

Thus, development of cooperation with ECO should be regarded from the viewpoint of resolving the indicated problems of Kazakhstan's cooperation and advancement of interests within the framework of the following conceptual and strategic tasks:

*Developing regional processes:*

- activation of regional integration processes, which are an important factor in reducing the challenges of globalization;
- assistance in maintaining regional security, including in the Central Asian region.

*Raising Kazakhstan's role in promoting regional economic processes:*

- raising Kazakhstan's status as a major regional economic partner, cooperation with which should be of a long-term strategic nature;
- enhancing Kazakhstan's image on the international arena.

*Promoting sustainable economic growth and raising the competitiveness of Kazakhstan's economy.*

These tasks should be expediently resolved using the following approaches:

- reducing political risks and promoting stability in the region by assisting economic growth, primarily in the less developed and politically unstable ECO countries;
- more fully incorporating Kazakhstan's economic potential into the regional economic processes by activating foreign economic activity and raising its potential;
- increasing participation of the Kazakhstan economy in the international division of labor, specialization, and cooperation;
- intensifying and enhancing Kazakhstan's bilateral relations with ECO countries by stepping up interaction in the multilateral format, and augmenting Kazakhstan's participation in ECO regional institutions and specialized agencies.

Thus, the most promising tasks for Kazakhstan in ECO should be the following:

- developing foreign trade cooperation;
- optimizing Kazakhstan's freight and passenger traffic by raising the region's transport-transit potential;



- encouraging the participation of Kazakhstan's structures in ECO joint projects in promising cooperation vectors;
- optimizing ECO organizational activity;
- improving the activity of Kazakhstan's state and business structures with respect to developing cooperation with ECO.

Further development of foreign trade cooperation with ECO is necessary for realizing and expanding Kazakhstan's export potential. The following measures should expediently be carried out to solve this task.

- A) Initiate continued efforts to execute the provisions of the Agreement on Transit Trade in the ECO region with respect to the functioning of the Committee on Transit Trade formed in compliance with Art 12 of the Agreement as a body for promoting progress in transit trade. Taking into account that the Committee's activity is still purely nominal, measures should be taken to step up its practical activity.

In compliance with Art 13 of the Agreement, it would be expedient to introduce proposals for improving the functioning mechanism and raising the status and efficiency of this structure's activity, consisting in organizing the Committee's activity on a permanent basis and introducing a bi-level system of its activity.

In so doing, the upper echelon, which adopts the Committee's decisions, should comprise of department heads responsible for foreign trade. The lower (executive) echelon, should be formed from permanent representatives of the countries monitoring and coordinating implementation of the decisions adopted and the measures planned.

In order to raise the efficiency of the Committee's activity, a system for monitoring the development of foreign trade in the region should be introduced. This system should provide for carrying out comparative operations of foreign trade activity among the Organization's various countries. This will make it possible to conduct a higher quality analysis of the situation in this sphere and prepare optimal plans for developing foreign trade cooperation in the ECO region.

- B) Activate work to form mechanisms for implementing ECO Trade Agreement.

This mainly entails elaborating an optimal mechanism for gradually lowering customs fees and reducing non-tariff barriers in reciprocal trade. In so doing, these measures should be adopted on a parity basis and be enforced by joint documents.

Attention should be primarily focused on WTO standards and provisions, keeping in mind that Pakistan, Turkey, and Kyrgyzstan are already its members, and Kazakhstan is about to complete its entry into the WTO and has already come to specific terms on the use of tariffs and other measures in foreign trade.

- C) Ensure Kazakhstan's incorporation into the activity of the Trade & Development Bank in order to ensure full-fledged participation in future projects to assist regional trade, which will be financed by the Bank. So in compliance with ECO Rules of Procedure, Kazakhstan must be ensured full-fledged membership in this structure.
- D) Increase ECO cooperation with UNDP, UNCTAD, WTO, and other international organizations. Experts from these organizations should be involved in consultations to elaborate mechanisms for financing ECO regional trade development projects.

Optimization of Kazakhstan's freight and passenger traffic by raising the efficiency of the region's transport-transit potential is also necessary. Rail transport, the basic means of transporting freight in the region, should remain the foundation of the transport system.

Keeping in mind that the routes of two international transportation corridors, West-East and North-South, are being laid through ECO countries, their further development and increased efficiency is to Kazakhstan's advantage for ensuring optimal access to the foreign markets of Southeast Europe and South Asia. In this respect, the following routes are promising: Kazakhstan-Uzbekistan-Turkmenistan-Iran-Turkey; Kazakhstan-Uzbekistan-Turkmenistan-Iran-Pakistan; and Kazakhstan-Turkmenistan-Iran. Within the framework of the last route, efforts should be stepped up to implement the project aimed at building the Dostyk (Kazakhstan)-Gorgan (Iran) route, which is being carried out in keeping with international standards.

An important factor in the development of transit shipments is optimizing the indices of freight turnover at the Tejen-Serakhs-Mashhad rail junction, which, after modernization, should be able to handle up to 3 million tons of freight a year. Since about 2.5 million tons passed through it in 2006, there is additional potential for freight traffic coming through Kazakhstan.

Development of *air transport* is promising, the market for which is on the up and up. In this respect, Kazakh freight carriers should carve out niches for themselves on this market and raise its potential. So it is expedient for Kazakhstan to think about joining ECO Air and acceding to the corresponding Agreement on Membership in the Air Company. Keeping in mind that Afghanistan, Iran, Pakistan, and Turkmenistan are already members of this structure, Kazakh air carriers could be given preferred treatment when making flights to these countries. This factor could become sufficiently attractive under conditions of the constantly growing competition on the air freight traffic markets.

*Participation of Kazakhstani structures in joint ECO projects in promising cooperation vectors.*

Kazakhstan is particularly interested in participating in joint projects in such vectors as power engineering, industry, agriculture, services, public health, science, and innovations. In particular, the following projects seem promising.

In power engineering—projects for developing Kazakhstan's oil, gas, and energy networks and integrating them into regional communication lines. Measures to step up construction projects should become a priority: the Kazakhstan-Turkmenistan-Iran oil pipeline; Khujand (Tajikistan)-Shymkent (through Uzbekistan) LEP-500 power transmission lines.

It seems expedient for Kazakhstan to have a capital share in the projects to build the Sangtuda and Rogun hydropower plants.

In industry—projects promoting further development of the refining industry, which is being carried out within the Strategy of Industrial-Innovative Development of Kazakhstan's Economy. Projects in the oil-refining industry, building industry, textile industry, and others are very promising.

In agriculture—projects aimed at creating and developing agricultural clusters in Kazakhstan, primarily fruit and vegetable, grain, and fish, the territorial location of which is most favorable for participation of ECO partners.

Implementation of the above-mentioned projects will promote the development of production with high value-added cost, which will be an important factor in raising the competitiveness of Kazakhstan's economy.

In services—projects aimed at:

- expanding cooperation in providing Kazakhstan's financial institutions with a wide range of financial services in different countries of the region;
- developing interaction among the insurance companies of the region's countries for providing risk-reinsurance services to Kazakh participants in foreign economic activity;
- actively developing tourism in Kazakhstan.

In public health—projects aimed at developing progressive early diagnosis technology in Kazakhstan. Joint projects to draw up and apply measures and means for preventing infectious and oncological diseases could become priorities in this vector.

In the scientific research and innovations sphere—keeping in mind the priority of innovation in raising the competitiveness of Kazakhstan's national economy, cooperation should be activated in carrying out joint scientific studies and innovative activity.

This vector should expediently be executed within the framework of the ECO Science Foundation, which is aimed at creating conditions for bringing together scientific, technical, and human potential and intensifying the activity of the scientific research institutes of the ECO countries.

Firstly, measures should be taken for Kazakhstan to ratify the Charter of the Science Foundation. This will allow it to become a full-fledged participant of the Foundation and make it possible to solve the following tasks:

- (a) ensure its representation in the Board of Trustees and Board of Managers.
- (b) ensure its participation in drawing up programs of joint scientific-research and innovation activity. Within the framework of these programs, the following should be focused on:
  - implementing projects to create the innovative technology necessary for putting the Strategy of Kazakhstan's Industrial-Innovative Development into effect;
  - tapping the scientific, technological, and intellectual potential of other ECO countries, particularly Turkey, Iran, and Pakistan, to be incorporated into innovative projects;
  - creating the necessary infrastructure for carrying out scientific-innovative activity with the participation of Kazakhstan's scientific centers.

Creating an ECO Venture Fund of Scientific Research and Innovation with its headquarters in Kazakhstan is very promising in expanding Kazakhstan's scientific-technical cooperation with the ECO states. This will promote the tapping and optimal use of financial resources and research potential for promoting the innovative development of the country's economy.

Space research may become a qualitatively new vector of cooperation. Other ECO countries, including Turkey, Iran, and Pakistan, could take part in joint space development along with Kazakhstan. A Joint Action Program for Space Research and the Use of Space should be initiated, whereby Kazakhstan can participate in this program using the available scientific and technological potential in this field. An important factor in this participation is the KazSat satellite, which is already operating in space and which is one of the first geostatic small class communication and broadcasting satellite in the world. The services offered by the satellite should be of great interest not only to state structures, but also to the representatives of business structures in ECO countries in the very near future.

In the mid-term, it would be expedient for the Kazakh side to include the following tasks in its joint action program.

1. Use of KazSat 2, which is to be created for carrying out a wide range of geophysical probing of the Earth's surface.
2. Participation in servicing international satellite systems such as INMARSAT, NORD, and NAVSTAR on a commercial basis.
3. Study and use of progressive world space monitoring technology of the natural-territorial complex for use in the ECO region.

*Optimization of ECO Organizational Activity.*

ECO activity should be optimized by improving mechanisms for implementing joint decisions and documents, as well as intensifying its interaction with large international and regional organizations. It is thought that the Organization's planning, coordinating, and monitoring functions should be intensified in order to improve its activity mechanism.

In so doing, measures and means for executing joint decisions and documents should be formed on the basis of proposals by competent structures of the Member States. Monitoring and coordination of the implementation of measures should be optimized within the framework of the ECO Secretariat and specialized structures. Procedures should also be included in the mechanism designed to carry out constant monitoring of the execution of the planned measures, analysis of the problems that arise, identification of the reasons they arose, and drafting of effective proposals by groups of experts to eliminate problem situations.

An important factor in optimizing ECO activity should be expanding and intensifying comprehensive cooperation with large international financial organizations and integration associations, primarily with the U.N. and its institutions, the Islamic Development Bank, and the EU.

This will make it possible to increase the possibility of co-financing with the indicated structures of priority, large, and mutually interesting projects, particularly in the transport, energy, agricultural, and scientific sectors. Efforts should also be pooled to step up joint action in resolving questions that have an impact on social stability and economic development in the region. These questions include:

- opposing organized crime and drug trafficking in the ECO region;
- developing public health, including combating the spread of especially dangerous infectious diseases;
- reducing the dimensions of illegal migration in the region.

Joint action aimed at reducing the high level of poverty and unemployment in such ECO countries as Afghanistan, Kyrgyzstan, Tajikistan, and Uzbekistan will help to resolve them.

*Improving the activity of Kazakhstan's state and business structures with respect to developing cooperation with ECO.*

Keeping in mind the priorities of cooperation with ECO, the activity of state bodies and interested business structures in this area must be made more efficient. This task can be solved by forming a special body for coordinating the activity carried out in this area.

For this purpose, there are plans to issue a government decision calling for the formation of a special High-Level Interdepartmental Commission on Kazakhstan's Cooperation with ECO (hereafter—Commission). The head of a state body, for example, a minister of industry and trade, shall be appointed as chairman of the Commission.

The Commission shall be comprised of deputy heads of departments responsible within their field of competence for cooperating with ECO, or the department heads of these branches, the representatives of business structures interested in cooperation, experts, and other necessary specialists.

The Commission, in our opinion, should be responsible for reviewing all questions of coordinating Kazakhstan's activity in its cooperation with ECO, including drawing up the necessary proposals and plans, carrying out and monitoring the execution of planned measures, and resolving organizational questions. The Commission should be invested with the corresponding powers for this. The regulations of its activity should ensure timely and qualified processing of the entire set of issues concerning cooperation with the ECO.

On the whole, the areas reviewed in this section for intensifying cooperation should ensure more efficient interaction between Kazakhstan and ECO and raise it to a new level.

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So based on this analysis, cooperation with ECO appears promising from the perspective of promoting Kazakhstan's interests in such vectors as the development of regional processes. Other promis-

ing areas for Kazakhstan include the development of foreign trade, access to foreign markets by optimal implementation of the transport-transit potential of the ECO region, active participation in promising joint projects, as well as optimization of ECO activity as a whole. These measures should promote modernization of Kazakhstan's economy, accelerate its diversification, and raise its competitiveness.

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## KAZAKHSTAN AND RUSSIA: RELATIONS AS PART OF RUSSIA'S FOREIGN POLICY STRATEGY

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In 2006 and 2007, the geopolitical situation around Central Asia underwent changes, some of which were quite substantial. The great powers shifted their political accents and re-adjusted cooperation formats. Energy moved to the forefront to become one of the new issues and centerpiece of the EU strategy. The rapidly worsening relations between Russia and the West are another geopolitically important factor. Russia had a strong, though not always obvious, impact on the region's geopolitical context. In fact, the entire range of relations (transport, economy, energy, and the humanitarian issues) between the EU and Central Asia cannot be correctly assessed without taking into account the Russian Federation. Russia's presence in the region (either obvious or hidden from the eye) and the vector of its relations with Europe have put an energy alliance

between Moscow, other important energy producers, and transit countries on the agenda.

The worsening relations between Russia and the West (particularly with the United States, the EU, NATO, and OSCE) are a fact, the nature and repercussions of which look long-term and varied. It has already spread to cooperation in the economic and energy spheres, military-strategic stability, the counterterrorist struggle, and geopolitical and geo-economic cooperation between Russia and the West in Asia, Latin America, the Balkans, Africa, and the Middle East and, most important, in the CIS.

The wave of Color Revolutions that swept the post-Soviet expanse in 2003-2005 was in fact the first (still latent) clash of Russian and Western interests. To keep up appearances, the sides refrained for a while from openly discussing their

contradictions and problems. The West interpreted the strengthening of the SCO as one of the first signs that its relations with Russia were going downhill: in 2005 this regional organization raised the question of the time limits of America's military presence in Central Asia. Since 2006 (Vice-President Cheney's speech in Lithuania), Washington has been criticizing Moscow quite openly.

Planned transportation routes and pipelines for the Central Asian and Caspian hydrocarbons have become a field of open clashes and geopolitical and geo-economic rivalry. The EU, with the United States by its side, is talking about "the diversification of energy deliveries" to its markets, an undisguised anti-Russian position. This and other factors, as well as the U.S. and NATO presence in the region, suggest that the rapidly worsening relations between Russia and the West will

affect the Central Asian states' international and geopolitical situation.

On the whole, Russia's elites are fully aware of the fact that the relations with the CIS members are their country's absolute foreign policy priority. It is in this sphere that Russia's main economic interests and security concerns are concentrated and it is this sphere that creates the most serious threats. Russian political analysts and politicians agree that the country should retain its main role on the post-Soviet expanse and should prevent its "erosion" caused by the gradually increasing involvement of the West and its institutions. It is commonly believed that in Central Asia Russia should fully tap the possibilities offered by the CSTO, EurAsEC, and SCO. To achieve this, Russia should offer attractive, competitive, and realistic prospects for both the political elites and the public at large.

## Russia's Foreign Policy Strategy under Vladimir Putin

Today, President Putin's foreign policy strategy has become clear enough and can be discussed in detail. On the whole pragmatic (though there are exceptions), it takes into account Russia's geopolitical and economic resources and its real possibilities.<sup>1</sup>

There is the opinion that the Russian leadership is divided into two blocs conventionally described as military and economic (or those who favor the use of force and the pragmatists) and that the former is much more influential than the latter. This inevitably affects the country's foreign policy course. On the other hand, Russia's foreign policy is also affected by all sorts of ministries and departments with inevitably different, or at least specific, approaches and interests. Today, the Presidential Administration, as well as the Foreign Ministry of Russia, the Defense Ministry, and Gazprom (the structures which are able to directly influence the process) have their own ideas about Russia's policy in the CIS. As distinct from Yeltsin's times, under Vladimir Putin Russia's foreign policy became much more consolidated, which means that all the departments and ministries are obliged to promote national interests.

From the very beginning, President Putin concentrated on establishing pragmatic relations with the West and succeeded: Russia became a nearly fully-fledged G-8 member; it improved its relations with the U.S. and the EU, intensified its relations with NATO on an equal basis and, on the whole, balanced between the United States and the European Union while maintaining predominantly political relations with the former and predominantly economic cooperation with the latter.

<sup>1</sup> See: S. Morozov, *Diplomatia V.V. Putina. Vneshniaia politika Rossii. 1999-2004*, ID Izmaylovskiy Publishers, St. Petersburg, 2004, 256 pp; A. Rahr, "Kholodny mir. Putinskaia Rossia i Zapad," *Internationale Politik* (Berlin, Russian language edition), No. 2, 2004, pp. 5-16; *Strategicheskiy ovet Rossii na vyzovy novogo veka*, ed. by L.I. Abalkin, Ekzamen Publishers, Moscow, 2004, 608 pp.



Moscow has managed to turn the economy, or rather cooperation in the energy sphere, into a powerful foreign policy tool. This was true of its contacts with the West and with China and Japan in the East. The newly found energy strategy loomed prominently in Russia's relations with the CIS countries; it became a geopolitical tool, a fact that directly affects the Republic of Kazakhstan's national, economic, and energy interests. On the other hand, Russia displayed a lot of ingenuity in using its relations with the Asian countries, particularly China, as a counterweight to the West. Recently, the Russian Federation and the People's Republic of China have become unprecedentedly close, especially in the military-political and military-strategic spheres; the SCO is helping them realize their shared geopolitical ambitions.

While maintaining close relations with China, Russia is working toward a higher level of relations with Japan by playing on its contradictions with China, among other things; Russia wants to remain the mediator on the Korean Peninsula; it is rebuilding its strategic cooperation with India; and it is making advances to Southeastern Asia and the Muslim world through the OIC.

The post-Soviet expanse remains the main target of Moscow's geopolitical efforts. President Putin's doctrine rests on his firm conviction that to regain its place among the leading geopolitical actors Russia should restore its influence in the traditional spheres of its domination: the Caucasus, Central Asia, and the CIS as a whole.

To achieve this remote goal, Russia put forward, more than two years ago, an economic (geopolitical in its essence) project of the Single Economic Space (SES). The Ukrainian events forced Moscow to shelve the project and revive the EurAsEC, the project's earlier version. Both projects are intended to establish extensive economic integration as the cornerstone of political integration, that is, to rebuild in Eurasia a certain geopolitical unit with imperial hues under Russia's aegis (a Liberal Empire).

The nuances and interpretations may vary (a Eurasian alliance, a confederation, etc.), but President Putin's main idea remained the same: if the post-Soviet expanse (or its part) remains disunited, neither Russia nor other CIS countries would be able to set up an effective political and economic union able to compete on the world scene. The geographic and geopolitical factors confirm this in the same way as it is suggested by the shared economic, transportation, and communication systems inherited from the past, historical and cultural associations, etc. Moscow is convinced that Russia's restored economic and political might will help its integration allies (Kazakhstan being one of them) to surge forward.

Large oil and gas companies either controlled by the state or closely connected with it have become the main vehicles of Russia's strategy. The 2005 events around the North European gas pipeline and the gas-related disagreements with Ukraine threw into bolder relief the fact that "gas" politics and Gazprom have become foreign policy tools.

Since 2000, when he became president, Vladimir Putin has been demonstrating pragmatic approaches to foreign policy: being aware of Russia's limited resources, he dropped the Great Power rhetoric and intentions and concentrated on pooling forces to achieve modernization at home. High-flown deliberations about the multipolar world were replaced with the thesis of a multi-vector foreign policy of a country seeking closer relations with Europe, more effective counterterrorist cooperation with the United States, strategic partnership with China and India, and a single economic space with the CIS countries (with the emphasis on Belarus, Kazakhstan, and Ukraine).

At all times President Putin demonstrated that his country was prepared to cooperate and work together with the West. At the early stages of his presidency he readjusted the previous course; in actual fact he not only stemmed mounting disagreements between his country and the West (particularly the United States), but also increased confidence in Russia in the West. This greatly improved the external context for the reforms and modernization.

From the very beginning, however, President Putin demonstrated firmness and unwillingness to accept compromises his country did not need; and he was prepared to defend the most important national interests. By the beginning of his second term, his foreign policy resource began melting away.

During Putin's first years the two different ideas about Russia's strategies and its national interests inherited from the previous period were still competing, neither of them gaining priority. I have in mind the so-called Westerners and Realists. The former were convinced that Russia should replace China as Washington's most important strategic ally; it should stop flirting with Europe exploiting anti-American sentiments; act together with the United States in the world's key strategic regions; cooperate with it in modernizing the backward regions (the post-Soviet expanse); coordinate efforts in the sphere of strategic weapons, etc. By 2006-2007, this group lost nearly all of its former influence.

The Realists argue that in the last two years the external threat became even greater: they are convinced that Russia could be attacked by the United States from Afghanistan, Central Asia, and the Caucasus; destabilization on the Korean Peninsula and deployment of American armed forces there also cause concern. The Russian strategists do not exclude the fact that America could attack Iran and increase geopolitical tension in the Middle East and elsewhere, including in Xinjiang. They also expect that in the near future American actions in Afghanistan and Iraq will not defuse the threat of Islamic fundamentalism and that this threat will increase. The Russian strategists see radical Islam as the greatest threat to Russia's continued existence.

Russia postponed its decision to build up its military presence in Central Asia until the U.S. made an attempt to expand its military presence in the region. Meanwhile, the Russian generals were determined to push the president toward even more active rivalry with Washington in the region. The Realists were convinced that a multipolar world could be created if the Russian Federation cooperated more closely with the EU and Germany, if it worked together with France and China in the U.N. Security Council, strengthened the SCO, and remained firm in the face of America's efforts to infringe on its interests.

The Westerners and the Realists agreed that Russia should preserve its nuclear potential as the cornerstone of its security. As for China, the Realists believe that the strategic partnership with this country enforced by circumstances should be preserved for the simple reason that both countries are objectively the subjects of the United States' so-called containment strategy. Late in April 2002, Russia made a strategically important step by setting up the Collective Security Treaty Organization; it was obviously resolved to stay in the zone of its traditional domination in the Caucasus and Central Asia.

Russia did not intend to limit its military cooperation within the CSTO; it was building up its cooperation within the EurAsEC to bring its allies closer through economic instruments. This means that the Kremlin had finally formulated a complete strategy in the CIS; part of it envisaged coordinated WTO membership for the EurAsEC members. The weakest point in this strategy was the fact that Russia, a former great power, failed to grasp the full extent of its economic, demographic, and domestic weakness.

Russia's present geopolitical situation, therefore, can be described as very difficult, while its possibilities for expanding its geopolitical influence are very limited. Russia has been pursuing a moderate and cautious policy in Afghanistan. The West and the Northern Alliance regularly invited Russia to join the international coalition, but never succeeded. Russia was determined to stay outside. At the same time, it is interested in the Afghan issue for several reasons: it needed stabilization and guarantees that in future the country would not become a source of terrorism; it wants to stem the flow of drugs, and it intends to support the Northern Alliance, its military-political client. To a certain extent, the Central Asian states have similar interests in Afghanistan. On the whole, Russia's interests in Afghanistan can be divided into political, military-strategic, and economic.<sup>2</sup> In December 2004, Moscow confirmed its position on the Afghan issue at an informal meeting of the defense ministers of Russia and NATO in Poiana Brasov, Rumania.

Drugs are the worst problem created by Afghanistan. The Russian Federation intends to invite the EU and NATO to coordinate anti-drug efforts. The Russian side is convinced that this cooperation

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<sup>2</sup> See: V. Korgun, "Rossia i Afghanistan," *Internationale Politik*, No. 3, 2002, pp. 76-85; idem, "Rossia-Afghanistan: na puti k vosstanovleniu sotrudnichestva," *Azia i Afrika segodnia*, No. 8, 2006, pp. 59-60.

can proceed through CSTO-NATO and NATO-SCO. This means that Russia and the Central Asian states have a common Afghanistan-related agenda based on their natural desire to preserve regional security and stability and prevent another wave of militant Islam.

## Russia's Policy in the CIS

The Russian Federation regards its relations with Ukraine, Belarus, and Kazakhstan as a priority; and it is closely monitoring the South Caucasian developments too. Russia and the West find themselves on opposite sides in Belarus, Ukraine, Kazakhstan, Azerbaijan, and Georgia. Moscow regards the West's political favorites in these republics as anti-Russian politicians.

Several years ago the Russian leaders showed concern over the future of the Commonwealth of Independent States: the Russian side wondered why integration in the CIS was moving ahead with such difficulty; it tried to find ways and means to accelerate it and impart it with positive dynamics.<sup>3</sup> Moscow posed itself the following tasks: the CIS should become a clear priority of Russia's foreign policy; Russia should treat its national security as another priority; it should exercise a pragmatic and differentiated approach to its partners depending on their willingness to take Russia's interests into account; it should add life to economic cooperation, promote Russian business, add vigor to bilateral cooperation, and readjust integration priorities to shift the accent from the multisided CIS to specialized units: the Belarus-Russia Union, EurAsEC, and CSTO.

Russia hoped to regain the position it had lost in the post-Soviet expanse through the gradually developing SES. The Kremlin retreated on many points, which allowed its partners to exploit the still non-existent integration project in their interests. Some Russian strategists believed that the Caucasus, particularly Georgia and its policy, was still a factor that could undermine Russia's authority and the authority of the CIS as a whole. Moscow was apprehensive about a possible aggravation of the military situation around South Ossetia and Abkhazia, which might force Russia to distance itself from it and cause Georgia's obvious progress in at least one of the two seats of conflict. Such developments might jolt Baku into using force in Karabakh. Moscow was openly negative about the planned Democratic Choice Community project. In 2005, the crisis in the CIS made itself felt: Turkmenistan left the CIS to become its associate member, while Russia tried to squeeze Georgia out of the structure. Ukraine and Moldova announced that they would either leave the CIS altogether or freeze their membership in it.

In 2006 and 2007, Moscow faced a hard choice: either continue integration across the CIS (SES, EurAsEC, and the union with Belarus), or go on with its integration into the world economy through WTO membership. The SES and Russia's membership in the WTO would be compatible if other SES members (Belarus, Ukraine, and Kazakhstan) joined the WTO in turn.

Early in October 2005, St. Petersburg hosted a meeting of heads of state of the Central Asian Cooperation Organization, which Kazakhstan also attended. It was decided to unite this structure with the Eurasian Economic Community. In view of the shared strategic aims and tasks of the two organizations and taking into consideration that the practical tasks of creating an integrated market, water and energy programs, as well as programs in transport, foodstuffs, and other spheres the CACO is dealing with are being successfully carried out within the EurAsEC, the heads of the CACO members decided to accept the Republic of Uzbekistan as another member of EurAsEC at its request; Russia's position proved to be the key one.

Russia's political elite is concentrated on integration of the Four (Russia, Belarus, Kazakhstan, and Ukraine), expecting that the other CIS countries will also be attracted. Turkmenistan is left out-

<sup>3</sup> See: V.I. Alesin, "Sodruzhestvo Nezavisimykh Gosudarstv: integratsia ili vzaimodeystvie?" *Kazakhstan-Spektr* (Almaty, KISI), No. 3, 2006, pp. 24-31.

side the integration project, however, it may join the Eurasian Gas Consortium now being built. Uzbekistan and Azerbaijan may be tempted to join the integration process later. Tajikistan and Kyrgyzstan, two EurAsEC members, will also join the SES; Moldova and Armenia are still pondering on the subject.

So far, however, Russia has not yet formulated an integrated and strategically substantiated policy in relation to the CIS countries for several serious reasons. First, the centrifugal trends are too strong; it is impossible to apply the same pattern to states that have already moved away from one another during the independence years. This explains the RF's intention to concentrate on bilateral relations. The Russian political elite is disunited over Moscow's CIS policy: while the military establishment is resolved to restore the country's position based on force by resorting to all sorts of legal means and methods (from military-technical cooperation to artificially fanning these countries' concerns over the threat of international terrorism, extremism, and drug-related crime), other political forces are convinced that Russia should get rid of its so-called Central Asian underbelly.

On the whole, Russia's national interests in the CIS can be reduced to the following key positions: stability across the post-Soviet expanse; unhampered use of the CIS members' transit potential; preservation of a single economic space; Moscow's greater role in the use of hydropower and mineral resources (particularly in Central Asia); and international recognition (by the West, China, etc.) of Russia's special role in the CIS, which should take the form of consultations on all important decisions that might affect conflict settlement and the geopolitical context.

Russia was determined to increase the effectiveness of the already functioning mechanisms: the CIS, the Union of Belarus and Russia, CSTO, EurAsEC, and SCO, and to set up new structures: the SES (which was frozen because of the Ukrainian developments). The union with Belarus was suspended because of the crisis in the two countries bilateral relations in the late 2006 and early 2007.

## Kazakhstani-Russian Relations

During the past decade and a half, relations between the two countries have been generally good and friendly despite certain unsettled issues. Spurred on by Russia's recent increased attention toward Central Asia, relations between Kazakhstan and Russia became more dynamic. As a geopolitical neighbor with considerable international weight, and because of its economic potential and several other factors, Russia moved high up the list of Kazakhstan's foreign policy priorities.

In the far from simple conditions of 2004 and 2005 when the threat of interference in the republic's domestic affairs became very real, Moscow stood staunchly by Astana's side. Their active concerted efforts defused the threat of another Color Revolution, this time in Kazakhstan.

In turn, Kazakhstan fully supported Russia's integration efforts and remained a loyal ally in the CIS, SCO, CSTO, EurAsEC, and SES even though this might have damaged Kazakhstan's bilateral relations with some of the countries both in Near and Far abroad and even its own economic interests.

At the new stage of their bilateral relations, Astana has to decide for itself how close it is prepared to approach Russia and how deep their integration should be in order not to impair Kazakhstan's national sovereignty. The following questions had to be answered: What did President Putin have in mind? And might Moscow subject Kazakhstan to the pressure it had already used elsewhere?

Kazakhstani-Russian relations are commonly divided into four stages:

- (1) 1991-1992, when the legal basis of inter-state relations was formed;
- (2) 1992-1994, when the main trends and forms of bilateral cooperation in the political, economic, and military spheres became obvious;

- (3) 1995-2000, when bilateral cooperation was extended and deepened within the integration processes in the CIS; and
- (4) 2001 to the present, when the two countries have been cooperating in the bilateral rather than multilateral format.<sup>4</sup>

In the late 1990s and early 2000s, relations between the two countries, and Russia's Central Asian strategy for that matter, entered a new phase. This coincided with two events: first, much more obvious security threats emanating from Afghanistan and incursions of IMU fighters into some of the Central Asian republics; second, Vladimir Putin became the president of the Russian Federation, which meant changes at Russia's highest political level. This obviously affected the dynamics of the two countries' bilateral relations.

By that time, relations between America and Kazakhstan had developed into an irritant that strongly affected bilateral relations between Moscow and Astana. Russia closely followed and continues to follow Washington's rising pressure on Kazakhstan. It is especially irritated by the fact that the sharp criticism of the Republic of Kazakhstan and its leaders coming from across the ocean coincided with another period of closer relations between Kazakhstan and Russia. This was especially obvious between the late 1990s and early 2000s. Few in Russia doubted that America intended to keep the country away from the integration processes that involved Russia and prevent its drawing closer to Moscow.

Early this decade, foreign experts concluded that Moscow was acting much faster on the Caspian thanks to the already existing long-term agreements between Russia and Kazakhstan and between Russia and Turkmenistan on gas and oil transit, as well as to the highly attractive Baltic pipelines which would move gas condensate from the Karachaganak gas field.

Moscow and the West could not agree on how the Kashagan oil should reach the markets. Russia tried to block the use of oil tankers and the intention to build an underwater pipeline across the Caspian. Many in the West were convinced that Moscow wanted to move Russian and Caspian oil in a single flow under its own control in order to gain economic advantages and acquire new levers of pressure on the European customers. Russia's pipelines, however, are depleted, while their load-carrying capacities are relatively small.

On the whole, under Putin, Moscow expected that Astana would remain a loyal ally on all strategic issues of their bilateral relations. Indeed, had Kazakhstan chosen to remove itself from the sphere of the Kremlin's strategic interests, Central Asia would have been lost; Russia's economic interests and geopolitical status would have been damaged beyond repair, while its military security would have been threatened.

Kazakhstan's relations with the West on many issues aroused concern in Moscow; the republic's dependence on Russia in the military-technical sphere could no longer be taken for granted. Astana was actively developing its relations with the West (within NATO and on a bilateral basis). Moscow and Beijing (Kazakhstan's SCO partners) did not like the fact that several countries (the U.S., Germany, and the U.K.) were invited to modernize Kazakhstan's air defense system.

Russia, which in the past had been more or less indifferent to Kazakhstan's (so far abstract) statements about its potential involvement in the Baku-Tbilisi-Ceyhan pipeline, displayed much more concern as the intention began gradually developing into a firm decision. The Kremlin is sometimes puzzled by Astana's stand on certain international issues, the Iraqi issue among them, in which it apparently counted on Astana's support. The Caspian problem can be described as a far from simple challenge to Kazakhstan's future. It will affect its relations with all the geopolitical actors (Russia, the U.S., China, Iran, and the European Union).

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<sup>4</sup> See: K.K. Tokaev, *Vneshniaia politika Kazakhstana v usloviakh globalizatsii*, Almaty, 2000, p. 248.



We can say that, on the whole, relations between Kazakhstan and the Russian Federation remained stable throughout the entire period of independence when both countries demonstrated their readiness to cooperate. A solid legal, economic, political, and cultural basis has formed under this cooperation. When shaping its relations with Russia, Kazakhstan proceeded from the fact that Russia was one of the key partners in all spheres of possible cooperation. At the same time, Russia never betrayed its intention to influence Kazakhstan's foreign policy or interfere in its relations with third countries. There is every reason to believe that in the 21st century the two countries will remain good neighbors and will maintain stable relations on the bilateral and multilateral levels.

Throughout 2004 and 2005, the situation in the CIS developed under the strong influence of the Georgian, Ukrainian, and partly Moldavian events: rapid regime changes, the new regimes' Western orientation, and the West's obvious intention to export Color Revolutions to other CIS countries. Throughout 2005 and 2006, Russia and Kazakhstan found it much harder to pursue their joint policies in the CIS and other integration structures. The crisis in the CIS forced Kazakhstan to step up its involvement in the post-Soviet expanse and, at the same time, shift its interests to smaller integration units (the EurAsEC and SES). Strange as it may seem, in 2005 Kazakhstan intensified its contacts with the "revolutionary" republics—Georgia, Ukraine, Kyrgyzstan—even though Astana remained firmly pro-Russian and condemned the "revolutionary" practices. These republics, in turn, wanted cooperation, particularly in the energy sphere.

In the very complex situation of 2004-2006, Kazakhstan sided with Russia, which wanted to preserve, at least formally, the CIS in the near future as a guarantee of a certain amount of political stability across the post-Soviet expanse. On the other hand, in 2006 Astana and Moscow launched unofficial and hardly publicized consultations on setting up a new integration organization as an alternative to the CIS. It was to be more compact and more effective in the military-strategic and economic fields. In the fall of 2006, Kazakhstan submitted its suggestions.

It proceeded from the conviction that the ideology and conception of the CIS should be changed rather than merely transformed to develop the CIS into an effective structure of economic integration. An analysis of the key aspects of the new independent states' development patterns suggests that the post-Soviet expanse lacks an adequate basis for synchronized multisided integration for the simple reason that the social, economic, political and general development levels of its states are very different.

Russia's interests in Kazakhstan are not limited to close economic ties and humanitarian cooperation. They also extend to the national security sphere for the simple reason that part of its strategic infrastructure is located in Kazakhstan; the two countries are tied together by all sorts of agreements in the security sphere within the CSTO and on a bilateral basis; military industries and the armies of the two states are closely connected; Russia has geopolitical interests in the part of the Republic of Kazakhstan that borders on Russia (the Caspian being one such place). And, what is even more important, the bulk of Russia's nuclear and strategic potential is deployed very close to Kazakhstan's border.

This means that Russia will never permit any unfriendly or even inadequately loyal regime in Kazakhstan. In 2004 and 2005 Russia threw its political weight into stabilization of the situation around Kazakhstan at the far from simple time of the parliamentary and presidential elections. By demonstrating his support of the president of Kazakhstan on the eve of elections, President Putin attracted the votes of the Russian-speaking population. Moscow used its own channels to inform the most active geopolitical actors in Central Asia that Russia would never permit a repetition of the Ukrainian alternative.

Astana cherished its cooperation with Moscow as its main partner in the military-technical sphere. Kazakhstan and Russia share a normative-legal base of military-technical cooperation, which includes bilateral agreements and involvement in multisided structures (the CSTO and SCO).

The present strategic situation in the world and the region, as well as Russia's real potential mostly concentrated in the military-political sphere and science allow Kazakhstan to channel military-technical cooperation with Russia in the desired direction. Moscow, always ready to fortify its regional



position, is prepared to meet Astana halfway on many issues to keep Washington, another factor of influence, away from Kazakhstan—the republic is too close a neighbor to tolerate this.

Bilateral cooperation in the security sphere was confirmed by the agreements on deliveries of weapons and military equipment on easy terms. The documents, which are in effect over a long-term period, not only allow Kazakhstan to consistently develop its army, but also impose certain obligations on Russia.

In 2005-2006, military-technical cooperation was marred by Astana's vague stance on the air defense complexes. Russia expected Kazakhstan to buy its modified S-300 complex in accordance with the corresponding documents on military-technical cooperation and the 2003 agreement. For several reasons, primarily financial reasons, Kazakhstan decided to buy air defense systems from NATO countries and entered into negotiations with some of them, thus creating tension between the two countries in the military-technical sphere.

Early in 2006, however, strategic cooperation between them was crowned with the launching of KazSat, Kazakhstan's first satellite. Russia and Kazakhstan worked together on the Bayterek carrier rocket. Related to peaceful space activities, these achievements objectively strengthen both countries' strategic potential.

In the strained security situation, the CSTO will prove its usefulness for Kazakhstan. Russia, the structure's centerpiece, makes it even stronger, which explains why Astana was willing to specify the points that guaranteed the members' security (patterned on similar NATO clauses, the central points of the Alliance's constituent documents). This was done when the CST was transformed into the CSTO in 2002.

The geopolitical collisions of the latter half of the 1990s created a fairly unexpected structure—the Shanghai Cooperation Organization—with two heavyweights (Russia and China) and Kazakhstan as an active member. For ten years now this organization has been an important factor of Kazakhstan's international status and of the regional geopolitical situation.

Today, this is one of the world's most contradictory structures: it is neither a military-strategic alliance, nor a fully-fledged economic union, nor a political structure in the traditional (geographic, culture, civilizational, etc.) respect. Still, it holds an important place in Astana's foreign policy merely because Russia and China (two powers that Kazakhstan cannot ignore for geographic and geopolitical reasons) are SCO members. On the other hand, the SCO plays on the Central Asian field, which means that Astana cannot stay away from it either.

The SCO has created certain foreign policy advantages for Kazakhstan, as well as certain risks. The country is firmly resolved to pursue a multi-vector foreign policy; as a SCO member it acquires better chances to balance its relations with the West. But every time Kazakhstan has to shoulder new excessive responsibilities suggested or imposed either by China or Russia within the SCO, it creates new problems for itself. Its involvement in the SCO makes it harder to balance between Moscow and China; it is very possible that in the future it will be forced to take sides.

SCO membership is part, but not the most important part, of Kazakhstani-Russian relations. The Kremlin is much less jealous of Astana's contacts with Beijing than of its Washington connections. There is no doubt, however, that relations between Kazakhstan and China do affect Kazakhstan's relations with Russia. Neither the RF nor China has so far formulated the SCO's final goals and its immediate tasks—this is the organization's greatest mystery. SCO membership poses an element of uncertainty: neither Kazakhstan nor the other Central Asian members know how any of the SCO countries will respond to each other's unilateral steps; and whether they are prepared to jointly respond to certain steps of the Central Asian countries in relation to one of them or in relation to the geopolitical forces outside the SCO.

In 2005, the Chinese suggested that the political structure should become an economic one. Moscow and Astana's response was cool: if realized the SCO would have to run the risk of turning into a Chinese "economic protectorate."

This threat is very real with respect to Moscow and Astana, which are seen from China as potential raw material suppliers and China's energy-rich rear. This means that its strategic interests in Central Asia and its SCO involvement deserve close scrutiny.

Russia's strategic community is in two minds about the growing energy cooperation between Kazakhstan and China. The new actor (Kazakhstan) added certain new dimensions to the energy-related contexts, but experts refuse to describe the developments as negative.<sup>5</sup> Russian specialists believe that China's willingness to pay for the pipeline to bring fuel from Kazakhstan should be interpreted as a demonstration of alternatives and a response to those in Russia who obviously bided for time before coming to a final decision about the route.

Russian analysts came to the conclusion that, political ambitions apart, Kazakhstan had no economic potential to compete with Russia when it came to energy-related contacts with China. What is more, it does not need this rivalry. In fact, Russia might shift energy cooperation with Astana to the strategic level: the pipeline to China will make it possible to move oil along the idling Omsk-Pavlodar-Chimkent pipeline and then along the Kazakhstan-China pipeline.

Russian companies find Kazakhstan, a country rich in mineral resources that needs foreign investments and is one of the Kremlin's important partners in the post-Soviet expanse, a most attractive target of investments. Gazprom plans to buy shares of its gas transportation system if and when it is put on the market.

Russia is resolved to help preserve Kazakhstan's domestic and foreign policy stability, its social and economic health, and its freedom to pursue an independent policy while remaining Russia's good neighbor. Kazakhstan is Russia's most important partner in its system of geopolitical and geostrategic priorities in Central Asia. In the future, Moscow will preserve its active position in its relations with Astana.

## The Future of Kazakhstan-Russia Bilateral Relations

The following questions will dominate the joint geopolitical agenda in the next few decades: How will their relations develop? Will the two states become the core of a new integration structure in Eurasia, or will the inertia of disintegration spurred on by their national interests and geopolitical pressure from the outside force them to choose their own routes? The answers call for a detailed investigation of the future of economic integration, the degree of mutual dependence and mutual interest, and the potential of bilateral cooperation.

Globalization is one of the most important factors which will strongly affect the economies of Kazakhstan and Russia in the near future and has already created a paradox. Moscow and Astana are developing into allies and rivals; they are already involved in rivalry over the European and world markets of hydrocarbons, steel, rolled metal, ores, uranium, grain, etc. For many years their rivalry was contained by objective circumstances: the situation on the world markets, the EU's tariff policies (the main trade partner of both countries), Kazakhstan's dependence on Russia in the sphere of transportation, and their bilateral and multilateral agreements (Tariff Agreements, EurAsEC, and others) determined the volume and structure of exports. The leaders' political will and political understanding played an even more important part.

This means that their relations were regulated not so much by economic as by the political mechanisms created by the need for mutual support and continued positive bilateral contacts. Eurasian

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<sup>5</sup> See: N. Khrenkov, "Kreml, 'Gazprom' i Sredniaia Azia," *Azia i Afrika segodnia*, No. 6, 2005, pp. 12-18.

integration, at least its Kazakhstani-Russian sector, is not limited to economic considerations—it is suggested by political considerations as well.

The Russian expert community believes that Moscow does not want the Kazakhstani elite's "special" political orientations (including an independent foreign policy) to become a stumbling block on the road to closer economic cooperation. Mutually advantageous economic relations and successful bilateral integration projects are expected to introduce more trust and efficiency into the political relations between the two countries.

In 2007, we watched a unique political situation take shape: Astana was concerned with who would replace Putin as Russia's president, while Moscow was following the Astana developments with the same feelings. This created a field of uncertainty and made outside interference probable. 2008 might produce unexpected risks.

Strange as it may seem, Russia, Kazakhstan's closest ally, is also a potential source of very serious challenges to its future development. Moscow might try to bring integration to its logical end and shift it from the economic to the political sphere, while Astana cannot cut its full-fledged cooperation with the West, which is very much needed for the country's future advance. This calls for maximum flexibility and inordinate diplomatic skills. Political independence and close military-technical cooperation and economic integration are two main conditions of continued allied relations between the two countries and of the entire range of their development for that matter.

We all know that the Republic of Kazakhstan needs real—military-strategic—security guarantees; allied relations with Russia are undoubtedly the weightiest of such guarantees. Throughout the post-Soviet period Kazakhstan's CSTO membership and its bilateral agreements with Russia in the defense sphere have remained the most reliable guarantee of the country's military-strategic and political security.

It should be said that Astana would like to see Putin as Russia's leader. On the whole, seen from Astana, his two terms as the president can be described as positive: he always took Kazakhstan's justified interests into account, he was always prepared to seek compromises, and he valued strategic partnership and allied relations with Kazakhstan. There is only one thing that causes concern in Astana: it is unclear how far Moscow is prepared to go in its efforts to integrate the post-Soviet expanse around itself.

## *C o n c l u s i o n*

When President Putin agreed to deploy the forces of the counterterrorist coalition in Central Asia, many believed that the previous axiom of Central Asia being the sphere of Russia's vital interests, which Moscow would not abandon at any cost, was disproved.

Obviously, throughout the 1990s, the Russian factor dominated in Kazakhstan's national security sphere. It rested on bilateral relations and on the countries' cooperation within multisided structures (the CIS, CST, and EurAsEC). It should be said that there were practically no serious contradictions between Kazakhstan and Russia in the military-political and strategic spheres. Their disagreements were limited mostly to the economic sphere and were consistently removed (the agreement on the legal status of the Caspian can serve as an example). In fact, both countries have always been prepared to reach compromises and to achieve mutual understanding. Those Western and Kazakhstani analysts who were convinced that Moscow would threaten Kazakhstan's state sovereignty or try to bring the region back into the sphere of its influence were proved wrong.

In 2001 and 2002, the situation changed to the extent that it seemed that Russia was losing its role as the region's security guarantor. In 2002, however, the Russian Federation restored some of its former military-political presence in the region and in Kyrgyzstan as its part. In late 2002, Moscow

more clearly formulated its aims and tasks within its Central Asian strategy; it separated its military-political contacts from its economic ties with the local republics and identified the means and methods to be used in both fields. The Kremlin took into account Washington's possible opposition to its plans, as well as the opposition of part of the local political elite. Even though Moscow might lose a large part of its former regional influence, the Russian factor will still be prominent in the region and in Kazakhstan for a long time to come.

The Caspian issue presents the greatest problem and the greatest challenge: in the future, it may affect the republic's relations with almost all the geopolitical actors of importance, such as Russia, the United States, China, Iran, and the European Union. The relevance of the Caspian issue to the relations between Russia and Kazakhstan is not limited to the oil component.

In the long run, a Eurasian Confederation of five to ten states might appear on the CIS's territory with Russia and Kazakhstan as the main centripetal force, of which the EurAsEC/SES/CSTO chain may serve as a prototype. If realized, the Confederation will be able to claim the role of a geopolitical force of the first order.

Any changes, to the best or worst, in Moscow's relations with Washington and Brussels will inevitably affect, to one degree or another, the situation in Central Asia and Kazakhstan's international status and security. The main actors (Russia, the U.S., and the EU) never lose sight of the region as a sphere of their strategic interests.

To sum up. By 2007, the Russian Federation had not acquired clear ideas about the future of the post-Soviet expanse as a whole and of Central Asia and the Southern Caucasus in particular. When formulating its foreign policy strategy in its southern "soft underbelly," Russia should keep in mind that, first, the Soviet Union cannot be revived for economic, political, ideological, and other reasons. Second, the political and economic processes in the region are going in different directions, thus adding to the contradictions among the CIS members. This means that Russia should devise highly discriminatory approaches.

Kazakhstan and its close ally Kyrgyzstan are two Central Asian countries with which Russia can establish closer integration based on the already accomplished economic reforms. A single energy market within the EurAsEC is one of Russia's foremost aims; it perfectly fits what is known as Putin's Doctrine and is, in fact, its starting point. Russia is working hard to restore its former influence in the region. Alarmed by China's growing political and economic presence in the region, it is stepping up its involvement in the SCO.

The above suggests that the situation has been developing stably in the past few years; the potential Color Revolutions in Uzbekistan and Kazakhstan were nipped in the bud, so to speak. Kyrgyzstan and Tajikistan remained in Russia's and the CIS's orbit; until President Niyazov's death Turkmenistan remained faithful to its obligations to Gazprom. The Russian Federation still dominates the sphere of hydrocarbon transportation to the outside markets. The region seems to confirm that President Putin's decision to make an "energy superpower" out of his country and a club of energy producers and energy transporters under Moscow's chairmanship out of the EurAsEC countries was the right one.

At the same time, it is fraught with conflicts: today Turkmenistan, Uzbekistan, and Kazakhstan sell their gas under bilateral agreements each of them has with Russia and lose part of potential incomes on Russia's transit. Fully aware of this, Russia's Central Asian partners are looking for alternative routes bypassing Russian territory.

Realizing this, the West has stepped up its contacts with the Caspian-Central Asian countries in the sphere of hydrocarbon production and transportation. Undaunted by Russia's potentially sharp responses (Moscow regards the region as its natural monopoly), the West has moved forward in the conviction that the time has come to lay new pipelines (particularly gas pipelines) to leave Russia out in the cold. This move is expected to kill two birds with one stone: Europe will be relieved of its ex-

cessive energy dependence on Russia, while the West will widen its sphere of influence in the region. The Western capitals are pursuing an even more ambitious aim: to undermine Putin's Doctrine designed to reintegrate the post-Soviet expanse.

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## TAJIK-AFGHAN INTERRELATIONS TODAY AND THEIR FUTURE PROSPECTS

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The Republic of Tajikistan and the Islamic Republic of Afghanistan<sup>1</sup> have all the prerequisites for developing good-neighborly relations: a long common border stretching 1,344 km, a common historical past, common cultural values, traditions, and customs, a common religion, and a common language. According to different esti-

mates, Tajiks comprise between 25% and 34% of the population of Afghanistan, where more than 40 nationalities live who speak 30 languages. More than half of the population speak Dari (as the language of the Tajiks of Afghanistan is called), which is one of the two official state languages of this republic. Until 1936, the language of the Tajiks of Afghanistan was the only state tongue, as well as the means of international communication.

<sup>1</sup> Prior to 2004 the Islamic State of Afghanistan.

### Problems of Establishing Contemporary Tajik-Afghan Relations

The collapse of the U.S.S.R. and Tajikistan's acquirement of state sovereignty coincided time-wise with the mujaheds' advent to power in Afghanistan in April 1992. Recognizing the Islamic State of Afghanistan (ISA) from the very first days of its existence, the Republic of Tajikistan declared its willingness to establish good-neighborly relations between the two sovereign states, which was demonstrated during the first official visit of a high-ranking Tajik government delegation headed by acting Chairman of the Tajik Supreme Soviet A. Iskandarov to Kabul in July 1992. This fact is noteworthy since it was the first visit by a government delegation of the already independent Tajik state, and the Afghan state was also headed by Tajiks. The country's president was Burhanuddin Rabbani, the prime minister was a member of the Islamic Party of Afghanistan, Tajik Abdul Sabur Farid, and the minister of defense was Ahmad Shah Masud.

According to the protocol signed on 15 July, 1992, a month later the sides intended to form a joint Commission on Economic, Scientific-Technical, and Cultural Cooperation between the two republics. On the same day, the foreign ministers of the two countries signed two more documents: On Establishing Diplomatic Relations between the Republic of Tajikistan and the Islamic State of Afghanistan and an Agreement on Cooperation between the Foreign Ministry of the Republic of Tajikistan and the Foreign Ministry of the Islamic State of Afghanistan.

Judging from the atmosphere at the talks, Tajikistan and Afghanistan were extremely interested in developing bilateral relations. However, before long, rather complicated problems arose associated primarily with aggravation of the domestic political situation in both countries. For example, Afghanistan was extremely concerned about the development of events in its neighboring republic. In his interview with a correspondent of Radio Ozodi, Fahriddin Holbek, former president of Afghanistan B. Rabbani said the following: "Uzbekistan President Islam Karimov invited me to visit Tashkent. There I was told that hostilities had begun in Tajikistan. Sangak Safarov, as military commander, is fighting the Interim Government (the Government of National Reconciliation—*K.I.*). The Tajikistan foreign minister at that time asked me to help regulate the situation. I was even ready to go to the country. I told Karimov about my plans and intended to fly straight from Tashkent to Dushanbe. But Mr. Karimov told me he had not been properly informed about the real state of affairs in Tajikistan. It was not clear what was going on there. So I did not go to Dushanbe..."<sup>2</sup>

Aggravation of the domestic political situation in Tajikistan not only put the damper on Tajik-Afghan cooperation, it also made the relations between the states extremely complicated. The Tajik-Afghan border became a particular headache not only for Tajikistan, but also for all of the Central Asian republics, and also for Russia. Due to the situation that developed, the borders were protected mainly by Russian servicemen who were unable to cope with the pernicious smuggling and the numerous border violations. As early as the spring of 1992, firearms, ammunition, and drugs were smuggled almost unhindered into Tajikistan in exchange for foodstuffs and industrial commodities. Afghan militants with many years of combat experience also began to move from Afghanistan into Tajikistan. By the summer of 1992, it was no secret that there were Afghans in the groups forming in Tajikistan. According to V. Bushkov, "by the fall of 1992, there were 500-600 Afghan instructors operating in Tajikistan,"<sup>3</sup> although we believe this number is artificially set too high. With the appearance of the Tajik armed opposition in Afghanistan, the movement of armed and well-trained fighters to Tajikistan became more frequent. There were not only Tajiks and Afghans among them, but also Arabs, which seriously destabilized the situation in the country.

The Tajik-Afghan border was considered the southern boundary of the Commonwealth of Independent States and so, in keeping with the Collective Security Treaty signed in May 1992 in Tashkent, the states that initialed this document were obliged to help Tajikistan to rebuff the threat coming from the outside. But measures to reinforce the borders were not taken until 1993: collective peacekeeping forces were created from among Russian, Kazakh, Kyrgyz, and Uzbek military subdivisions to protect the border.

The armed conflicts that flared up between the National Front militants and Islamists resulted in tens of thousands of refugees fleeing to Afghanistan.<sup>4</sup>

The Tajik armed opposition, under the protection of the Islamic parties and movements of Afghanistan, created some twenty military training camps in the northern provinces of Afghani-

<sup>2</sup> F. Holbek, B. Rabbani: "Rakhmonov—dostoiniy paren..." available at [www.Asia-Plus.tj], 29 June, 2006.

<sup>3</sup> Quoted from: A. Kniazev, *Afganskiy krizis i bezopasnost Tsentral'noi Azii (XIX—nachalo XX vv.)*, Dushanbe, 2004, p. 181.

<sup>4</sup> According to the Refugees Department of the Tajik Ministry of Labor and Employment, the total number of Tajik refugees in Afghanistan amounted to 60,939 people, although according to the Office of the United Nations High Commissioner for Refugees (UNHCR), some 90,000 people moved to Afghanistan at the beginning of the hostilities in Tajikistan.



stan.<sup>5</sup> In so doing, violations of the Tajik-Afghan border continued. Regular armed clashes occurred with Russian border guards, during which dozens of servicemen were killed. In response, the Russian border guards often fired on Afghan kishlaks, which resulted in the deaths of peaceful citizens. The rather dramatic situation that developed could have drawn Russia into a new war with Afghanistan and aggravated Tajik-Afghan relations even more. This was why at meetings between the Tajik and Uzbek leaders in Dushanbe and Tashkent at the beginning of 1993, the Afghan side focused its attention on the withdrawal of Russian border guards from Tajikistan.

Drastic measures had to be urgently taken. For this purpose, Afghan Foreign Minister Hedayat Amin Arsalala visited Dushanbe on 10-13 August, 1993. During the talks with the Tajik leadership, the sides stressed that they would not interfere in each other's internal affairs under any pretext. At the same time, it was obvious that official Kabul was not ready to take control over the entire section of the Tajik-Afghan border to prevent the fighters of this republic's opposition from moving into Tajikistan. Graphic evidence of this was the kidnapping and transfer to Afghanistan of four Russian and one Kazakh border guard by members of the Tajik opposition in the Darvaz region during Arsalala's visit to Dushanbe.

During Afghan foreign minister's visit to Tajikistan, the ground was readied for Tajik Head of State Emomali Rakhmon's visit to Kabul, who visited the Afghan capital at the end of August of the same year. The main result of President Rakhmon's 12-hour talks with B. Rabbani was the release of the hostages. President Rakhmon's visit and his talks with B. Rabbani helped to establish closer contacts between the two countries. These contacts ended in B. Rabbani's visit to the Republic of Tajikistan on 19-22 December, 1993. This was the first official visit of the head of a foreign state to Tajikistan after the latter had gained its independence.

As a result of the talks, on 22 December, 1993, a set of documents and agreements aimed at developing and strengthening cooperation between the two countries in different areas was signed between the Republic of Tajikistan and the Islamic State of Afghanistan. The most important of these documents were the Treaty on Friendship, Cooperation, and Good-Neighborly Relations between the Republic of Tajikistan and the Islamic State of Afghanistan, the Agreement on Cooperation in Culture, Science, and Education between the Republic of Tajikistan and the Islamic State of Afghanistan, the Agreement on Economic and Trade Cooperation between the Republic of Tajikistan and the Islamic State of Afghanistan, and others. A trilateral agreement was also signed among Afghanistan, Tajikistan, and Office of the U.N. High Commissioner for Refugees on the return of Tajik forced migrants.

The entire course of the talks, meetings, and speeches of Professor Rabbani and other members of the delegation graphically demonstrated the growing trend toward a definite rapprochement between the two countries, which clearly went against the interests of several of the region's states. According to some analysts, the Uzbek leadership, for example, was not interested in the Tajiks of these countries forming closer relations, or in the implementation of the agreement on the export of natural gas from Afghanistan to Tajikistan. Uzbekistan regarded the latter agreement as a threat to its economic interests. In this respect, the fact that Abdul Rashid Dostum, an ethnic Uzbek who headed the National Islamic Movement of Afghanistan military-political group, moved to the opposition camp can be entirely explained by external influence. The attempt at a military coup undertaken by the fighters of the so-called High Coordination Council of the Islamic Revolution, to which A. Dostum also belonged, can hardly be considered spontaneous (it was carried out a week after B. Rabbani's official visit to Dushanbe). Although this act was not crowned with success, Dostum's move to the camp of the Afghan antigovernment forces dealt a severe blow to Tajik-Afghan cooperation. In particular, it was Dostum who interfered with implementation of the agreement on gas deliveries to Tajikistan, since the blue fuel fields were on the territory he controlled. The Kabul-Sherkhan-Bandar road that runs

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<sup>5</sup> See: K. Iskandarov, "Problemy mezhdunarodnykh otnoshenii Respubliki Tadjikistan s Islamskim Gosudarstvom Afghanistan," *Proceedings of the Academy of Sciences of the Republic of Tajikistan*, Economic and Political Science Series, No. 1-2 (7), 1997, p. 74.

through the Salang Pass was also closed, and the hostilities spread from Kabul to the north of the country as well. In the end, the Afghan state had to carry out its domestic and foreign policy in conditions where its adversaries were putting up tough resistance.

## Cooperation in Conflict Settlement in Tajikistan and Afghanistan

Due to the ongoing armed conflict between the government of Tajikistan and the opposition, one of the main vectors in the state's foreign policy was aimed at stabilizing the situation on the Tajik-Afghan border and looking for ways to peacefully settle the conflict and return the refugees.

Due to the presence of the Tajik armed opposition in Afghanistan, the Tajik government was especially interested in cooperating with the Afghan leadership to resolve the existing problems. This was explained by the fact that the frequent border violations by fighters, the armed clashes on the borders, as well as the return strikes of artillery and bombing of Afghanistan could not help but have an impact on Tajik-Afghan interrelations. In particular, the Tajik government related the aggressive actions of the Tajik armed opposition detachments in the summer of 1996, as a result of which the regional center of Tavildar was occupied, to interference of Afghanistan's armed forces. As a result of this incident, commercial relations with the Afghanistan were curtailed and the resolution of the Tajik government of 1995 on opening trade points on the border with Afghanistan was no longer valid. The sides exerted a great deal of effort to prevent border violations by the armed opposition. In August 1996, a protocol was signed on cooperation between the border guards of the Russian Federation and Afghanistan. According to this document, the Afghan side assumed the obligation to create a safety zone 25 km from the border in the Shugnan District and subsequently stop armed detachments of the Tajik opposition from entering this zone.<sup>6</sup> But settlement of the inter-Tajik conflict required that measures be taken at the highest level. The Afghan President and Defense Minister Ahmad Shah Masud expressed a sincere desire to launch a peace process in Tajikistan. There was mistrust and suspicion between the Tajik Government and the Islamic Movement of Tajikistan (IMT). The leaders of the Tajik opposition in Afghanistan were hoping to obtain help and support in this country in their fight against the legal government of Tajikistan, but their hopes were not justified. They were asked to sit down at the negotiation table with Emomali Rakhmon. Here is what B. Rabbani had to say about this: "During the talks (with Sayid Abdullo Nuri.—*K.I.*), I said: 'Mr. Nuri, what are you fighting for? What is the purpose of this war? I think that Rakhmonov is a very decent lad, sit down with him and come to terms. Let Tajikistan become stronger politically and economically. The day will come when you too will offer your ideas for political reform. I am afraid that a war will destroy Tajikistan, after which you too will be unable to return to your homeland and the government will face big problems.'"<sup>7</sup>

When Emomali Rakhmon invited B. Rabbani to make an official visit to Dushanbe in December 1993, several leaders of the Tajik opposition did not take kindly to it. They were worried that the visit would strengthen the government's position. "They (the leaders of the Tajik armed opposition.—*K.I.*)," said B. Rabbani, "want us to do things that would create difficulties for the Tajik government. But I don't want that. Neither side is alien to us. After the visit, I insisted that the opposition leaders sit down at the negotiation table no matter what. I said at that time: 'We must first create Tajikistan. There are countries that do not want to see Tajikistan independent and prosperous.'"<sup>8</sup>

<sup>6</sup> See: *Biznes i politika*, August 1996.

<sup>7</sup> F. Holbek, *op. cit.*

<sup>8</sup> *Ibidem.*

Afghanistan was one of the observer states at the inter-Tajik talks. It was in this country, with mediation of the Afghan leaders, that on 17-19 May, 1995, Tajikistan leader Emomali Rakhmon and leader of the United Tajik Opposition (UTO) Sayid Nuri met for the first time. This meeting largely helped to achieve mutual understanding in the next rounds of the inter-Tajik dialogs. In a joint statement, both sides confirmed their willingness to settle the inter-Tajik conflict, repatriate all the refugees, and completely stabilize the political situation in Tajikistan. Both leaders assumed the obligation of doing everything they could to regulate the conflict by political means at the negotiation table.<sup>9</sup>

According to many analysts, the turning point in the inter-Tajik talks came precisely after President Rakhmon's meeting with UTO leader Nuri in Khostdeh (northeast Afghanistan) on 11 December, 1996, organized with the mediation of B. Rabbani and Ahmad Shah Masud. The Afghan leaders did everything they could to ensure this meeting yielded specific results, and they were successful. According to former Afghan president B. Rabbani, "all the terms were reached at this meeting and a peace agreement was ready for signing. The sides decided to continue the meetings in Moscow and sign the agreement there in order to show Russia's decisive role in achieving peace in Tajikistan." He made this statement during our meeting in Kabul on 12 September, 2002.<sup>10</sup> Of course, the Afghan leadership had their own interests in rapid settlement of the inter-Tajik conflict. When speaking during this meeting about Ahmad Shah Masud's role in the peace process in Tajikistan, B. Rabbani noted that he (Ahmad Shah Masud) was sure that 50% of the problems would be resolved when peace was reached in Tajikistan. Indeed, it is difficult to imagine how the situation might have developed in the inter-Tajik talks had the regions where the Tajik armed opposition was deployed and the refugee camps in Afghanistan fallen under the Taliban's control. There is no doubt that the aggressive Taliban accelerated the signing of the peace agreement.

The difficult and multi-round inter-Tajik talks ended with the initialing of a General Agreement on Peace and National Consent in Tajikistan in June 1997. As a result, all the Tajik refugees were able to return home, and the armed opposition forces were integrated into Tajikistan's power-related structures. There can be no doubt that the Afghan leaders were extremely instrumental in this; it was the fruit of efficient Tajik-Afghan cooperation aimed at settling the inter-Tajik conflict.

At the same time, ensuring stable peace in Tajikistan was largely related to the situation in Afghanistan. When the latter's capital fell under Taliban control, the Afghan conflict entered a new phase. The serious threat of a spread in Islamic extremism and terrorism, as well as of drug smuggling from Afghanistan, loomed once again over Tajikistan. Moreover, Afghanistan's transformation into a center for training international terrorists and manufacturing drugs threatened the existence of independent Tajikistan as such. So Tajikistan placed great importance in its foreign policy on finding ways to peacefully settle the Afghan conflict. Tajik President Emomali Rakhmon called on the international community to pay serious attention to the situation that had developed in Afghanistan, which threatened the entire world. On 4 October, 1996, on the initiative of Tajik President Rakhmon, an emergency meeting was convened of the heads of the Central Asian states, as well as of Russia. The meeting was attended by the presidents of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, as well as the government chairman of the Russian Federation. A joint statement was adopted which expressed concern about the events going on in Afghanistan. It noted that any possible actions that undermined stability on Afghanistan's borders with the CIS states would receive an equivalent response.<sup>11</sup> This meant that

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<sup>9</sup> "Statement by the President of the Republic of Tajikistan Emomali Rakhmon and Chairman of the Islamic Revival Movement of Tajikistan S.A. Nuri of 19 May, 1995," in: *Doroga mira*, Documents of the inter-Tajik talks, Dushanbe, 1997, pp. 150-151.

<sup>10</sup> We, the members of the Tajik delegation at the first international conference dedicated to the memory of Ahmad Shah Masud and held on 7-8 September, 2002, met with Burhanuddin Rabbani at his home in Kabul and had the opportunity to talk to him for two hours.

<sup>11</sup> ITAR-TASS, Alma-Ata, 4 October 1996.

despite the Taliban's seizure of Kabul, the leaders of the Central Asian countries and Russia did not recognize it and continued to support President Rabbani.

In 1998, Emomali Rakhmon came forward with an initiative to create an anti-drug security belt around Afghanistan. The Tajik leader supported Russia's position regarding the drafting and adoption of a resolution introducing new sanctions against the Taliban. From the rostrum of the 54th session of the U.N. General Assembly, Emomali Rakhmon suggested that the Security Council introduce sanctions against "those in Afghanistan who are violating the resolution of the U.N. General Assembly Security Council," making it understood that he was referring in particular to the Taliban.<sup>12</sup>

Tajikistan did indeed become a reliable rear for Afghanistan. All the foreign aid to Afghanistan and maintenance of the Northern Alliance troops went through Tajikistan. Dushanbe became the site for the talks between the Afghan leadership and the Northern Alliance, at which various delegations and foreign mediation missions considered ways to reach peaceful settlement of the Afghan conflict. Tajikistan was the only country that always staunchly supported the government of President Rabbani, which the U.N. recognized as the only legal one. This fact was acknowledged by the Afghan leaders and all the Afghans opposed to the Taliban. "The territory and people of Tajikistan were our only bastion, with the help of which we were able to conquer the extremist Taliban regime," said B. Rabbani.<sup>13</sup>

## The Main Vectors of Tajik-Afghan Cooperation after 11 September, 2001

After 11 September, 2001, the Republic of Tajikistan became an active participant in settling the situation in Afghanistan and establishing peace and stability in that country.

Since the beginning of the antiterrorist operation in October 2001, Tajikistan has assumed responsibility for ensuring uninterrupted transit delivery of international humanitarian aid to the people of Afghanistan, has simplified the customs and border procedures, and has offered its air and land space for carrying out rescue and humanitarian campaigns by the transnational coalition forces.

The Tajik government has been steering a course aimed at supporting the future state-building and post-conflict restoration of Afghanistan.

An important aspect in the coordination of bilateral interrelations between Tajikistan and Afghanistan was the meeting between the presidents of the two republics—Emomali Rakhmon and Hamid Karzai, who came to Tajikistan to participate at the eighth summit of the heads of the ECO member states held in September 2004. Presidents Rakhmon and Karzai discussed Afghanistan's restoration and combating illicit drug circulation and affirmed the development of relations between Tajikistan and Afghanistan based on generally accepted principles of good-neighborliness, mutual respect and trust, friendship, and mutual assistance in all spheres of life. During the Afghani delegation's visit to Tajikistan in September 2004, an intergovernmental Agreement on Trade Cooperation between the two states was signed.

Questions concerning the further development of Tajik-Afghan relations were considered during Tajik President Rakhmon's first official visit to Afghanistan on 27-28 April, 2005. The sides discussed a wide range of bilateral issues, as well as cooperation prerequisites and possibilities in such areas as construction, road-building, water supply, science, literature, culture, information, education, and health care. They were unanimous in their opinion that hydropower is one of the most important and fruitful vectors of interaction between the countries. During the visit, 11 interstate and inter-

<sup>12</sup> A. Kniازهv, *op. cit.*, p. 202.

<sup>13</sup> F. Holbek, *op. cit.*

governmental documents were signed on various aspects of cooperation between the two countries. The Treaty on Friendship, Cooperation, and Good-Neighborly Relations between the Republic of Tajikistan and the Islamic Republic of Afghanistan was particularly important. An Agreement on Mutual Granting of Property to the Embassy of the Republic of Tajikistan in Kabul and to the Embassy of the Islamic Republic of Afghanistan in Dushanbe, an Agreement on Non-Visa Trips under Diplomatic Passports, an Agreement on Cooperation in the Energy Sphere, an Agreement on Cooperation in Education, Science, and Technology, an Agreement on Transport and Transit Shipments of Cargo and Passengers, an Agreement on Combating the Illicit Circulation of Drugs, an Agreement on Cooperation in Fighting Terrorism, Extremism, and Transnational Organized Crime, as well as others, were also signed.

Cooperation between the two republics in trade, the economy, education and culture, combating drug smuggling, and so on is successfully developing on the basis of the initialed documents. Here are some statistics on export-import operations between Tajikistan and Afghanistan (according to the Tajik Customs Committee): in 1994 Tajikistan's foreign trade turnover with Afghanistan amounted to 4,632,736 dollars (import to 2,058,210 dollars, export to 2,574,526 dollars). A positive balance of 5,516,316 dollars formed. But the trade turnover between the two countries subsequently fell, which was apparently related to the increase in combat action in Afghanistan and decrease in the territory controlled by the Afghan government. In 1995, the trade turnover between the republics amounted to 3.6 million dollars and 4 billion Russian rubles;<sup>14</sup> whereas in 1998 it was only one million dollars. In 2002, the trade turnover between the two countries began to rise, and in 2005 this index amounted to more than 15.0 million dollars,<sup>15</sup> in 2006, it was 25,015.1 dollars (export—18,643.9 dollars, import—6,491.2 dollars),<sup>16</sup> and during the first ten months of 2007 it reached 29,045.4 dollars (export—9,539.9 dollars, import—19,505.5 dollars).<sup>17</sup>

In order to expand cooperation with Afghanistan, Tajikistan continued building bridges over the River Panj. As of today, four bridges have already been built, as well as border trade points in the kishlaks of Ruzvai (the Darvaz District), Tem (near Khorog), and Ishkashim (the Ishkashim District). These bridges are instrumental in supplying the population of the northern regions of Afghanistan (particularly the province of Badakhshan) with the necessary goods.

On 22-25 February, 2006, the first session of the Tajik-Afghan intergovernmental commission on trade, economic, and technical cooperation was held, at which the priority vectors of bilateral cooperation and the execution of the documents signed between the two states during the Tajik president's visit to Afghanistan in April 2005 were discussed.

On 26-27 July, 2006, Afghan President Karzai paid an official visit to Tajikistan. At the meeting with President Rakhmon, a wide range of issues of Tajik-Afghan cooperation in the political, trade and economic, and military-technical fields, as well as in ensuring security and reinforcing protection of the borders between the two countries to prevent drug smuggling was discussed.<sup>18</sup>

Hydropower is another important vector in Tajik-Afghan cooperation. The vast potential of Tajikistan's hydropower reserves is defining the strategy of Tajik-Afghan cooperation in this sphere. In terms of hydropower resources, Tajikistan occupies second place in the CIS (after Russia) and eighth in the world (after China, the Russian Federation, the U.S., Brazil, Zaire, India, and Canada); in terms of per capita reserves (87,800 kWh per person a year), it occupies second place in the world (after Iceland); and in terms of supplies per unit of territory (3.62 kWh/sq. km a year), it occupies first place. In other words, almost 4% of the world's hydropower potential is concentrated in Tajikistan.<sup>19</sup>

<sup>14</sup> See: K. Iskandarov, op. cit., p. 75.

<sup>15</sup> Calculated according to data obtained at the Ministry of Economic Development and Trade of the Republic of Tajikistan.

<sup>16</sup> See: *Tajikistan's Foreign Economic Activity*, Statistics Collection, Dushanbe, 2007, p. 341.

<sup>17</sup> *Socioeconomic Situation in the Republic of Tajikistan, January-October 2007*, Dushanbe, 2007, p. 102.

<sup>18</sup> [<http://www/president.tj>], 27 August, 2006.

<sup>19</sup> See: G. Petrov, "Tajikistan's Hydropower Resources," *Central Asia and the Caucasus*, No. 3 (21), 2003, p. 154.



In March 2002, a Protocol on Restoring Power Transmission Lines and Building New Lines was signed between the Tajikistan Ministry of Energy and the Afghanistan Ministry of Water and Power. At the early stage of implementing this project, the Barki Tojik energy company completed work on restoring power transmission lines. In particular, in the summertime, Tajikistan is able to deliver 1.5 billion kWh of electric power a year to the neighboring regions of Afghanistan. When two hydropower facilities (Sangtuda-1 and Sangtuda-2) are completed, export potential will increase to 11.5 billion kWh a year.

According to the agreement signed in 2002 on electric power supply to Afghanistan, Tajikistan, as head of the energy department of the Tajik Ministry of Energy and Industry A. Khabirov stated, exported 10,419,948 kWh to Afghanistan in 2003, 27,743,880 kWh in 2004, 39,219,173 kWh in 2005, and 44,185,487 kWh during the first 11 months of 2006.<sup>20</sup> Sometimes electric power is even transmitted in the winter months, when the population of Tajikistan consumed it in strictly limited amounts of 5-6 hours a day.

On 21 April, 2006, an Agreement on Cooperation between the Tajikistan Ministry of Energy and the Afghanistan Ministry of Water and Power was signed in Dushanbe. The sides reached an agreement that, starting from the end of 2008, Afghanistan will receive 300 MW of electric power from Tajikistan, and starting in 2009, after the Sangtuda-1, Sangtuda-2, and Rogun hydropower plants go into operation, between 1,000 and 1,200 MW could be supplied through Afghanistan to third countries. The question of financing the project for building a 220-kV power transmission line has currently been resolved. The Asia Development Bank (ADB) allotted Tajikistan and the Afghan side a loan for building it. In November 2007, a contract was signed in the Afghan capital for 500 million dollars on the transmission of electric power from the Central Asian states to South Asia. This is mentioned in a report by the representative office of the World Bank in Kabul. As noted, at the first stage, the contract envisages the transmission of 1,200 MW from Tajikistan and Kyrgyzstan to Pakistan through Afghanistan. The length of the power transmission line from the Tajik-Afghan border to Pakistan is 750 km. According to a report by the Afghan Bakhtar Information Agency, Afghanistan's Minister of Power and Water Engineering Ismail Khan said the project would be implemented until 2012. According to him, about 200 MW of the 1,200 MW will go to cover the needs of the Afghan capital.<sup>21</sup> Moreover, the Iranian side, which is constructing the Sangtuda-2 Hydropower Plant, confirmed its willingness to build a network of power transmission lines, in particular the Rogun-Kunduz-Mazar-i-Sharif-Heart-Mashhad power transmission lines, as well as expand accordingly trilateral cooperation among Tajikistan, Iran, and Afghanistan. There are also plans to extend a 110 kV power transmission line to Imam-Sakhb and on to Faizabad.

At present, the South-North and Khatlon-Lolazor lines are being built in Tajikistan, which will make it possible to ensure the export of electric power and offer wide opportunities for other countries (in particular Kyrgyzstan) to sell their energy resources via Tajikistan to South and East Asia.

The growing need for cheap electric power requires putting new hydropower plants into operation. The Nurek Hydropower Plant, the largest in Tajikistan, has nine turbines of 3,000 MW in capacity. Its annual production volume amounts to an average of 11 billion kWh. Several other very important and promising projects are also being carried out in Tajikistan. One of them is related to completion of the construction of the first line of the Rogun Hydropower Plant. The planned capacity of this station amounts to 3,600 MW, and, as of today, construction work totaling 804 million dollars has already been carried out, but more than 2 billion dollars are needed in additional funds to complete the

<sup>20</sup> From the speech of A. Khabirov at the international conference "Afghanistan and Regional Security: Five Years after the Taliban" (Dushanbe, 6-7 December, 2006).

<sup>21</sup> A contract is signed in Kabul for 500 million dollars on the transmission of electric power through Afghanistan, available at [<http://www.Afghanistan.ru>].



facility. “We are determined,” said Tajikistan President Emomali Rakhmon, “to begin building this station in 2007 and continue its construction using the republic’s own funds.”<sup>22</sup>

The most important project in joint assimilation of Tajikistan’s and Afghanistan’s hydropower reserves is using the resources of the Panj and Amu Darya rivers.

As early as the 1960s-1970s, the hydropower potential of the border section of the River Panj was estimated by Soviet specialists at 119 billion kWh, and of the basin as a whole at more than 150 billion kWh. In terms of the available hydropower resources, the border section of the River Panj occupies third place among the CIS countries, after such major Russian rivers as the Enisei and Lena, which have 158 and 144 billion kWh of hydropower potential, respectively. The Panj’s indices are more than twice as high as those of the largest river in Europe, the Volga, with its potential of 54 billion kWh. As for the Amu Darya, it has 11 billion kWh of hydropower potential on the border section.<sup>23</sup>

Specialists from the two states drew up plans designed to promote joint assimilation of the energy resources of the border rivers. A feasibility report was drafted for building 14 stations of between 300 and 4,000 MW in capacity and an annual production volume of 86.3 billion kWh (including the largest Dashtijum Hydropower Plant with a capacity of 4,000 MW and annual production of 15.6 billion kWh) on the Panj River alone, which is the main tributary of the Amu Darya. As Tajik President Emomali Rakhmon stated at the Second Conference of the Central and South Asian Countries on the Sale of Electric Power held on 27 October, 2007 in Dushanbe, the construction of this hydropower plant is of vital significance not only for Tajikistan, but also for all the states of the region, in particular with respect to restoring and developing the Afghan economy, irrigating one and a half million hectares of land, and supplying water to hundreds of thousands of hectares of land in the region.<sup>24</sup>

At the same time, the Tajik Ministry of Energy held talks on renewing deliveries of 2 bcm of natural gas from Afghanistan and on laying a pipeline 110-120 km in length from the gas field of Shebergan (Afghanistan) to Kolkhozobad (Tajikistan). Successful implementation of this project requires investments of 15-17 million dollars and assistance from sponsor countries.

Deliveries of Afghan gas to Tajikistan were discussed as early as 1993—during Afghan President Rabbani’s first official visit to Tajikistan, an Agreement on the Export of Natural Gas from Afghanistan to Tajikistan was signed. This document envisaged annual deliveries of 1 bcm of raw material to Tajikistan. During drafting of the agreement, the Tajik government delegation headed by the republic’s first deputy minister of economics A. Sufiev visited the northern regions of Afghanistan, met with the president of the Afghan Department of Oil and Gas and with National Islamic Movement of Afghanistan Chairman A. Dostum, and inspected gas wells in the province of Shebergan. According to the experts’ preliminary estimates and the report by the delegation members, the noted facilities in Jarkuduk and Yatimtak were realistically able to provide 3 mcm a day at that time, but, as mentioned above, due to the complications of the military-political situation in Afghanistan, the project was never implemented.

Transport is another important vector in Tajik-Afghan cooperation. Tajikistan has always been interested in finding a way out of the transport-communication impasse. The shortest routes from Tajikistan to the largest sea ports of the Indian Ocean and Persian Gulf pass through Afghanistan. Keeping in mind the length of the border, Tajikistan can also be regarded as one of the main transit routes to Afghanistan. In this respect, the sides are well aware of the need to build bridges over the border Panj River, as well as develop a network of roads and infrastructure. Tajikistan has already

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<sup>22</sup> *Speech by Tajik President Emomali Rakhmon at the Second Conference of the Central Asian and South Asian Countries on the Sale of Electric Power, 27 October, 2007*, available at [<http://www.president.tj>].

<sup>23</sup> See: G. Rajabekov, *Ekonomicheskie problemy poslevoennogo vosstanovleniia i razvitiia energetiki Afganistana*, Ph.D. (Econ.) Dissertation, Moscow, 2002, p. 156.

<sup>24</sup> *Speech by Tajik President Emomali Rakhmon at the Second Conference of the Central Asian and South Asian Countries on the Sale of Electric Power, 27 October, 2007*.

built four bridges. One of them, the largest Tajik-Afghan facility on the Panj River, was put into operation at the end of August 2007. Built in two years with financial aid from the U.S., the bridge can accommodate more than 1,000 vehicles a day. There are plans to build a Dushanbe–Kurgan-Tiube–Kunduz railroad in the future. After these facilities have been built, and the roads to the north of Afghanistan reconstructed, Tajikistan will gain access to the ports of the Persian Gulf and Indian Ocean.

Cooperation in combating illicit drug circulation has also become one of the priority vectors in Tajik-Afghan cooperation. Since Tajikistan acquired its independence, it has been actively engaged in fighting international organized crime, a component of which is illicit drug circulation. Based on advanced world experience, Tajikistan has drawn up its own anti-drug strategy, which includes short-term and long-term action programs, and bilateral and multilateral levels of cooperation.

Today efficient cooperation has been established between Tajikistan and Afghanistan in combating drug smuggling.

In 2005, an Agreement was signed in Kabul between the Tajikistan Government and the Afghanistan Government on Cooperation in Combating the Illicit Circulation of Drugs, Psychotropic Substances, and Their Precursors.

Meetings were held in Kabul and Dushanbe, as well as the first conference of the heads of the Afghan and Tajik law-enforcement structures, at which questions were discussed of improving interaction between the two countries in ensuring the safety of their borders.

Representative offices of the Drug Control Agency (DCA) under the Tajik President have been opened and are functioning in Faizabad, Kunduz, and Mazar-i-Sharif (Afghanistan), the activity of which is yielding positive results. According to Chief of DCA Headquarters F. Jonmakhmadov, Tajikistan accounts for up to 80% of all the heroin confiscated in the Central Asian states put together. During the first eleven months of 2006, the total amount of confiscated drugs amounted to 4,465 tons, 2 tons of which were heroin.<sup>25</sup> Unfortunately, when NATO troops entered Afghanistan and the Taliban was overthrown, drug production in this state not only failed to decrease, it even dramatically increased. For example, in 2001, 185 tons of opium poppy were grown, in 2002, 3,400 tons, in 2003, 3,600 tons, in 2004, 4,100 tons, in 2005, 5,200 tons, and in 2006, a record harvest of 6,100 tons was gathered in Afghanistan.<sup>26</sup> According to the U.N. Office for Drug and Crime Control, 2007 was a record-breaking year. That year, the area on which opium poppy is grown reached 193,000 hectares, which was 17% higher than the index for the previous year (165,000 hectares). Afghanistan grew 8,200 tons of opium poppy, which amounts to 93% of the world production of this crop. It is worth noting that 90% of the drug is gathered in the provinces bordering on Pakistan.<sup>27</sup>

In recent years, relations between the two countries have been successfully developing in culture, and this stands to reason, since the people of both republics have a common history. The material and cultural values created in these countries in the past belong to both nations. Outstanding poets and thinkers Abuali ibn Sino, Hakim Sanayi Gaznavi, Nasir Husrav Kubadiyani, Jalaluddin Balkhi Rumi, Maulana Yaqub al-Charkhi, Abdurrahman Jami, Shakik Balhi, Halillula Halili, and many others are equally highly esteemed in Afghanistan and Tajikistan.

The Tajiks love songs by Sarahang, Sorbon, Ahmad Zahir, Mahvash, and other contemporary Afghan singers and musicians just as much as the Afghans. The people of Afghanistan always look forward to tours by Tajik performers. Today meetings of cultural figures and artists, the showing of Afghan films, tours of creative groups, and various exhibitions are regular features of Tajik life. The two countries produce joint films. In November 2006, a Week of Afghan Culture was held in Dushanbe, within the framework of which various exhibitions were arranged, as well as concerts of Afghan

<sup>25</sup> See: F. Jonmakhmadov, "Narkosituatsiia v Afghanistane i rol Tadzhiqistana v borbe protiv kontrabandy narkotikov," in: *Afghanistan i bezopasnost Tsentral'noi Azii*, Bishkek, Dushanbe, 2006, Iss. 3, p. 220.

<sup>26</sup> *Ibid.*, p. 216.

<sup>27</sup> See: *Kabul Weekly*, 29 August, 2007.

performers. Tajik audiences have been able to enjoy the theater productions put on in Afghanistan in recent years.

In September 2007, an auspicious milestone was celebrated in Dushanbe, Kabul, Mazar-i-Sharif, and other cities: the 800th anniversary of the birth of Jalaluddin Balhi, which was followed in November with the 100th anniversary of Halillula Halili.

Tajik-Afghan cooperation is developing in education and science. Tajikistan has every opportunity to train middle-ranking and highly qualified Afghan specialists in many fields of specialization. This cooperation was established in the Soviet era and is essentially continuing to this day. Many Afghan students go through training at Tajikistan's medical, polytechnic, and agrarian institutions. In the past, Tajik specialists taught in Afghan higher education institutions and there are thoughts of using this experience today too.

A protocol has been signed on cooperation between the Tajikistan Academy of Sciences and the Afghanistan Academy of Sciences, based on which Afghan scientists undergo training at academic institutions in Tajikistan and defend their Ph.D. and Doctor's dissertations there.

There can be no doubt that Tajik-Afghan relations based on equality and mutual benefit have good prospects.

Nevertheless, it should be noted that Tajik-Afghan interrelations are marred by the ongoing crisis situation in Afghanistan, the increase in drug manufacture, and the threat of extremism and terrorism coming from the south.

Tajikistan is worried about a repetition of the 1990s events, when the conflict in Afghanistan was instrumental in provoking confrontations in Tajikistan as well. Due to this, certain restrictions are still in effect for Afghan citizens with respect to obtaining Tajik entry visas. Afghanistan is not among the 68 countries of the world to which Resolution No. 134 of the Government of the Republic of Tajikistan of 3 March, 2006 On Measures to Ensure a Simplified Procedure for Registering and Issuing Tajikistan Visas to Citizens of Several Foreign Countries applies.

So the further development of relations between Tajikistan and Afghanistan, including implementation of the large joint hydropower and transportation projects, will largely depend on the military-political situation in Afghanistan and in the region as a whole.

## RELIGION IN SOCIETY

**PROMOTING PROSPERITY:  
THE ISLAMIC DEVELOPMENT BANK AND  
THE RISE OF ISLAMIC BANKING AND  
FINANCE IN CENTRAL ASIA**

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Islamic banking and finance is on the rise and taking root in Central Asia. Since the collapse of the Soviet Union and formation of new nation-states in 1991, Muslim republics in the region have witnessed a significant increase in Islamic financial institutions. Moreover, Islamic banking and finance has been viewed by Islamic scholars as an innovative way for the former Soviet republics of this region to form an economic bloc with other Islamic countries outside of Central Asia,

ultimately leading to a greater market advantage in a competitive global economy. One of the keys to accessing global markets is by sponsoring national and regional socioeconomic development, and liberal economic reform. The prevailing Soviet legacy in these Muslim republics, especially the notion of a centrally-planned economy, has greatly hindered such development. However, with the advent of Islamic banking and finance, the Muslim republics of Central Asia and the

Southern Caucasus have already experienced a significant boost in socioeconomic development that will hopefully continue long into the future.

Throughout the twentieth century, Islam was an important cultural and religious outlet for the people of Central Asia despite its repression under Communist rule. As the Muslim republics of this region grow more exposed to new forces of global change, including market forces, a communications and information revolution, as well as radical Islam, their governments are struggling to adapt and create new political and economic structures to survive in an increasingly interconnected world. Under these new pressures of global change, many regional rulers have clung even stronger to their previous modes and methods of governing under a command economy and one-party political system, while other leaders have attempted to liberalize national markets in a global economy.

The Soviet legacy continues to plague the modern development of most former Soviet republics in Central Asia, making it more complicated for the penetration of Islamic banking and finance to the region. Nevertheless, with the assistance of the Islamic Development Bank (IDB) based in Jeddah, Saudi Arabia, there has been a noteworthy increase of Islamic banking and finance in the region. This article examines the important role of the IDB in promoting socioeconomic development across the region. Moreover, a majority of the Central Asian and South Caucasian republics view Islamic banking and financial institutions as important outlets through which to channel the energies of radical Islamic opposition groups. Despite witnessing moderate success in the region, the IDB has confronted significant obstacles in its promotion and development of Islamic financial institutions for regional govern-

ments because of the strong Soviet legacy and precarious political situations that prevail. Even with the persistence of their Soviet past, Muslim states in the region are experiencing a growth in Islamic banking and finance. In the last decade, Islamic banking and finance have become significant forces for positive change in the region. The IDB acts as an important instrument of legitimacy for the ruling elite and neo-nomenklatura of the region who continue to experience a rise in opposition from radical Islamic forces.

For the purposes of this article, the rise of Islamic banking and finance will be compared among the six Muslim republics of the former Soviet Union: Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan. Each has incorporated Islamic banking and finance to varying degrees depending on the nature of its political system and economy in the post-Soviet era. The IDB has acted as the primary catalyst in this process of incorporation. It has most successfully entered the financial services sector of the economy in countries that have adopted more liberal economic reforms, most importantly Azerbaijan and Kazakhstan. In any case, for both of these countries it will be shown that the IDB has had to deal with the complex politics of a rentier state that have developed over the past decade due to the rise of oil and gas revenues. States are classified as rentier states when a substantial portion of the national revenue is generated from a local natural resource like oil or natural gas. In order for Islamic banking and finance to take a stronger hold in these countries, as well as in other regional rentier states like Turkmenistan and Uzbekistan, it is believed that the political ruling elite must be involved in the formation and subsequent financial benefits of Islamic banking and finance.

## Islam in Central Asia

Despite Soviet suppression of public religious expression, Islam, and in particular Sufism or Islamic mysticism, has played an important role in the history and culture of each of the six republics

examined in this study. Since the fall of the Soviet Union, political Islam has moved to the forefront of the political arena across the region. Islamic groups, exemplified by the rise of Hizb ut-Tahrir—a global Islamic party that seeks to unify Muslims under an Islamic state or Caliphate—have grown more interconnected, organized, and violent in an age of modern communications, leaving many leaders of the region troubled by the situation. In most cases, the government's initial reaction is to repress any alleged terrorist or opposition group. In a country like Uzbekistan, for example, President Karimov has repeatedly thwarted any semblance of an Islamic movement through violent action, whether justified or not. Such violent action has only turned many people against the Uzbek government. Moreover, President Karimov faces the dilemma of having to deal with neighbors like Tajikistan and Afghanistan that—due to inadequate rule of law systems—can provide safe havens to groups such as the IMU and Hizb ut-Tahrir.

Despite the rise of violent Islamic forces, Islam remains a relatively stable force in the Central Asian republics of Kazakhstan, Azerbaijan, and Kyrgyzstan. As for Turkmenistan, conventional Islam has been greatly transformed by President Niyazov, placing it in a special category of its own.

In general, Islam remains an omnipresent force across the region and leaders of the individual republics have worked since the 1990s to incorporate greater elements of Islam into the inner structures of government. Increased piety among Muslims across the region in the last decade has led to more vocal protest against the secular governments of the region.<sup>1</sup> Since most of the current governments have maintained many of the old Soviet structures, they are now increasingly pushed by their respective populations to incorporate more aspects of Islam. Most government leaders have sought to resist such change because it represents a shift in the power structure of the ruling elite. A balanced fusion of Soviet structures and Islam will remain a major hurdle for governments to overcome in the future.<sup>2</sup>

## IDB and the Arrival of Islamic Banking and Finance in Central Asia

With Islam's growing importance across Central Asia, a majority of the countries in the region view the presence of an international Islamic financial institution like the IDB positively because of its ability to help respective governments promote both Islam and socioeconomic development. Islamic banking and finance, where no usury or *riba* is permitted, has only just begun to take root across the region and could be used as an instrument to channel the energy of Muslims who desire greater inclusion of Islam in government.

Since the breakup of the Soviet Union, each of the above-mentioned republics has joined the IDB: Azerbaijan (1992); Kyrgyzstan (1993); Turkmenistan (1994); Kazakhstan (1995); Tajikistan (1996); and Uzbekistan (2003). By 1997, the IDB established a regional office in Almaty, Kazakhstan, to foster the Bank's efforts in social and economic development of the countries in the region.

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<sup>1</sup> See: P. Mann, "Religious Extremism In Central Asia," *Strategic Analysis: A monthly journal of the IDSA* Vol. 25, No. 9, December 2001 (see: CIAO Net, 14 November, 2007).

<sup>2</sup> For a good synopsis of the role of Islam in Central Asia, see: International Crisis Group, *Central Asia: Islam and the State*, ICG Asia Report No. 59, 10 July, 2003.



The regional office in Almaty (ROA) has effectively become the hub for IDB group operations in the area.<sup>3</sup>

On a wider scale, the IDB seeks to establish a greater communications and trade link among Islamic countries around the globe. In this capacity, the IDB explicitly endeavors to link former Soviet republics of this region with countries from the Organization of the Islamic Conference (OIC): "The IDB is committed to bringing the transition economies of the CIS [Commonwealth of Independent States] countries (all land-locked) closer to the OIC member countries by fostering trade and investments and disseminating the best practices through institutional and capacity building assistance."<sup>4</sup> Specifically, many of the IDB's projects are related to building infrastructure (i.e. roads, telecommunications, airports, and canals) and social development (construction and equipping of school and hospitals). The IDB has also been active in financing the construction of Islamic schools and vocational centers across the region.<sup>5</sup> Table 1 lists a breakdown of the how much each country received cumulatively from the IDB up to March 2003, as well as the amount of projects currently sponsored by the IDB. Table 2 cites the amount of financing received by sector. In line with the IDB's core mission statement of linking up OIC countries with the CIS countries, the transportation sector was the most heavily financed in the region. Lastly, it should be noted that the tables include Albania, which remains outside the scope of this paper because of its location, and exclude Uzbekistan since it only joined the IDB in 2003.

Table 1

**Distribution of IDB Financing by Country up to 2003  
(cumulative)**

Country	US Dollars ( <i>million</i> )	Current Projects
Albania	59.844	17
Azerbaijan	81.660	19
Kazakhstan	76.275	20
Kyrgyz Republic	64.839	16
Tajikistan	63.141	18
Turkmenistan	74.345	11
<b>TOTAL</b>	<b>420.104</b>	<b>191</b>

Currently, IDB Group operations across Central Asia exceed US\$650 million.<sup>6</sup> It is believed that the IDB's development of these different sectors will stimulate economic growth and expose these countries to greater trade opportunities in the global market.

<sup>3</sup> See: Islamic Development Bank, *Regional Office Almaty, Annual Report 1425H*, 5, available at [http://www.isdb.org/], 1 April, 2006.

<sup>4</sup> Ibid., cover letter from the VP of Operations, Dr. Amadou Boubacar.

<sup>5</sup> See: A.W. Bashir, "Islamic Development Bank (IDB) Delegation Returns from Inspection Tour of CIS Projects," *Moneyclips*, 5 September, 1993 (see: Lexus Nexus, 20 March, 2006).

<sup>6</sup> See: Islamic Development Bank, *Regional Office Almaty, Annual Report 1425H*, Cover letter from the VP of Operations, Dr. Amadou Boubacar.

Table 2

**Distribution of IDB Financing by Sector up to 2003  
(cumulative)**

Sector	US Dollars ( <i>million</i> )	%
<b>Transport</b>	<b>137.398</b>	<b>34.5</b>
<b>Utilities</b>	<b>100.047</b>	<b>25.2</b>
<b>Agriculture</b>	<b>75.893</b>	<b>19.1</b>
<b>Social</b>	<b>56.480</b>	<b>14.2</b>
<b>Others</b>	<b>19.700</b>	<b>5.0</b>
<b>Technical assistance</b>	<b>8.149</b>	<b>2.0</b>
<b>TOTAL</b>	<b>397.667</b>	<b>100.0</b>

*Source:* Islamic Development Bank.<sup>7</sup>

Having looked at the broader regional role of the IDB in Central Asia, the individual country assessments provided below allow for a more targeted examination of how both the IDB and Islamic banking have fared across the region. Each country possesses very different political and economic environments in which to establish Islamic banking and finance.

### **Kazakhstan**

In addition to the establishment of private Islamic banks, the IDB and Kazakhstan have developed a strong partnership in supporting social and economic development. Good relations between the two, a thriving Kazakh economy, and a relatively strong banking sector have led to the opening of a regional office of the IDB in Kazakhstan. For the IDB, Kazakhstan is also a model for Islamic banking and finance in the region because of the government's success in incorporating both the IDB and other private Islamic banks into its banking system. Moreover, Kazakhstan has continued to permit liberal reforms in the banking sector that allow more Islamic banking. These reforms stand in contrast to President Nazarbaev's political actions aimed at consolidating his political power and economic wealth through oil revenues. Nonetheless, in the past decade the IDB has sponsored some of the following important projects:

- US\$9.57 million as a loan for the Almaty-Gulshad road project. The project, traversing through industrial and agricultural areas, is expected to assist the people in the project area to improve their economic situation through greater accessibility to new markets and trade routes.<sup>8</sup>

<sup>7</sup> See: Islamic Development Bank, "Activities of the IDB in Albania, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan and Turkmenistan," March 2003 [[http://www.isdb.org/english\\_docs/idb\\_home/idb\\_cis.htm](http://www.isdb.org/english_docs/idb_home/idb_cis.htm)], 20 March, 2006.

<sup>8</sup> See: "IDB Board Executive Directors Approves New Finances," *Moneyclips*, 17 June, 1998 (see: Lexus Nexus, 25 March, 2006).

- At the initiative of the IDB, fifty Saudi businessmen set up the Central Asian Investment Company in Kazakhstan for accomplishing development projects.<sup>9</sup>
- US\$20 million loan for financing the reconstruction of the Astana-Vishnevka stretch of the Astana-Karaganda highway in central Kazakhstan.<sup>10</sup>
- US\$13.6 million was allotted for financing for the construction of an academy at the Kazakhstan University of Law and Humanities.<sup>11</sup>
- US\$14.7 million was issued as a credit line to finance leasing for three major Kazakh commercial banks—Kazakh People’s Bank (an open-type joint-stock company), Kazakh Commerce Bank (an open-type joint-stock company), and the Bank TuranAlem (an open-type joint-stock company).<sup>12</sup>
- US\$30 million allocated to finance a project upgrading two sections of the Astana-Almaty highway.<sup>13</sup>

Kazakhstan has invested greatly in its IDB membership. It was recently rewarded for its involvement in 2003 when Kazakhstan’s former head of the Presidential Administration and current Industry and Trade Minister, Adilbek Dzhaksybekov, was elected chairman of the IDB Board of Governors. Although not explicitly stated, naming this Kazakh official who is part of Nazarbaev’s ruling elite and clan structure demonstrates that the IDB understands the way politics and business works in a rentier state like Kazakhstan. In other words, for any international financial institution to succeed in a country controlled in large measure by a small clan-based ruling elite, it must work to establish good relations with the rulers of the leading clan while at the same time ensuring that their members receive a cut in any financial transaction. Nevertheless, this election is a significant accomplishment for Kazakhstan—demonstrating the extent to which relations with the IDB have increased in recent years. Islamic banking and finance through the IDB will no doubt continue to thrive in the future because of Kazakhstan’s relatively stable political situation and flourishing economy.

In addition to Kazakhstan’s successful involvement with the IDB, it is important to note that the director of the Central Asia regional IDB office, Nik Zainal Abidin Nik Yusuf,<sup>14</sup> has also sought to establish better relations between Kazakhstan and Malaysia. This relationship is significant because Malaysia serves as an important Islamic banking hub that has promoted innovative Islamic products for use in Islamic banking and finance around the world. Specifically, the IDB regional director has worked to promote a relationship between the National Bank of Kazakhstan and Malaysian banks to facilitate the introduction of new banking programs to Kazakhstan such as lending facilities to assist its yet-to-be developed financial system.<sup>15</sup>

<sup>9</sup> See: “Saudis Set Up Investment Firm in Kazakhstan; Envoy Sees Scope for Tie-ups in Electricity Sector,” *Money-clips*, 3 August, 1997 (see: Lexus Nexus, 25 March, 2006).

<sup>10</sup> See: “Islamic Bank to Lend Kazakhstan \$20 Million,” *Interfax News Agency*, 26 January, 2000 (see: Lexus Nexus, 25 March, 2006).

<sup>11</sup> See: “Kazakhstan: IDB Session Approves US\$278 mln Financing for new Projects,” *Infoprod*, 3 September, 2003 (see: Lexus Nexus, 25 March, 2006).

<sup>12</sup> See: “Islamic Bank to Give 14.7m-Dollar Loan to 3 Kazakh Banks,” *BBC Monitoring*, 11 November, 2000 (see: Lexus Nexus, 25 March, 2006).

<sup>13</sup> See: “Islamic Development Bank to Credit \$30m to Upgrade Kazakh Road,” *BBC Monitoring*, 26 May, 2000 (see: Lexus Nexus, 25 March, 2006).

<sup>14</sup> This position is directly approved by President Nazarbaev, a further indication of how the IDB must deal directly with the ruling elite of Kazakhstan if it wants to succeed in its operations. (This is according to Kyle Marquardt, currently a Watson Fellow studying Kazakh politics in Almaty.)

<sup>15</sup> See: “M’sian Banks Urged to Venture into Kazakhstan’s Booming Economy,” *The Malaysian National News Agency*, Bernama, 23 September, 2003 (see: Lexus Nexus, 25 March, 2006).

Azerbaijan

Due to its Islamic practices and commitment to socioeconomic development, Azerbaijan has sought, in recent years, to strengthen its relationship with the IDB.<sup>16</sup> In fact, the IDB is set to open a local branch in Baku next year, further contributing to a successful partnership with Azerbaijan. In the past decade some of the IDB projects have included:<sup>17</sup>

- US\$10 million in assistance for refugees, including the construction of schools, businesses, and roads, after the signing of a ceasefire with Armenia in 1994 over the Nagorno-Karabakh.<sup>18</sup>
- US\$9.8 million for a finance loan to reclaim and cultivate 300,000 hectares of saline soil.<sup>19</sup>
- US\$9 million interest free loan to help restore schools, apartment buildings, and other government installations after the 2000 earthquake.<sup>20</sup>
- US\$58 million in advantageous loans for the financing of an electrical energy project, the construction of the Khachmaz substation (northeastern Azerbaijan), and the laying of an electricity transmission line in 2004.<sup>21</sup>
- US\$22 million in assistance for implementing a road project.<sup>22</sup>
- US\$13.5 million credit to construct a substation in Khachmaz to connect it to the Yashma-Derbent high voltage power line which connects the energy system of Azerbaijan with Russia.<sup>23</sup> In recent years, Azerbaijan has looked to the IDB for assistance in developing its non-oil energy sector.<sup>24</sup>
- US\$10.4 million project financing loan for the construction of the Valvalacay bridge.<sup>25</sup>

As a Muslim country, Azerbaijan can use the IDB as a positive force in helping calm Islamic opposition groups within Azerbaijan. Although there are no major radical and violent Islamic groups that critically threaten President Aliiev's administration, the Azeri government is nevertheless aware of the regional trend toward increasing religiosity and a subsequent rise in violent Islamic groups. Moreover, with Chechnia to the north, Iran to the South, Iraq to the southwest, and Afghanistan to the east, Azerbaijan must remain attentive to its population to ensure that radical Islamic forces do not undermine the Aliiev regime. Therefore, it is alleged that in the past decade the Aliiev family has used its membership with the IDB to demonstrate to Islamic leaders its compliance with Islamic practices in such areas as socioeconomic development.<sup>26</sup>

<sup>16</sup> See: "Economics Minister Stresses Necessity for Expansion of IDB-Azerbaijan Relations," *AssA-Irada*, 16 September, 2004 (see: Lexus Nexus, 24 March, 2006).

<sup>17</sup> See: "IDB to Open Representation in Baku," *AssA-Irada*, 29 June, 2005 (see: Lexus Nexus, 24 March, 2006).

<sup>18</sup> See: M. Vadayar, "Azeri President Seeks Financial Help; Signs \$9.8m Loan Pact with IDB," *Moneyclips*, 13 July, 1994 (see also: "Islamic Development Bank to Allocate a Credit for Development of Primary Schools and Organization of Business Management in Azerbaijan," *AssA-Irada*, 25 May, 1998) (see: Lexus Nexus, 24 March, 2006).

<sup>19</sup> See: "Azerbaijan Gets \$9.8m IDB Loan," *MoneyClips*, 12 July, 1994 (see: Lexus Nexus, 24 March, 2006).

<sup>20</sup> See: "Islamic Banks Gives Azerbaijan 9M to Eliminate Aftermath of 2000 Quake," *BBC Monitoring*, 22 August, 2003 (see: Lexus Nexus, 24 March, 2006).

<sup>21</sup> See: "IDB to Allot \$58M to Azerbaijan," *AssA-Irada*, 27 December, 2004 (see: Lexus Nexus, 24 March, 2006).

<sup>22</sup> See: "Saudi Arabia: IDB Allocates \$22 MLN for Azerbaijani Road Projects," *InfoProd*, 18 May, 2004 (see: Lexus Nexus, 24 March, 2006).

<sup>23</sup> See: "Islamic Development Bank to Finance Energy Project in Northern Azerbaijan," *BBC Monitoring*, 23 July, 2004 (see: Lexus Nexus, 24 March, 2006).

<sup>24</sup> See: "Islamic Development Bank Pledges More Funding for Azerbaijan," *BBC Monitoring*, 5 January, 2005 (see: Lexus Nexus, 24 March, 2006).

<sup>25</sup> See: "Azeri Leader, World Islamic Bodies Discuss Cooperation in Saudi Arabia," *BBC Monitoring*, 11 March, 2005 (see: Lexus Nexus, 24 March, 2006).

<sup>26</sup> More empirical research and study is needed to further solidify this thesis that the IDB acts a legitimizing tool for former Soviet Union governments that want to quiet Islamic opposition.

The IDB has demonstrated its abilities to succeed in the financial sector of the Azeri economy. Thus, Islamic banking and finance might be an area the government wants to develop in future years. Moreover, thanks to the strong track record of the IDB in promoting socioeconomic development, Islamic banking and finance may act as an important legitimizing tool for the future of the Aliiev presidency.

### Kyrgyzstan

Since the Tulip Revolution that peacefully overthrew President Akaev in 2005, Kyrgyzstan's political situation has remained relatively unstable because of a lack of political cohesion and widespread corruption. In addition, Kyrgyzstan has witnessed a rise in radical Islamic activity that further contributes to political instability, including violent attacks carried out by the Islamic Movement of Uzbekistan (IMU) in recent years.<sup>27</sup>

In any case, since becoming a member of the IDB, Kyrgyzstan has greatly benefited from IDB projects because of the importance of socioeconomic development for the country. It is also believed that the government has benefited from being able to tout its involvement with an Islamically-compliant financial institution to opposition groups who want Islam to play a greater role in government. According to Akaev, Islam has always played an important role in his government as a legitimizing and unifying instrument.<sup>28</sup> Akaev's demonstrated belief in Islam explains Kyrgyzstan's significant relations with the IDB. In the past decade, for example, the IDB has sponsored some of the following programs:

- In 1997, a US\$10 million loan for establishing power transmission lines, a US\$3 million loan for the supply of medical equipment and a US\$280,000 grant for conducting a feasibility study on a 222-km road.<sup>29</sup>
- In 2001, US\$9.5 million was issued for project finance to upgrade the airport in the town of Osh.
- US\$36.4 million was credited for project finance to upgrade a road connecting Kazakhstan with Kyrgyzstan.<sup>30</sup>
- US\$54 million has been allotted to thirteen projects in recent years for public health, industry, power engineering, and transportation.<sup>31</sup>

Despite having received a significant project finance support from the IDB, Kyrgyzstan remains a very poor and undeveloped country with a weak banking sector. While Kyrgyzstan works to stabilize the political situation, Islamic finance projects will most likely be limited to more low-risk sectors like transportation or public health. Nevertheless, the IDB will remain a positive catalyst in promoting Islamic banking and finance for a government that seeks to align with moderate Islamic forces like the IDB.

<sup>27</sup> See: A. Khamidov, "Kyrgyzstan: Organized Opposition and Civil Unrest," *Eurasianet.org*, 16 December, 2002, available at [<http://www.eurasianet.org/departments/civilsociety/articles/eav121602.shtml>], 24 March, 2006.

<sup>28</sup> See: "Kyrgyzstan-Iran to Commence New Chapter in Relations," *Moneyclips*, 11 May, 1992 (see: Lexus Nexus, 24 March, 2006).

<sup>29</sup> See: "IDB and Kyrgyzstan Sign 3 Pacts," *Middle East Newsfile*, 18 November, 1997 (see: Lexus Nexus, 24 March, 2006).

<sup>30</sup> See: "Islamic Development Bank. Kyrgyzstan Sign Memorandum of Understanding," *BBC Monitoring*, 6 July, 2001 (see: Lexus Nexus, 24 March, 2006).

<sup>31</sup> See: "Islamic Development Bank to Allocate Kyrgyz 9M Dollars to Revamp Road," *BBC Monitoring*, 20 June, 2003 (see: Lexus Nexus, 24 March, 2006).

### Turkmenistan

Under President Niyazov, Islamic finance projects have been relatively limited because of his desire to wield tight control over Turkmenistan's society and economy. Indeed, President Niyazov has welcomed foreign direct investment and other finance projects to develop Turkmenistan's lucrative natural resources because profits from the exportation of gas flow directly to the President's coffers that help fortify his rule. However, anything in the area of socioeconomic development has been very limited. Although Turkmenistan has been a member of the IDB since 1994, the IDB has played a relatively limited role in development because of tight political control of its activities. The following is a list of some of its projects:

- US\$8 million approved in 1993 for the construction of a road linking Turkmenistan with Iran.<sup>32</sup>
- US\$9.7 million as a loan to the government for the construction of a Diagnostic Center Project in 1999.<sup>33</sup>
- In 1996, the IDB financed a multi-million dollar project cosponsored by Turkmenistan and Iran to build the Turkmen section of a 711 km Trans-Asia-Europe fiber-optic communications line. Eventually, the fiber-optic cable will link Frankfurt and Shanghai.<sup>34</sup>

### Uzbekistan

Akin to Turkmenistan, Uzbekistan is run by an authoritarian leader that has consistently adopted economic policies to keep him in direct control of the economy. In the last thirteen years, for example, Uzbekistan has only attracted \$700 million worth of foreign direct investment. This is surprisingly low for a country of 25 million with significant quantities of natural resources and minerals like gold, copper, lead, and zinc.<sup>35</sup> Nonetheless, Uzbekistan's new membership into the IDB can be interpreted as the government's way of confronting the critical rise in Islamic opposition to President Karimov's rule. In other words, President Karimov is likely using his membership to the IDB as a way to prove to his Muslim base, and to organizations like Hizb ut-Tahrir, that he is catering to their demands and incorporating greater Islamic components into government. In the last few years, Karimov has faced increased opposition to his rule from Islamic activists, forcing him to find alternative solutions other than violent oppression when dealing with opposition groups.

As a land-locked country, the IDB has sponsored programs that aim to link Uzbekistan with other OIC members, including those countries like Iran with seaports. In the past three years, IDB has sponsored several important projects and signed many significant treaties:

- US\$30 million in loan financing, cofinanced with the Asian Development Bank, to improve water supply to major cities around the country, including Bukhara and Samarkand.<sup>36</sup>

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<sup>32</sup> See: "Islamic Bank OKs Loans for Central Asia," *Japan Economic Newswire*, 6 April, 1993 (see: Lexus Nexus, 20 March, 2006).

<sup>33</sup> See: "IDB Approves Projects Worth \$200 Million," *Moneyclips*, 8 December, 1999 (see: Lexus Nexus, 20 March, 2006).

<sup>34</sup> See: "Turkmenistan: Economy," *Quest Economics Database*, 15 February, 2001 (see: Lexus Nexus, 20 March, 2006).

<sup>35</sup> See: "Uzbek Bank, Islamic Financial Body Sign Cooperation Deal," *BBC Monitoring*, 8 October, 2005 (see: Lexus Nexus, 22 March, 2006).

<sup>36</sup> See: "Uzbekistan to Seek \$470mln in Foreign Loans for Utilities by 2011," *The Central Times of Central Asia*, 7 April, 2005 (see: Lexus Nexus, 22 March, 2006).



- US\$54 million grant: Of this amount US\$15 million will go the National Bank for Foreign Economic Activity to finance small business projects; US\$12.5 million will be spent on modernizing an asphalt factory, constructing roads and buying equipment for these purposes; US\$25 million will be spent on the construction of an electricity line from two existing power stations; and US\$143,000 will be spent on preparing a project on setting up an investment company.<sup>37</sup>
- In 2005, the Islamic Corporation for the Development of the Private Sector, a member of the IDB Group, and the National Bank of Uzbekistan signed an agreement of cooperation to further develop the Uzbek private sector.<sup>38</sup>

In the three years following Uzbekistan's induction into the IDB, the IDB has already established a strong presence within the country—providing the Uzbek government with considerable financing and sponsorship of numerous projects. This trend will likely continue in the future. President Karimov has experienced significant opposition in recent years to his rule from the conservative Muslim population and the arrival of the IDB can be used by Karimov as an instrument to quiet Islamic opposition forces that want Islam to play a more prominent role in government.

### Tajikistan

Given that Tajikistan is one of the poorest and most underdeveloped countries in the world, the presence of Islamic banking and finance structures have been limited to national infrastructure projects sponsored by the IDB. Tajikistan remains a very rural and segmented society with more than 70% of the population living in rural areas because of a mountainous terrain that covers approximately 90% of the country. The following is a list of some of the finance projects sponsored by the IDB:

- US\$52.4 million provided in credit and technical aid as part of the IDB's three year program (2001-2003) to develop Tajikistan's social and economic sectors—health, transport, education, energy, irrigation.<sup>39</sup>
- US\$9.1 million as loan financing for the construction of the Sharon Igor Road Project in 2001.<sup>40</sup>
- US\$2.5 million as loan financing for the Emergency Surgical Care Center in 2001.<sup>41</sup>
- US\$64 million allotted in 2003 to go toward financing some of the 124 projects proposed by the government of Tajikistan, including ventures in hydroenergy, the extraction of gold and silver, and transport infrastructure.<sup>42</sup>

<sup>37</sup> See: "Islamic Development Bank to Give Uzbekistan 52M-Dollar Grant," *BBC Monitoring*, 5 October, 2004 (see: Lexus Nexus, 22 March, 2006).

<sup>38</sup> See: "Uzbek Bank, Islamic Financial Body Sign Cooperation Deal," *BBC Monitoring*, 8 October, 2005 (see: Lexus Nexus, 22 March, 2006).

<sup>39</sup> See: "Tajik President Meets Head of Islamic Development Bank," *BBC Monitoring*, 20 September, 2001 (see: Lexus Nexus, 20 March, 2006).

<sup>40</sup> See: "198th Session of the IDB Board of Executive Directors Approves New Financing for More than US\$300 Million," *Middle East Newsfile*, 28 February, 2001 (see: Lexus Nexus, 20 March, 2006).

<sup>41</sup> See: Saudi Gazette Staff, "IDB Approves \$507 Million for New Financing," *Moneyclips*, 9 January, 2001 (see: Lexus Nexus, 20 March, 2006).

<sup>42</sup> See: "Islamic Bank Chief Says 64M Dollars Allotted to Support Tajik Businesses," *BBC Monitoring*, 25 September, 2003 (see: Lexus Nexus, 20 March, 2006).

- US\$11.6 million to build five mini-hydroelectric power stations in 2005-2006.<sup>43</sup>

In addition to financing projects, the IDB has also sponsored Islamic business conferences to spark investment interest in Tajikistan. In 2003, for example, the IDB invited more than 150 investors from various Islamic countries around the world to Tajikistan for a three-day conference on investment and business opportunities.<sup>44</sup>

For the time being, it appears as if Islamically-compliant finance projects will continue across Tajikistan. However, the full establishment of an Islamic banking system remains to be seen in the near future. Tajikistan must first address socioeconomic development that will alleviate poverty and promote greater economic growth before being able to consider incorporating Islamic banking into its national banking system. Moreover, Tajikistan's transborder populations of Uzbeks, Kyrgyz, and Meskhetian Turks located in the Ferghana Valley leave Tajikistan a very unstable and volatile region for any investor. Despite a volatile political situation, the relative success of the Islamic Revival Party of Tajikistan (IRPT) bodes well for an active Muslim population that desires greater incorporation of Islamic practices into the upper levels of government. Therefore, it is very probable that both Iran and the IDB will continue to finance more socioeconomic development projects in the future because of the population's propensity to support Islamic institutions.

## Conclusion

In just over a decade, the Muslim republics of the former Soviet Union in Central Asia and the Southern Caucasus have proven to be prime candidates for the establishment of Islamic banking and finance. Although primarily landlocked, the countries of this region for the first time are being linked to a greater network of commerce and trade throughout the Muslim world with the help of the IDB. Not only has an organization like the IDB effectively demonstrated its support for socioeconomic development, but it has also provided the six Muslim republics of this study with a means to remain Islamically-compliant when running various banking and finance projects that promote national development.

Although the region has experienced relative success in promoting Islamic banking and finance projects, this paper also addressed the dilemmas faced by the industry across the region. Most importantly, the industry has had to deal with the pervasive Soviet legacy that continues to infiltrate both politics and the economy. Most of the republics have continued with centralized planning and maintain tight control over the banking sector. However, the two countries with large oil resources and wealth, Azerbaijan and Kazakhstan, have demonstrated a tendency toward more liberal reform due to greater exposure to international market forces—one reason, perhaps, why each country has been more receptive to sponsor Islamic banking and finance projects. Conversely, Turkmenistan and Uzbekistan both have substantial natural gas resources but—because of their dictatorial tendencies—the leaders of both countries continue to maintain tight control over both society and the national economy, thus making it more difficult for IDB to penetrate.

In addition to the lucrative oil and gas profits made by these four countries, there has been a rising trend of rentier state formation across the region. This paper attempted to illustrate the complexities faced by an international financial institution like the IDB when trying to open up financial

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<sup>43</sup> See: "Islamic Bank to Invest in Tajik Mini-Hydroelectric Stations," *BBC Monitoring*, 14 April, 2005 (see: Lexus Nexus, 20 March, 2006).

<sup>44</sup> See: "Some 170 Investors from Islamic World Attending Conference in Tajikistan," *BBC Monitoring*, 25 September, 2003 (see: Lexus Nexus, 20 March, 2006).

and banking facilities. Due to the nature of the ruling clan system that has prevailed since the collapse of the Soviet Union and subsequent petrodollar windfall, the IDB has had to operate in a manner that does not threaten the various clan-based political structures. Moreover, it is believed that the IDB approves of the policy of catering to the rentier state structure where the ruling elite must remain an integral part of any banking and finance projects. In any case, if Islamic banking and financial institutions desire to expand business and operations in the future, they must account for the politics of these rentier states.

Aside from the difficulties faced in building relations with a rentier state, the rise of religiosity and Islam across the region has also been a major issue for the six Muslim republics examined in this paper. Since the fall of the Soviet Union, the governments that formed in the 1990s were largely secular in nature and still mired in a closed Soviet-style one party system. However, due to the influence of rising radical Islamic forces that have engulfed the region in the past decade, they have been forced to fuse old Soviet structures with new Islamic ones. As posited in this paper, it is believed that most of the countries in the region have used the IDB to demonstrate Islam's incorporation into government effectively. Moreover, these governments can use Islamic banking and finance to further mitigate vocal Islamic opposition groups that have rejected the secular-style rule that has emerged since the collapse of the Soviet Union.

Indeed, the IDB has penetrated to varying degrees all of the Muslim republics of Central Asia and the Southern Caucasus. However, only Azerbaijan and Kazakhstan appear to have the most promising future in the area of Islamic banking and finance. The other four countries are either presently too politically unstable and economically underdeveloped, as in the case of Tajikistan and Kyrgyzstan, or too politically closed, like Turkmenistan and Uzbekistan. Nevertheless, Islamic banking and finance has only just begun to flourish in a region that is ripe for socioeconomic development and the establishment of Islamically-compliant financial and banking institutions.

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## ISLAM AND THE POLITICAL AND SOCIOECONOMIC DEVELOPMENT MODEL OF THE MUSLIM STATES

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In the last quarter of the 20th century, the political processes in the Islamic world showed beyond the shadow of a doubt that religion is still a viable part of public life in the Muslim countries. Moreover, certain states, such as Iran, Pakistan, Egypt, Afghanistan, Saudi Arabia, and Syria, have

restored religion to its rightful place in their policy. The comment by American political scientist John Esposito to the effect that Islamic ideology, symbols, slogans, and actors became prominent fixtures in Muslim politics suits these countries well.<sup>1</sup>

The stable influence of Islam on sociopolitical life is largely explained by the particular features of Muslim teaching. Islam is usually considered a system that regulates many aspects of people's lives. In this interpretation, Islam is not only a religious system, but also offers a model for organizing society. Moreover, some Muslim scientists believe that sociopolitical activity is a religious duty in Islam, and that it is a religious obligation for a Muslim to remain aware of the political realities around him.<sup>2</sup> The "ideological meaning" of Islam, in the opinion of Shaukat Ali, a representative of Islamic thought, is also increased by the fact that every Muslim is under religious obligation to understand and respect the past.<sup>3</sup> The "past" implies the "unique period" of the life of the Prophet Muhammad and the four righteous caliphs.<sup>4</sup> In this way, the "ideal past" serves as a model for a perfect human society, to which believers should strive.

As Hasan al-Banna (1906-1949),<sup>5</sup> an Egyptian ideologist of Islamism, claimed that the conflict characteristic of Europe between spiritual and secular principles, between religion and the state, has no place in Islam ... The Christian idea of "give to Caesar what is Caesar's, and to God what is God's" is missing here, since everything belongs to Almighty Allah.<sup>6</sup> From this point of view, Islam is not only a religion, but also a "way of life," it contains the solution to social, political, and other secular issues.<sup>7</sup>

According to Muslim fundamentalists, reform in Islam does not mean modification or changes in the way of thinking and practice established by the Prophet and his companions, rather "purifying Islam" of "alien" elements which supposedly deprive it of its original clarity, simplicity, and power.

Such ideologists as Hasan al-Banna and Pakistani fundamentalist Abu al-A'la al-Maududi (1903-1979)<sup>8</sup> upheld "theocracy" as an ideal form of statehood. But the representatives of reformative thought in Islam categorically rejected theocracy as a phenomenon incompatible with faith and not espousing the institution of clergy. As Muhammad Abdo (1834-1905)<sup>9</sup> emphasized, Islam placed man face to face with God and taught him to manage without any intercession.<sup>10</sup> More radical reformers were consistent "secularists." Ali Abd ar-Razik (1888-1966), who was under the great influence of Muhammad Abdo, "went much further than his ideological mentor, emphasizing the need to separate religion from the state. He referred to the fact that Muhammad was only a prophet and his preaching was not political in nature."<sup>11</sup> According to the provisions of Ali Abd ar-Razik, the Prophet did not leave an example of an Islamic state.<sup>12</sup> Therefore, according to him, Muslims should rid themselves of

<sup>1</sup> See: J.L. Esposito, *Islam and Politics*, Third Edition, Syracuse University Press, 1984, p. 153.

<sup>2</sup> See: Sh. Ali, *Islam and Politics*, Southeastern Massachusetts University, Aziz Publishers, USA; Urdu Bazaar, Lahore, July 1990, p. 2.

<sup>3</sup> See: *Ibid.*, p. 3.

<sup>4</sup> The righteous caliphs (Arab. *al-hulafa' ar-rashidun*) (632-661) are Abu Baqr, Umar, Usman, and Ali who, after the death of the Prophet Muhammad, headed the Muslim community for 30 years and, during the Prophet's life, took part in the community's activity. They were also related to the Prophet by bonds of blood kinship or marriage. In later centuries, the rule of the righteous caliphs was called the Golden Era of Islam, when "original Muslim virtues flourished" and the caliphs themselves were given the title of "*ar-rashidun*"—"taking the righteous path."

<sup>5</sup> Founder and main ideologue who developed the doctrine of the Society of the Muslim Brothers.

<sup>6</sup> See: R.P. Mitchell, *The Society of Muslim Brothers*, London, 1969, p. 244; M.T. Stepaniants, *Musulmanskie kontseptsii v filosofii i politike (XIX—XX vv.)*, Nauka Publishers, Moscow, 1982, p. 110.

<sup>7</sup> This is where the Muslim Brothers' slogan "Islam is the solution" comes from.

<sup>8</sup> Founder of the Jamaat-i-Islami Society, one of the main ideologists of radical Islam.

<sup>9</sup> One of the Islamic reformers, a mufti, the first to issue a fatwa on the legitimacy of bank interest.

<sup>10</sup> See: O. Amin, *Moslem Philosophy*, Cairo, 1958, p. 138.

<sup>11</sup> M.T. Stepaniants, *op. cit.*, p. 112.

<sup>12</sup> For more detail, see: J. Delaneau, "Nekotorye aspekty vozrozhdeniia islama v Rossii. Musulmanskiy reformizm v araboiazychnykh stranakh (1800-1940)," Transl. from the French, in: *Islam v tatarskom mire: istoriia i sovremennost. Dokumenty mezhdunarodnogo simposiума, Kazan, 29 April-1 May, 1996 (special issue)*, No. 12, Moscow, 1997.

the belief that they need a caliphate and use their own minds (*aql*) to look for solutions to social and political problems.

Questions regarding the interrelations between Islam and politics, as well as between religion and the state, are still one of the most urgent topics of discussion in the Muslim countries. In many of them, Islam is an important source of national identity, ideology, and values.

The Muslim states that once chose a “socialist type” of modernization (Egypt, Syria, Iraq, and Algeria) are a good example. Contrary to the hopes for accelerated development of all spheres of public and economic life, these countries have not succeeded in resolving all of the problems they have accumulated. As we know, the local private sector in the mentioned states did not strive to invest in the national economy, the volume of production shrank due to the loss of management staff and technology, and the agrarian reforms were made difficult due to insufficient finances. The overall political situation remained critical. State measures (nationalization, industrialization, and the introduction of state control over religious institutions) undermined the traditional patronage-client social system existing in these countries.<sup>13</sup> In order to strengthen its own legitimacy and glean the support of the masses, the national leaders were forced to turn to the religious symbols traditionally used by the antigovernment opposition forces that declared their “adherence to Islam.”

The Egyptian leaders Gamal Nasser, Anwar Sadat, and Hosni Mubarak, as well as the domestic political forces opposing them, serve as a graphic example. As Russian researcher A. Ignatenko rightly noted, in *Egypt*, the politicization of Islam largely acquired “archetypal features,” which were then reproduced in various Muslim countries.<sup>14</sup> Gamal Nasser, striving to reinforce his leadership in the Arab world and simultaneously fortifying his own position in the face of the domestic opposition, expanded the framework of Egyptian nationalism to include everything Arab, substantiating this by the shared Arab-Islamic heritage. What is more, he tried to use state control over the leading Egyptian Islamic University of Al-Azhar and the High Council for Islamic Affairs (HCIA) to promote Arab socialist ideology and policy.<sup>15</sup>

After the death of President Nasser (1970), power in Egypt went to Anwar Sadat (1918-1981). Economic problems, as well as the opposition from the Nasserites and Marxists who were against the introduction of market mechanisms, objectively pushed him toward relying on Islam. President Anwar Sadat actively bolstered his image as a pious Muslim ruler. He came to power at the height of Islamization of the state after the socialist orientation of President Nasser’s rule, and when radical groups, including At-Taqfir wa-l-hijra (Accusation of Infidelity and Withdrawal from the World), Jihad, and others appeared. It is known that in 1971, Anwar Sadat met with the Muslim Brothers, declaring “common goals in the struggle against atheism and communism,” and by 1973, Islamic clubs began forming in Egyptian universities for the purpose of “fighting atheist Marxism.” Using “religious arguments,” Anwar Sadat tried to invest the Egyptian-Israeli war of 1973 with a “special transcendental religious meaning.”<sup>16</sup>

But the attempts to play at democracy, making advances to the Islamists and religious clergy, using religious rhetoric, changing social orientations and foreign policy partners, as well as establish-

<sup>13</sup> See: D. Rustow, *A World of Nations. Problems of Political Modernization*, The Brookings Institution, Washington, DC, 1967; idem, “Language, Modernization and Nationhood—An Attempt at Typology,” in: *Language Problems of Developing Nations*, ed. by Joshua A. Fishman, Charles A. Ferguson and Jyotirindra Das Gupta, John Wiley & Sons, New York, 1968, pp. 87-105; S. Huntington, *Political Order in Changing Societies*, New Haven, London, 1968.

<sup>14</sup> See: A. Ignatenko, “Islamic Radicalism: A Cold War By-Product,” *Central Asian and the Caucasus*, No. 1 (7), 2001.

<sup>15</sup> In particular, the theologians of Al-Azhar issued fatwa, and the religious figures of the HCIA published articles proving the compatibility of Islam and Arab socialism.

<sup>16</sup> The war was waged in the holy month of Ramadan. Whereas Nasser had employed the secular motto “Earth, Sea, and Sky” in the 1967 war, Sadat used “Allahu Akbar!” ... “Allahu Akbar!” was on the lips of Egyptian troops as they stormed across the Suez Canal (see: J. Esposito, op. cit., p. 213).

ing the centralization of power could not strengthen Anwar Sadat's power and fend off the looming domestic political crisis, which ended in an antigovernment coup and the murder of the president by the Islamists.<sup>17</sup>

Serious economic problems, as well as cooperation with the West with simultaneous reinforcement of the position of Islam, strengthened the position of the Egyptian fundamentalists and became a breeding ground for political Islam. As reality at that time showed, Anwar Sadat was unable to draw the Egyptian bourgeoisie into the national development processes. Local investors preferred to invest money only in spheres with rapid circulation of capital, such as trade and services. The liberalization of foreign sales gave rise to an inflow of cheap imports, which was detrimental to the light industry and led to the formation of a negative foreign trade balance. As a result, Egypt found itself in a financial crisis.<sup>18</sup> The intention to cancel state subsidizing of prices on foodstuffs and other goods, which left a significant portion of the population without a means of existence, gave rise to mass spontaneous demonstrations throughout Egypt in 1977 and was abandoned. As the economic situation in the country worsened, social differentiation increased; in 1975, 90% of the Egyptian population was on the brink of poverty.<sup>19</sup>

President Hosni Mubarak (born in 1928), who came to power in the wake of Anwar Sadat, carried out a program of structural reforms in the 1980s-1990s. By developing the infrastructure, introducing state support of business, denationalizing the state sector, and encouraging foreign investments, he succeeded in significantly improving the economic situation in the country.<sup>20</sup> In the political sphere, Hosni Mubarak renewed the liberalization process, at the same time severely suppressing extremists, the number of whom began to drastically rise after the return of fighters from Afghanistan in 1992. At the same time, he put considerable clamps on the activity of the opposition, including by controlling the elections to the executive power branches. This policy put the pro-presidential political forces in a dominating position.

By applying measures that prevented the Islamic opposition in the form of the Muslim Brothers from participating in the country's political life, Hosni Mubarak created a sufficiently stable system of centralized state power.

Today, the opposition parties of Egypt are not influential associations, do not enjoy mass support, and are personal organizations reminiscent of "family clubs." An exception are the Islamists who, despite the harsh provisions of the Law on Elections and the Law on a State of Emergency<sup>21</sup> that has been in effect for more than 20 years, succeeded, by acting as "independent candidates," to obtain 17 deputy mandates in the lower house of parliament in 2000. At the parliamentary elections in November 2005, during which an acute struggle arose between the ruling National Democratic Party of the Arab Republic of Egypt (NDP) and the Muslim Brothers, the Islamists managed to obtain 88 seats. Since in the parliament of the previous convocation, the NDP had 404 seats and the Muslim Brothers 17, observers evaluated this new result of the party in power as a defeat.

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<sup>17</sup> See: M.Sh. Umerov, *Formirovanie politicheskoi modeli Arabskoi Respubliki Egipet (posledniaia chetvert XX v.)*, Abstract of a Ph.D. (Political Science) Thesis, Moscow, 2001, p. 17.

<sup>18</sup> The payment balance deficit rose from 68 million dollars in 1970 to 1,360 million in 1975; the budget deficit reached 2,840 million dollars in 1979 (see: A.V. Borisov, *Arabskiy mir: proshloe i nastoiashchee*, Moscow, 2002, pp. 145-147).

<sup>19</sup> See: *Ibid.*, p. 147.

<sup>20</sup> In the 1990s, Egypt's economic development became sustainable. The growth in GDP increased from 1.9% in 1990 to 5.7% in 1998, overtaking the growth in population (1.6% a year), and agricultural production growth rates reached 3.2%.

<sup>21</sup> A state of emergency was introduced in Egypt in October 1981, after the murder of President Sadat. Before the presidential election in September 2005, Hosni Mubarak promised the voters he would abolish the Law on a State of Emergency, which made it possible to use tribunals to fight radical political opponents, primarily religious-political, and permitted the activity of parties and press publications to be halted. But in 2006, after the terrorist acts in Dakhab, the Egyptian parliament extended the state of emergency in the country by an overwhelming majority of votes to two years on Hosni Mubarak's initiative.



On 26 March, 2007, a referendum on constitutional reform was held in Egypt, during which the voters supported Mubarak's proposed amendments,<sup>22</sup> which called for balancing the Basic Law and thus preparing the country to accept the modern ideas and tasks. Thirty-four amendments expanding the parliament's functions, limiting the president's powers, and lowering the restrictions on party activity were introduced into Egypt's Constitution.

One of the main changes was introduction of a provision on nominating presidential candidates according to party lists by political parties with no less than 3% of the seats in parliament; contenders from religious-political organizations were not permitted to participate in the elections. Egypt has also introduced a ban on creating parties based on the religious principle. This amendment directly affects legitimization of the banned Islamic organization, the Muslim Brothers. Finally, the Law on a State of Emergency was cancelled after 1981 by adopting the Law on Fighting Terrorism, which increases the powers of the power-related structures.<sup>23</sup>

As most observers noted, the main purpose of the reforms was to create conditions for removing the radical Islamists from the republic's political life as it moved toward modernization.

Despite these measures, the Islamists remained the most significant opposition force in Egypt, although it would seem that their influence would be hindered by the policy being conducted by the government (increased economic efficiency with the state's guiding role, "dosed" political liberalization, steps to settle ethno-confessional contradictions, opposition to financing Islamist structures, harsh repression of acts of violence, transfer of mosques to the control of the state, and so on). Islam is retaining its position in Egyptian society and policy: what is more, the presence of Islamists is increasing in trade unions and student election councils at Egyptian universities. The same situation is also being observed in other Arab countries.

Another major Islamic state—*Iran*—represents a special model of political and socioeconomic development. Between 1960 and the mid-1970s, the economic growth rates of this country, which is taking the Western development path, were one of the highest in the world,<sup>24</sup> but Iranian society was unable to adapt to the rapid socioeconomic changes and tough "authoritarian modernization." The necessary political reforms were not carried out in the republic, despite the democratic traditions, whereby this proved fraught with a loss of national identity and independence. This led to an increase in the anti-shah opposition. It included both the opponents of "Westernizing modernization"<sup>25</sup> (peasants, craftsmen, petty bourgeoisie, and clergy) and the supporters of revolutionary-collective modernization, political liberalization, as well as national minorities whose rights were infringed upon.

In this respect, it seems that the national revolution in Iran of 1978-1979 was society's attempt to establish a new balance. Religious figures were able to take advantage of this, who gave the revolution an organizational framework and ideology. Consolidation of the Islamic regime in Iran showed how the socioeconomic and political tools of Islamism based on the following postulates could be applied in practice:

—the principle of *velayat-e faqih*,<sup>26</sup> on which the idea of creating a contemporary Islamic state is based in the absence of the Prophet's heir;

<sup>22</sup> See: M. El-Nahas, "Awaiting Judgment," *Al-Ahram Weekly* (Cairo), No. 839, 5-11 April, 2007.

<sup>23</sup> See: G. Essam el-Din, "Changing Gears," *Al-Ahram Weekly*, No. 827, 11-17 January, 2007; idem, "Winner Takes All," *Al-Ahram Weekly*, No. 837, 22-28 March, 2007.

<sup>24</sup> In 15 years, the GDP increased 13-fold and per capita income rose 8-fold, reaching 1,600 dollars; at the end of the 1970s, Iran was ahead of Greece and a little behind Portugal and Spain in terms of the socioeconomic structure of society; the capitalist mind-set was both system-forming and predominant (see: *Iranskaia revoliutsiia 1978-1979. Prichiny i uroki*, Moscow, 1989, pp. 15-23).

<sup>25</sup> J. Esposito gives a term coined by one secular intellectual, "Westoxification or Weststruckness," that is, indiscriminate borrowing from and dependence upon the West" (J.L. Esposito, *Islam: The Straight Path*, Expanded Edition, Oxford University Press, New York, 1991, p. 176).

<sup>26</sup> Supervision of a theologian-lawyer who substitutes or represents an "absent" Shi'ite imam.

- a dichotomous view of the world divided into oppressors and the oppressed whose interests are “protected by the Islamic revolution;”
- nationalistic (essentially pan-Islamist) call to fight against the “forces of evil” (the West and the superpowers).

In so doing, the principle of “export of the Islamic revolution” was expressed not only in the striving characteristic of revolutions to spread experience, but also in an attempt to create a single anti-imperialist and anti-communist Islamic front and to uphold Iran’s strivings for leadership in the region.<sup>27</sup>

During Islamization of the country, the Iranian president and parliament acquired high-standing “theocratic counterparts,” which were formed without participation of the voters—the Supreme Religious-Political Leadership (*rahbar*) and the Supervisory Council. The Assembly of Experts, entrusted with the right to choose a new spiritual leader or Supervisory Board, was called upon to ensure succession of the highest power.<sup>28</sup> The judicial system was completely Islamicized. A military-political organization called the Islamic Revolution’s Guards Corps (IRGC) acquired broad administrative, police, and ideological powers.

The Iranian theologians also began establishing fundamentals of an Islamic economic system. In so doing, they were not against the principles of free competition, business, or the protection of private property. The main problem for Iran was the degree of state control and planning.<sup>29</sup> Disagreements over this in the upper echelons of power were expressed in a stand-off among the Iranian bourgeoisie itself. A solution was found by creating a council that was responsible for making decisions favorable to the Islamic system, the task of which was to smooth out the disagreements among the parliament, government, and Supervisory Council.

Economic liberalization began in order to overcome the post-war slump. The First Five-Year Plan was adopted and reforms were introduced, including liberalization of import and domestic trade, state price formation, transfer from import substitution to an export-oriented economy, development of export branches of the manufacturing industry, and so on.

In the second half of the 1990s, trends appeared in Iran’s political sphere toward democratization, which was related to ex-president Mohammed Khatami (since 1997). He opened up a new direction in Iranian political thought by justifying the idea of a multi-level dialog (holding a dialog of civilizations; developing cooperation among the Muslim states based on common heritage and interests; and establishing pluralism in Iranian society). In so doing, the Iranian leader emphasized that the obliteration of traditions in Muslim society meant a loss of identity. In this context, he put forward the idea of an “Islamic civil society.” Concern for the spiritual demands of the people, respect of their rights, and people’s control over governance of the country are the top priorities of such a society, in his point of view.<sup>30</sup> This gave reason for many observers to say that the radical Islamic regime in Iran was showing signs of being able to evolve in the direction of reformism.

Moreover, in recent years, particularly after President Ahmadinejad came to power, trends in Iran intensified once more toward the consolidation of an “Islamic regime,” which was largely due to unfavorable foreign factors, primarily the political-ideological standoff between Iran and the U.S.

Under present-day conditions, the development model of the political system in *Turkey* is also interesting. As we know, due to the Kemalist revolution, secularization, Europeanization, and statism,

<sup>27</sup> F. Halliday, “The Politics of Islamic Fundamentalism: Iran, Tunisia and the Challenge to the Secular State,” in: *Islam, Globalization and Postmodernity*, ed. by A.S. Ahmed, H. Donnan, London, New York, 1994, p. 99.

<sup>28</sup> The Assembly of Experts is an assembly of 96 of the elders of the Shi’ite clergy chosen every 8 years by direct universal voting (the last election was held in 2006). Its three main functions consist in appointing to a life term, control over the activity, and, if necessary, dismissing the “first person” of the Iranian state—the Supreme Leader (*Rahbar*).

<sup>29</sup> See: V.P. Tsukanov, “O realizatsii finansovoi polititki Irana v usloviakh nefitanykh shokov,” in: *Iran: islam i vlast*, Moscow, 2001, pp. 83-84.

<sup>30</sup> See: M. Khatami, *Islam, dialog i grazhdanskoe obshchestvo*, Moscow, 2001, Ch. 2, 3, 9, 10.

manifested primarily in the economy, became a strategic area of the reforms in this republic. The Republican People's Party (RPP) created by Kemal Atatürk acted under conditions of mobilized post-liberation authoritarianism. Democratization of the country after World War II made it possible to withdraw from the policy of statism, but at the same time led to an increase in the opposition in the form of the Islamists, leftist forces, and Kurdish separatists, as well as to destabilization of the political system. The army, which considered itself the custodian of the traditions of Kemalism, moved to the forefront of political life in the state, and beginning in the 1960s, periods of direct military intervention began to interchange with periods of pluralistic civil rule in Turkey's development. Army subdivisions repeatedly succeeded in settling crisis situations, but the main problem of modernization—achieving a balance among the economic, social, and political sub-systems—was not resolved.

The Turkish Constitution of 1982, drafted by the military, intensified the role of the executive power in the form of the president and Cabinet of Ministers. Laws were adopted on political parties and parliamentary elections, which by 1987 led to the restoration of plurality. Since then, the following main political forces compete at the parliamentary elections: the rightist liberals (Homeland Party and True Way Party), the leftist centrists (Democratic Leftist Party and Republican People's Party), the Islamists (Welfare Party—Refah, Virtue Party—Fazilet, Justice and Development Party), and the ultra-nationalists.

Beginning in the 1980s, neo-liberal modernization aimed at opening up the economy led to a curtailment of the country's business activity and, correspondingly, of state paternalism. Intense development of the main branch of the economy—agriculture—was accompanied by the appearance of surplus manpower, an increase in migration to the cities, and aggravation of the employment problem. Chronic unemployment at a level of 12-20% made it possible to maintain a low salary level. Emigration of the population assumed mass proportions, in particular, to West Europe. The drastic change in the position of the traditionalist strata led to a gradual increase in the Islamist forces. In March 1996, the rightist-liberal parties united, creating a rightist-centrist coalition government. But two months later, the True Way Party left the coalition and a new government was formed headed by N. Erbakan, the leader of the Welfare Party. For the first time since Turkey declared itself a secular state (1923), a government headed by an Islamist party was formed.

The rural periphery, middle urban strata, students, young “Westernized” technocrats, who accept the fundamentalist ideology, and nationalists are the most supportive of the Islamists in Turkey. The first Islamist party that came to power in the state headed by N. Erbakan announced that “the past hundred years in Turkey's development, during which it remained in the mainstream of Western policy, was a tragic mistake.”<sup>31</sup> The party was in favor of further industrialization of the country and intensive development of the economy. But N. Erbakan and his party, oriented toward radical Islamism, could not cope with the unfavorable economic situation.

In 1997, relations between the army—the bastion of the secular principles of Turkish statehood—and the government became more tense. The military forced N. Erbakan to retire and a new government was formed from members of the Homeland Party, the Democratic Leftist Party, and the Democratic Turkey Party. In January 1998, the Constitutional Court prohibited the activity of the Islamist Welfare Party, but its members immediately created the Virtue Party, which took third place in the early parliamentary elections.

In 2002, the deterioration in the economic situation, corruption of the power structures, unemployment, aggravation of the relations between Turkey and the EU, and the crisis involving Iraq led to the collapse of the ruling coalition and victory at the special election of the Islamist Justice and

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<sup>31</sup> S.B. Druzhilovskiy, “O teorii i praktike islamskogo pravleniia v stranakh Srednego Vostoka (Iran, Afganistan, Turtsiia),” in: *Islam i politika*, Moscow, 2001, p. 63.

Development Party (JDP) headed by R. Erdoğan, which obtained 363 of the 550 seats in parliament.<sup>32</sup> For the first time in Turkish history, the Islamists created a one-party government. The Islamist elite had reached the national political level.

The democratic trends that helped the JDP to legally come to power and the simultaneously restraining role of the army are making it possible to achieve a certain balance in Turkey between the Islamists and pro-Western supporters. However, several factors are tipping the balance in favor of the Islamists. First, genuine secularity with respect to public institutions has not been reached in Turkey. Second, many external factors are intensifying Muslim self-awareness (the situation around Iraq and Iran, the increase in anti-American sentiments, the problem of joining the EU, and so on).

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So the Islamic factor in the Muslim states is expressed in different ways, both in their cultural heritage, and in political practice. The attempts made in several Muslim countries to restrict the role of religion in public life and encourage different forms of secular nationalism are the result of the long years of European colonialism. Use by the state and ruling parties of traditional Muslim rhetoric in their search for ways to achieve political legitimization was a necessary step and led to the sanctioning of political and economic reforms with principles of egalitarianism and justice, which are so clearly expressed in Islam.

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<sup>32</sup> See: A.A. Volovich, "Novye otnosheniia Turtsii s arabami: ostanetsia li mesto dlia Izrailia?" in: *Turtsiia v novykh geopoliticheskikh usloviakh*, Round table documents, Institute of Oriental Studies, RAS; Institute of Israel and Middle Eastern Studies, Moscow, 2004, p. 52.

**MIGRATION AND  
ETHNIC RELATIONS****GEORGIA'S ETHNIC HISTORY AND  
THE PRESENT MIGRATION PROCESSES****Mamuka KOMAKHIA***Research fellow at the Institute of Political Studies  
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**G**eorgia's ethnic composition, which changed from one historical epoch to another, is a product of certain political, social, and economic factors. This led to certain migration trends that changed the size of particular ethnic groups. Georgian academic Vakhtang Jaoshvili identified the major stages in the process that led to changes in Georgia's ethnic composition: from the Middle Ages to the late 18th century;

from the early 19th century to the establishment of Soviet power in 1921, and from 1921 to the Soviet Union's disintegration.<sup>1</sup> Today we can speak about the fourth stage: from 1991, when Georgia became independent, to the present day.

<sup>1</sup> See: V. Jaoshvili, *Georgia's Population in the 18th-20th Centuries*, Tbilisi, 1984, p. 209 (in Georgian).

**First Stage:  
From the Middle Ages  
to the Late 18th Century**

Throughout the Middle Ages Georgia remained the victim of its aggressive neighbors, whose regular inroads led to many deaths among the local residents and to their mass migration to the country's central areas. The vacated lands were seized by ethnically alien peoples. Muslims moved into Kvemo Kartli in the latter half of the 15th century; during feudalism Ossets left the Northern Cauca-

sus to settle in Eastern Georgia; and Greeks came to some of the Eastern Georgian villages in the latter half of the 18th century. The number of migrating aliens to feudal (normally self-contained) states was negligible, which explains the numerical domination of the Georgians in nearly every province. By the early 19th century, Georgians comprised four-fifths of the local population.<sup>2</sup>

## Second Stage: From the Early 19th Century to Soviet Power

In the 19th century and the first two decades of the 20th century, Georgia's ethnic composition changed beyond recognition for military-political and economic reasons.

Early in the 19th century, large non-Georgian groups were deliberately moved to Georgian territory. Armenians, Russians, Greeks, and Germans settled in Georgia in great numbers in the first third of the 19th century; they came from foreign states and from inland Russia. The inflow reduced the share of the Georgian population from 79.4 percent in 1800 to 75.9 percent in 1832.<sup>3</sup> Starting in the 1860s, the flow of migrants became more or less spontaneous.

At the turn of the 20th century the process gained momentum for economic reasons, while the military-political factor came to the fore during World War I and the first Republic of Georgia (1918-1921) when the larger part of the non-Georgian population preferred to leave. It was then that the share of Georgians gradually decreased: on the eve of the Bolshevik revolution they comprised no more than two-thirds of the entire population.<sup>4</sup>

This all started when the Russian Empire established its domination over the Georgian czarisms and princedoms: it deliberately replaced Georgians in the border areas with ethnic groups Russia believed to be more loyal.

After winning the Russo-Turkish War of 1828-1829, Russia forced the Muslim Georgians of Samtskhe-Javakheti to move to the Ottoman Empire and filled the vacated land with thousands of Armenians who, aided by Russia, moved out of Turkey in 1829-1831. Under Art 13 of the Treaty of Adrianople, the Georgian Muslims had only eighteen months to move to Turkey, a Muslim country. Javakheti was virtually depopulated, which allowed the czarist government to move in 35,000 Armenians from Erzurum in 1830.<sup>5</sup>

Acting in accordance with the Treaty of Adrianople and on the request of General Paskevich, Nicholas I allowed Greeks<sup>6</sup> from Eastern Anatolia to settle in Georgia. They mainly settled in Borchalo, an area depopulated by the incessant inroads of Turkish and Daghestanian feudal lords. By 1830, there were 18 Greek settlements around Tsalka. The local Georgians had left these territories long before they were settled by alien groups. It was at the same time that Greeks from the northeastern vilayets of Turkey moved to the Dmanisi District.<sup>7</sup>

<sup>2</sup> See: *Ibid.*, pp. 209-210.

<sup>3</sup> See: *Ibid.*, p. 81.

<sup>4</sup> See: *Ibid.*, pp. 210-211.

<sup>5</sup> See: V. Lordkipanidze, *Historical Meskheti—Demographic Problems*, Tbilisi, 1988 (in Georgian).

<sup>6</sup> They spoke one of the Turkish Eastern Anatolian dialects and were called Turkic-speaking Urums. The Greeks who later settled along the Black Sea coast use the Greek Pontic dialect. Both groups are Orthodox Christians. For more detail, see: A. Mikaberidze, M. Shakhpazidi, "On the Dialects of the Greeks Living in Georgia," in: *Greeks in Georgia*, Tbilisi, 2000, pp. 129-177 (in Georgian).

<sup>7</sup> See: I. Garakanidze, "History of Greek Resettlement to Georgia (18th-20th centuries)," in: *Greeks in Georgia*, pp. 28-70.



In 1817-1818, Russia encouraged Württemberg Germans to settle in Georgia; they set up several colonies in the east of Georgia. The German sectarians were invited to Georgia in the hope of settling the depopulated areas, reviving the local economy, and acquiring reliable support in this part of the Russian Empire.<sup>8</sup>

In the second third of the 19th century, Georgia attracted mainly Russian religious dissenters and demobilized Russian soldiers. By 1865, there were 25,900 (or 2 percent of the total population) Russian settlers in Georgia. The figures for 1886 and 1897 were 42,500 (2.6 percent) and 92,813 (5.3 percent), respectively. The military (there were 21,113 of them) comprised 22.7 percent of the total Slavic population of Georgia. Slavs were moved in great numbers to Georgia, mainly to Tbilisi and the coastal towns, as well as to certain regions and to 21 villages.<sup>9</sup>

Some of the Russians who were moved to Georgia were religious dissenters—Dukhobors and Molokans. The former appeared in Javakheti in the 19th century. The czarist government feared the Dukhobors as an extremely protestant sect that threatened the state and religion. In 1837, they were moved to the Caucasus under an imperial decree to deal with the military-strategic, political, and economic problems. Sectarians were concentrated in two regions: in the southwest (eight villages of the Ninotsminda, former Bogdanovka, District) and in the east (in the Sagarejo, Signagi, and Lagodekhi districts).<sup>10</sup>

Assyrians and Kurds appeared in Georgia during World War I; they continued their inflow later, together with the Yezidi Kurds from the Ottoman Empire who settled in Georgia and Armenia.<sup>11</sup>

### Stage Three: From 1921 to the Soviet Union's Disintegration

Under Soviet power the republic was inundated by hundreds of thousands of migrants who reduced the share of Georgians even more. In the 1930s, Russians and Ukrainians arrived in great numbers; the migration of Armenians and Ossets was also noticeable. The numbers of Greeks, Jews, and Azeris also increased due to the high birthrate. By 1939, for the first time in their history, the share of Georgians in the republic's total population was less than two-thirds. It was then that migration reached its peak, unrivaled either by previous or later figures. In 1926, non-Georgians comprised 51.7 percent of the urban population and 27.9 percent in the countryside.<sup>12</sup>

After World War II the number of migrants dropped; since 1957 the number of emigrants has been higher than the number of those who came to settle in Georgia. The share of Georgians began to climb: it was mainly non-Georgians who left the republic.

At that time, the number of Russians and Armenians mainly increased due to natural causes. It should be said that the natural growth rates differed from one ethnic group to another; the birthrate among the Georgians was lower than among other ethnic groups. In 1959 and 1979, the growing share of Georgians in the republic's total population can be explained by the migration of non-Georgians. According to the 1959 population census, Armenians comprised 11 percent of the total population; and in 1970, 9.7 percent. The figures for Russians were 10.1 percent and 8.5 percent, respectively.<sup>13</sup>

<sup>8</sup> For details about German settlements see: A. Songulashvili, *Germans in Georgia*, Tbilisi, 1995; D. Springhorn, *Germans in Georgia*, the Tbilisi Goethe Institute, Tbilisi, 2004 (both in Georgian).

<sup>9</sup> See: N. Zakariadze, "Czarist Colonial Policies and the Slavic Population of Georgia," *Demography*, No. 1, 2000, pp. 89-90 (in Georgian).

<sup>10</sup> See: V. Kozlov, *Russkie starozhily Zakavkaz'ia: Molokane i Dukhobortsy*, Moscow, 1995.

<sup>11</sup> See: D. Pirbari, "Kurdy na Iuzhnom Kavkaze," *Vostok i Kavkaz*, No. 2, 2004.

<sup>12</sup> See: V. Jaoshvili, op. cit., pp. 139-142.

<sup>13</sup> See: P. Gugushvili, *The Problems of Population Reproduction in the Georgian S.S.R.*, Tbilisi, 1973, pp. 16-17 (in Georgian).

Non-Georgians lived mainly in cities and towns, which explains the greater ethnic diversity of the urban regions compared with the countryside: according to the 1979 figures, the share of Georgians in the cities and towns was 62.1 percent, and in the countryside, 75.7 percent.<sup>14</sup>

## Migration Today

In the post-Soviet period the republic's ethnic composition changed to a great extent. Indeed, while according to the 1989 population census national minorities comprised 30 percent, in 2002 (according to the population census), their share dropped to 16 percent (with the exception of Abkhazia and South Ossetia) of the republic's total population.

The changes were caused by emigration, the first wave of which was triggered by the rapidly deteriorating social, economic, and political conditions. Members of the titular nation and ethnic minorities left Georgia in great numbers.

In the early 1990s, ethnic minorities were virtually driven out of independent Georgia by the discriminatory policy of the political groups that came to power in the republic as soon as the Soviet Union ceased to exist. The nationalist rhetoric of President Gamsakhurdia—"Georgia for the Georgians" that gained popularity among the titular nation—suggested that the ethnic minorities were unwelcome in new Georgia. (They were given the status of "guests.") Discrimination never reached huge dimensions, but in some places (Dmanisi, Borzhomi, Tetri Tskaro, Gori, Akhagori, Lagodekhi, and Mtskheta) Azeris and Ossets had to sell or simply abandon their homes and emigrate under the pressure of local nationalist organizations.<sup>15</sup>

Slavs emigrated in even greater numbers. Many of them were Soviet servicemen or civilians employed by military units. Starting in the 1990s, when some of the military units were dislocated, they left the republic en masse together with their families. Sixty percent of them were Slavs, mainly urban dwellers; nearly all of them moved to the Russian Federation. On the other hand, the Azeris, the second large group of emigrants, were mainly rural dwellers, however, they too wanted to settle in cities abroad. Over a quarter of the Azeris who left the republic in 1992 settled in the Russian Federation, others preferred to move to Azerbaijan. Seventy one percent of the Armenian emigrants, the third largest group, came from cities; 56.2 percent of the Armenians intended to migrate to Russia, while merely a quarter of the emigrants wanted to go to Armenia.<sup>16</sup>

Eduard Shevardnadze, who came to power in 1992, dropped the nationalist slogans, but the outflow of national minorities continued unabated. People were driven away by unemployment, low living standards, and vague prospects. Georgians also emigrated for the same reasons.

For linguistic (under Soviet power, Russian was the language of inter-national communication) and psychological reasons, ethnic minorities preferred to settle in the Russian Federation; some of the ethnic minorities migrated for national reasons partly because Georgia offered no future and partly because historical homelands looked very attractive: Russians left for Russia, Greeks for Greece, Jews for Israel, Ukrainians for Ukraine, Armenians for Armenia, and Azeris for Azerbaijan. It should be said that between the two largest ethnic minorities of Georgia, the Azeris were more nationally oriented than the Armenians. However, the Russian Federation, followed by the United States and Greece, was preferred by all ethnic groups.

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<sup>14</sup> See: V. Jaoshvili, op. cit., pp. 214-215.

<sup>15</sup> See: T. Gugushvili, *External Migration and Demographic Problems of Georgia (1990-1998)*, Tbilisi, 1998, pp. 70-78 (in Georgian).

<sup>16</sup> See: R. Gachechiladze, *Population Migration in Georgia and its Socioeconomic Effects. U.N.-Georgia Development Program*, Tbilisi, 1997, pp. 37-38 (in Georgian).

In recent years, emigration has been mainly caused by social and economic factors: unemployment, low living standards, vague future, and political instability, while discrimination (the negative attitude toward ethnic minorities on the official and everyday level, no prospects for developing their native language and culture, and the poor satisfaction of their religious needs) plays a secondary role.<sup>17</sup>

There are circumstances that prevent emigration: some members of ethnic minorities are either integrated into Georgian society, or they have no money to move, or they belong to mixed families. Health and problems created by consulates play a comparatively smaller role. Significantly, the Azeris are unwilling to leave behind their households, some of them are patriots, while others are quite satisfied with the situation.<sup>18</sup>

According to the 2002 population census, Azeris are the largest national minority of Georgia; they live in compact groups in Kvemo Kartli, Kakheti, and Shida Kartli, as well as in Tbilisi and Rustavi. As distinct from the rest of the non-Georgian population (which started flocking into the republic in the 19th and 20th centuries), the Azeris came in huge numbers in the latter half of the 20th century,<sup>19</sup> and they outstripped all the other ethnic groups of Georgia.<sup>20</sup> Under Soviet power, the Azeris of Georgia demonstrated a high birthrate. In 1989, for example, sixteen babies were born per 1,000 Georgians, while there were 28.6 babies per 1,000 of Azeris. In the early 1990s, the nationalists drew attention to this fact, while the Georgian press immediately responded with concern over the fast natural growth of the number of Azeris in Georgia.<sup>21</sup>

The Azeris were persecuted mainly in Kvemo Kartli; the rising nationalist wave caused clashes between Azeris and Georgians in Bolnisi and Marneuli. The Kvemo Kartli Azeris demanded that a Borchalo autonomy be set up.<sup>22</sup> The republican authorities fed up with the ethnic conflicts of the early 1990s wanted no other seat of ethnic tension in the republic. The problem was settled and the demand dropped for good.<sup>23</sup> Eduard Shevardnadze, who painstakingly avoided nationalist slogans of any kind and who was known as one of the friends of President of Azerbaijan Heydar Aliiev, managed to establish better relations with the Azeris of Georgia.

According to the 2002 population census, the number of Azeris in Georgia has dropped; today there are 284,761 of them in the republic.<sup>24</sup> Continued active emigration of other ethnic groups increased the share of the Azeris to 6.5 percent. While according to the 1989 population census, the Azeris of Georgia came third after two other ethnic minorities (Armenians and Russians), today they are the largest ethnic minority.<sup>25</sup>

<sup>17</sup> See: G. Svanidze, D. Svanidze, "Emigratsia iz Gruzii i ee prichiny," in: *Migratsia na Kavkaze. Materialy konferentsii*, Kavkazskiy institut SMI, Erevan, 2003, p. 129.

<sup>18</sup> See: *Ibid.*, p. 130.

<sup>19</sup> In 30 years, the number of Azeris nearly doubled: while in 1959 there were 153,600 of them (3.8 percent of the total population), in 1979 their numerical strength reached 255,700 (5.1 percent), and in 1989, it was 307,600 (5.7 percent) (see: *State Department for Statistics. Annual Statistical Survey of Georgia—2001*, pp. 37-38).

<sup>20</sup> See: V. Jaoshvili, *op. cit.*, pp. 231-232.

<sup>21</sup> See: A. Totadze, "National Composition of Georgia's Population," *Eri*, 22 May, 1991 (in Georgian).

<sup>22</sup> The toponym Borchalo is derived from the Turkmenian tribe Borchalo, which moved to the Debed Gorge in the Middle Ages.

<sup>23</sup> The Borchalo Autonomy issue first appeared in the late 1980s together with the first signs of ethnic tension. The demand was formulated by the nationalist-minded groups with no wide popular support. As soon as the first waves of enthusiasm subsided, the issue was dropped for good.

<sup>24</sup> According to the organizations operating in Kvemo Kartli and the Azeri media, the real number of Azeris is much larger, somewhere between 300,000 and 500,000.

<sup>25</sup> This is caused mainly by the outflow of Armenians and Russians. There is emigration among the Azeris as well, but their high birthrate keeps their numerical strength high. According to the 2002 population census, there are 284,761 Azeris (6.5 percent), 248,929 Armenians (5.7 percent), and 67,671 Russians (1.5 percent) (see: *State Department for Statistics of Georgia. The Results of the 2002 First National Population Census in Georgia*, Vol. 1, Tbilisi, 2003, p. 110). According to the 1989 population census, Armenians came first in numbers (437,200 or 8.1 percent of the total population), then came Russians (341,200 or 6.3 percent) and Azeris (307,600 or 5.6 percent) (see: *State Department for Statistics. Annual Statistical Survey of Georgia—2001*, pp. 37-38).

Azeris form the majority in three districts of Kvemo Kartli: Marneuli with 83 percent of the Azeris; Dmanisi with 67 percent, Bolnisi, 66 percent, and Gardabani, 44 percent. The figures for Kakheti are lower: 32 percent of the Azeri population in the Sagarejo District and 22 percent in the Lagodekhi District.<sup>26</sup>

As mentioned above, according to the 2002 population census, the number of Armenians in Georgia has dropped to 5.7 percent against the 1989 figures when there were 8.1 percent of Armenians in the republic. The nationalist rhetoric of the early 1990s caused an outflow of Armenians to Russia and Armenia. Some of those who stayed behind changed their Armenian names to Georgian to avoid further problems. This happened before the 1990s, however in the early 1990s the trend assumed vast dimensions; the process stopped when President Gamsakhurdia was removed from power.

Armenians are in the majority in two districts of Samtskhe Javakheti: Akhalkalaki (94 percent) and Ninotsminda (96 percent); in the Tsalka District of Kvemo Kartli there is 55% of them. There is a large Armenian settlement in the Akhaltsikhe District (36 percent), while in Tbilisi they are the largest ethnic minority (8 percent). As distinct from the Azeris, Armenians are found in nearly every corner, but everywhere they are in the minority: there are 17 percent of them in the Aspindza District, 10 percent in the Tetri Tskaro District, 10 percent in the Borzhomi District, and 8 percent in the Marneuli District.<sup>27</sup>

The number of Slavs, particularly Russians and Ukrainians, has dropped considerably against the 1989 figures; the post-Soviet cataclysms proved to be too much for the Slavs. They, the Russians in particular, found it hard to adjust to the new, absolutely alien reality (there were noticeable anti-Russian sentiments). Emigration to the historic homeland was the only answer. In 1989, there were 341,200 Russians in Georgia; according to the 2002 population census, 68,000 Russians were left in Georgia, half of them in the Georgian capital.<sup>28</sup> As distinct from the other ethnic minorities, Russians were urban dwellers from the very beginning; few of them settled in the countryside. There are practically no compact groups of Russians. Today, the Russian population consists mainly of elderly citizens. The number of Ukrainians in Georgia decreased from 52,400 in 1989 to 7,039 in 2002; half of them live in Tbilisi; and a large group of Ukrainians lives in the Autonomous Republic of Ajaria.<sup>29</sup>

The Greek population also shrank: in 1989 there were 100,000 Greeks in Georgia (1.9 percent of the entire population); and the 27,000 Greeks in the Tsalka District formed the ethnic majority there (61.0 percent). According to the 2002 population census, there are 15,000 Greeks in Georgia (0.3 percent of the total population).<sup>30</sup>

In 1989 there were 6,200 Assyrians in Georgia.<sup>31</sup> According to the 2002 figures, there are 3,299 Assyrians (0.1 percent) left. They are concentrated in two districts of Tbilisi (Vake and Kukia); they also live in Kutaisi, Gardabani, the Staraiia Kanda village, Batumi, Senaki, and Zugdidi.

In 1989 there were 33,300 Kurds (0.6 percent) in Georgia; by 2002 their number had dropped to 20,800 (0.4 percent).<sup>32</sup> They live mainly in Tbilisi (there are compact groups in Isani-Samgori, Gldani-Nadzaladevi, Lotkini), as well as in Rustavi and Telavi. There are small groups of them in Kutaisi, in the Mtskheta, Gardabani and Ozurgeti districts, and in Ajaria.

<sup>26</sup> See: *State Department for Statistics of Georgia*, p. 116.

<sup>27</sup> See: *Ibidem*. The Armenian population is spread throughout four districts: 9,329 Armenians live in the Marneuli District; 3,124, in the Borzhomi District; 2,632 in the Tetri Tskaro District, and 2,273 in the Aspindza District.

<sup>28</sup> See: *State Department for Statistics of Georgia*, p. 110.

<sup>29</sup> See: *Ibid.*, p. 113.

<sup>30</sup> See: *Ibid.*, p. 116.

<sup>31</sup> See: *State Department for Statistics. Annual Statistical Survey of Georgia—2001*, p. 37.

<sup>32</sup> It should be said that in the 1989 population census the Yezidi Kurds were lumped together with the Kurds. In 2002, at the request of the Razibun Center of Yezidic Traditions, they were registered separately. During the latest census, 18,329 Kurds were registered as Yezidis at their request, while 2,514 described themselves as Kurds.

## *C o n c l u s i o n*

The process of ethnic changes in the Georgian population can be divided into four stages:

- *First*—from the Middle Ages to the late 18th century when non-Georgian ethnoses moved to Georgian territory on the invitation of the Georgian czars/princes to settle the land abandoned by the Georgians.
- *Second*—from the early 19th century to the advent of Soviet power. Migration waves (mainly forced migration) changed the size of various nationalities. The Russian imperial authorities moved large groups of non-Georgians to Georgian territory mainly for military-political and economic reasons.
- *Third*—from 1921 to the Soviet Union's disintegration. Industrialization and the industrial boom in Soviet Georgia attracted hundreds of thousands of migrants from all the Union republics.
- *Fourth*—from 1991, when Georgia declared its independence, to the present day. Political, social, and economic cataclysms drove away not only non-Georgians, but also Georgians; in recent times, non-Georgians have been leaving the republic for social and economic reasons.

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## **CHINESE MIGRATION TO KAZAKHSTAN: CAUSES, KEY TRENDS, AND PROSPECTS**

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## *I n t r o d u c t i o n*

The “Chinese miracle” phenomenon has many dimensions (dynamic economic growth, trade expansion, and huge demographic potential) that have already attracted the attention of politicians and academics from many countries. Central Asia, and Kazakhstan as part of the region that borders on the People's Republic of China in the east, has even more important

reasons to scrutinize its trade and economic relations with China, related regional and national security issues, as well as the demographic pressure its neighbor is exerting on it.

Today the Republic of Kazakhstan has been paying much more attention to its economic relations with China, which are being carefully studied and analyzed. Unfortunately, this cannot be

said about the demographic and migration processes underway between the two countries. How is Kazakhstan affected by the “demographic giant” it has for a neighbor? Is this intensifying migration to and from Kazakhstan? What are the prospects for Chinese migration to the republic? These questions should be carefully analyzed to create an information and analytical basis on

which all sorts of policy, including migration policy, can stand.

I have posed myself the task of analyzing the key causes of migration both in the country of origin and in the country of destination and looking at the main descriptions and specific features of various types of migration to outline the prospects for Chinese migration to Kazakhstan.

## 1. The Causes of Migration from China to Kazakhstan: “Ejecting” and “Attracting” Factors

The People’s Republic of China is one of the most dynamically developing countries. In recent years Beijing has been rapidly expanding its economic presence in Central Asia and Kazakhstan in particular, as well as building up its share in Kazakhstan’s international trade and economic relations. In the last seven years the trade turnover between them has been rapidly increasing with respect to both growth rate and absolute figures. Between 1999 and 2005, Kazakhstan increased its export to China over 5.2-fold, while China’s export to Kazakhstan grew 15.7-fold. The trade turnover between China and Kazakhstan grew 6.7-fold over the same period.<sup>1</sup>

In the last three years China moved to third place among Kazakhstan’s foreign trade partners in terms of percentage, however the structure of their trade can hardly be called balanced. Kazakhstan mainly sells China crude oil, ferrous metals, and copper, while China sends consumer goods (clothes, footwear, domestic electric appliances, and foodstuffs) to Kazakhstan. Much of what arrives in Kazakhstan is brought by so-called shuttle traders.<sup>2</sup>

In recent years China has been using steadily growing amounts of energy resources; in an effort to diversify its sources of energy to ensure stable supplies it imports most of its oil from Africa and the Middle East, but it does not lose sight of much closer raw material sources from Russia and Kazakhstan. The first agreements with China and the first Chinese investments in Kazakhstan’s raw material sector date back to the late 1990s. However, the sides did not settle all the issues related to long-term cooperation in this sphere or initial all the related documents until recently. On 3 June, 2003, Kazakhstan President Nursultan Nazarbaev and Chairman Hu Jintao signed an agreement on the Program of Cooperation between the Republic of Kazakhstan and the People’s Republic of China for 2003-2008. Convinced that their partnership in the oil and gas sphere was of strategic importance, the sides were resolved to actively promote the program.

The Kumkol-Atasu-Alashankou oil pipeline is the largest joint Kazakhstani-Chinese project. In December 2005, the Atasu-Alashankou stretch, part of the cooperation program, was completed on Chinese money.<sup>3</sup> The Kenkiak-Atyrau part was ready to go into operation in December 2002.

<sup>1</sup> Quoted from: E.Yu. Sadovskaya, *Kitayskaia migratsia v Kazakhstane*, Almaty, 2007 (forthcoming).

<sup>2</sup> The following figures testify that the volumes of shuttle or unorganized trade are still considerable. According to the customs services of Kazakhstan, in 2005 the foreign trade turnover of the two countries was \$3.676 million. According to the figures supplied by the Chinese Ministry of Commerce, it was \$6.810 million. The discrepancy is explained by the fact that China takes so-called popular trade into account, while the Committee for Customs Control of the Finance Ministry of Kazakhstan takes into account the figures supplied by freight customs declarations and ignores “unorganized trade.” At the same time, the National Bank of the Republic of Kazakhstan provides evaluations of trade turnover of cross-border and shuttle trade and uses the results when drafting the annual Balance of Payments of the Republic of Kazakhstan.

<sup>3</sup> [http://www.inform.kz], 15 December, 2005.



The above suggests that bilateral economic cooperation will develop: Central Asia as a whole and Kazakhstan in particular as a market for Chinese products and a source of energy resources China badly needs are very attractive. China is prepared to invest in oil and gas production and transportation branches. So it is no wonder that China was the first to endorse Kazakhstan's WTO membership. The even larger projects (a transit railway across Kazakhstan to Europe being one of them) will encourage the steadily growing flow of labor migrants from China to Kazakhstan.

Migration between China and Kazakhstan is increasing as the relations between the two countries develop, while the sides are improving the legal basis of their cooperation. The first agreement signed on 15 July, 1988 in Moscow between the Soviet Union and China on trips of citizens of both countries dates back to the perestroika years. It allowed Chinese citizens to travel to the Soviet Union and the Republic of Kazakhstan.

As part of the Soviet Union, Kazakhstan cooperated with Xinjiang-Uighur Autonomous Region of China (XUAR), on which it bordered. The Agreement on the Principles and Main Trends of Cooperation between the Kazakh S.S.R. and the Xinjiang-Uighur Autonomous Region of the People's Republic of China was initialed on 16 July, 1991. The sides undertook to create favorable conditions for the flow of commodities, services, and capital, and to strengthen their economic cooperation. This was when the railway Druzhba-Alashankou crossing opened.<sup>4</sup>

Late in 1991, China and Kazakhstan, which had become a sovereign state, established bilateral interstate relations; on 3 January, 1992, the two countries established diplomatic relations.

Early in 1992 they signed bilateral agreements that specified the nature of their contacts in various spheres, including *visa-free trips for holders of all types of passports*. The document encouraged trade migration from China to Kazakhstan and promoted the cross-border and shopping tourism that flourished between 1989 and 1993. Tens of thousands of petty traders and businessmen from China traveled to Kazakhstan to sell "made in China" consumer goods.

According to the border guard services, throughout 1993-1995 between 150 and 200 Chinese tourists crossed the border into Kazakhstan every day; 30 to 50 of them never went back. They either stayed in Kazakhstan or moved on to the other former Soviet republics or to the West. According to the Border Guard Service of the National Security Committee, during this period no less than 130,000 to 150,000 Chinese citizens remained in Kazakhstan or used it as a transit country.<sup>5</sup>

The uncontrolled inflow of Chinese citizens sent up the crime level in Kazakhstan and gave rise to negative feelings and the fear that very soon the Chinese would gain predominance in the country because of their rapidly increasing numerical strength. On 18 October, 1993, the two governments had to sign a new Agreement on Business Trips that made the visa-free conditions applicable only to holders of diplomatic and business passports. Uncontrolled trips between the two countries and uncontrolled movement across Kazakhstan became less frequent.

Demographic factors play and will continue to play an increasingly more important role in migration between the two states. China's population of 1.3 billion is the world's largest; its labor resources are great, which suggests that its workforce will remain highly mobile. In 2004, 15,900 million babies were born in China, which constitutes a natural increase of 7,600 million. According to U.N. estimates, by 2050 there will be 1,395.2 million people living in China.<sup>6</sup>

Kazakhstan cannot compete with China in terms of demographic and labor potential. In 2005, its population was 15.1 million; 278,900 were born the same year, the population growth being 121,800. According to U.N. forecasts, by 2025 15.4 million people will be living in Kazakhstan,

<sup>4</sup> See: K. Tokaev, *Vneshniaia politika Kazakhstana v usloviakh globalizatsii*, AO SAK, NP PIK GAUHAR, Almaty, 2000, p. 334.

<sup>5</sup> See: E.Yu. Sadovskaya, *Migratsia v Kazakhstane na rubezhe XXI veka: novye tendentsii i perspektivy*, Galym, Almaty, 2001, pp. 175-176.

<sup>6</sup> [<http://www.un.population.org>].

and by 2050 this figure will be 13.9 million.<sup>7</sup> This means that demographic pressure from the east is and will remain considerable.

Today, China has entered a favorable period of rapid growth of the able-bodied population. According to the local forecasts, in 2000-2015 there will be about 190 million able-bodied people; this means that about 12 million will join the Chinese labor market. This is one-and-a-half times more than the entire economically active population of Kazakhstan (7.9 million in 2005).

The current structural reforms in China will undoubtedly stabilize the labor market, but an annual increase of 10 million jobs obviously falls short of what is required. The country needs 2.5-fold more jobs. This means that at the current pace of job creation, there will be between 90 and 130 million unemployed in the cities.<sup>8</sup> Surplus manpower and unemployment are two strong factors of the internal and external migration of Chinese citizens. The current sex-and-age structure of the Chinese population is a result of the restrictive birthrate policy, which has already created problems: the population is ageing quickly, which challenges China's demographic policy.

On the other hand, Kazakhstan with its shortage of workforce looks attractive and stimulates labor immigration from other states. The demographic factors and the impact of the large-scale migration of the 1990s affect Kazakhstan's labor market. In 1992-2006, over 3.1 million left the republic (about 2 million of them left the country forever), the population of which was 16.5 million. About 63-65 percent of those who left Kazakhstan were people of able-bodied age; about 45 percent of the population over 15 are people with higher and specialized secondary education. Emigration and the brain drain created a shortage of skilled specialists and highly skilled industrial and agricultural workers, teachers, doctors, and other specialists.<sup>9</sup>

The economic revival of 2000-2006 created a shortage of skilled workers. The KazMunayGaz Company alone needs about 25,000 specialists in the oil and gas sector.<sup>10</sup> If the economic situation remains favorable, if the present industrial structure survives, and if Kazakhstan continues developing at a fast pace, it will need an even larger workforce.

There is also the economic-geographical factor, i.e. China's geographical proximity and the lengthy joint border between the two countries which stretches 1,782 km—in the west of the PRC along the Xinjiang-Uighur Autonomous Region and in the east of Kazakhstan along the East-Kazakhstan and Almaty regions. XUAR has an immense role to play in China's trade with Kazakhstan and is an important area of cross-border trade.

The 1.3-million-strong Kazakh diaspora in China (2003) is the largest in the republic; 99 percent of its members live in XUAR. They account for 6.9 percent of the region's entire population. Xinjiang is one of China's autonomous regions populated by ethnic minorities. The Uighurs (there are 45.6 percent of them) are its autochthonous population; the Uighur diaspora in Kazakhstan is 226,500 strong (1.5 percent of the entire population). This encourages migration to the territories occupied by corresponding diasporas in the countries of attraction; trans-border migration and trans-border trade, as well as small businesses in the areas on both sides of the border are encouraged and flourish.

This means that the combination of the factors of "attraction" and "ejection" in the countries of origin (China) and destination (Kazakhstan)—economic (the labor market included), socio-demographic, and legal-political—is mainly responsible for the migration from China to Kazakhstan. Historical factors should be taken into account as well: they are responsible for the flow of repatriates (ethnic Kazakhs who move to Kazakhstan under state repatriation programs). The past, as well as the security

<sup>7</sup> Ibidem.

<sup>8</sup> See: *Kitay: ugrozy, riski, vyzovy razvitiu*, ed. by V. Mikheev, Moscow Carnegie Center, Moscow, 2000, pp. 297-298.

<sup>9</sup> See: E.Yu. Sadovskaya, *Migratsia v Kazakhstane na rubezhe XXI veka...*, pp. 19-20; E. Sadovskaya, *Migratsionnaia situatsia v Respublike Kazakhstan v 2005 g. Analiticheskiy obzor i rekomendatsii dlia MOT v Rossii*, Almaty, Moscow, 2005.

<sup>10</sup> [<http://www.seminar.kz/articles/?id=68&pageNo=3>].

problems of today, are rooted in the long history of China's relations with the Russian Empire and the Soviet Union and are too complicated to be treated here in any detail.<sup>11</sup> I shall concentrate on the migration that started in the late 1980s and is still going on today.

## 2. Stages and Main Types of Migration from China to Kazakhstan

### *Dynamics of the Main Migration Types and their Common Features*

Chinese migration pressure on Kazakhstan mounted along with the unfolding trade and economic cooperation (from the late 1980s to 2006) between the two countries. Today there are several distinctive migration types: (a) commercial migration; (b) labor migration proper (licensed and illegal); (c) migration for permanent settlement, mainly of ethnic Kazakhs from China.

All three types of migration followed the economic diversification process in the branches that employed Chinese migrants. They are:

- Trade (it began in the late 1980s and is still going on);
- Energy (from the late 1990s to the early 21st century);
- Building (from the beginning of the 21st century);
- Transport (in the mid- and long-term perspective);
- Chinese and joint Kazakhstani-Chinese small businesses (including small-scale production and services).

Today, Chinese migration to Kazakhstan demonstrates the following features: a relatively fast increase in the number of migrants in the 2000s; diversified flows; greater trade migration; snowballing numbers of licensed and illegal migrants; commercial, or shopping (shuttle) migration as a very specific type; ethnically diverse migration (as distinct from "Chinese" migration to other countries Chinese immigration to Kazakhstan is not purely Chinese [Han]); there are Kazakhs, Uighurs, and members of other ethnic groups among the migrants; and the growing role of "social" and "migrant" networks in the sphere of migration and businesses.

In the mid- and long-term perspective migration from China will increase; in the short- and mid-term perspective the nature of migration, its professional and regional structure, and its qualification levels will be determined by the unfolding cooperation between Kazakhstan and China in various spheres and the resultant large infrastructure projects.

### ***Commercial Migration— The First Stage of Migration from China to Kazakhstan***

*Commercial migration* opened the migration process; otherwise known as trade or shuttle migration, it was typical of all former Soviet republics. Commercial migrants went to other cities and countries to buy commodities with the aim of selling them in other places at higher prices.

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<sup>11</sup> See: E.Yu. Sadovskaya, *Kitayskaia migratsia v Kazakhstane* (see also: K.L. Syroezhkin, *Mify i real'nost' etnicheskogo separatizma v Kitae i bezopasnost' Tsentral'noy Azii*, Dayk-Press, Almaty, 2003).

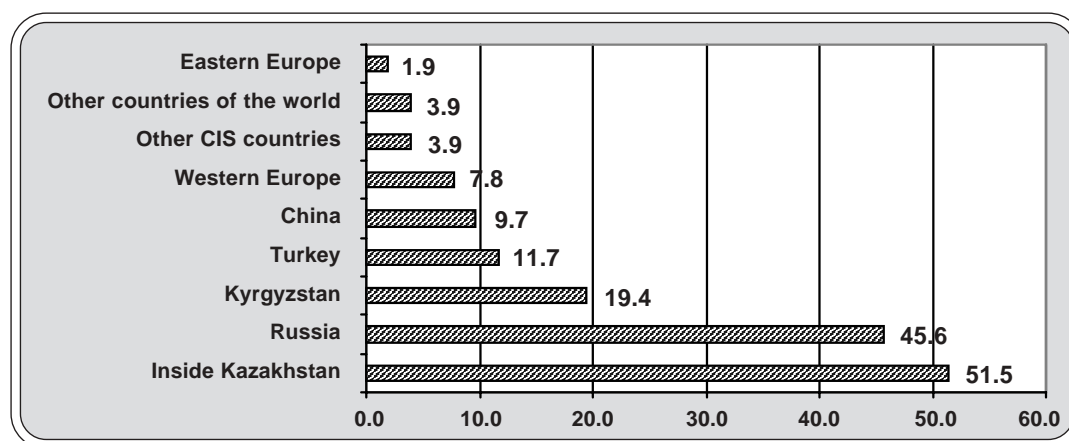
In Kazakhstan, it was a *bilateral process*. Bilateral shuttle migration began late in the 1980s when Chinese citizens inundated Kazakhstan in huge numbers; in the 1990s, the years of crisis and stagnation in Kazakhstan, its citizens started their own shuttle businesses. More often than not, the Chinese brought low-quality goods produced by small workshops which, in the 1990s, were eagerly bought by Kazakhstan's impoverished population.<sup>12</sup>

Commercial migrants had no registration with state structures: during the years of economic crisis they were more concerned with their own, and their families', survival than with obeying the laws.

Commercial migration was the most popular type of labor migration of the 1990s.<sup>13</sup> The representative studies carried out under my supervision in 2005 confirmed that commercial trips not only by Chinese, but also by Kazakhstani citizens, involved large numbers of people. Indeed, the heads or members of 15.8 percent of households (out of the total number of Kazakhstani urban households involved in the poll) in the last fourteen years (1992-2005) traveled in search of employment within the country and beyond it.<sup>14</sup> The largest share of Kazakhstani citizens (32.6 percent) participated in commercial (shuttle) trips; 9.7 percent of the respondents traveled to China<sup>15</sup> (Diagram 1).

Diagram 1

Distribution of Labor Migrants Engaged in Shuttle Trade  
in Terms of the Countries They Travel to (percent)



Petty businessmen, otherwise known as shuttle traders, from Kazakhstan preferred Urumqi (the XUAR administrative center), Beijing, and Shanghai. When crossing the border, they said they were traveling as private persons or tourists, but according to the border guard services most of them were shuttle traders. Between 1994 and 2006, China remained one of the three most attractive countries.

<sup>12</sup> Kazakhstani and Chinese experts were well aware of the low quality of Chinese goods and the problems of shuttle and bilateral trade between Kazakhstan and China in general (see, for example: Zhao Huasheng, "Problemy politiki Kitaia v Tsentral'noy Azii," *Kazakhstan v global'nykh protsessakh*, No. 2, 2004, pp. 63-73; Zhou Xiaopei, "Sotrudnichestvo mezhdru XUAR (KNR) i Kazakhstanom: dostizhenia i perspektivy," *Kazakhstan i sovremennyyi mir*, No. 3 (10), 2004, pp. 206-209).

<sup>13</sup> See: E.Yu. Sadovskaya, *Trudovaia migratsia kak sredstvo adaptatsii k ekonomicheskomu krizisu v Kazakhstane*, Falym Publishers, Almaty, 2001, pp. 39-89 (see also: *Trudovaia migratsia v SNG: sotsial'nye i ekonomicheskie efekty*, ed. by Zh. Zayonchkovskaia, Moscow, 2003.)

<sup>14</sup> Telephone Omnibus poll; multi-stage stratified sampling with random choice at the last stages; representative by sex, age, place of domicile, size and type of settlements. Covered all cities and towns of Kazakhstan with a population of over 50,000 (27 in all), involved 2,000 respondents; error margin—no more than 5 percent. The poll was conducted by GfK Kazakhstan in February 2005.

<sup>15</sup> See: E.Yu. Sadovskaya, "Trudovye migratsii kazakhstanskikh grazhdan v period suvereniteta," *Trud v Kazakhstane*, No. 5, 2007, pp. 17-25.

In the 2000s, the share of those involved in shuttle trade shrank mainly because this type of trade had become institutionalized. Petty traders were replaced with intermediary firms involved in purchase, transportation, and trade. In the 2000s (especially in 2005 and 2006), the process accelerated: goods were ordered on line and delivered to Kazakhstan.

### **Labor Migration from China to Kazakhstan**

The next stage of migration between the two countries, which began in the first half of the 1990s when *Kazakhstan started inviting licensed foreign workers*, stretched into the 2000s when *the country became attractive to illegal migrants as well*.

Kazakhstan has been inviting foreign workers since 1993: at first it acquired 2,100 foreigners (26.7 percent of them from China). Between 1993 and 2003, the dynamics and share of Chinese workers remained negligible. In 2004-2006, the process accelerated: 40,897 specialists and workers were invited to Kazakhstan, mainly from Turkey, China, Russia, the U.S., and the U.K.

By the beginning of the 21st century, economic cooperation between China and Kazakhstan accelerated and the latter started inviting even more Chinese workers. In the 2000s, when the two countries signed several agreements on economic partnership and the construction of an oil pipeline, the number of Chinese specialists and workers in Kazakhstan increased manifold. Today, Kazakhstan invites 9 times more Chinese every year than it did in 1993-2006. In recent years, the number of Chinese specialists and workers has been growing at a fast pace: between 2004 and 2006 it increased 3.4-fold. In 2006, the share of the Chinese workforce in Kazakhstan was 12.2 percent (5,008 people) of the total number of foreigners working in the republic.

Whereas in the 1990s labor migrants from China mainly worked in Almaty and the Almaty and Aktiubinsk regions, in the 2000s they spread to the west: to the Aktiubinsk, Atyrau, and Mangistau regions. In 2006, the number of licensed workers in Astana also increased. Chinese migrants are mainly invited to work in mining (oil and gas extraction), construction, trade, industrial production, and services. There are highly skilled specialists (managers, engineers, financiers, doctors, and interpreters) among them and also workers of various skills and professions.

The Chinese workforce finds Almaty, the former capital, one of the most attractive places, since it offers a wide variety of jobs: according to the city labor department, in 2005 the city invited 247 specialists from China; 94 of them (38.1 percent) were engaged in construction; 70 (28.3 percent) in oil and gas extraction and services; 29 (11.7 percent) in trade, car and domestic electric appliance repair, etc.; and 18 (7.3 percent) in hotels and restaurants. They accounted for 85.4 percent of the total number of Chinese workers invited to Almaty. Chinese specialists comprise 17.3 percent of the total workforce invited to Kazakhstan.<sup>16</sup> Ethnic Chinese (Hans) comprise the bulk of the licensed workforce employed by Chinese enterprises and joint ventures.

Information about the latter is very contradictory: the republican system for registering small and medium enterprises is far from perfect, many of them function in a very specific way: they close down almost immediately after they open, others prefer not to supply the necessary taxation documents, while still others cannot be found at their legal addresses, etc. The latest figures about Chinese businesses in Kazakhstan are the following: over 20 Chinese companies are accredited in Kazakhstan; there are 61 joint ventures, and 615 firms with foreign capital. They are concentrated in the oil and gas sector, textile industry, and the production of plastic and metal items.<sup>17</sup>

In one of his interviews, Ambassador of the Chinese People's Republic to Kazakhstan Mr. Zhou Xiaopei pointed out that the official number of legal persons registered in the republic was over

<sup>16</sup> The figures supplied by the City Labor Department of Almaty, 2005.

<sup>17</sup> [<http://www.nomad.su>], 19 April, 2007.

1,000. The real figure was much lower because most of the registered legal persons are small trade firms set up in the 1990s; they went out of business for lack of stable partners and commercial channels, or were driven away by stiff competition on the market.<sup>18</sup>

In fact, Chinese business in Kazakhstan is developing according to patterns similar to those in the other post-Soviet states, Russia in particular. Russian experts are convinced that labor migration from China is part of the Chinese strategy of “global economic expansion” and is designed to expand Chinese businesses to other countries.<sup>19</sup> There is the opinion that Chinese migration to Kazakhstan not merely reduces unemployment pressure in China—it is designed to realize the “transnational economy” doctrine, under which Chinese diasporas in foreign countries are set up to promote China’s economic and geopolitical expansion.

Other expert interviews suggest that so far Chinese migrants (petty and medium businessmen) come to Kazakhstan to earn money and return home to expand their businesses there or to move to the West. Today, the Chinese (Hans) do not intend to settle permanently in Kazakhstan. There is the opinion that the Chinese (Hans) prefer to hire ethnic Chinese, which means that employment among the Chinese will increase together with the expansion of Chinese businesses.

In fact, the spontaneous, *unregulated inflow of labor migrants* is a much more important factor in spreading Chinese migration than the *licensed migrants*; it is much larger. These people legally arrive in Kazakhstan in order to use every opportunity to find a job, which makes them “migrants with an unregulated status” (a ILO-recommended term). As a rule, unregulated labor migration increases together with the growing number of licensed workers of the same nationality.

Every revision by the Ministry of Labor and Social Security and the Ministry of the Interior reveals that a large number of Chinese citizens find temporary employment and work without the relevant documents. This is organized in the following way: firms in Kazakhstan invite Chinese specialists for consultations, talks, contract signing, etc. After they arrive, these people register with the migration police of the Ministry of the Interior and can stay in the country for 30 days. They start working at Chinese and joint oil and construction companies; a month later another group arrives and the procedure is repeated. Many of the invited workers are employed by businesses other than those stated in their documents.

According to the Border Guard Service of the National Security Committee of the RK, the number of migrants has increased 2.3-fold in six years: in 2000, 46,000 workers arrived in Kazakhstan from China; and in the first 10 months of 2006, 103,700. In 2006, only 5,008 arrived as licensed specialists and workers. Many Chinese citizens arrive in Kazakhstan on business, as tourists, or as private persons; a large number of migrants come to the republic in search of employment without contracts or agreements.

Nothing is done to register them, while their numbers are assessed on the basis of expert assessments, sociological studies, departmental statistics, and indirect data. This flow creates problems on the Kazakhstani domestic market, makes the migration processes hard to manage, threatens the country’s security and, therefore, should be studied and regulated.

### Repatriation of Ethnic Kazakhs

*Repatriation of ethnic Kazakhs (oralmans)* as one of the trends of Kazakhstan’s state migration policy formed another migration flow that started in the early 1990s and intensified in the first half of the 2000s. Under the Law of the Republic of Kazakhstan on Population Migration, the oralmans are foreigners or stateless persons of Kazakh extraction who permanently lived outside Kazakhstan at the

<sup>18</sup> See: *Novoe pokolenie*, 1 October, 2004.

<sup>19</sup> See: V. Gel’bras, “Kitayskie huaqiao—politika Pekina,” in: *Mirovoy opyt migratsionnoy politiki: retrospektiva i noveyshie tendentsii*, Moscow, Almaty, Mezhd. organizatsia po migratsii, 2004, pp. 326-344; idem, *Kitayskaia real’nost’ v Rossii*, Muravey Publishers, Moscow, 2001, etc.



time it became independent and who came to Kazakhstan to reside permanently.<sup>20</sup> In fifteen years (1991-1 January, 2006), 481,400 oralmans moved to Kazakhstan to reside permanently.

Repatriation of ethnic Kazakhs is carried out under immigration quotas that have been established every year since 1993. Kazakhs from China were included in the quota in 1994, but their numbers steadily decreased throughout the 1990s: in 1994, 500 families; and in 2001, merely 40 families out of the total number of those included in the quota. It should be added that even the diminishing quota was never fulfilled.

In the 2000s, the steadily improving economic situation in Kazakhstan attracted more ethnic Kazakhs from abroad, China included. For example, by 1 January, 2003, the total number of Kazakhs who came from China reached 4,293; by 1 January, 2005, 13,190; and by 1 January, 2007, about 38,000. According to the Committee for Migration of the Ministry of Labor and Social Security of the RK, the newcomers settled mainly in Almaty and Eastern-Kazakhstan regions (which border on China). There are Kazakh repatriates in the republic's southern and northeastern regions.

Ethnic Kazakhs who settle in Kazakhstan prefer to keep together. This makes their integration harder since they still follow the traditions and everyday customs they brought with them from abroad. On top of this, the oralmans from China use the Arabic script of the Kazakh language, which creates certain problems for their children in school.

It is too early to speak about the impact of Chinese migration on Kazakhstan's ethnic and social structures. The Chinese migrants have not yet created china-towns or autonomous groups; so far the Chinese migrants (Hans) who temporarily stay in the country have no problems with adaptation. Contrary to the fears, migrants from China do not seek Kazakhstani citizenship or marriages with Kazakhstani citizens: there have been only 74 such cases during the years of independence. On the whole, the Chinese migrants are not very impressed either with Kazakhstan or with Russia—they are looking at the economically more attractive eastern part of their own country or the developed Western states. The most intensive migration can be observed in the border regions of Russia and Kazakhstan; Chinese workers are diligent, law-abiding, and do not drink.

This should not be taken to mean that migration from China does not create problems. I have already written that they are created by the barely controlled inflow of manpower from China and its illegal employment. This happened because of inadequate national legislation, which means that to cope with the problems created by migration from other countries Kazakhstan should put its own domestic affairs in order. There are "trade minorities" that appeared in the early 1990s and the composition of which changes constantly. The nature of migration and the existing Chinese communities influence the social and, more specifically, ethnic relations in the country. This has been confirmed by a recent sociological survey carried out under supervision of the present author.<sup>21</sup>

It demonstrated that Chinese migration had not been adequately studied as a new social phenomenon. Its numerical strength, structure, dynamics, and impact should be given more attention; the scattered information should be collected and carefully analyzed to create an information and analytical basis for corresponding recommendations and political decisions.

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<sup>20</sup> Law of the Republic of Kazakhstan of 13 December, 1997 No. 204-1 On Population Migration; Law of the Republic of Kazakhstan of 27 March, 2002 No. 313-II On Changes and Amendments to the Law of the Republic of Kazakhstan on Population Migration [<http://www.zakon.kz>].

<sup>21</sup> E. Sadovskaya, *Chinese Migration to Kazakhstan: A Silk Way of Cooperation or a Thorny Road of Prejudice?* 2007 (forthcoming); E. Sadovskaya, "Chinese Migration to Kazakhstan: The Attitudes of Kazakhstani Citizens towards Chinese Migrants. Results of a Sociological Survey," *ANALYTIC*, No. 4, 2007 (forthcoming).