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- China's Policy in Central Eurasia: Specifics and Prospects
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POWER AND SOCIETY

**CENTRAL ASIA:
UNIVERSAL DEMOCRACY,
NATIONAL DEMOCRACY,
OR ENLIGHTENED AUTHORITARIANISM?**

Farkhad TOLIPOV

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The apologists of authoritarian regimes in the newly independent states have spent fifteen years of sovereign development creating and spreading the myth of so-called enlightened authoritarianism as the most desirable and implementable political model (principle) for these states. This conception has been surfacing more and more frequently in political discourse recently. It looks like a product of the crisis that hit the political research of democratization issues in the post-Soviet (particularly Central Asian) countries. We can say very provisionally that the democratic rhetoric in the newly independent states has passed through three stages:

- (1) resolute statements about the democratic choice when these states gained their sovereignty;

- (2) talk about the possibility of an exclusively national democratic model;
- (3) acceptance of enlightened authoritarianism as the most appropriate political system.

These are mainly conceptual issues to be discussed from the conceptual point of view: the crisis in political research is caused by the domination of political short-term considerations and a politically motivated apology over the rigorously scholarly and critical approach.

Below I shall use the term “democratic constructionism” instead of the widely used concept “democratic construction” to separate the practical process of developing democracy as a political system from the theoretical process of creating an adapted concept of democracy.

A Course Toward Democracy

For obvious reasons, at the initial stages of the post-Soviet reforms, the Central Asian countries proceeded from natural political idealism; the Soviet totalitarian system was denounced to the accompaniment of statements of a resolute democratic choice coming from the very top. By saying this, the new heads of newly independent states were confirming their legitimacy. The democratic romanticism of the early period was not overburdened with conceptual left or right biases. The democratic sentiments were largely prepared by the policy of “perestroika, openness, and new thinking” of the last Soviet leaders. Mikhail Gorbachev opened the valves that had been suppressing the political activity of the masses and sowed the seeds of democratic culture and people’s democratic behavior.

The currently observed “*search for democracy*” and “*intrigues of autocracy*” are rooted in perestroika. The democratic euphoria of the first years of independence is responsible for the political science courses and other disciplines that appeared on the university agenda throughout the post-Soviet expanse; classical Western works on democracy and recent creative efforts of prominent scholars appeared in translation. All generations discovered the West for themselves, while students and young academics regarded Western university diplomas as their cherished dream and purpose in life. The new time was best illustrated by mass study and eager acceptance of the Western political, economic, social, and ethical standards; Western democracy was commonly accepted as a political and social ideal.

Western endowments and foundations, experts, businessmen, charities, and even missionaries rushed to the newly independent states. It was a dynamic process of mutual exchange.

On the whole, the basic universal democratic principles and institutions were successfully adapted to the political systems at the very early stage of independent development; there appeared multi-party systems, elections to legislatures (commonly called parliaments), the institution of presidency, human rights and freedoms were enforced in the constitution, democratic norms, the institution of ombudsman, membership in the U.N., the OSCE, and other international organizations, introduction of the principle under which international law dominated over national law, etc.

More than that, all the officials and leaders of the newly independent states insisted in public that nothing was more important in the transition period than studying and borrowing the democratic experience of the world’s leading democracies. At that time, all the newly independent states regularly convened international conferences, seminars, and training sessions on human rights and democracy issues, and published a huge number of documents on the same subjects. They signed the Universal Declaration of Human Rights, the Final Act of the Helsinki OSCE Conference, and many other international instruments related to democracy and human rights. By doing this, they shouldered international responsibilities in these fields.

In this way, the democracy issue gradually developed from domestic to international and became one of the necessary conditions for the effective administration of the globalization and international security processes. Director of the Stockholm International Peace Research Institute Adam Rotfeld has written that upgraded efficiency of international governance requires that civil society should be further developed together with internal democratization, greater civil involvement in the administration process, the rule-of-law state, and responsibility of the administrators.¹

¹ See: A. Rotfeld, *Organizing Principles of Global Security*, SIPRI Yearbook 2001: Armaments, Disarmament and International Security, Oxford University Press, Oxford, 2001.

This idea of democracy's international dimension is generated, first and foremost, by the fact that today the weakness of states, caused by a shortage of democratic structures and their inability to cope with organized crime, international and domestic terrorism, corruption, lack of political freedoms, violations of human rights, religious and ethnic conflicts and aggressive nationalism, presents the greatest security hazard on a world scale.²

For this reason, in the 21st century, democracy should be regarded not merely as a form of governance, but also as a road leading to the peaceful coexistence of nations.³ From this it follows that *the universalism of democratic constructionism was born from society's expectations, on the one hand, and the current global trends, on the other*. It was a natural process, and the only possible answer to the challenge of independence. Democracy as a value, a form of political governance, and the meaning of public relations was unquestionably accepted as the only possible course. Later, however, it became a course that depended on many conditions.

Moving Back to the National Model

At the turn of the 2000s, however, the newly independent states gradually moved away from universalism toward the nationalist position on the issue of democracy. This can hardly be described as a scientifically rigorous idea at which political scientists arrived, not without a lot of soul-searching, during the years of independence. It was rather a sign of mounting doctrinarianism: no one has yet to come forward with a clear description of the basic and unique features of this model.

This naturally suggests the following questions: Which features of "one's own" national model are unique and absent from other countries? Which features of national democracy are borrowed from abroad? It should be said that irrespective of their support of any of the democratic constructionist schools—universalism or nationalism—academics, politicians, and ideologists have never rejected such universal values and norms of democracy as elected power, the multi-party system, the separation of powers, the free mass media, human rights and basic freedoms, etc.

In an effort to justify the need for and possibility of a national democracy model, many of the home-grown politicians and academics insist that the local social and political reality and historical-cultural heritage (or mentality, another favorite term of theirs) are creating a very specific context within the general democratic evolution.

Arthur Atanesian, a political scientist from Armenia, has demonstrated that "democratic centralism" Soviet style is the main feature of this special, "one's own," national democratic model. After years of independence, many of the CIS countries are still ruled by members of the Soviet *nomenklatura*.⁴ They proved unable to discard the Soviet heritage and choose a road other than one leading to a revival of Soviet-style authoritarianism.

Its specifics were expressed not so much in the unique and inimitable experience of other countries moving toward their own style of democracy and not relying on foreign patterns, as in the reproduction of that special feature of the nation and national culture that is, in fact, a stumbling block

² Ibidem.

³ See: "The Warsaw Declaration 'Towards a Community of Democracies,'" *Polish Quarterly of International Affairs*, 27 June, 2000, pp. 24-25 (see also: International Legal Materials, Vol. 39, No. 6, November 2000, pp. 1306-308).

⁴ See: A. Atanesian, "Paradoxes of Democracy and Democratization Trends in Central Asia and the Southern Caucasus," *Central Asia and the Caucasus*, No. 6 (36), 2005, p. 17.

along this route of advance. The clan system in Uzbekistan is a relevant example. The local ideologists and political elite have identified it as the main barrier on the road to democracy and, what is more important, as a security hazard. So far nothing has been done to remove its remnants—instead they are being preserved.

Paradoxically enough, the rhetoric of the national democracy model is designed to conceal the attempts to monopolize democracy as a system and a value. Arthur Atanesian has justly pointed out: “The post-Soviet CIS leaders are doing their best to adjust themselves to the need to carry out democratic reforms and adapt them to themselves.”⁵ The regime went as far as appropriating the only possible interpretation of democracy and the road leading to it. In this way, we have arrived not at a national model of democracy, but rather at a national model of denying democracy. Russian political scientist Nikolai Borisov has said on this score: “The transformation of the political regime has led not to modernization of the republic’s political system, as might be expected, but to its de-modernization and archaism.”⁶

Research of the post-Soviet developments have revealed that the idea of national democracy in its Central Asian forms and methods serves isolationism to a much greater extent than elsewhere. This brings us to a paradox: the political system in Uzbekistan, or anywhere else in Central Asia, cannot and should not follow *the principle: national in form and democratic in content*. The form of democratic content should be democratic: more nationalism in Uzbekistan (and elsewhere in Central Asia) means less democracy.

It should be borne in mind that democracy is no longer a domestic issue—it is developing into an international-political one; it is becoming one of the indispensable conditions for effective management of globalization and international security. In Central Asia, democracy has acquired a regional dimension as well. This cannot be detected in the current discourse of democratic constructionism. Nobody has yet formulated a hypothesis of regional democracy in theoretical, let alone practical terms. This approach, however, could have brought us closer to an understanding of what is called local (regional) specifics in democratic development (if it exists at all).

Recently, nearly all the newly independent states demonstrated that they were moving away from universalism. On 8 July, 2004, the CIS countries made public their joint statement at the Vienna sitting of the OSCE permanent council, which said in particular that this inefficient organization “failed to adapt itself to the demands of the changing world.” The OSCE’s field activity was subjected to scything criticism because it allegedly was limited to “monitoring the situation in the field of human rights and democratic institutions.” It was alleged that the mission heads allow the domestic policies of the countries in which they are stationed to be “unjustifiably criticized.”⁷

In Uzbekistan, the offices of most of the international organizations were closed down under the pretext of their alleged involvement in destructive policies. No confirmation followed: the public was offered no convincing proof of their destructive (undermining, if democratic activities can be described as undermining) activities. This was another obvious sign of retreat from universalism in democratic constructionism.⁸

The above suggests that the national model was born because democratic changes slowed down, while conservatism and authoritarianism in the newly independent states came to the fore.

⁵ See: A. Atanesian, “Paradoxes of Democracy and Democratization Trends in Central Asia and the Southern Caucasus,” *Central Asia and the Caucasus*, No. 6 (36), 2005, p. 21.

⁶ N. Borisov, “Transformation in the Political Regime in Uzbekistan: Stages and Outcome,” *Central Asia and the Caucasus*, No. 6 (36), 2005, p. 30.

⁷ F. Lukianov, “Zakliuchitel’ny akt. Strany SNG prigovorili OBSE,” available at [www.centrasia.org 10/07/2004].

⁸ For more detail, see: F. Tolipov, “The Moment of Truth: End of the Transition Period? (On the Democratic Initiative in the Central Asian States),” *Central Asia and the Caucasus*, No. 5 (35), 2005.

Stagnation in Democratic Constructionism

Today, we can see the following trend, which derives from the previous one: a desire to formulate scientifically substantiated models and conceptions of democratic constructionism is being gradually pushed out by the widely accepted pseudo-conception of enlightened authoritarianism. Its authors seem to be convinced that “enlightened” means “democratic” in certain contexts: otherwise their conception would have denied any type of democracy. Indeed, who needs enlightened authoritarianism unless it leads to democracy?

This conception, however, squeezes the national political process into a cramped space and makes it dependent on the degree of enlightenment, level of knowledge, intellect, and goodwill of one man. It (the conception) does not guarantee and, in fact, does not demand a set of virtues for the others involved in the political process, on the one hand, and for any descendant, on the other, since it does not contain the principles of a regular rotation of people at the top. “*Enlightened authoritarianism*” is a conception that preserves the status quo. On the other hand, we can ask: “What does it mean to be enlightened?” Does it mean the educational level? If it does, most of the dictators of the distant and recent past were educated/enlightened people. In fact, practically all the authoritarian leaders and dictators at all times tried and are trying to pass for educated people aware of the nation’s hopes and needs. They repeat correct slogans at every opportunity and even enact the right laws.

It seems that the enlightened authoritarianism conception was invented to justify life presidency: such leaders pretend to symbolize stability, predictability, a balanced and consistent political course, etc. Many, however, tend to miss the fact that more often than not such regimes slip into senility, stagnation, and degradation. I am growing more and more convinced that the political resource of each and every leader is limited and is completely exhausted by the end of the first or, at best, the second term in power. This is a non-renewable resource, not only because the leader’s enlightenment level gradually wanes away, but because of two important circumstances that cannot and should not be ignored:

- (1) over time, the burden of natural and unavoidable errors and blunders accumulates to reach a critical level: to err is human after all (deified leaders seem to be immune to this universal rule).
- (2) After a while people grow tired of irremovable leaders; what is more, the nation gradually becomes convinced (with good reason or not) that the leader is just too greedy or power-hungry to retreat from the scene.

Over time, suspicions go even further: people begin to suspect that the leader is a puppet kept in power by those who prefer to stay out of limelight and pursue their private interests to the detriment of the state’s national interests.

This explains why the developed democracies restrict the head of state to two terms in power and accept no excuses. It might be imagined that people in the developed democracies have much fewer reasons to be discontented with their democratic leaders and therefore have more reasons to let them stay in power longer. Opposite examples are few and far between: the best and most successful leaders have to go at the appointed time.

In 1997, Fareed Zakaria, a prominent American political scientist, wrote something that fully applies to the post-Soviet (especially Central Asian) states: “Democracy is flourishing; constitutional liberalism is not. ...It appears that many countries are settling into a form of government that mixes a substantial degree of democracy with a substantial degree of illiberalism. ...Constitutional

liberalism is about the limitation of power, democracy about its accumulation and use. For this reason, many eighteenth- and nineteenth-century liberals saw in democracy a force that could undermine liberty. ...Illiberal means are in the long run incompatible with liberal ends. ...In countries not grounded in constitutional liberalism, the rise of democracy often brings with it hyper-nationalism and war-mongering. ...While it is easy to impose elections on a country, it is more difficult to push constitutional liberalism on a society. ...Thus the problems of governance in the 21st century will likely be problems within democracy.”⁹ It follows from the above that enlightened authoritarianism does not guarantee a shift toward liberal democracy.

In fact, a truly enlightened person will not seek authoritarian power that will place him above his subjects; he will never believe himself to be infallible, he will never indulge in limiting the freedoms of others, or in banning them altogether.

Here is what Boris Chicherin, a prominent Russian scholar, had to say at the dawn of the 20th century: “Those who imagine that a monarch will limit his power on his own initiative driven by his own magnanimity know next to nothing about human nature. Under the burden of power, he will be lured by its charm, which can easily make up for all the disadvantages. There is always the retinue whose personal interests depend on one particular person’s continued power and who are engaged in shady deals behind his back. There are numerous plausible reasons for retaining the high post: popular sentiments, the call of history, the fatherland’s alleged benefits, disintegration of the state, in short everything that is normally used to leave arbitrariness intact.”¹⁰

Anti-Americanism as a Political Technique of Anti-Democratism

There are obvious attempts to use obscurantist methods (such as creating an enemy image, one of the favorite Soviet devices) to play down the equally obvious failure of democratic constructionism. Anti-Americanism has developed into a form of militant anti-democratism. In Uzbekistan, for example, all so-called analytical programs run by Takhilnom TV Channel start with cynical and caustic remarks about the United States and what pass for wise remarks about the absence of universal democratic formulas.

The recent successful and failed “color revolutions” in some of the CIS countries (Georgia, Ukraine, Kyrgyzstan, and Uzbekistan) triggered alarming anti-American hysterics in the newly independent states, Russia included. America is held responsible for the causes, nature, and driving forces behind these “revolutions.” Once more, hypertrophied geopolitical approaches pushed aside the new approaches to the transformation processes across the post-Soviet expanse, which barely had time to become more or less coherent.

Meanwhile, biased political scientists and journalists are busy chewing over the topic of America’s “defeat” in Central Asia very much in the vein of the classical political techniques. They have completely missed an important point: the contemporary drama caused by rejected democracy and consolidated autocracy unfolding in the newly independent states (particularly in Central Asia) has a geopolitical dimension as well. It is shown in two factors: (1) the heritage left by the Russian Empire and the Soviet Great Power and (2) the profoundly continental existence of

⁹ F. Zakaria, “The Rise of Illiberal Democracy,” *Foreign Affairs*, November/December, 1997.

¹⁰ B.N. Chicherin, “Rossia nakanune dvadtsatogo stoletia,” *Novoe vremia*, No. 4, 1990.

these nations and states. Russian academic Dmitry Furman has correctly pointed out: “The unity of the Russian continental empire was inseparable from the authoritarian nature of Russia’s political system.”¹¹

No wonder the usual Russian imperial urge to expand (“land gathering”) has been transformed into a struggle for the post-Soviet expanse as a sphere of Russia’s domination.¹² “Russia’s assistance in the struggle with the opposition and the West’s impact designed to democratize and liberalize the post-Soviet regimes has become an important factor helping these regimes to survive and tying the CIS closer together in a Russian-headed ‘holy alliance’ of the presidents against the oppositions.”¹³

There has been a lot of talk recently about the so-called democratic intervention: Western policy designed to promote democracy in the newly independent states. Their regimes have already described this as interference in internal affairs or even as an attempt to stage revolutionary upheavals in these countries. *The presidents’ “holy alliance” is spearheaded not only against the local opposition, but also against democratic pressure from the outside.*

To my mind, America’s drive to promote democracy in the newly independent states is neutrally colored—it is merely a fact of life. We should admit that America’s history contains both light and dark pages, which is true of any world power. Neither the U.S., nor Russia, nor China, nor any other power should be demonized or idealized. From the political and especially moral points of view, the idea of support and promotion of democracy should not be a priori condemned, if it is not geopolitically biased.

In his widely read *America as a Civilization*, prominent American historian and sociologist Max Lerner pointed out that for centuries the world has looked at America in a distorted light: first through the rose-colored glasses of hope, and later through the prism of the myth about its power and wealth. For some time its image was tarnished by gangsters; later it suffered because of the political storms of the prolonged “armed armistice” period. Genuine America was lost amid fantastic images created by distorting mirrors.¹⁴

Max Lerner put practically all the American doctrines in a nutshell when he said that Americans regarded themselves not as fighters against ideologies, they considered themselves realists resolved to keep the world open to all social systems, provided that they refrain from aggression.¹⁵

The time will come when the relations between Uzbekistan and the United States normalize; I am pretty sure that our ideologists (those who fear America today and who recently praised it to the skies) will resume their praises.

We Need New Perestroika

Today Uzbekistan needs that which awakened the Soviet people in 1985—*perestroika and new thinking*. I say this for several reasons, the main one being the striking similarity between the current sociopolitical situation in Uzbekistan and that in the Soviet Union on the eve of perestroika. Its main

¹¹ D. Furman, “Dolgiy protsess raspada Rossiyskoy imperii,” Ńollection of articles *Tsentral’naia Azia i Kavkaz: nasushchnye problemy*, ed. by B. Rumer, TOO East Point, Almaty, 2005, p. 57.

¹² See: *Ibid.*, p. 91.

¹³ *Ibid.*, p. 97.

¹⁴ Quoted from: M. Lerner, *Razvitie tsivilizatsii v Amerike*, in 2 volumes, Vol. 2, Raduga Publishers, Moscow, 1992, p. 473.

¹⁵ See: *Ibid.*, p. 741.

elements are the ideological monopoly of one party, no pluralism of opinions, and a ban on criticism; an absence of opposition; economic stagnation; empty slogans and lack of systemic effort; dogmatism and apologetics in the humanities; an enemy image, etc.

In 1985, the Soviet leaders were bold enough to admit that the state was in crisis and that its economy was stagnating. They launched unprecedented reforms. In his book published in 1988, Mikhail Gorbachev wrote: "The methods perfectly suited to extraordinary conditions resulted in slowing down socioeconomic growth under the new conditions."¹⁶ This fully applies to post-Soviet Uzbekistan: the Soviet methods still applied inside the country may slow down the country's progress toward world globalization rates and progressive standards of democratic development.

The Soviet strategy of reforms had two dimensions: internal and external. Perestroika was the internal dimension, while the new thinking was addressed to the world. Perestroika Uzbekistan style could have included several serious innovations.

- First, we should initiate openness and glasnost in the political process;
- second, the time has come to assess our party system in real terms and launch reforms.
- Third, deep-cutting administrative reform is overdue: it must uproot the clan system, regionalism, and corruption.
- Fourth, it is necessary to create a social atmosphere of free and open discussion and criticism of the problems our state and society are facing.

The new thinking may also embrace several innovations:

- first, we should start the dialog with the West anew and restore the old strategic relations;
- second, the time has come to concentrate on regional integration in Central Asia;
- third, we should upgrade our status in the U.N., the OSCE, NATO, and the CIS.

Today Uzbekistan has to cope with nine practical problems and eight dilemmas of democratic construction.

The nine practical problems are as follows:

1. The crisis in the political system;
2. The absence of independent democratic mass media;
3. The crisis in the system of local self-government;
4. The threat presented by the clan system and regionalism;
5. The absence of a mechanism of public opinion polls;
6. The undeveloped mechanism of direct contacts and feedback between the state and society;
7. The abuses and corruption in the state and social structures;
8. State interference in the private business sector and market processes;
9. The gap between ideology and the people's life.

The eight conceptual dilemmas are as follows:

1. Compatibility between the secular state and Islamic culture;
2. Compatibility between Islam and democracy;

¹⁶ M.S. Gorbachev, *Perestroika i novoe myshlenie dlia nashey strany i dlia vsego mira*, Political Literature Publishers, Moscow, 1988, p. 43 (English edition: M. Gorbachev, *Perestroika: New Thinking for Our Country and the World*, Perennial Library, Harper & Row, 1988).

3. Democracy or autocracy;
4. Security or democracy;
5. National or universal model;
6. Gradual or fast progress;
7. Liberalism or paternalism;
8. Modernization or traditionalism.

It is for the academic community (not only for the government) to ponder on these problems and dilemmas. I am convinced that if the academic community and the state pool their efforts to address these problems, the country will undoubtedly demonstrate an unprecedented upsurge in scholarly thought and political creativity. I regret to say that the Uzbek political scientists have not yet addressed these fundamental issues and have not yet offered novel solutions. Uzbekistan, the scholarly potential of which is the most powerful among its Central Asian neighbors, has not yet demonstrated even half the range of pluralistic opinions, or an active and open discussion of the challenging issues, which was demonstrated by Kyrgyzstan, a much weaker state, by that time. The academic communities of our neighbors have already reached higher levels of scholarly research and demonstrated pluralism of opinions and novel approaches.

Many things in Uzbekistan call for fresh approaches. How should national interests be defined? What are they? How should they be defended? How should we monitor a strategy to correct them on time? Can we justify the spoilt relations with the United States and should we restore them to normalcy? How many parties does the country need for its full-fledged democratic development? What is the correlation between religion and democracy?

Last October, Tashkent hosted an international conference on the role and importance of the Islamic factor in developing civil society. The participants from Uzbekistan mainly repeated what had been repeatedly said at the official level: in Uzbekistan, religion is separated from the state. This requires no proof, at least at the conference, which should have raised and discussed much more profound questions about the role of religion in civil society. It provides food for thought, since Islam, as a religion and a way of life, is gaining popularity.

These and other topical issues, the number of which is unlimited, call for an open and vivacious discussion. Glasnost is a serious test, which is not limited to the media—it is a way of political thinking. Some people panic when glasnost is discussed; they are convinced that a free and open discussion of the problems will trigger quarrels, squabbles, permissiveness and, in the final analysis, destabilization of the social and political situation. This is idle talk. There will always be people ready to profit from reforms and conservative and reactionary forces that will slow down the reforms and discredit their leaders. This should not be taken to mean that the reforms should be discontinued and that there should be doubts about successful democratic developments in an “Asian country.”

The hearings held in December 2006 at the PACE Political Affairs Committee devoted to Central Asia testified that the international community and Europe in particular wanted to see democratic developments in the region and Uzbekistan as its part and that they tried to assess the potential and importance of such developments.

On the whole, the West (not the East or the North) heaped a lot of criticism on the local states for the violations of human rights and their inability (read: unwillingness) to pursue democratic reforms. Such criticism could be heard, among other places, at a conference of the European Bank of Reconstruction and Development held in Tashkent on 5 May, 2003 when EBRD President Jean Lemierre pointed out that the annual meeting succeeded in placing “civil society at the core of the [development] process. It’s a major achievement,” said he, and added that the future level of EBRD cooperation with Uzbekistan would depend on Tashkent’s fulfillment of its reform commitments. He also

warned the Uzbek leaders: “We have a range of options—between moving forward and investing, and reducing our activity as we have done in other countries.”

The world community wants to see Uzbekistan a democratic country. More than that, I am absolutely convinced that the United States and other leaders of the democratic world will support the political and economic reforms in all the newly independent states. This already happened nearly 20 years ago, when the U.S. supported perestroika and went ahead with its economic support of the Soviet Union.

Our country is now in a quandary created by a dramatic combination of subjective and objective factors, in which the objective factors have made the subjective ones even more important. Indeed, the policy makers, the people who rule the state, are operating under very complicated internal and external conditions—there is no such thing as a political vacuum. The Central Asian, and the international context for that matter, in which Uzbekistan and its statehood are developing, directly affects the nature and content of political decision-making. Today, the context is far from favorable: the great power geopolitical rivalry (the so-called Great Game) in the region has reached its apogee. Waged according to the rules of the “balance of power” or the “zero sum game,” it can be described as destructive rather than constructive.

The entire region, Uzbekistan being no exception, was thrown off balance; barely begun, the democratic changes in Uzbekistan (and in its Central Asian neighbors) ground to a halt not only because of their leaders’ erroneous decisions, but also under inevitable pressure from the new world order.

In other words, the Central Asian developments affect Uzbekistan’s domestic and foreign policies as part of a wider, global, and deep-cutting process of worldwide perestroika. What we need is a kind of Yalta Conference to determine the region’s post-Cold War status. The democratic future of Uzbekistan and its neighbors should be determined as part of their new status.

In Lieu of a Conclusion

The ideology of *democratic fundamentalism* goes hand in hand with the highly simplified and absolutized static model of universal democracy; the ideology of *democratic relativism* completely corresponds to the attempts to build a national democratic model, while the ideology of *democratic obscurantism* hinges on ideas of enlightened authoritarianism. The three ideologies are obviously untenable and easily refuted. The ideology of *democratic constructionism* should receive more academic attention. Regrettably, this has not yet happened, the academic community was lured away by sham scholarly hypotheses put into circulation and gaining a lot of attention.

Kyrgyz political scientist Noor Omarov rightly pointed out that deliberations about the inability of the countries trying to reform themselves to accept the Western democratic values as their own are gaining popularity across the post-Soviet expanse together with the idea of a special “Asian way.”¹⁷ This was encouraged, among other things, by the “national resurrection” policy pursued by the Central Asian rulers who revived the archaic (clan included) forms of conscience when trying to set up modern administrative structures.¹⁸ Indeed, the state and society were enthralled by the revived “joy”—the archaic folk features—to the extent that they pushed aside democracy that allegedly comes from the outside.

The national democracy conception in the form presented by certain quasi-patriots does not hold water. We should bear in mind that the teaching of political disciplines at universities, no matter how

¹⁷ See: *NOOR* (Kyrgyzstan), No. 2, 2003.

¹⁸ See: *Ibidem*.

formal and superficial, is based on Western knowledge and Western scientific methods, even though dramatic stagnation and rejection of Western democracy by those who rule the country are very much obvious.

The enlightened authoritarianism conception is likewise untenable because it distorts the very essence of the problem. Those who support it should always remember that only one step separates enlightened authoritarianism from unenlightened and will lead to a personality cult. The conclusion suggests itself that leaders should be elected and rotated—this is one of the basic principles of democracy. It is not merely a political and juridical principle—it is a moral and ethical principle that should not be patterned to fit short-term considerations.

Even if we admit that one leader or another is indeed a highly enlightened person, the enlightened authoritarianism conception is absolutely useless even as a transition model. It detracts too far from democratic constructionism and completely relies on purely subjective factors rather than on objective laws of social development.

We should always bear in mind that the search for the best possible democratic model, which has been going on throughout the entire history of democracy, never went far from the basic idea—self-reproduction of democracy as a SYSTEM that least of all depends on subjective factors. The founding fathers of the democratic SYSTEMS have always warned against the “tyranny of the majority” (to borrow a Western term), that is, the tyranny of democracy. If democracy is fraught with tyranny, we should be apprehensive of an enlightened authoritarian ruler.

The Central Asian countries possess a vast economic, resource, human, educational, scientific, and political potential; and their democratic potential is equally wide. This is what makes them different from the so-called Third World countries. We should preserve this potential—otherwise we shall find ourselves among the underdeveloped (economically and democratically) countries.

Autocratic intrigues come to the fore where and when there is no quest for democracy. Indeed, in the final analysis, the enlightened authoritarianism conception is inadequate because it appeared too late: the leaders of the newly independent states were democratically (as we were told) elected, while their constitutions and laws envisage universal democratic principles and norms that have nothing in common with the idea of enlightened authoritarianism.

In his Preface to the 12th French edition of *Democracy in America* (1848), Alexis de Tocqueville offered an important conclusion suggested by his observation of American democracy that the rest of the world should not slavishly copy the institutions the country has created for itself. We would be better, said the author, to figure out what suits us and what does not. We should not borrow examples—we would be better to grow wiser. If we did borrow something, we should concentrate on the principles rather than the details of their laws. The law of the French Republic might and should differ from those that governed life in the United States, yet the principles on which the legal system of the American states rested, the principles that ensured public order, the division and balance of power, genuine freedom, and sincere and profound respect for the law were absolutely indispensable for any Republic. They should be shared by all republican states; it can be predicted that where there are none, the Republic will soon die.¹⁹

This fully applies to Uzbekistan and its Central Asian neighbors.

¹⁹ See: A. de Tocqueville, *Demokratia v Amerike*, Progress Publishers, Moscow, 1992, p. 24.

CENTRAL ASIA: POLITICAL LEGITIMATION MODELS

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In his book *The Grand Failure*¹ that appeared in 1989, Zbigniew Brzezinski offered two major conclusions: the Soviet Union would inevitably fall apart to be replaced, nearly everywhere, with authoritarian regimes.

The democratic euphoria of the time distorted these conclusions in shocking and fantastic inventions. They were not, however, pulled out of thin air: they were products of an analysis of the political processes underway in the Soviet Union.

- Today, the first statement looks like a banality.
- The second statement is not as unambiguous.

The national states that sprang into being on the Soviet Union's detritus can be divided into several groups.

The first includes the countries in which the political opposition prevailed and followed the road of revolutionary changes, which included, among other things, nearly total replacement of the Soviet structures with alternative political constructs. This happened in the Baltic countries and Russia, which acquired, as a result, the most stable political systems and institutions of representative democracy across the post-Soviet expanse.

The second group went through a period of revolutionary upheavals much more intensive

and much more violent than those that fell to the first group's lot. The civil, ethnic, and clan wars, however, did not, as a rule, call to life any deep-cutting political changes: no Soviet structures were destroyed to make room for political institutions adequate to the current context and the local traditions and mentality. This group, which includes the Transcaucasian countries, Moldova, and Tajikistan, paid for the resultant systemic inadequacy with either political instability (which brought Georgia and Moldova very close to the "failed state" status) or a more or less severe authoritarian system (Azerbaijan and Tajikistan). The third group is of the greatest interest for the purposes of the present article. At first (in the early 1990s), it included Ukraine, Belarus, Kazakhstan, Uzbekistan, and Turkmenistan. Later, however, Ukraine started moving away from this group, but today, in the post-Orange Revolution period, it has preserved some of the group's most important features.² Later Tajikistan, Azerbaijan, and, partially at least, Kyrgyzstan joined this group.

Any description of the group should point to the fact that, as distinct from the first two, this group tends, on the whole, toward an evolutionary model of post-Soviet political development. This is an important, albeit so far superficial, description of this model. To probe deeper into its

¹ See: Z. Brzezinski, *The Grand Failure. The Birth and Death of Communism in the Twentieth Century*, Liberty Publishing House, New York, 1989.

² For more detail, see: K.M. Truevtsev, "Unifikatsia postsovetskogo prostranstva: tendentsii i proekty," *Politia*, No. 3, 2004; idem, "Ukraina: metastazy raspada," *Politia*, No. 3, 2006.

meaning we should discuss its structural-functional features, including the genetic ones. To do this we must go back to the very beginning.

There are two circumstances that deserve special mention.

- First, in Central Asia, this model emerged as the dominant one, despite the deviations and variants and the civil-clan war in Tajikistan. Today, in 2007, we can say that the Tulip Revolution in Kyrgyzstan changed practically nothing. We can say, at least today, that little will change in post-Turkmenbashi Turkmenistan.
- Second, outside Central Asia, this model has been demonstrated and is being demonstrated, partially and occasionally, at various stages of post-Soviet development. It can still be witnessed in Belarus and Azerbaijan, and could be observed in Ukraine in its totality in the early 1990s; its fragments are still very visible there. In Moldova, this model was reproduced in its totality at the early period of Mikhail Voronin's governance at the level of central power, while its fragments are still present in Transnistria and the country's western parts. In Russia, it has survived in several regions.

The above testifies that the model can be described as short of the mainstream of post-Soviet developments: it was the mainstream from the very beginning, the digressions being, in a certain sense, a systemic failure.

Let us go back to 1990.

At the highest point of perestroika, Mikhail Gorbachev expected that real power would shift from the Communist Party to the elected bodies of power (at that time, the Soviets of all levels). This was his main idea.

In the Soviet Union, the Politburo of the C.C. C.P.S.U. gradually ceded its decision-making function to the Presidium of the U.S.S.R. Supreme Soviet.

It was the elections that made power completely legitimate: for the first time in Soviet history they were competitive, based on the majori-

ty principle, and were, therefore, maximally personified.

In fact, this was a project to legitimize the Communist Party, the state and economic *nomenklatura*, and turn it into a public political elite. The elections that embraced all levels—from the republican down to district—changed not only the nature of the political elite, but also the nature of the system of power.

For the first time in Soviet history, the legislative and executive power branches were separated. Throughout 1990 and the first half of 1991, the country elected heads of executive power of all levels, including the republican level. This process occurred at the same time as the elections of people's deputies, but was absolutely separate from them. In this way, the first secretary of a district, city, regional, or republican C.P.S.U. committee had to win the election to consolidate his position. Not all of them won—yet those who lost let a rival from the administrative, economic, trade union, or Komsomol *nomenklatura* carry the day. This was how a shift from the totalitarian to democratic (still Soviet, but not yet post-Soviet) system was devised and realized.

There were several systemic failures: first, the process of legitimization covered all levels of legislative and executive power, except the highest, the Union level. By the summer of 1991, it had become obvious that the level of political legitimacy of the Union republic presidents was higher than that of the president of the Soviet Union elected by the Congress of People's Deputies, the legitimacy of which by that time had become somewhat doubtful. The absolute majority of Soviet citizens knew that.

The second systemic failure was caused by the fact that in the Baltic and Transcaucasian republics, in Moldova, Kyrgyzstan, Tajikistan, and most important, in Russia, the elections brought to power a political opposition that refused to accept not only the conservatives in the top party posts, but also the reformers congregating around Mikhail Gorbachev.

Finally, the third failure was caused by the failed coup staged by the politically illegitimate central power represented by the GKChP (the State Emergency Committee), which wanted to go

back to the pre-1990 situation by annulling the results of the legitimate change of power.

Strictly speaking, it was the systemic failures that played the decisive role in the “continuity break,” which happened when the country moved away from its Soviet past to its post-Soviet future.

Not all of the republics experienced the “continuity break.” Central Asia (and its three key countries—Kazakhstan, Uzbekistan, and Turkmenistan) is still developing and modifying the model of power politically legitimized in 1990-1991 under Gorbachev’s project.

Before investigating the evolution and modification of this model and its variants, we should scrutinize the genetic descriptions mainly responsible for its most prominent political features, together with the country’s remote past, ethno- and national genesis, political culture, mentality, etc.

While trying to implement his democratization project, Mikhail Gorbachev fell into a methodological trap: the Soviet form of governance was in principle incompatible with representative democracy. The Soviets were a form of plebiscite democracy that functioned according to the principles of democratic centralism, in which the minority, the opinions of which were completely ignored after elections, had to follow the majority, executive power dominated over legislative power (the separation of powers principle was never realized), etc. This was to be remedied by switching to representative democracy, which meant that the Soviets themselves should have changed radically. In the transition period, the Soviet system could have remained manageable if governed by an internal administrator (the C.P.S.U. prior to 1990) or by an external administrator (only an authoritarian regime could have claimed this role). From this it follows that once the C.P.S.U., as an internal administrator, was removed from the system, democratization Soviet style was doomed to authoritarianism, not to representative democracy.

The administrators of all levels, who became legitimized through the 1990-1991 elections, could have become democratic administrators only if balanced out by an efficient multiparty

system and civil society. In the Soviet Union, such counterweights were exceptions rather than the rule, despite everything that happened during glasnost and perestroika. This explains why in the post-Soviet period administrators of all levels, at least a large part of them, developed into authoritarian rulers. This happened to nearly all the heads of the constituencies of the Russian Federation; this also happened to the leaders of the former Soviet Union republics.

This is absolutely true of the Central Asian leaders; in the case of Kazakhstan, Uzbekistan, and Turkmenistan, the three presidents—Nursultan Nazarbaev, Islam Karimov, and Saparmurat Niyazov—were the first secretaries of the C.C. Communist parties of their republics. In 1990-1991, they became legitimized through elections.

In this sense, they can be described as party functionaries of the Soviet period who, back in 1991, had to assume, all of a sudden, full responsibility for their newly independent states.

They were not among those who initiated the Soviet Union’s disintegration; until the last moment, they hoped that this would not happen.

The absolute majority of the local societies, the political opposition included, shared their leaders’ sentiments. The Islamic Revival Party, which in 1990-1991 claimed the role of an all-Union political party and was one of the most dynamic political forces in Central Asia, wanted to preserve the Soviet Union.

The reasons for this are as follows: the Central Asian countries as state formations and their sociopolitical structures are, to a certain extent, products of the Soviet period to a much greater degree than the other parts of the Soviet Union.

While in the European part of the U.S.S.R. and the Transcaucasus the Soviet Union republics were predated by strong national movements and had a certain amount of experience in national statehood, and while the Baltic republics, on top of this, had twenty years of political independence experience, the Central Asian region had no such experience to rely on. This should not be taken to mean that I dismiss as unimportant their deeply rooted civilizational foundations, the highly de-

veloped states which existed there at certain periods of their history, or the still underestimated forms of nomad civilizations and the very specific states based on them.

By the time Soviet power reached Central Asia, it had no state formations to serve as the building material for contemporary national states (the Khiva Khanate and Bukhara Emirate could hardly claim the honor). The forces that opposed Soviet power (the Basmachi [members of anti-Soviet movement in Central Asia] in the first place) proceeded from religious rather than national considerations.

This explains why the region acquired national states under Soviet power; the process was launched in earnest in the late 1930s when the Union republics were formed. State- and nation-building occurred at essentially the same time.

We can dismiss the result as a quasi-statehood, since nation-state-building proceeded under the Soviet Union's supervision, while the political structure was entirely Soviet. It should be taken into account that neither society nor the political elite was aware of any other form of contemporary national statehood, and they were reliably protected against any alien experience. For this reason, the political structure they were offered and which was imposed on them looked absolutely adequate.

In Central Asia, the traditional forms of grass-roots political organization (the village and urban communities) were less distorted than elsewhere.³ They gradually merged with the Soviet system, while the upper floors of the political edifice were filled with clan elements that rose from the grass-roots level and gradually spread to all the Soviet structures. In the 1960s, the process enveloped the entire country: clan elements spread far and wide as a phenomenon inseparable from the *nomenklatura*.

The experience of a reverse shift of a high official from the state to the party structure supplied by the dismissal of Khrushchev and Brezhnev's appointment as General Secretary of the

³ Kazakhstan was a serious, albeit relative, exception; we can say practically the same about Kyrgyzstan, although the distortions there were a little less than in Kazakhstan.

C.C. C.P.S.U. (which merely pushed the political system a little away from ideal totalitarianism to authoritarianism) was spread to Central Asia with much more tangible results.

At least in three Central Asian republics (Kazakhstan, Uzbekistan, and Tajikistan) this shift took place in different forms still under Soviet power and to a certain extent (at least, technologically) anticipated and prepared the transfer to an authoritarian form of governance. More than that, when in Kazakhstan the republic's head appointed in this way was replaced at the very beginning of perestroika with a Moscow appointee (a quite legitimate step within the *nomenklatura* tradition), this stirred up serious unrest among the Kazakhs. The local people, as well as all the other Central Asian nations, were obviously convinced of their leader's political legitimacy.

The election campaigns that swept Central Asia in 1990-1991 (with the exception of Tajikistan) made the republican leaders politically legitimate for the reasons described above—the technological shift from a totalitarian to authoritarian system, the absence of real political counterweights, and the fact that the majority accepted this as normal. It should be added that the elected leaders had a certain political and administrative resource from the very beginning; they controlled the power-related structures and the Soviet system, which remained nearly intact at the regional, city, and district levels, if not in form then in content, with one serious reservation—it preserved its influence in the representative (legislative) power branch, while the local administrators were normally appointed by the head of state. This was well suited to the general scheme of authoritarian governance.

I have already written that Kyrgyzstan and Tajikistan were not part of the discussed scheme, therefore they have been left outside the scope of this article. Their later shift toward this model merely confirmed that this exception proved to be the rule.

The authoritarian model inherited from the Soviet past developed into the main form of government, organization, and evolution in the Central Asian political systems.

Its general features should be identified to establish it as a regularity clearly seen below the surface of Central Asian specifics, which essentially illustrates the nearly universal features of the emergence and consolidation of national states.

This is where the common features end: each of the local states has already acquired specific inimitable features; each of the national modifications of the common Central Asian model is following its own development trends.

Kazakhstan: Pliable Centrist Authoritarianism

Kazakhstan is the country which most faithfully followed the road described here as Gorbachev's model for certain rather superficial as well as more profound reasons.

Within the model, the political leader acquires importance which stretched, in the Soviet past, beyond the republic's limits and continues to stretch beyond the national limits within the CIS: he is a figure of all-Union importance. Indeed, he was a consistent reformer while the Soviet Union was alive and a staunch opponent of the Soviet Union's disintegration. He remains a consistent reformer, which makes him the most, and probably the only, consistent unionist across the post-Soviet expanse.

As distinct from the other Soviet successor states, which preferred their own way, this country is following, on the whole, the road laid in the Soviet period. It has already advanced fairly far with good results.

This cannot be explained by the leader's personal features alone.

Ukraine, Kazakhstan, and Uzbekistan (found in a special cultural-civilizational area separated from the others by an invisible yet hardly negotiable border, the latter deserves special investigation) as well as Russia are the strongest players claiming the role of regional powers in the post-Soviet expanse.

There is no such border between Russia and Kazakhstan, the exchanges between which take the form of mutual penetration that cuts deep, while disintegration of their common country cut much deeper than in the other Soviet republics, with the exception of Belarus.

Kazakhstan was the target of an unprecedented Soviet experiment in social engineering to the same or even greater degree than Russia and Ukraine. This experiment, which can be described as an attempt at genetic modification (and vivisection at the same time), inevitably affected the very essence of political and social relations at mega, macro-, and microlevels.

The country survived two internationalization waves: in the 1930s and especially in the 1940s when "the enemies of the nation" and repressed peoples (Germans, Chechens, Ingushes, Balkars, Meskhetian Turks, and others) were moved to Kazakhstan. The second wave came as a campaign to develop the virgin soils and the resultant industrialization, which included several gigantic projects, ranging from Djezkazgan to Baykonur.

This resulted in ethnic, demographic, and sociopolitical modernization which brought the republic closer to the Russian Federation: both were multi-ethnic countries with similar internal structures; the nature and vector of modernization were likewise similar and produced very similar results by the end of Soviet power.

If these processes had continued during the Soviet period, the republic could have become a federation. But this did not happen.

Unitarianism Kazakhstani style at first glance forms a very tough shell for the country's unity and territorial integrity. A second glance reveals that it is not a tough shell, but rather Pandora's box stuffed with national, ethnic and territorial problems without, however, clear political dimensions.

This is not so much a factor of the relations between Kazakhstan and Russia. There are more or less obvious ones: the Russian tongue is the second state language in the republic, while Russian speakers can freely develop education and culture in their native tongue.

Kazakhstan, which shares rigidly delineated cultural and civilizational borders with Uzbekistan, Turkmenistan, and China, cannot develop "explosively." Its development vector is tuned to an "implosive" dominant, which suggests intensified internal political development.

Kazakhstan has managed to create a nearly ideal model of centrist totalitarianism, which in the post-Soviet reality turned out to be a reliable foothold for later modernization.

Such vastly different countries as Turkey, Brazil, Venezuela, Peru, Egypt, Tunisia, South Korea, and Malaysia tested the model at different development stages and enjoyed, as a result, decades of stability and, in some cases, evolution toward representative democracy.

Centrist authoritarianism deals harshly with both rightist and leftist political extremes and encourages development, albeit slow, of liberal institutions. In this way, democracy is acquiring a gradually expanding basis.

The starting conditions in Kazakhstan were even better than in any (Asian and African in particular) of the countries enumerated above.

As distinct from Uzbekistan and Turkmenistan, two of its closest neighbors, the political opposition there has not been and is not excluded from the political process. It takes part in elections and gets seats in the parliament, even if its activities and representation are severely limited by the administrative resource. There is some sort of freedom of the press, but the mass media on the whole are limited and controlled.

As distinct from Russia's monocentric nature, which has finally taken shape and which is a fairly novel political phenomenon for post-Soviet Russia (it is manifested in the president's response to numerous crises resolved with its help), monocentrism is an inherent feature of Kazakhstan. From the very first days of its independence, it has served as the backbone of the regime and the political system as a whole.

The Constitution of Kazakhstan does not limit the president's power in the same tough way we find in the Russian Constitution, where the presidency of one person is limited to two terms of four years each. In Russia, only the Constitutional Assembly has the right to change this regulation: any attempt to convene the Constitutional Assembly (which itself is a far from simple procedure) would threaten the constitutional order, something that neither the political class nor the nation's majority needs.

In Kazakhstan, such politically tested limitations are much milder. As a result the monocentric structure⁴ has been developing throughout the political process without major crises, let alone cataclysms.

This does not mean that the country has escaped structural and functional changes, although due to the inborn monocentric presidential power, they took place either in the vertical of power or below it (in the executive, legislative, and judicial branches) or next to it. In fact, to a large extent, these changes, which manifested themselves relatively recently, some three or four years ago, were a product of the nature and structure of power.

⁴ In this context, the monocentric structure is regarded as mild, centrist authoritarianism, since it is of a structural (institutional and normative) and functional (expressed through the political regime) nature.

For example, while in Russia the oligarchs appeared outside the power sphere in general, and presidential power in particular, and developed under its partial and mainly indirect influence, in Kazakhstan the oligarchs genetically belong to the government.

Having emerged as a functional part of a fairly homogenous political class, they demonstrated political emancipation at an early stage, moved away from presidential power, and used their money to fund the opposition.

As distinct from Russia, where power became more homogeneous when the oligarchs blended with part of the bureaucracy, in Kazakhstan a similar process produced a different result: a thriving political opposition.

As distinct from Russia, where political parties could be created from above and from below or through mixed processes, in Kazakhstan, where political parties were previously created and controlled by the government, they have recently begun appearing from above and a bit to the side of the president and in confrontation with him.

If the regime fails to monitor the process and remains ignorant of the real situation in the lower part of the political spectrum, it might be dangerous for the regime. In this case it is hard to predict which of the sociopolitical processes will be affected by the fairly superficial party development, where it might strike root, and what results it will produce.

It should be said in all justice that as distinct from the ruling elites of most of the Soviet successor states, the Kazakhstani leaders are able to forecast political developments and act accordingly.

Early in the 1990s they prevented a rising ethnic and confessional crisis in relations with Russia, not so much by using repression as by allowing the Russians greater involvement in the religious, linguistic, cultural, and other spheres.

Later the government exploited its resource to switch from natural to monetary benefits—a step that did not cause a wave of discontent similar to that in Russia.

On the other hand, today the country's leaders have to cope with an unprecedentedly acute political challenge which is putting the country's continued evolutionary political development at stake.

The harsh measures, which developed into legislative norms, taken to limit the scope of the local political opposition's involvement can be described as a response to the developments in other CIS countries, Kyrgyzstan in particular. This caused a wave of protest in the opposition inside the country and in the international circles beyond it which are extending political support to the local opposition.

At the same time, President Nazarbaev recently promised a legislative initiative that would make the posts of akims (regional heads) elective.

This and other similar measures are aimed at alleviating the monocentric nature of the local political regime. They might help to unblock the current situation and alleviate long-term political tension that has so far been manifesting itself only superficially.

The main question is to what extent is the Kazakhstani political system capable of performing the required U-turn?

On the one hand, the *Address of the President of the Republic of Kazakhstan Nursultan Nazarbaev to the People of Kazakhstan* of 18 February, 2005 outlined a national program of political reforms designed to usher in a "new stage of the country's democratization" by decentralizing executive power, introducing elected posts of regional and local heads, and several other measures.⁵

On the other hand, the recent vectors and dynamics of the political process demonstrate that potential is fairly limited, in the same way as the democratic potential of the constitutional order.

⁵ See: [http://www.president.kz/articles/state/state_container.asp?lng=ru&art=Posl_k_narodu_2005].

No matter how mild centrist authoritarianism is in Kazakhstan, its monocentric structure is the most rigid part of the entire building. If partly removed or even moderated, it might undermine the present regime and the political system as a whole.

This has been amply illustrated by the Georgian and Ukrainian developments and the events in Kyrgyzstan, where the political regimes were changed while the structural problems inherited from the past (where they were concealed by a seemingly solid façade) became visible as threats to the countries' stability, validity, and territorial integrity.

Potentially Kazakhstan is not free from similar threats, but their level is much lower than in the above-mentioned countries.

In Georgia and Ukraine, for example, the phenomenon of "regionalism" survived the Rose and Orange revolutions and is still fraught with confederalization at least, while Kyrgyzstan might split into the secular North and the fundamentalist South.

This factor is practically unknown in Kazakhstan because of the traditionally different social stratification of the Kazakhs and the more secular nature of local society, which is much less affected by fundamentalist trends than any other Central Asian society. In this context, "regionalism" can hardly be regarded as a serious threat.

From this it follows that despite the challenges (in fact, no political regime and no political system of the transition period are immune to them), the evolutionary model of Kazakhstan's political development has not yet exhausted its potential.

At the same time, the threats identified here, which analysts describe as real ones, are mainly (for the time being) of a very superficial nature and will remain such unless blended into a development vector with much deeper cutting structural threats.

This may happen in the future if the fairly successful structural reforms are suddenly discontinued.

At the same time, liberal reforms, if too hasty and unbalanced, might undermine stability to an even greater extent than if they were absent.

In any case, the current state and dynamics of the political system in Kazakhstan do not suggest that political evolution is bound to be disrupted.

Uzbekistan: Frozen Despotism

Genetically the variant of the Uzbek political system is almost identical to the Kazakhstani one, if we ignore the very important fact that from the very beginning Kazakhstan, as a national state, was a polyethnic formation, while in Uzbekistan, the home of various ethnic groups, Uzbeks dominated as the titular nation as early as the Soviet era. From the very first days of independence, the trend toward a monoethnic state inevitably became more pronounced.

As early as Soviet times, the Uzbek ruling elite obviously wanted to see their republic as the leader of the Central Asian region, a status that aroused never ending competition with Kazakhstan. The idea of a strong state and the bias toward authoritarianism at the national and regional level go back to the postwar years; in the 1960s-1980s they became even more intensified.

In fact, the traditional civilizational centers on its territory, Samarkand and Bukhara in particular, and Tashkent as Central Asia's largest modern civilizational center were the republic's trump cards in its competition with its neighbors. The development of the virgin lands and the confrontation with China tipped the scales in favor of Kazakhstan. Aware of Kazakhstan's geopolitical importance and of the invisible line that separated it from the rest of the region, the Soviet leaders never counted

Kazakhstan as a Central Asian republic. Unable to compete with Kazakhstan, Uzbekistan developed, for objective reasons, into if not the dominating then at least the leading republic to the south of Kazakhstan.

The Afghan war changed everything: the factor of the Tajiks as a divided nation (most of whom lived in Afghanistan) tipped the regional balance of forces once more.

Toward the end of perestroika, when the Soviet Union pulled out of Afghanistan and relations between the Soviet leaders and the Kazakhstani elite noticeably cooled down, while Uzbek leader Rafik Nishanov was promoted to the all-Union level, the Uzbek ruling class tried to take advantage of the favorable situation, but it was too late. The Soviet Union fell apart.

In the early post-Soviet period, Russia's unwillingness to preserve a common state in the form of "Russia plus Central Asia" changed the development vectors.

Kazakhstan, contrary to the centrifugal trends across the post-Soviet expanse, continued its consistent unionist policy in relation to Russia. All the other Central Asian states, Uzbekistan and Turkmenistan in particular, withdrew into their shells and started moving toward an autarchy and closed society.

This happened not only because the local political elites and most of the common people were afraid of the changes and wanted to preserve the familiar Soviet order of things.

This fear was fed not only by the sudden disappearance of the old country, but also by the Tajik developments.

Uzbekistan was very much concerned with the situation in the Ferghana Valley, which threatened to become a source of trouble for the entire region.

The valley, where the borders of Kyrgyzstan, Tajikistan, and Uzbekistan meet, can be described as the solar plexus of Central Asia; it is a *mêlée* of all the ethnic groups living on all sides of the three borders. Since the Soviet Union's disintegration, this intertwining of ethnic, national, and state contradictions has been throbbing. Border clashes between Uzbekistan and Kyrgyzstan, and Uzbekistan and Tajikistan are not rare; the Uzbek side even went as far as mining its stretch of the border, claiming numerous civilian lives.

The social situation in the Ferghana Valley is no less volatile partly because of the demographic situation: the demographic explosion has developed into a continuous process there. Several decades of this have created overpopulation, massive unemployment, economic stagnation, and undermined the overburdened health care and educational systems. Most of the locals are living on the brink of poverty or even worse.

No wonder the valley has developed into a breeding ground for all sorts of extremist Islamist movements, some of them connected with al-Qa'eda and the Taliban. Juma Namangani started his terrorist career in the valley; the Islamic Movement of Uzbekistan, the Uzbek part of Hizb ut-Tahrir al-Islami, and other radical Islamist organizations and groups have their headquarters here. The valley is crisscrossed with drug trafficking routes.

This is a volatile region with a lot of negative potential for the region's future.

This has been already demonstrated, albeit on a limited scale, by the events in the south of Kyrgyzstan, the results of which spread across the country and caused a sociopolitical explosion in Andijan.

An objective and sober analysis of the events in the Uzbek part of the valley, which has nothing to do with the conspiracy variant favored by some officials in Tashkent, will nevertheless demonstrate that the course and results of the political processes in Kyrgyzstan did influence the situation on the other side of the Kyrgyz-Uzbek border.

The effect would have been less destructive, had the revolutionary wave from Kyrgyzstan not merely added vigor to the already tense situation. In other words, we all witnessed a domino effect on a local scale produced by the impossibly strained social and political context. The local social factors

described above were enough to produce an explosion; they were heated up by the regional imbalance at the government level and the unfair regional and clan representation at the very top. They have become too obvious, together with Tashkent's dismissive attitude toward the local people treated as outcasts. An explosion could not be averted.

There was another equally important factor.

The logic of expectations and the Islamic fighters' readiness to act, as well as the mode of their actions, made them the core, the brain center, and the striking force of the Andijan uprising. This logic can be clearly seen in the nature of this upheaval, which can be described as a political provocation typical of the entire history of terror starting with the 19th century, which always accepted bloodshed as a positive result. Russia, Europe, and the Islamic world are well aware of this; the revolutionary terrorist mode of action could be clearly discerned in what happened in Andijan.

There was a third factor—the nature and logic of what the Uzbek officials did.

- First, the nature of their actions testify that, no matter how limited, the uprising, its scope and intensity, caught the Uzbek leaders unawares: it took them a long time to move against the rebels and quench the uprising.
- Second, the authorities acted under a spell of fear. They feared the Islamists and the opposition in general. This alone can explain the disproportionate and inadequate response that claimed many of the fighters' lives and an even greater number of civilian lives (it seems that information about the true figures was partly suppressed).
- Third, it follows from the above that Tashkent hardly took the trouble to assess all possible repercussions: the positive side of the cruel lesson is short-lived. In the long-term perspective, the country's leaders might be confronted with much more determined fighters who would resort to "shakhidism" as a common and preferred weapon and to radicalization of the previously moderate opposition.

It should be said here that fear was not the only reason and the motivating factor. In Andijan, the Uzbek leaders, who followed the normal logic of their relations with the political opposition, demonstrated absolute consistency: they exploited the real Islamist threat to suppress all other opposition groups and differently minded people. The Uzbek authorities accused all the opposition forces, the liberal-democratic opposition included, of contacts with the Islamists. This was done to isolate them from the public and repress them.

Even if this logic has been consolidating the nation's majority around the ruling regime for a decade, we cannot help but wonder whether it is as effective today.

To answer this question, we should look into the past and find out how the Islamic world dealt with the Islamist opposition.

The Arab countries have accumulated rich experience: at different times, different regimes tried everything from mollifying the opposition to mercilessly suppressing it. It is clear by now that all previous attempts to integrate the Islamists into the political system as a systemic opposition were futile. Suppression, on the other hand, sometimes produced positive or, at least, acceptable results.

In the early 1980s, Syrian President Hafez al-Assad suppressed, with unprecedented cruelty, the uprising of the Muslim Brotherhood in Hama. Artillery fire nearly razed the besieged city to the ground and exterminated almost all of its residents. The Islamist threat as a national factor disappeared: today, the Syrian Islamists prefer to act elsewhere. So far, President Bashar al-Assad, the son and heir of the late president, has not been troubled by them.

It should be said that the former Syrian president succeeded because the action, no matter how cruel, was carefully prepared and no less carefully executed. It was predated by a wide-scale cam-

paing of isolation of the Islamists and consolidation of society through non-repressive means. Most of the leftist forces and the leftist center, as well as ethnic minorities, were united into the national-patriotic front headed by the ruling party. The president headed both the party and the front; all other parts of the opposition were disunited and isolated through what can be described as mild repressive measures.

The Uzbek regime opted for different tactics: it mercilessly suppressed the Islamists and won the rest of the isolated and suppressed opposition over to their cause.

This worked well and was more or less justified after the Tashkent explosions: it could be described and accepted as a not entirely adequate, but understandable response. In any case, it allowed the country's leaders to unite part of society around their regime to a certain extent.

The post-Andijan situation is different, its development and dynamics being absolutely clear. It looks as if the opposition, and the fighters, acted with better reason than the authorities. In any case, the opposition has obviously come to stay: as a permanent factor, it can oppose the government and undermine its consolidating efforts. On the other hand, by what he did, the Uzbek president pushed different opposition groups into one consolidated camp. Today, the ordinary people, especially those who live in the Fergana Valley, and the world public find it harder to distinguish between the Islamists and other fragments of political mavericks.

The motives that drove the opposition and the Islamists are seen from abroad, and inside the country, as a good reason for the insistent demands to legalize the Islamic Movement of Uzbekistan (with its obvious Islamist component); it is working hard to pass for a moderate and constructive opposition.

The Andijan events have produced the following results:

1. Inside the country: the opposition was suppressed, but not destroyed; its social basis manifested a trend toward extension; people tend to consolidate around it partly because of the political regime's failures. In Uzbekistan, the Islamist fighters are more strongly motivated than anywhere else, they rely on real organization deeply rooted in the country's past and in the present social context. This has increased and is increasing their chances of becoming the core of the widening opposition.
2. Outside the country, the regime has been isolated on a global and regional scale. The world actors—NATO, the U.S, the European Union, and a large part of the Islamic world—responded negatively to the regime's cruelty; some of the actors have resorted to practical measures to isolate the country politically. The American base was removed from Uzbekistan in response to the Andijan events, which could merely deepen the country's isolation. Russia and China unequivocally supported the Uzbek regime, but in the absence of common borders with Uzbekistan their position would be hardly effective. The U.S. and NATO, on the other hand, can put pressure on Uzbekistan through the territory of Afghanistan and the adjacent countries.

Isolation is mounting on the regional scale as well: this is amply shown by the border issue. The previously strained relations with Tajikistan, Turkmenistan, and Kazakhstan have become aggravated by a new coil of tension with Kyrgyzstan, to which the Uzbek authorities tried to shift the blame for the Andijan events and the training of fighters. Uzbekistan's former involvement in the Afghan developments through the Uzbek minority there is rebounding with negative results.

Uzbekistan is developing into the "sick man" of Central Asia. It is too early to speak of the Uzbek regime as doomed, but the threat that it may loose its grip on the situation looks very real indeed.

Turkmenistan: Despotism of the Authoritarian-Totalitarian Type

Under present-day conditions, authoritarianism as a transition type of political order has demonstrated two opposite typological models in its structural-functional development.

- First, the evolutionary model described above using the example of Kazakhstan.
- Second, a closed autarchic model of political consolidation realized mainly through repressions. Uzbekistan displays certain features of this model, but it is not an extreme example of a Central Asian despotic state.

The analytical community agrees that the regime that still exists (or at least has existed until now) in Turkmenistan is the harshest type of despotism.

Such regimes are described as authoritarian-totalitarian: Turkmenbashi's regime was obviously one of them.

Cruelty, total control, and the leader's personality cult are not the only features of a totalitarian state. There are outward manifestations of the same: mass actions designed to demonstrate popular support of the regime, expressions of labor and other types of enthusiasm, and mass festivities in support of the leader and his policy. This finds its visible reflection in monumental sculptures and architecture, which faithfully reflect the regime's internal architectonics, and its ideally organized structure in full conformity with what the leader and his cronies planned.

In fact, Saparmurat Niyazov was the only post-Soviet leader who realized the dream of the C.P.S.U. conservative wing: he used the nation's support he received in the very beginning to transform the state he inherited from the Soviet Union of the perestroika period into something that brings to mind the Soviet Union of the 1930s-1950s with certain authoritarian adjustments. He preserved the Soviet system and the principle of party (or quasi-party) governance, the *nomenklatura* closed to newcomers, and the equally closed system of personnel employment and rotation. The Soviet "power triangle," which relied on the apparatus and power-related structures, Abdurakhman Avtorkhanov⁶ wrote about was preserved and even strengthened.

The leader personally controlled all of the power structures: he headed not only the executive branch as prime minister, but also the legislative and the power-related structures. Since 1994, when Turkmenbashi was made president as a result of a referendum, there have been no presidential elections. In 1999, he was announced president for life; in 2003, he was appointed Chairman of the country's highest legislature—Khalk Maslakhaty—on the same conditions.

His death confronted the political elite with a crisis known to all authoritarian regimes with no mechanisms of power transfer. Repressions against the real and potential oppositionists and rivals drove the most prominent politicians into emigration; those who stayed behind found themselves in prison or even dead.

Almost immediately after the president's death, the *nomenklatura* mechanism of power organized itself into a collective leadership that brought to mind the Soviet Union in March 1953.

As distinct from the March 1953 event that followed Stalin's death, the collective leadership of Turkmenistan announced a competitive presidential election.

Experts very skeptical about its real competitiveness all agreed that this step, and certain others, was the sign of a tentative shift away from the rigidly monocentric system to a milder, oligarchic form of government.

⁶ See: A. Avtorkhanov, *Tekhnologia vlasti*, Posev Publishers, Frankfurt/M, 1983.

Time alone will show whether they are right: so far this step, if not resolving the power crisis, has at least alleviated it and postponed further actions until after the election.

The sure victory of Berdymukhammedov and his election to the post of the country's president did not upset the balance of political forces. He has enough power either to follow in his predecessor's footsteps or find his own road.

In any case, the political situation will change; the new president promised several reforms, fairly limited at first—their vector and true scope will become clearer later.

THE REGIME AND THE “REVOLUTION” IN POST-SOVIET GEORGIA

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Three revolutions, one after another, replaced the three post-communist leaders of Georgia:

- (1) the Round Table and Zviad Gamsakhurdia replaced the communists;
- (2) Gamsakhurdia's cabinet was replaced by Eduard Shevardnadze, and
- (3) Mikhail Saakashvili removed Shevardnadze from his post.

Each of them changed the fortunes of the country and the nation, but only the last event was tagged as a “revolution.” It is obviously viewed as the most important among the three and prompts us to ask whether it is absolutely correct to describe Saakashvili's coming to power as a revolution. Is it not a ploy designed to boost the importance of the regime change in the eyes of the world community and the local population? To answer these questions we should answer another, broader, question: Did the regime change that removed Eduard Shevardnadze and became known as the Rose Revolution have the characteristics of a revolution?

By revolution we mean the very specific and profound impact a regime exerts on social order—it is much more than a conflict that replaces the government. A revolution brings about changes in the political, economic, spiritual, and social spheres of the nation's life, which take some time to become obvious and are never immediately manifest the very day after forces come to power which choose to call themselves “revolutionary.” The events of November 2003 in Georgia were called a revolution immediately after the coup was completed. During the three years that separate us from that time enough material has been accumulated to assess the nature of the changes that have taken place and were brought about by Mikhail Saakashvili's coming to power. The Rose Revolution is a term prompted by the immediate impressions of the non-constitutional power change in Georgia. A revolution is not merely a particular method of regime change—it is an event of profound importance for the country's economic, social, and political

life. Those Western authors who have devoted much time to the theory of revolution and who have written extensively on the subject¹ interpret

¹ See, for example: A. Giddens, *Sotsiologia*, Moscow, 1999, p. 568; A. Heywood, *Politologia*, Second edition, Moscow, 2006, p. 522.

it as a particular method of regime change that brings more radical results than other seemingly similar actions. A revolution means replacement of the top leaders accomplished by a mass illegitimate movement that results in deep-cutting changes.

The National Revolution: Zviad Gamsakhurdia Comes to Power

The following criteria can be applied to the three regime changes in Georgia: (1) all of them “excited” the masses and relied on unprecedentedly broad social movements; (2) all of them caused changes that left deep imprints on the country’s sociopolitical development. Each of the regime changes in post-Soviet Georgia is characterized by different quantitative criteria. The public movement that brought Zviad Gamsakhurdia and the Round Table to power was the largest; the change became possible after the first competitive and multiparty election in the country’s history. At the same time, the election served as a smokescreen for the general inspiration and unheard-of popular activity that made the election possible in the first place. Indeed, the general excitement went far beyond the acceptable limits, but the rulers of still Soviet Georgia were loath to use force to contain it. The change in regime made the Georgian nation the entity of political power and put an end to the Communist Party’s domination. Georgia became an independent state, which brought about serious changes in its political system. I have in mind not only the multiparty elections, but also the unheard-of enthusiasm of the masses brought together by the idea of national independence. The Georgian nation as a united and undivided entity was the revolution’s driving force.

During the last years of Soviet power the Georgian language and culture served as the sources of the Georgians’ political activity and the core of political interests and motivations. The national independence movement was driven by the fear that the country would lose its national identity and mother tongue. The proud nation found it hard to accept a political context in which it could not fully realize its national specifics, which explains why the Georgian nation as a unitary entity (in which there were still no groups driven by economic considerations) served as the basis of the political process. There were no social gaps either: unity was consolidated by the language and culture, two factors that united rather than disunited the nation. These two elements served as the cornerstones of political awareness, which took the form of a striving for national independence outside the Soviet Union. This was a simple and easily recognized interest based on the shared social aspirations that united all. The Zviad-ists came to power during a conflict between the Soviet and Communist Party functionaries and the nationalists with the majority of the nation behind them. The Georgians’ traditionally tolerant national culture completed the process by bringing the sides closer together and proclaiming the nation’s independence. The most radical changes occurred in the political and cultural spheres: (1) the Communists were removed from power, their place at the helm taken by Georgian nationalists; (2) Georgia became an independent state; (3) all spheres of social life were transferred to the Georgian language, which replaced the Russian; (4) the rule of the toiling masses was replaced with the rule of the Georgian nation.

Nevertheless, the economic and social structures remained the same: industry and trade remained state-dominated; the collective and state farms survived, while the new elite stood firm against pri-

vation. The state structure remained basically the same with certain, mainly limited, changes (for example, the institutions of prefectures, the presidency, etc. were introduced).

There was no new Fundamental Law; the Soviet Constitution was merely adapted to the new realities. The ruling circles were probably convinced that Georgia was not yet ready to embrace radical changes, which, at that time, would have spelled a wide-scale catastrophe for the ordinary people. The elite opted for a protracted period of transition to build a foundation for the country's complete independence. The Preamble to the Constitution adopted in March 1991 with amendments and addenda directly stated that one of the key stages of the national-liberation movement was completed on 28 October, 1990 with the victory of the national forces at the multiparty democratic election. According to the authors of the Fundamental Law, it ushered in a new era that would completely restore the republic's independence. During the period of transition, before a new constitution appeared, the old one (with corresponding amendments and addenda) was to remain the Fundamental Law. Still, a month later, on 9 April, 1991, Georgia declared its sovereignty. This was done without achieving the prerequisites of the country's independence, which the Constitution envisaged in the Preamble.

Later, after the Rose Revolution, Chairman of the National Bank of Georgia Gotsiridze, one of those who declared the republic's independence, said in a documentary directed by T. Chagelishvili: "We were not aware of the extent to which the Georgian economy was integrated into the all-Union economy. We did not know what was taken out of the country and what was brought in."

The country's independence, which remained deeply integrated in the all-Union economy, undermined the Gamsakhurdia regime. The disrupted economic ties negatively affected the nation's standard of living and deprived the rulers of their former popularity. Culture as a political factor that served the basis of the nation's political interests and goals was gradually losing its former political impact. Some of the social circles that expected much from privatization understood that the regime had no intention of implementing it. I have in mind those who were actively operating in the shadow economy, had enough money, as well as the right connections to profit from privatization; the "red directors"—heads of state enterprises that gradually came to a standstill under Gamsakhurdia—who funded the coup d'état were disappointed when the president suddenly announced that the country would move toward state capitalism. The public translated this as a return to socialism; there was a lot of talk about Gamsakhurdia wishing to secure his grip on power and the economy. His regime fell because capitalism was too slow to come to the country.

The Bourgeois Revolution: Shevardnadze Comes to Power

A new head of state meant radical changes in the political, social, and economic spheres. The country acquired a new, liberal constitution that made Georgia a presidential republic with a separation of powers. The private sector rapidly expanded at the expense of the public sector; the class of owners became much larger. The workforce migrated from the public to the private sector: in 1990-1998, the share of those who worked in the public sector dropped from 75.5 to 34.7 percent while the share of people engaged in the private sector increased from 24.5 to 65.3 percent.²

² See: *Statistical Yearbook of Georgia*, Tbilisi, 1999, p. 45 (in Georgian).

It should be said that it was not the November events of 2003 that changed the official stand on the private property issue. Under Eduard Shevardnadze private property, and the constitutional guarantees of it, was described as the cornerstone of the new society. It was under Eduard Shevardnadze that the country acquired a class of private owners based on the developing private sector, and the class of Georgian bourgeoisie. It was under Shevardnadze that a new type of social system appeared and developed. The transition from socialism to capitalism was completed; from that time on the political process unfolded in the new economic and social contexts. Social gaps widened, and the contradictions between the rich and the poor became even more acute. The political process fell under the impact of the developing social and economic classes and was greatly affected by mass poverty; the national and cultural factors receded into the background. The new groups worked hard to put pressure on the government to force it act in their interests.

Social inequality and impoverishment of most of the nation toppled the Shevardnadze regime and brought Mikhail Saakashvili to power. The fact that the event came to be known as the Rose Revolution did not mean that the transition was free from coercion. Force was used, albeit to a much lesser extent than before, when the regime change that removed Gamsakhurdia developed into a civil war.

Under Shevardnadze the country moved forward: it acquired a new economic, social, and political system and abandoned developed socialism for capitalism. His coming to power can be described as a bourgeois revolution.

There is a more or less general consensus that the Rose Revolution was triggered by falsifications of the results of the November 2003 parliamentary election, but the real causes go deeper than that. Popular discontent with the election results just set the ball rolling. The deepening social inequality and the contradictions between the poor majority and the rich minority, as well as between business and bureaucracy, were the true reasons for the removal of Shevardnadze and his regime.

There were subjective reasons as well:

- (1) the political elite split when some of its prominent members joined the opposition on the eve of the revolution;
- (2) this part of the Georgian opposition was supported from abroad;
- (3) the well-organized opposition mobilized and brought huge crowds into the streets;
- (4) the opposition largely controlled the NGO network and foreign foundations functioning in the republic;
- (5) the opposition had the support of the media, especially of those which it controlled (Rustavi-2 TV sided with the opposition);
- (6) the regime, which had enough strength to restore law and order, remained passive and undecided.

The Rose Revolution or a Globalizers' Coup?

To decide whether the Rose Revolution was a revolution or a mere coup d'état, we should return to two of the parameters described above. The huge crowds engaged in unconstitutional activities characterize it as a revolution. In November 2003, the change of power was brought about through

mass illegal actions and the use of force, which produced a psychological rather than physical effect. The scope of the changes, on the other hand, makes the picture less clear: November 2003 changed a lot, but not enough to assess the changes as revolutionary. The changes should be assessed according to the following parameters:

- (1) replacement of the old state machinery with a new one;
- (2) emergence of a generation of globalizers;
- (3) anti-criminal struggle;
- (4) institutionalization of capitalism, which finally left the stage of “uncivilized capitalism” behind;
- (5) institutionalization of state power by tightening state discipline, accounting, and control;
- (6) constitutional changes.

Struggle Against Corruption and Smuggling. Institutionalization of State Power

The November events were of an obviously anti-bureaucratic nature. The previous regime relied on bureaucracy for its continued existence, while the people and the business sphere, which made the bureaucracy rich, were dead set against it. Before coming to power, Mikhail Saakashvili promised that the bureaucrats would lose their ill-gotten gains, which meant expropriation of expropriators. He also promised to retrieve the money corrupt bureaucrats had stashed away in Swiss banks. After coming to power, however, the new president limited himself to expropriating several expropriators, his actions never reaching the promised scope, while the second promise was never fulfilled at all. Once in power, Saakashvili and his movement passed a law on illegal property, the effect of which proved negligible: several heads of criminal groups lost their possessions. The explanation is simple: once in power, the “revolutionaries” began grabbing property left and right. Immediately after the coup, the new people in power moved into business and started amassing property. On the second day the newly elected parliament was in effect, its deputy, one of the active members of the United National Movement (the party that won the election), was detained in the State Chancellery as he passed on a bribe from Batumi businessmen to one of the top cabinet members. The latter’s name was never disclosed to the public.

Corruption and smuggling were two targets of the new regime. According to the media, however, it moved mainly against those who had no patrons in the corridors of power; the political elite was rumored to be guilty of both vices. Shortly before he was removed from his post State Minister Khaindrava, in a TV interview, accused the head of military police, a man close to the then Minister of Defense Okruashvili, of smuggling. In her article “How Nogaideli Became Rich,”³ journalist Eka Sekhniashvili referred to documents stating that Premier Nogaideli had made it rich as finance minister through shady dealings involving state treasury obligations. According to journalists, as minister of the interior at one time, Okruashvili became interested in the shady dealings in the Ministry of Finance; the then Premier Zurab Zhvania moved in to protect future premier Zurab Nogaideli.

³ *Alia*, 23-24 November, 2006.

The new regime strengthened the institutional structure of state power, tightened control over the state functionaries and their accountability, and replaced bureaucratic control over society with state control. Yet it was petty smugglers and bribe-takers with no influential patrons who were sacrificed to the new rules of the game. A series of recent scandalous publications, in particular the stories of former head of the forest department B. Giorgobiani and former head of the auditing chamber Nachkebia, revealed that state functionaries and at least some of the post-revolutionary political elite had been shamelessly indulging themselves in smuggling and corruption.

Nothing much has changed since the Shevardnadze era. Bureaucracy and the political elite have merged with the business community and use the state machinery to promote its, and their, interests. B. Giorgobiani said in so many words on TV that the republic's "forest business" had been divided among district heads, the public prosecutor's, state security, and central power structures. What he revealed about timber smuggling from Georgia cost B. Giorgobiani his post and his country, which he left.

Institutionalization of Capitalism: Business and the Government

The new leaders have been concentrating on institutionalizing capitalism at home. In the past, under Shevardnadze the state encouraged business activities with the conviction that the objective historical process of capital accumulation would finally produce a national bourgeoisie that would need law and order. It was expected, therefore, that the period of primary "uncivilized" accumulation of capital would develop into civilized capitalism. Those in power used these arguments to justify the permissiveness of the Shevardnadze era and avoided coercion as a way to make developing businesses toe the line. Under Shevardnadze, it was a more or less spontaneous process that guided state-building. The republic became one huge marketplace. The old elite, which included, along with the president, the future leaders of the Rose Revolution (Saakashvili, Zhvania, Nino Burjanadze, Nogaideli, and others) exchanged the unrestricted freedom of big businesses for the money they needed to pay for election campaigns (often at the expense of the state treasury). On the eve of the Rose Revolution, for example, during TV debates with Nogaideli, the then State Minister Deputy Zoidze revealed that during the parliamentary campaign of 1999, the budget lost a large share of petrodollars. He reminded his opponent that the Civil Alliance (Shevardnadze's party) and oil business signed an agreement under which businessmen were exempt from taxes in exchange for the Alliance's financial support.⁴

The new political elite steered the country toward institutionalizing capitalism; this meant that business should follow the rules and norms established for it by the state; business activities were subjected to closer accounting and control and were expected to serve the tasks of state-building and public order. In real life, however, the steps designed to translate the above into practice were checked by the ruling elites' political and economic interests and were channeled against micro and small businesses. This narrowed down the ruling party's social base and sent up the level of public discontent. The process reached its peak in the wave of clashes between the police and petty merchants that swept Georgia. The government wanted them to vacate the marketplaces where they worked to put up more prestigious projects instead. The merchants, in turn, refused to move. The government sent the

⁴ See: Kurieri TV program, 30 June, 2003, at 9 p.m.

police to teach the recalcitrant traders a lesson; the infuriated crowd pushed the police back and occupied the market. The government, in turn, dispatched the riot police; law and order was finally restored after fierce clashes.

Institutionalization of capitalism presupposes that the business community should become accountable to the government, while the official structures will tighten their control over it. From that time on the business community was expected to stay within the law. This makes the law extremely important for businesses to remain afloat. The government is trying to regulate business with the aim of helping it to grow stronger—but this regulation is not at all to the liking of micro and medium businesses. Institutionalization brings to the fore the sharp contradictions between large and medium and between small and micro businesses. The latter two find it especially hard to obey the rules—the new control methods demand money. This explains the protests against the government, which obligated petty merchants to buy cash registers to improve control over their transactions. The relatively large businesses with more money were in a better state—the new requirements rid them of their relatively small rivals.

The coup undermined the public mechanism of control over the ruling elite and its urge to expand its power, which made political control over the business community much tighter, more direct, and more obvious. The cabinet openly threatened businesses to force them to obey its political aims. State functionaries continue to patronize businesses (a phenomenon inherited from the days of Eduard Shevardnadze), but it seems that now fewer businesses are under state protection, although they are larger in size. By gradually developing into an economic regime, the political regime is undermining honest market competition. Large firms with high-ranking patrons in the government and among the political elite squeeze their competitors from the market by non-economic methods.

Institutionalization of capitalism has encouraged the expropriation of private property. After the revolution, donations of property to the state became “fashionable.” The *Alia* newspaper wrote in this respect: “Recently, the number of alienations-donations in Georgia has reached catastrophic dimensions.”⁵ According to the Notary Chamber, in 2002 in Tbilisi alone, 499 contracts of alienation and donation were registered; the figure for the provinces was 833. In 2003, there were 1,059 such transactions in Tbilisi and 425 in the provinces; the figures for 2004 were: 1,890 in Tbilisi and 728 in the provinces. The newspaper continued: “It is hard to say whether the public prosecutor’s office was involved, but knowing how fond the government is of taking away other people’s property, there appears to be no doubt that it was. Here is a far from complete list of the donated enterprises: the Elektrovozostroitel (39 percent of the total number of shares) and Elektrovagonostroitel (42 percent) joint-stock companies; PLCs Arena meat packing plant (60 percent); Farma-Alliance pharmaceutical company (51 percent); Traktorny tractor factory (13.4 percent); the Elektrotekhnik joint-stock company, which produces electronic devices (8.8 percent); PLC Idzhiey cast-iron producer (50 percent), a car factory in Kutaisi (59 percent), etc. According to Melashvili, a member of the National Front, this frenzied activity could have become possible only if the country was flooded with investments. He added that even China, which attracted huge amounts of money, was never flooded with investments and concluded that what was going on in Georgia meant that the old owners had simply been robbed of their property. The fact that markets, expensive buildings, and land plots changed hands testified to it. The shareholders of the Zhiner energy firm, which rented the Zhinvalskiaia hydropower plant to supply Tbilisi with electric power and water and created good profits, lost 61 percent of its shares. On the same day, 13 January, 2005, its nine owners had to sign a contract on donating different parts of their shares. Some of the enterprises listed above were not particularly profitable; some of them were doing well. There are facts that say that the state forced the owners to part with property in favor of the state.

⁵ *Alia*, 21-22 December, 2006.

The director of Liakhvi, for example, signed a contract of donation under a procedural agreement with the public prosecutor's office. The director of Kommersant-95, another firm appropriated by the state, signed a similar document in prison without consulting fourteen shareholders. The minutes of their meeting, at which they agreed to part with the shares, appeared twenty days later. Today, both directors are free."⁶

The laws and regulations applied to the institutionalization of capitalism are spearheaded against small businesses: they find it hard to adjust themselves to the new rules, while the law-enforcement structures find it easy to blackmail and rob their owners.

Replacing the Old State Machinery with New

Those who are building democracy in Georgia are guided by the task of creating new, politically neutral state machinery able to keep in check all the rivaling political forces and teach them to obey the democratic behavior code. From the very beginning of the republic's post-Soviet development, the national bureaucracy has been a slave of the dominant political force, an instrument it used to remove political rivals. This is especially true of the courts of justice, the police, the state security structures, and the public prosecutor's office. The post-communist republic has evidently inherited from its predecessor a state which is a fusion of the government and the political elite. It is this special feature that is the main source of reproduction and development of the political system's authoritarian trends. This fusion interferes with political competitiveness and cements the economic foundations of the political domination of one group or another. Business and the economy are subordinated to political interests. Some of the Soviet political features are thus reproduced: politics and the economy are fused into a single whole in which the economy is dominated by politics and is, therefore, excessively politicized. This became especially evident when, some time ago, the country's political leaders ordered private firms, which had nothing to do either with wine-growing or wine production, to buy grapes from Kakhetian wine-growers to avert mass protests. Under Shevardnadze, who was busy building up state institutions and expanding their influence, the ruling elite and bureaucracy formed a political alliance based on mutually advantageous market principles: the state functionaries exchanged their political support of the government for administrative powers used to promote private interests. In this way, the bureaucracy developed into a new social stratum that took the state and society hostage; this new social group delegated its members to the newly developing bourgeoisie, thus transforming its administrative powers into economic. Then minister of communications Indzhia is one of the most graphic examples: after he became minister, he also became a millionaire with vast properties in the communication sphere. The most enterprising among the state functionaries grew rich under the umbrella of the omnipotent bureaucracy where state control and accounting were virtually non-existent. Unbridled privatization and the business community's consistent violation of laws created a new social stratum.

Those who worked in the state structures (the police, public prosecutor's, security, and taxation structures) could improve their statuses in the economic system. In this way, the state institutions fused with the private sector and interfered with the very much-needed institutionalization of the state by furthering the civil servants' private economic and business interests. This paralyzed everything that should have been done on the domestic scene and placed private interests above those of the state.

⁶ Ibidem.

State development required stricter state discipline and demanded that civil servants and administrative power adhere faithfully to the law. What is more, the government should be transformed into a tool for carrying out policy. After November 2003, the political elite resolved to establish its complete control over the bureaucrats to use them as a political tool. Throughout its post-communist history, Georgia has been gradually and surely changing the structure of its state machinery; it was only after November 2003 that the government became resolved to weed out the remnants of the communist past and move closer to Western standards.

There are three directions in which the process is unfolding:

- (1) creation of new structures to replace the Soviet ones;
- (2) new methods of recruiting civil servants;
- (3) changes in personnel management.

The law-enforcement sphere, which was more punitive than law-enforcing and was the most corrupt, according to common opinion, experienced the most radical changes. The old structures were replaced with new ones immediately after the revolution: the old traffic police was liquidated; today the streets are patrolled by police that are responsible for highway control and keep an eye on street crime. Old employees were dismissed en masse and the vacancies filled with new inexperienced officers.

Today vacancies in the civil service are filled by means of competitive selection. This method could have expanded the bureaucracy's social base, added transparency to its functioning, facilitated public control over employment, and helped to employ honest and professional people. Competition could have promoted social mobility based on merits, experience, and knowledge. This, in turn, would have stabilized the political system, made society more democratic, and created meritocracy. However, political and clan interests are undermining the new method's efficiency and turning this method into a "democratic disguise" of the ruling elite's interests, since society has no adequate force and influence to bridle the top circles' lust for power.

Personnel management has also changed: the ruling elite is convinced that those who served and acquired experience under the old regime cannot be used in the new conditions: they are very slow to master Western standards and progressive methods. Civil servants were driven away in large numbers, and after the revolution the vacancies were filled by means of competitive selection. Today, the average age of Georgian bureaucrats is much lower than before: all people of 50 and over were weeded out without explanation. All the new bosses (ministers and others) ordered their subordinates to resign; after that the new functionaries were employed by means of competitive selection. At the second stage, those who passed the tests with the best marks were invited for interviews: the final decisions rested with the bosses. In the absence of a real system of distribution of powers and their mutual control and restraint, as well as of public control over the authorities and responsible governance, the system became a smokescreen behind which voluntarism and subjectivism in personnel management is flourishing. Patronage is reaching far and wide, encompassing not only political, but also the administrative posts of sector and department heads, etc. The November regime change extended the administrative powers of ministers and administration heads by undermining the rights of salaried workers. This created even stronger clan ties. As soon as Defense Minister Okruashvili was removed from his post, nearly all those employed by means of competitive selection were dismissed. Even though the screening was completed several days before the minister's resignation, he did not have time to authorize the results, and D. Kezerashvili, the newly appointed minister, annulled the results and set the date for a new screening process.⁷

⁷ See: *Rezonansi*, 1 February, 2007.

Local Elections

The 2006 local elections opened a new page in the history of undermining the democratic mechanisms. The ruling elite exploited its administrative resource, not so much to falsify the results as to put the competitors in uneven conditions. It used

- (1) gaps in the laws;
- (2) the administrative resource, which allowed the people at the helm to use the weight of the state to tip the balance in their favor;
- (3) the business community completely dominated by the ruling elite, which allowed the latter to stem the money flow going to the opposition;
- (4) wage earners who were completely at the mercy of their bosses.

The government skillfully exploited the fact that the laws said nothing about the exact terms for holding elections: the president set a date that favored his party and, unexpectedly for the opposition, cut the campaigning short, which left the latter short of time.

The ruling party had all the state departments at its disposal: it could mobilize the electorate to acquire the desired results without falsifications. According to Kukava, member of the parliament from the Conservative Party, “the government became even more dangerous; it maneuvered the opposition into an impossible situation. While in the past the results were falsified by merely adding the needed number of ballot papers to the ballot boxes, today the government relies on money. The entire state machinery is busy gathering votes for the ruling party.”⁸ In Imeretia, the employees of the taxation structures were instructed to gather at least twenty people each who would pledge to vote for the United National Movement, the ruling party. Gugava, a member of the Labor Party, said that the civil servants had been persuaded to vote for the National Movement under the threat of losing their jobs.⁹

The heads of the district administrations (*gamgebelis*) used money to organize and encourage the movement’s active members. According to one of the most active of them, who also sat on the local election commission, the *gamgebeli* of the Isan District of Tbilisi gathered the activists of this movement to promise 70 laris to everyone who enlisted twenty supporters of the National Movement and reminded the gathering that despite the outcome he would remain in his place and that “sooner or later” they might need his support.¹⁰ The National Movement’s functionaries used money, psychological pressure, violence, and blackmail to mobilize the voters. This is what members of the election commissions from the ruling party had to say. One of them, for example, said: “The National Movement activists demonstrated high efficiency: they brought old people in cars to the polling stations nearly by force; the voters held the Movement’s red booklets and were instructed to be very careful and mark No. 5 (the number of the National Movement) on the ballot form.”¹¹

With the help of the taxation service, the Public Prosecutor’s Office, and the Ministry of the Interior, the ruling elite scared the business community enough to stop funding the opposition. This explains the vast gap between the sums the ruling party and the opposition reaped in the form of donations during the 2006 election campaign (see Table 1).

The above testifies to the moral and psychological climate in the business community after the revolution. The number of sources funding the National Movement and the opposition parties sug-

⁸ *Alia*, 12-13 December, 2006.

⁹ See: *Rezonansi*, 18 October, 2006.

¹⁰ *Ibidem*.

¹¹ *Ibidem*.

Table 1

The Party	Donations, laris	Sources of funding	
		Legal persons	Physical persons
United National Movement	3,667,383	123	23
Davitashvili, Khidasheli, Berdzenishvili Bloc (opposition)	88,956.21	1	26
Industry Will Save Georgia (opposition)	523,758.51	8	3
Sakartvelos gza (opposition)	43,945	0	3
Labor Party (opposition)	13,277	0	from physical persons

Based on data supplied by *Alia*, 31 October-1 November, 2006.

gests that businessmen were afraid to give money to the opposition. While the National Movement received money from 146 sources, the main opposition parties were funded from 41. The money came from physical and legal persons, the correlation between them changing depending on the recipients. The National Movement was mainly supported by legal persons—123 compared with 23 physical persons, while the opposition was mainly supported by physical persons: 32 compared with 9 legal persons. Obviously afraid of giving money to the opposition, businesses preferred individual donations, legal persons being strictly controlled by the state through financial institutions.

Raising a Generation of Georgian Globalizers

The Rose Revolution destroyed the political barriers that interfered with the free development of the new ideological and spiritual processes. “Liberate Yourself from the Old Prejudices—Be Free” is the slogan of a TV youth program run by the public channel, which puts in a nutshell the meaning of the changes in Georgia’s national identity and behavior norms. The role of national identity in personal self-awareness has been undermined; public life is losing its typically Georgian features. Prof. M. Tsatsanashvili has pointed out: “There is a lot of talk about the victories scored by our government, yet they are scored at the expense of Georgian spirituality.”¹²

The educational system is playing one of the key roles in raising a generation of globalizers. It, and science, has been subjected to the most radical changes.

After the revolution, science and education fell into the clutches of the globalizers of the Soros Foundation and the Freedom Institute. K. Lomaia, former head of the Soros Foundation in Georgia, was appointed minister of the newly created Ministry of Education and Science. The new minister dismissed the old employees and hired a new staff by means of competitive selection. The newly hired civil servants have close ties with the republic’s globalization centers (the Soros Foundation–Open Society Institute–Georgia, Freedom Institute, and others) and the ruling party. The republic’s Acade-

¹² *Akhalgazrda Iverieli*, 30 November-10 December, 2006.

my of Sciences was reformed: its institutes became legal entities, while the Academy was deprived of its function of guiding scientific and scholarly studies. This function now belongs to the Ministry of Education. The secondary and higher education system was also transformed; enrolment in the higher educational establishments is based on nationwide entrance exams, which have largely eliminated corruption in this sphere. The academic councils acquired the right to elect the rectors, certain functions of whom were transferred to the councils and elected senates. The changes raised a wave of opposition in the academic community, which had its own ideas about the future of science in Georgia. Tbilisi State University (TSU), for example, was rocked by fierce clashes between the rector's office and the lecturers who objected to the changes, which violated the laws. Only the police were able to pacify the professors and disperse the most active protestors.

The secondary education system was also reformed: parents acquired more rights at the expense of the rights and powers of teachers and directors. The parents and teachers elect boards of guardians, which, in turn, are empowered to elect the directors. The state no longer funds the schools—the money goes to the pupils, each of whom is free to change schools, taking his money with him. This was done to improve school teaching and education, while real life, as is often the case, produced different results. Small schools have found it hard to survive, which has increased the number of larger schools with larger student bodies. The number of students becomes too large for efficient management, maintenance of discipline, and good academic performance. This is indirectly shown by widespread private tutoring.

Management of science and education has allegedly become more democratic, but today it is far removed from true democracy: it merely camouflages the power and influence of the Ministry of Education and Science, which controls everything in its sphere of competence. This explains why the election results of the TSU rector brought no surprises: everyone knew that the Ministry's candidate would win.

C o n c l u s i o n

The question "Is it absolutely correct to describe Saakashvili's coming to power as a revolution?" should be answered in the negative. It did not affect the very roots of social order, or the forms of its social stratification and distribution of power and influence. The "revolution" produced mainly quantitative, rather than qualitative changes: the state and the government became even closer, the civil service became more politicized, while the political machine was completely appropriated by the ruling elite. Business and the economy are completely dominated by the government political goals. Society fears the state structures even more than before. All the changes in the post-revolutionary era are rather superficial, but administration has improved because of the institutionalization of state power. Some of the changes were inherited from the previous regime: the "revolution" merely added to their scope and pace. This is true of the reform in the education system. Still, all the post-November 2003 changes unfolded against the extended reproduction of the elite administration methods also inherited from the Shevardnadze era. There have been no qualitative changes that could help the country to finally leave the stage of post-communism behind. This is explained by the specifics of the democratization process, which was never an aim in itself in Georgia, but was launched in the interests of new forms of social stratification and economic structure. For this reason, the process is inevitably accompanied by worsening economic, social, and cultural conditions.

REGIONAL POLITICS

**CENTRAL ASIAN AND
CAUCASIAN STRATEGY:
SEVERAL MODELS OF INTERRELATIONS AMONG
THE U.S., CHINA, AND RUSSIA**

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Several development trends in global policy have stabilized recently, which makes it possible to put forward certain hypothetical models of interrelations among such major players in international relations as the U.S., Russia, and China. In turn, by creating models of the interrelations among these states at the global level, certain conclusions can be drawn that are beneficial for drawing up the paradigms of Washington's, Moscow's, and Beijing's Central Asian and Caucasian strategies.

This article makes an attempt to analyze certain aspects of this problem, taking into ac-

count the growing urgency of issues relating to cooperation among the indicated powers within the framework of their foreign policy strategy in Central Asia and the Caucasus. For example, the results of this study, which was conducted by means of a factorial and comparative analysis, make it possible to forecast the appearance of a new conception of world order in the near future, in which the balance will tilt in favor of U.S.-PRC interaction, while Russia will be pushed into the background. For example, the results of the analysis show that the model of the declared

strategic U.S.-Russia partnership is disintegrating and the U.S.-PRC dialog is gaining momentum in the face of the rise in Russia's demonstrative strategic support of the Islamist forces on the international arena. Moscow is thus trying to es-

tablish strategic interaction with the mentioned forces, which the Kremlin regards as its most "efficient" partners in counterbalance to the U.S. (and possibly to the PRC in the future) on the global scene.

Failed Model of Strategic U.S.-Russia Partnership

Formation of the model. In 2000, the outlines of a new model of strategic U.S.-Russia partnership appeared as the trans-Atlantic U.S.-EU partnership broke down due to the European Union's desire to play an autonomous role in world politics. The new model began taking shape during the meeting between presidents Vladimir Putin and George Bush at the American president's ranch. In 2001, when Vladimir Putin allowed U.S. armed forces to be deployed in the Central Asian countries, this model began to be viewed as one of the possible viable paradigms of the two major players' policy in the region.

The first steps toward implementing this model were reflected both in conceptual documents and in specific spheres of Russian-American cooperation. For example, the principles of a bilateral partnership dialog were enforced in the Moscow Declaration on New Strategic Relations signed by presidents Vladimir Putin and George Bush in May 2002. The priority areas of these relations were defined as joint efforts in ensuring international security and strategic stability, fighting international terrorism, opposing other new global challenges and threats, assisting in settling regional conflicts, developing economic trade relations, and expanding contacts between societies and people.¹

Summit and other top-level meetings are playing an important role in advancing Russian-American partnership and giving it additional stability. Since 2001, there have been 17 meetings between the presidents of the Russian Federation and U.S. (both in the bilateral format, and within the framework of multilateral forums), including Vladimir Putin's visits to the U.S. (November 2001, September 2003, and September 2005), as well as George Bush's visits to Russia (in May and November 2002, in June 2003 to participate in the jubilee celebrations in St. Petersburg, and in May 2005 to participate in the celebration of the 60th Anniversary of Victory in WWII in Moscow).

We will note that the National Security Strategy approved by George Bush in 2002 dealt with the *strategic partnership* with the Russian Federation, which "is in the midst of a hopeful transition, reaching for its democratic future and a partner in the war on terror."²

¹ For more on Russian-American relations see the Reference Information of the Department of Information and the Press, Russian Ministry of the Foreign Affairs, 18 April, 2006, available at [<http://www.mid.ru/nsrsam.nsf/1f773bcd33ec925d432569e7004196dd/16dd0c29bd3ef47343256a2c0040bfb4?OpenDocument>].

² *The National Security Strategy of the United States of America*, THE WHITE HOUSE, Washington, 17 September, 2002, available at [<http://www.state.gov/documents/organization/15538.pdf>], p. iv (see also in this same document: "Having moved from confrontation to cooperation as the hallmark of our relationship with Russia, the dividends are evident: an end to the balance of terror that divided us; an historic reduction in the nuclear arsenals on both sides; and cooperation in areas such as counterterrorism and missile defense that until recently were inconceivable," p. 13; "With Russia, we are already building a new strategic relationship based on a central reality of the twenty-first century: the United States and Russia are no longer strategic adversaries. The Moscow Treaty on Strategic Reductions is emblematic of this new reality and reflects a critical change in Russian thinking that promises to lead to productive, long-term relations with the Euro-Atlantic community and the United States," p. 26).

In addition to fighting terrorism, cooperation in the energy sphere was also a component of this partnership. In 2002, Russia agreed with its Western partners that a free market and competition are the most important factors in ensuring global energy security. The outlines of a broad American-Russian energy partnership were designated keeping in mind that the U.S. will be able to satisfy approximately 20% of its demand for energy resources by means of the Russian Federation's deliveries of oil and liquefied gas.

For example, on 28 May, a working meeting was held between Gazprom's Chairman of the Board Alexei Miller and U.S. Secretary of Energy Spencer Abraham at Gazprom's central office.³ Questions of cooperation in liquefied natural gas (LNG) production technology and its delivery to the American market were discussed. Spencer Abraham confirmed the interest of the U.S. Administration in creating favorable conditions for developing business cooperation between Gazprom and American energy companies. Alexei Miller informed Spencer Abraham about the course of the talks and plans for joint efforts in 2004 with American partners regarding marketing questions and the sale of Russian gas in the U.S. Alexei Miller said that a discussion would soon begin with the Russian government about a Production Sharing Agreement for the Stockman gas-condensate field, which has been defined as the main raw material base for delivering LNG to America.

During the bilateral dialog, the sides noted frequently that access of Russia's hydrocarbon resources to the American energy market will promote opening up of Russia's oil and gas infrastructure to multi-billion investments from the U.S. The fact that as early as 2004 such oil and gas companies as Shell, Mobile, ChevronTexaco, and ConocoPhillips accounted for more than 50% of all U.S. direct investments in Russia shows America's special interest in Russia's energy resources.

All the same, because of several systemic factors, this model of U.S.-Russia strategic partnership could not stand up to the mutual mistrust and mutually exclusive interests of both sides, which in the initial excitement over the prospects of partnership turned out to be only temporarily pushed into the background. Neither Moscow, nor Washington were able to completely eliminate these factors, and as a result, the model under review began to rapidly disintegrate.

Disintegration of the model. One of the main reasons for the deterioration in the American-Russian dialog was the U.S.'s actions, which in most cases ignored Russia's interests in the key regions of the world, particularly those located along the Russian Federation's borders (including in Central Asia and the Caucasus), by carrying out its own foreign policy strategy of unilateral planetary domination. What is more, Washington stepped up its direct interference in Russia's internal affairs, which was mainly expressed in the U.S.'s systematic demands for decentralization of the Russian Federation government by liberalizing management in strategically important spheres. America insisted in particular that state monopoly of the mass media, as well as of management in the energy sphere, be slackened.

Several U.S. officials criticized Russia for its disagreements with America over Iraq, Iran, and Northern Korea, and for selling weapons to China, Syria, and Venezuela (to President Hugo Chavez). The U.S. criticizes Vladimir Putin for "curtailing the democratic reforms, for exercising state control over the mass media, and for appointing governors instead of holding direct elections."⁴ As Russian ambassador to the U.S. Yuri Ushakov notes, there is hardly a politician in Washington who has stayed away from attacking Russia lately.⁵ The surge in public rhetoric, a new barrage of anti-

³ For more on the results of the working meeting between Gazprom Chairman of the Board A. Miller and U.S. Secretary of Energy S. Abraham see the Report of Gazprom's press service, 31 May, 2004, available at [<http://www.mid.ru/ns-rsam.nsf/1f773bcd33ec925d432569e7004196dd/432569d80021825ec3256ea50031257c?OpenDocument>].

⁴ Russian President Vladimir Putin's interview with the American television channel Fox News. Washington, 17 September, 2005. Report of the Russian President's press service, available at [<http://www.mid.ru/ns-rsam.nsf/1f773bcd33ec925d432569e7004196dd/432569d80021825ec32570820043c9e1?OpenDocument>], 20 September, 2005.

⁵ See: Yu.V. Ushakov, "Making Things Rough," *The Washington Times*, 19 May, 2006, available at [<http://www.washingtontimes.com/op-ed/20060518-091431-5583r.htm>], 19 May, 2006.

Russian charges regarding, in particular, the state of Russia's democracy and its alleged use of energy resources for political ends, can only invite, in the ambassador's words, mutual irritation. In any case, "such a talkfest can hardly facilitate Russian-American joint work on burning international issues." Yuri Ushakov pointed out that, "given the nature of our bilateral relations when the public sentiment and the mindset of the think-tank establishment are so heated, actions designed to hurt each other would only seem an easy and 'logical' option. Making things rough for Russia has nowadays become in vogue, all the more that stereotypes and habits dating back to Soviet times have all but disappeared."⁶

These actions by America had an impact on its strategic partnership with the Russian Federation, leading to an increase in Moscow's lack of confidence in Washington. This caused an abrupt cooling off in bilateral relations. The Kremlin tightened its control over the main elements of Russia's energy infrastructure. YUKOS head Mikhail Khodarkovsky was arrested. Gazprom's Chairman of the Board Dmitri Medvedev became first vice-premier, and head of the Presidential Administration Igor Sechin became chairman of the board at Rosneft, the most rapidly growing energy structure in the Russian Federation. LUKoil and other Russian companies essentially had free access to controlling blocks of shares in American energy enterprises operating in the Russian Federation (for example, Getty Petroleum).

What is more, new priority (eastern) directions for exporting Russia's energy resources were defined. For example, on 3 April, 2006, head of the Ministry of Industry and Power Viktor Khristenko said that the share of the APR countries in Russian oil export will rise from the present 3% to 30% by 2020, and in gas from 5% to 25%. In his words, the significant increase in deliveries was related to the plans for building the Eastern Siberia-Pacific Ocean oil pipeline with a branch to China.⁷ According to Viktor Khristenko, the new route will make it possible to export up to 80 million tons of oil a year to the APR states (up to 30 million tons a year of which will go to the PRC; these deliveries will begin in 2011).

The ongoing mutual lack of confidence between Washington and Moscow made it obvious that the model of Russian-American strategic partnership had failed. In so doing, the breakdown in this model led smoothly to the formation of a new model of interrelations—the model of U.S.-Russia strategic opposition.

Current Model of U.S.-Russia Opposition

The crux of the model. The crux of the current model of interrelations between the U.S. and the Russian Federation is defined by a tendency toward systemic, open American-Russian strategic opposition. The tenacity of this model is explained by the specific actions observed recently by Washington and Moscow aimed at dealing a serious blow to each other's interests.

High-ranking representatives of the Bush Administration, particularly Vice-President Dick Cheney, are speaking out in favor of taking a new tougher approach to the Russian Federation in the form of a small cold war. They are in favor of creating anti-Russian military alliances with Russia's neighbors and offering open support to President Putin's political opponents in the country itself. Everyone remembers Dick Cheney's impassioned speech in the Lithuanian capital, when

⁶ Ibidem.

⁷ See: M.V. Odintsov, «Perspektivnoe razvitiye neftegazovoi otrasli, magistralny truboprovodny transport,» *NefteRynok*, January 2006, available at [http://www.council.gov.ru/kom_home/kom_est/smi/oil.htm].

he battered Moscow with accusations of anti-democratism and energy blackmail combined with his attempts to knock together an energy alliance against Russia. After accusing the Russian Federation of anti-democratic tendencies, the very next day, Dick Cheney showered the presidents of Kazakhstan and Azerbaijan with compliments, which shows the influence of this model of interrelations between the U.S. and Russia on the geopolitical situation in the Caucasus and Central Asia.⁸

In this context, the series of velvet revolutions in the CIS led to the Russian Federation fundamentally reviewing its foreign policy with regard to the West as a whole, and to the U.S. in particular. In response, Russia has recently begun reinforcing its geopolitical position in the post-Soviet expanse and its own armed forces, as well as making active use of the energy component as a tool of influence.

In turn, the American Administration is gradually withdrawing from its close interaction with the Russian Federation and assuming a tougher stance toward Moscow in most of the controversial issues of bilateral and multilateral interaction. In so doing, the tension between Russia and America is rising, since both nations are playing a zero game in an attempt to have an impact on the post-Soviet states, as well as in their own military rivalry in Central Asia and the Caucasus. On the one hand, the representatives of official Russian circles often state that the American armed forces deployed in Central Asia should leave the region. While on the other, American officials are talking in favor of turning the Russian military out of the Caucasian republics, in particular, Georgia. Such statements are being voiced in both the SCO and the OSCE.

This strategic rivalry is giving rise to the main character traits of the new model of interrelations between the U.S. and Russia.

The model's basic operating principle. At the current stage of implementing this model, its main operating principle is characterized by asymmetry in the alignment of forces and positions of the two sides. For example, within the framework of the model, America is affecting Russia's vitally important interests by hinting at the removal of the current political regime in the medium term and the violation of Russia's territorial integrity in the long term. All the same, the reciprocal steps taken by Moscow can only pose a real threat to Washington's foreign policy strategy by restraining its ambitions in several geostrategically key regions of the world (including in Central Asia and the Caucasus), without affecting the U.S.'s vitally important interests in so doing.

According to some Russian experts, patent elements of the so-called Anaconda Plan can be seen in America's foreign policy strategy. This theory envisages geostrategically surrounding the Russian Federation with springboards of anti-Russian forces, as well as further penetration of direct Western influence into the depths of the country.

For example, Washington is openly and most actively supporting the pro-Western political regimes appearing on Russia's perimeter as a result of the Color Revolutions. In so doing, these efforts are particularly active with respect to Georgia, which is located in the direct proximity of Chechnia and potentially capable of manifesting the greatest activity in the hypothetically possible plans to dissect the Russian Federation in the future. This development of events is unacceptable to Russia. For example, this had an effect on the bilateral diplomatic relations between the two nations: for example, U.S. Ambassador in Moscow William Burns was handed notes of protest regarding Washington's Caucasian policy.⁹

⁸ See: St.L. Myers, "Strong Rebuke for the Kremlin From Cheney," *The New York Times*, 5 May, 2006, available at [<http://www.inosmi.ru/translation/227259.html>], 5 May, 2006.

⁹ For more on Russian Deputy Foreign Minister S. Kisliak handing notes of protest to U.S. Ambassador in Moscow William Burns see 661 Press-Report of the Russian Foreign Ministry, 18 April, 2006, available at [<http://www.mid.ru/ns-rsam.nsf/1f773bcd33ec925d432569e7004196dd/432569d80021825ec3257154004873a4?Open Document>].

America's policy regarding Georgia is showing its interest in the supply routes passing through the Caucasus (including from the viewpoint of ensuring the security of the Baku-Tbilisi-Ceyhan pipeline). But, in the opinion of certain Russian experts, Caucasian oil cannot be compared in any way (in terms of reserves) with Middle East oil, and is not of any strategic importance to Washington. In this respect, as several Russian analysts believe, America's Caucasian policy is most likely aimed at further geopolitical penetration into the Russian Federation by means of Georgia's membership in NATO and drawing the borders of the Alliance's member states closer to Chechnia. In the future, this would make it possible to internationalize the Chechen problem, thus justifying NATO's involvement, as well as the involvement of the international community, by the need to enlarge it and, in so doing, beginning an operation to dissect Russia.

Due to the rising disagreements between the Russian Federation and the U.S., Moscow is enhancing its interrelations with forces unfriendly to the United States, including Islamic.

Emerging Model of Strategic Russia-Islamic World Partnership

The idea of creating an anti-Western union of Islamist forces was first put forward by Khomeini, the leader of the Islamic revolution in Iran, in his letter to Mikhail Gorbachev (when the collapse of the U.S.S.R. was in full swing). Today, Moscow is offering a similar initiative that has been adapted to the new reality. For example, against the background of an increase in anti-American sentiments, Russia is taking measures to reinforce the Kremlin's positive image among the Arab-Muslim countries. The Russian Federation is rapidly developing its cooperation with these states in bilateral and multilateral formats. The Russian Federation became an observer in the Organization of the Islamic Conference (OIC) on 20 June, 2005. Under the Kremlin's patronage, a so-called Russia-Islamic World Strategic Vision Group has been formed called upon to expand cooperation between the Russian Federation and Islamic countries. The first meeting of this structure took place in Moscow in March 2006. On 30 August, 2006, the Group's second meeting opened in Kazan. Sergei Sobianin, head of the Russian Presidential Administration, his deputy, Vladislav Surkov, Alexei Grishin, Russian Presidential Administration Advisor, Evgeni Primakov, Chairman of the Russian Chamber of Commerce and Industry, and other high-ranking officials took part in this event.¹⁰

In addition to this, Russian Foreign Minister Sergei Lavrov noted that he is in constant contact with the foreign ministers of Arab states and maintains contacts with the League of Arab States. Sergei Lavrov is sure that "at present, the Arab countries see Russia as a true friend willing to come to their aid in times of trouble and openly and honestly cooperate and assist in the development of these states and the reinforcement of their position in the world."

Main idea. The main idea of this model of strategic relations is anti-Americanism. Moscow rendered Iraq and its now former president, Saddam Hussein, all kinds of political support right up until the last moment. The Russian Federation is also giving Tehran every possible political assistance (in spite of the demonstratively radical statements of President Mahmoud Ahmadinejad). Despite the strong pressure from the U.S. and European states, the Russian Federation is continuing to deliver arms to Iran¹¹ and a few other Arab countries, whose relations with America remain tense.

¹⁰ See: "Sobianina i Surkova zhdu v Kazani na zasedanie Gruppy strategicheskogo videnia," *Russia-Islamic World. MIGnews.com*, available at [http://www.volgapolitinfo.ru/news_priv/16996].

¹¹ Answer of M.L. Kamynin, the official representative of the Russian Foreign Ministry, to a question asked by ITAR-TASS about Russia signing a contract with Iran on arms deliveries. 2579-03-12-2005, available at [<http://www.mid.ru/ns-rasia.nsf/1083b7937ae580ae432569e7004199c2/432569d80021985fc32570cc003f74a5?OpenDocument>], 3 December, 2005.

The Russia's attitude toward HAMAS is more evidence of how serious its intentions are to use Islamist forces in its opposition to the U.S. In 2006, after inviting the leaders of this movement to the negotiation table, Moscow gave them the opportunity to emerge onto the international political scene independent of Washington, which considers HAMAS a terrorist organization. What is more, after HAMAS's ascent to power in Palestine, the U.S., along with Israel, halted the financing of the Palestinian national administration, while Russia continues to give it money, essentially subsidizing the Islamist formation.

Under these conditions, the strengthening of another trend is observed, which shows that a strategic dialog between the U.S. and PRC is being cultivated. In light of the formation of a model of a strategic Russia-Islamic World dialog, this trend is pointing to the formation of a model of interaction in the U.S.-PRC format as an alternative to the U.S.-Russia and/or Russia-Islamic World partnership models.

Emerging Model of PRC-U.S. Interaction

The first elements of the practical implementation of this model are seen in the latest changes in the policy of Washington and Beijing, which are sounding out the possibilities of expanding bilateral relations against the background of the growing anti-Americanism in Russia and Arab states, as well as the ever-present Sinophobia in Muslim societies.

In particular, China has recently been trying to show America its independence from Moscow in several international issues. Due to the tension in American-Russian relations, the PRC appears to be sounding out the U.S.'s viewpoint about bilateral rapprochement in global policy.

For example, China has recently been stepping up its cooperation with Washington's political satellites on the international arena. According to some data, at the end of 2005, Israel became the second country after the Russian Federation in terms of arms and military hardware deliveries to the PRC, after perceptibly downplaying the importance of the Chinese-Russian military-technical partnership.¹² What is more, during recent months, there has been an exchange of rather friendly official summit visits between China and such states as the Czech Republic, Poland, Lithuania, and Georgia, well-known for their active anti-Russian foreign policies. One of the most graphic examples of this approach by the PRC to strategic partnership with the Russian Federation is its policy in the Caucasus, in particular with regard to Mikhail Saakashvili's regime in Georgia.

In a joint statement signed by Chinese President Hu Jintao and Georgian President Mikhail Saakashvili, who made a visit to the PRC from 10 to 13 April, 2006, Beijing supports "Georgia's independence, appreciates and welcomes the efforts of the Georgian side to ensure domestic stability and develop the national economy."¹³ In this way, the PRC is officially supporting Tbilisi's position, which is not in harmony with that of Russia. According to the said document, Beijing considers the problems of Abkhazia and South Ossetia, which should be settled by means of peaceful negotiations "on the basis of respect for Georgia's state sovereignty and territorial integrity," to

¹² See: "Israel uvelichvaet ob'em 'kitaiskogo eksporta,'" 14 July, 2005, *MIGnews.com*. According to the reports of Globus, diamonds.net and MIGnews archives, available at [<http://www.waronline.org/forum/viewtopic.php?p=180965>].

¹³ "Kitai vydellil Gruzii grant v 2.5 mln doll. i prakticheski spisal gosdolg," 11 April, 2006, available at [<http://www.podrobnosti.ua/power/intpol/2006/04/11/304239.html>]. At the same time as Georgia, representatives of the other side "insulted" by Moscow were also in China. At the same time in 2006, Moldovan President V. Voronin paid a private visit to Beijing and discussed with the Chinese leadership the prospects of exporting wine, but, of course, Moldovan, to the PRC.

be the republic's internal affair. The PRC is "supporting all the efforts of the Georgian government in this area."¹⁴

After their talks, Mikhail Saakashvili and Hu Jintao signed a statement on the development of friendship and cooperation between Georgia and China, but the main event was Beijing's essentially complete writing off of Georgia's debt, which amounted to more than 3 million dollars.¹⁵ The sides agreed that Georgia should return only \$400,000, and the rest of the funds would be a grant from the Chinese government. In addition to writing off the debt, another important purpose of Mikhail Saakashvili's visit was to lobby the interests of Georgian winegrowers on the PRC market. After the Russian Federation introduced a ban on the import of Georgian wines, Georgia lost 90% of its wine export market. Mikhail Saakashvili announced at a press conference that "he gave Prime Minister Zurab Nogaideli instructions to take charge of the entire wine issue inside the country, as well as throughout the CIS. This will be his main task until the economic embargo on the delivery of Georgian wines to Russia is removed."¹⁶

Mikhail Saakashvili highly values "the PRC leadership's reform policy." But in his words, "China has made amazing achievements in opening up to the outside world, conducting reforms, and encouraging modernization;" Georgia is "willing to adopt the PRC's reform experience." Tbilisi is supporting Beijing's efforts to ascertain Hu Jintao's image as "a reformer striving for an open regime."

In this context, it is worth noting that the heads of the U.S. and the PRC have begun communicating more frequently than in the past. In particular, in 2005, George Bush and Hu Jintao met twice: in New York (at a U.N. function) and in Beijing (during the visit of the White House "boss" to China). In so doing, on the eve of his return official visit to the U.S. (from 18 to 21 April, 2006), Hu Jintao tried to position himself as a "reformer." The impression is created that the Chinese leader—"reformer" presented himself to Washington as the most suitable partner (in comparison with "authoritarian" Vladimir Putin).

During Hu Jintao's visit to America, the strategic dialog was reinforced between the two sides on issues of both domestic (particularly in trade and finances) and foreign policy. The exchange of information and mutual trust were strengthened and consent and cooperation between the sides were expanded.¹⁷ Summing up the results of the visit of Hu Jintao to the U.S., Chinese Foreign Minister Li Zhaoxing noted that this undertaking was a "significant event." He reminded everyone that the visit took place "at a time when China and America had new opportunities to develop bilateral relations." According to Li Zhaoxing, Hu Jintao pointed out that under the conditions of non-traditional threats to security which the contemporary world encountered, "the range of the PRC's and U.S.'s common interests has expanded."

In this way, it appears that Beijing has taken several steps toward improving relations with Washington (against the background of the increasing Russian-American strategic rivalry).

In turn, although it has a guarded approach to the actions of the PRC, the U.S. is nevertheless reconsidering its model of global policy with a view to strengthen relations with Beijing. As the Chinese information agencies noted, during the visit of the PRC President to America, President George Bush confirmed the consistency of his government's position with respect to the Taiwanese issue. In particular, he said that "the U.S. adheres to the one-China policy, understands China's concern on the

¹⁴ A. Krushensky, "Kitai speshno osvivaet SNG," *Parlamentskaia gazeta*, No. 26 (1912), 21 April, 2006, available at [<http://www.pnp.ru/archive/19120142.html>].

¹⁵ See: A. Gabuev, "Mikhail Saakashvili vzvalil vino na Kitai," *Kommersant*, No. 65, 13 April, 2006, available at [<http://www.kommersant.ua/doc.html?DocID=666056&IssueId=30067>].

¹⁶ *Ibidem*.

¹⁷ See: Report of the PRC Foreign Ministry, *President Hu Jintao Holds Talks with His U.S. Counterpart Bush*, 21 April, 2006, available at [<http://www.fmprc.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3432/3435/t248217.htm>].

Taiwan question and does not hope to see any actions by the Taiwan authorities to unilaterally change the status quo across the Taiwan Straits damage Sino-U.S. relations.”¹⁸

According to the reports of the U.S. State Department, Washington is reconsidering its diplomatic priorities by placing special emphasis on their Asian component. In particular, in the near future, there are plans to reduce the number of American diplomats in the Russian Federation to ten people, while another 15 politicians will be sent to the PRC. The intensification in the U.S.’s Asian strategy is also shown by President George Bush’s official visits to Mongolia, India, Pakistan, Afghanistan, and socialist Vietnam (2006), as well as Washington’s actions to sound out the possibility of obtaining the status of observer in the South Asian Association of Regional Cooperation (SAARC).

The U.S. is compelled to pay particular attention to relations with the PRC, which could have a negative effect on the vitally important interests of any regime in Washington, without necessarily resorting in so doing (in contrast to the Russian Federation) to military methods, including a hypothetically possible nuclear strike. What is more, the interdependence between the U.S. and PRC is much stronger than that between the U.S. and Russia. For example, the factor of interdependence in America’s and China’s domestic security is becoming stronger in leaps and bounds. The stability of the U.S.’s national currency depends on the ways the PRC’s gold and currency reserves are managed. Two thirds of China’s currency reserves, which according to some data amount to approximately 700 billion dollars, are kept in American currency, and approximately half of them in U.S. treasury bonds. In this respect, any hint by Beijing at a change in its currency reserves arouses corresponding concern in Washington.

In July 2005, the PRC carried out currency reform, which led to the yuan being less dependent on the dollar; China’s national currency gradually began to grow stronger. All the same, the re-evaluation rates controlled by the government are extremely insignificant. In almost eighteen months, the yuan to dollar exchange rate increased from 8.27 to 7.74 yuan.¹⁹ If, with respect to the above-mentioned, Beijing decides to convert one third of its gold and currency reserves into euros (for currency security), under the current unstable conditions in the American economy, such a step by the PRC, which despite pressure from the West, as well as the WTO and IMF regulations, is keeping the ratio of the yuan to the dollar under state control, would be a serious blow not only to the U.S. economy, but also to its political system.

Moreover, the volumes of Chinese-American trade turnover are dynamically increasing. According to the official data, the volume of bilateral trade between the two countries reached 200 billion dollars at the end of 2004, and 211.6 billion dollars at the end of 2005.²⁰ In this way, the indices of Chinese-American trade turnover volume are a great deal higher than those of Russian-American and Russian-Chinese goods exchange. At present, the U.S. is the PRC’s second trade partner and the PRC is the fourth market for U.S. export (for comparison: Russia is not among either China’s or America’s top five commercial partners).

In so doing, the trade balance deficit in U.S. trade with the PRC should amount to 229 billion dollars in 2006, which is 27 billion dollars higher than the same index of the previous year. In mid-November 2006, talking in Beijing about the balance deficit in U.S.-PRC commercial relations, U.S. Secretary of Commerce Carlos Gutierrez said that the solution to this question was not “in introducing restrictions on import from China, but in increasing export from the U.S.”²¹ Under these conditions, according to the consensus reached in August 2006 between Chinese President Hu Jintao and

¹⁸ See: Report of the PRC Foreign Ministry, *President Hu Jintao Holds Talks with His U.S. Counterpart Bush*, 21 April, 2006.

¹⁹ See: “V Pekine otkryvaetsia kitaisko-amerikanskiy strategicheskiy dialog,” *RIA Novosti*, 14 December, 2006, available at [<http://www.rian.ru/world/relations/20061214/56895816.html>].

²⁰ See: “Trade with U.S., EU Tops US\$200 Bln in 2005,” *Xinhua Agency*, 12 January, 2006.

²¹ “V Pekine otkryvaetsia kitaisko-amerikanskiy strategicheskiy dialog.”

U.S. President George Bush, since 14 December, 2006, Beijing and Washington have begun officially holding a “Chinese-American strategic dialog” on the indicated trade and economic and financial issues.²²

It seems that the high level of interdependence between the U.S. and PRC will not allow Washington to engage in sharp criticism of Beijing. In this respect, it is worth noting that in the press releases of the Chinese-American talks, “Washington positively assesses China’s shifts” in issues relating to “openness of the market” and “protection of intellectual property,” while the Russian Federation was asked these questions point blank during the talks on its membership in WTO, and the Russian authorities were accused of leaning toward authoritarianism.

On the whole, it should be presumed that today the U.S.-Russia-China triangle of relations mostly serves China’s interests, partially compensating for the failure of Moscow’s policy in the westerly direction. In so doing, America’s main attention is focused on the prospects of cooperation with Beijing, while the Russian factor is considered less significant and has a long-term downward trend, in particular taking into account the exhaustion of energy resources.

Russia’s position is also complicated by the fact that the main factor within the framework of the mentioned “triangle” are U.S.-China interrelations; Russia has little leverage on the ties between these two giants.

Moscow’s attempts to intensify the strategic Russia-China dialog (in particular, with the help of the SCO) are not as successful as Russia would like them to be. Within the framework of the SCO, China’s representatives are repeatedly emphasizing that the economic trade potential of their country is a great deal higher than that of all the other states put together, thus putting Russia on the same level as the organization’s other member states. In this respect, it can be presumed that Beijing regards the China+all the rest formula as the main model of cooperation within the SCO, while the China-Russia+the rest triad occupies a secondary position. Nevertheless, by taking advantage of the current euphoria aroused by “Russia’s revival as a great power,” Beijing is trying to gain the maximum benefit from the above-mentioned current model of U.S.-Russia opposition.

Furthermore, at the current stage, Moscow does not manage to compensate for the complications in interrelations with the U.S. by strengthening partnership with the key European states. Today, Russian-European relations are characterized by a certain cooling off due to the gas dispute, as well as the circumstances involving Belarus, Ukraine, and Georgia. In addition to this, on Europe’s political arena, the positions of the leaders who sympathize with President Vladimir Putin are becoming much weaker: for example, Gerhard Schroeder and Silvio Berlusconi, who were openly benevolent toward partnership with their Russian colleague (despite the strong pressure from public opinion), have left the stage. Romano Prodi and Angela Merkel have come to power in Rome and Berlin, respectively, who stress the differences between their foreign policy line and the policy of their predecessors, which has also had an effect on relations with Russia. What is more, the political position of Jacques Chirac, a European leader who supported the Russian side on the European political arena and who does not hide his own Gaullist anti-American sentiments, has become much weaker.

The aforesaid trends make it possible to forecast that, in the future, the Russian Federation will be interested in strengthening trusting interrelations with ally countries within the CIS and Islamic world. In particular, Russia is patently interested in retaining alliance relations with Uzbekistan, which is carrying out a foreign policy independent of the U.S. and its satellites.

²² Ibidem.

KAZAKH-U.S. MILITARY-POLITICAL COOPERATION IN THE CONTEXT OF U.S. GEOPOLITICAL INTERESTS IN CENTRAL ASIA

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As is known, Central Asia is an important strategic element of the U.S.'s foreign policy. It is interesting both from the energy perspective and in the context of Washington's expanding geopolitical influence in the region.

Today, the U.S.'s key objectives in Central Asia are as follows:

- *First, establishment of dominant positions in Central Asia.* The Washington administration is striving to assert its dominance in Central Asia by playing on the contradictions between the countries in the region, on the one hand, and Russia and China, on the other. U.S. interests would be best served by the following scenario: The maximum possible weakening of Russia and maintaining a balance of forces between the Central Asian states without any one of them playing a dominant role. This is a long-term priority. Military-political rapprochement with one or several Central Asian countries is essential for the implementation of U.S. plans.
- *Second, broader access to Central Asia's energy resources* is one of the most powerful incentives for the U.S.'s foreign policy. In this context, U.S. military presence in Afghanistan increases the chances

of the successful implementation of U.S. lobbied south- and west-bound pipeline projects in Central Asia.

- *Third, advancement of Western democratic ideals and values* is an important U.S. priority in Central Asia, as, incidentally, in other parts of the world. It is an open secret that the U.S.'s apparently democratic slogans oftentimes serve as a cover for rather pragmatic goals, specifically, increasing other countries' loyalty to U.S. foreign policy that often does not conform to the rules of international law and looks openly aggressive. This interest is usually secured by financing various nongovernmental organizations and media outlets on the part of American private and state foundations. Consider: On 1 March, 2006, a House subcommittee endorsed a Central Asian Democracy Act, under which \$188 million was earmarked for support of democracy in all five Central Asian states in 2006 and following years.¹
- *Thus, U.S. interests in Central Asia can be subdivided into three main groups—*

¹ See: "Kongressmeny podderzhali 'Akt o demokratii v Tsentral'noi Azii,'" available at [<http://sngnews.ru/archive/2006/03/01/2409.html>].

military-political, economic, and ideological, which are achieved by expanding contacts with the Central Asian states in all spheres. Military-political cooperation is one of the main priority areas for the United States, which is due to the

increasing role that the fight against international terrorism plays in Washington's foreign policy. As a result, this aspect of U.S. relations with other countries has a most profound impact on the transformation of global political processes.

Astana and Washington: Motives

Today, military-political cooperation is an important aspect of bilateral Kazakh-U.S. relations. It is noteworthy that compared with other Central Asian countries, Kazakhstan plays a leading role in military-political cooperation with the United States. What is the reason for such a high level of relations between the two countries in this area? It seems that there are several objective reasons.

- *First*, the character of Kazakhstan's foreign policy. Ever since it gained independence, Kazakhstan has been following a balanced foreign policy course, as befits a young, peace-loving state. Officially, this course is known as "multi-vector policy." The multi-vector policy of good-neighborly relations with all states has been a major factor in Kazakhstan's peaceful development for the past 15 years after the breakup of the Soviet Union. As a result, today, Kazakhstan is the only state in Central Asia that has managed to settle territorial issues with its neighbors along the entire perimeter of its borders. As far as the U.S. is concerned, here Kazakhstan adheres to the same principles, promoting partnership and friendly relations. These relations are always based on mutual interest. Furthermore, Kazakhstan stays out of any regional military-political associations or blocs designed to resist the "West" or the "East," which also is conducive to the successful development of bilateral relations. Astana's commitment to the multi-vector policy was reaffirmed by Kazakhstan President Nursultan Nazarbaev on 11 January, 2007 in Astana. Thus, presenting the country's new foreign minister, Marat Tazhin, he said in part: "We are a state that is at the center of the Eurasian continent. Our goal is a multi-vector policy, taking into account our country's interests, both economic and political."²
- *Second*, Kazakhstan is the most stable state in Central Asia, both economically and politically. Until recently, Uzbekistan had been the U.S.'s principal ally in the region, but the Andijan events (May 2005) changed the situation drastically. From Washington's closest ally, Uzbekistan is turning into little short of a rogue state in the Western eyes, the most authoritarian regime in Central Asia. The apparently good relationship was irreparably spoiled by the U.S. criticism of I. Karimov's regime following the ruthless suppression of the popular uprising in Andijan and blatant violations of human rights. After the Andijan events, the relations between Uzbekistan and the United States took a turn for the worse. As a result, Tashkent made a U-turn in its foreign policy, setting the course for a rapprochement with Moscow, leading, in particular, to the signing of the Treaty on Allied Relations between Uzbekistan and Russia in November 2005. The treaty marked the start of the Uz-

² "Kazakhstan sokhranit mnogovektornost' vo vneshnei politike," 11 January, 2007, available at [http://www.interfax.kz/?lang=rus&int_id=10&function=view&news_id=1740].

bek-Russian rapprochement and Uzbekistan's involvement in Russia-initiated integration processes in Central Asia. In this context, following yet another geopolitical realignment of forces in Central Asia, Kazakhstan has become the most acceptable partner to the United States in the region.

- *Third*, Kazakhstan's geographic location at the center of Eurasia. The United States knows that stability in Kazakhstan is crucial to stability in the entire Central Asian region. In this connection, a stable Kazakhstan is an important partner in fighting drug trafficking and international terrorism. On the other hand, the United States is interested in developing relations with Kazakhstan in the military-political area to prevent the strengthening of regional powers, in particular Russia and China, in Central Asia. The development of relations with Kazakhstan, on a par with Russia and China, will enable the United States to maintain its political presence in the region and as a result, influence the subsequent course of political and economic processes in Central Asia. For its part, Kazakhstan gives high priority to developing its relations with the United States alongside those with Russia and China, because Astana is not interested to see an excessive strengthening of any one country in the region, which is bound to disturb the geopolitical balance of forces and possibly increase Central Asia's potential for conflict.

The aforementioned reasons are major factors in the development of Kazakh-U.S. relations in the military-political sphere. It is also important to note here that the development of relations in this area responds to the interests of both the United States and Kazakhstan, while the deepening of military-political cooperation between the two countries cannot be seen as the strengthening of U.S. influence on Kazakhstan.

Kazakhstan and the United States started giving higher priority to their military-political cooperation, as well as cooperation in the security area, almost as soon as bilateral contacts were established. At the same time, it is important to note that the U.S.'s declaration of a global war on international terrorism was a major stimulating factor in advancing relations between the two countries in this sphere. In the wake of the 9/11 events, Kazakhstan strongly condemned the attacks and supported the U.S. antiterrorist operation in Afghanistan. In particular, the Kazakhstan Foreign Ministry, in a statement dated 11 September, 2001, said that "Kazakhstan decisively condemns the terrorist and barbarous acts that were perpetrated in the largest U.S. cities, leading to a heavy loss of life, and expresses its readiness to provide any possible assistance and support to the United States of America in overcoming the effects of the tragedy, as well as its readiness for further joint measures to counter terrorism in all of its manifestations and practices."³ By way of support for the U.S. antiterrorist operation in Afghanistan, Kazakhstan provided an air corridor for aircraft within the framework of Operation Enduring Freedom.

In 2003, Kazakhstan became the only Central Asian state to send a military contingent to Iraq as part of an international coalition. A Kazakhstan engineer battalion (Kazbat) is performing a peacekeeping mission in Iraq as part of a coalition force. Kazbat has since neutralized or destroyed more than 4 million explosive devices. Kazakhstan's assistance in Iraq is especially valuable in light of the recent escalation of inter-confessional violence and the country's ongoing political instability.

Thus, Kazakhstan's support for the U.S.-led global war on terror had a substantial impact on the further development of Kazakh-U.S. military-political cooperation.

³ *Zaiavlenie Ministerstva inostrannykh del Respubliki Kazakhstan v svyazi s teraktami v SShA 11 sentiabria 2001 g.*, Official website of the Kazakhstan Foreign Ministry, available at [<http://www.mfa.kz/rus/PHP/article.php?article=1&selected=44>].

Military-Technical Cooperation

The signing of a five-year military cooperation plan (in 2003) became the most important event in Kazakh-U.S. military-political relations. It is noteworthy that Kazakhstan became the only post-Soviet country to have signed such a document with the United States, which also points to expanding contacts in the military sphere. The five-year plan laid the groundwork for military cooperation between Kazakhstan and the United States. It encompasses such areas of interaction as countering international terror, peacekeeping operations, strengthening the capability of the Kazakhstan Air Force, development of military infrastructure in the Caspian region, development of naval forces, creation of a military institute of foreign languages, and so on.

Under the five-year military cooperation plan, the U.S. launched two programs in Kazakhstan—Foreign Military Financing and International Military Education and Training.

Apart from financial support, this plan provides a sound foundation for military-technical cooperation. The practical effectiveness of this document is demonstrated by the intensification of bilateral contacts in this area in the past few years.

In accordance with the plan, the U.S. is going to deliver to Kazakhstan Huey-2 helicopters to perform counter-terrorism missions in the Caspian region and C-130 military transport aircraft, as well as a warship with the displacement of up to 1,000 tons for the Kazakhstan Navy and Hummer off-road vehicles in three (combat, medevac, and transport) modifications for the Kazakhstan Air Mobile Forces and for the Kazbat peacekeeping battalion. Thus, on 1 July, 2005, Kazakhstan received 27 Hummer vehicles.

In November 2005, a technical service center, Asia Hummer, was opened in Kazakhstan. The center provides technical maintenance and repair services for Hummer vehicles. Then, from 31 January through 2 February, 2006, S. Thomas, AM General Corp. international marketing director, visited Almaty to discuss prospects for Kazakh-U.S. military-technical cooperation. In March 2006, a team of Hummer service and maintenance specialists from the Arizona Army National Guard arrived in Kazakhstan to conduct practical classes with personnel at the Asia Hummer personnel and Kazbat mechanists. Kazakhstan personnel training is part of a multi-level training program for specialists servicing and operating Hummer vehicles.

On the whole, Kazakh-U.S. military-technical cooperation is designed to bring Kazakhstan peacekeeping units in line with NATO standards for joint antiterror operations in Central Asia.

Kazakh-U.S. Military-Political Cooperation within NATO

Partnership within NATO is an important component of Kazakhstan's military-political cooperation with the U.S. The character of this cooperation is acquiring a special dynamism. Today, meetings at the level of defense ministers and deputy defense ministers on various aspects of military-political cooperation are becoming a regular feature of interaction with NATO.

Kazakhstan's cooperation with NATO proceeds within the framework of the Partnership for Peace program and through participation in the Euro-Atlantic Partnership Council (EAPC).

Kazakhstan's participation in the EAPC is designed to maintain dialog with NATO member countries on key international security issues. Kazakhstan is also involved in the EAPC's Planning

and Review Process program (PARP) that aims to assist and facilitate Kazakhstan military reform, specifically in planning and personnel training for peacekeeping operations, as well as to ensure prompt and effective interaction between the Kazakhstan Armed Forces and the U.S.

There are three stages of cooperation under the PARP program, whose ultimate objective is for PARP member countries to conduct joint operations with NATO. Stage 1 is concerned with the general training of NATO partner countries' armed forces, including language training and the study of principles underlying NATO military and staff activities. Stage 2 covers practical aspects of interaction with NATO armed forces in the interest of conducting joint military exercises and peacekeeping operations. Stage 3 provides for direct training and preparation of combat formations of NATO partner countries for participation in joint peacekeeping operations beyond the areas of NATO's direct responsibility. In this connection, Kazakhstan's interest in this program was related to the fact that the PARP is an initial stage of adaptation to NATO military standards.⁴

Participation in the Partnership for Peace program enables Kazakhstan to interact with NATO along the following lines:

- civil emergency response;
- crisis management;
- democratic control of the armed forces and defense structures;
- defense policy and strategy; and
- military exercises and military training.

The U.S.'s interest in involving post-Soviet states in cooperation within the NATO framework consists in establishing and expanding military-political contacts. From a geopolitical perspective, getting the Central Asian states involved in cooperation with North Atlantic structures enables the U.S. to create an alternative in the region to the initiatives of Moscow and Beijing that also seek to intensify military-political cooperation with countries in the region and strengthen their own geostrategic positions in Central Asia. Furthermore, the U.S. is seriously concerned not only by Russia's or China's unilateral actions in Central Asia but also by joint actions of the two regional powers within the Shanghai Cooperation Organization (SCO). The U.S. regards this cooperation between Russia and China, as well as the involvement of the Central Asian countries in regional integration programs, as formation of an anti-Western "Eastern alliance" designed to offer effective collective resistance to the expansion of U.S. influence in Central Asia. In this context, the Partnership for Peace program, launched on U.S. initiative following the disintegration of the U.S.S.R., performs the function of a counterweight to Russian and Chinese influence that these two countries are attempting to expand both unilaterally and by enhancing the role of regional organizations in the security sphere.

Therefore, today the development of Kazakh-U.S. relations within the NATO framework is indicative in so far as Washington is attempting to strengthen its influence in Central Asia through various initiatives. A case in point is the intensification of Kazakh-U.S. contacts within NATO over the past few years.

Thus, in 2003 and 2004, a number of high ranking NATO officials visited Kazakhstan, in particular, Assistant Secretary General for Political Affairs Mr. Günther Altenburg, NATO Assistant Secretary General for Public Diplomacy Jean Fournet, director of NATO Euro-Atlantic Integration & Partnership Directorate Jaroslaw Skonieczka, director of NATO Defense Policy and Force Planning Directorate Frank Boland, Assistant to the NATO International Staff Head Maj. Gen. Federico Janiz,

⁴ See: *NATO i Tsentral'naia Azia: regional'naia i natsional'naia bezopasnost' i strategicheskoe partnersvo*, Almaty, 2003, p. 165.

and others. During these visits, prospects for Kazakhstan-NATO partnership were discussed and the results of cooperation assessed.

In October 2004, NATO Secretary General Jaap de Hoop Scheffer met with Kazakhstan President N. Nazarbaev in Almaty. The two sides agreed to pool their efforts in fighting terrorism, extremism, drug trafficking, and arms smuggling, thus laying the foundation for joint activities in the future as part of the Individual Partnership Action Plan (IPAP) between NATO and Kazakhstan.

There are active inter-parliamentary contacts between Kazakhstan and NATO. Thus, in 2004, the Kazakhstan parliament received the status of a permanent observer at the NATO Parliamentary Assembly, which facilitates the development of Kazakhstan's political dialog with the NATO member countries. Kazakhstan parliamentary delegations regularly participate in NATO PA sessions. In March 2005, Kazakhstan was visited by a NATO PA delegation, led by Michael Clapham, chairman of the Committee on the Civil Dimension of Security.

There have been a number of bilateral meetings at the level of defense ministers and deputy defense ministers. In January 2005, Kazakhstan Deputy Defense Minister B. Sembinov visited the NATO headquarters in Brussels where he had meetings with NATO leadership, including Ambassador Robert Simmons, NATO Secretary General's Special Representative for the Caucasus and Central Asia, and heads of U.S. diplomatic missions. In the city of Oberammergau, the Kazakhstan official made a report on Kazakhstan's proposals and initiatives designed to improve the Partnership for Peace program at an annual partnership planning symposium at the NATO center, presenting Kazakhstan's view of prospects for NATO's cooperation with the Central Asian states. B. Sembinov also assessed the results of the work and set new tasks to the Kazakhstan Military Mission to NATO on further cooperation within the NATO+1 format.⁵ In September 2005, B. Sembinov made another visit to NATO headquarters.

Return visits by R. Simmons to Kazakhstan took place in March and October 2005. In the course of his October visit, R. Simmons met with Kazakhstan Defense Minister M. Altyntbaev, discussing international and regional security, the status and prospects for Kazakhstan's cooperation with NATO in the defense sphere, and the outlook for reform and modernization of the Kazakhstan Armed Forces, among other things. The NATO delegation also visited a training center of the Kazakhstan Air-Mobile Forces in Iliysk, the base of Kazbat, the Kazakhstan peacekeeping battalion, an important element of the PARP program within the framework of the Partnership for Peace program.

In December 2005, K. Tokaev, former Kazakhstan foreign minister, visited NATO HQ in Brussels. During his visit, K. Tokaev participated in a session of the Euro-Atlantic Partnership Council at the level of foreign ministers where he spoke on behalf of the Central Asian states.

In January 2006, a Kazakhstan delegation, led by Kazakhstan Deputy Defense Minister B. Sembinov, visited NATO HQ in Brussels. During the visit, a session of the NATO-Kazakhstan steering committee took place under the chairmanship of R. Simmons. The main outcome of the visit was consideration and final preparation of the Individual Partnership Action Plan (IPAP), which was adopted on 31 January, 2006. It is essential to note that the IPAP takes cooperation between Kazakhstan and NATO to a qualitatively new level. The main goal of this plan is cooperation in regional and international security. The document defines priority areas of Kazakhstan's interaction with the North Atlantic Treaty Organization, such as strengthening regional and international security, reform and modernization of the Kazakhstan Armed Forces, improving interoperability between the Kazakhstan Armed Forces and the NATO forces, and advancement of partnership in military education and training, science, fighting international terror, and countering drug trafficking.

⁵ See the official website of the Republic of Kazakhstan Defense Ministry [www.mod.kz].

As can be seen, Kazakh-U.S. cooperation within the framework of various NATO programs is as dynamic as bilateral military-political cooperation. It is noteworthy that the trend toward intensification of such contacts is advantageous for both sides in so far as it steadily upgrades the level of mutual trust between Kazakhstan and the United States.

Cooperation in Military Education and Training

Within the framework of Kazakh-U.S. military-political cooperation, the sides also attach considerable attention to advancing their contacts in the sphere of military education and training. Today, Kazakh-U.S. cooperation in military education and training has the following key priorities: exchange of experience between training establishments in the two countries, training programs to improve the skills of military personnel, joint training exercises and methodological activities, and improving the qualifications of military faculty in the two countries.

To meet these priorities, a number of programs to train Kazakhstan military personnel at leading U.S. military colleges were launched.

Thus, since 2002, Kazakhstan military servicemen have been trained at such U.S. establishments as National Defense University, the Command and Staff College, the West Point Military Academy, and others. These training programs are funded by the U.S. under the International Military Education and Training program. By now, over 250 Kazakhstan servicemen have received training under the IMET program in the United States.

In 2005, with assistance from the U.S., the Military Institute of Foreign Languages was established in Almaty. The institute provides foreign language training not only to Kazakhstan military personnel, but also to personnel from other Central Asian states.

Joint Exercises

Joint exercises are a good indication of the level of military cooperation between Kazakhstan and the United States. It is important to note that such military exercises with the participation of Kazakhstan and U.S. military units are conducted on a regular basis.

Since 2003, Steppe Eagle military exercises have taken place in Kazakhstan every year. Their main goal is to achieve interoperability between Kazakhstan and NATO armed forces. Thus, in September 2005, an international military exercise, Steppe Eagle 2005, was conducted at the Iliysk training center with the participation of Kazakhstan Air-Mobile Forces and Kazbat, on the one hand, and NATO units from the U.K., on the other. The United States only participated in the exercise in observer capacity.

Last September, the Steppe Eagle 2006 exercise took place, in which U.S. military units participated for the first time, together with U.K. and Kazakhstan servicemen.

Alongside exercises within the NATO framework, there are also exercises solely with the participation of Kazakhstan and U.S. military units. For example, in March 2005, the Balance-Zhardem 2005 exercise was conducted in Kazakhstan. The main priority in such exercises is to enhance the quality of interaction between special Kazakhstan and U.S. units in countering the threat of international terrorism.

Generally, the principal tasks of such exercises are as follows:

- improving teamwork and coordination in performing specific missions and achieving interoperability;
- upgrading fieldcraft and language skills of multinational force personnel;
- improving the practical skills of commanders and staffs in exercising command and control of troops and in organizing interaction between units of the Kazakhstan Armed Forces and the armed forces of other states.⁶

To the U.S., the importance of military exercises with post-Soviet countries is based on the following assumptions. It is possible that in the future, should regional conflicts erupt in Central Asia or in the Caucasus, the United States plans to play an active role in resolving them with NATO mechanisms. These plans can be fulfilled by involving NATO partner countries in peacekeeping operations. By participating in such military exercises, the U.S. receives an opportunity to rehearse the conduct of joint military operations with Central Asian countries, thus competing with Russian initiatives within the CSTO framework, which in turn responds to Washington's interests in Central Asia.

Outlook for Kazakh-U.S. Military-Political Cooperation

During the recent period of military-political cooperation between Kazakhstan and the United States, a foundation was laid for furthering and expanding partnership in this area. In particular, the two sides, signed a number of bilateral treaties and a five-year military cooperation plan, subject to prolongation. In the past few years, there have been regular meetings between the Kazakhstan and U.S. defense ministers and deputy defense ministers. There is sufficient evidence to suggest that Kazakh-U.S. relations in this sphere have acquired new dynamism.

It is also important to underline that Kazakh-U.S. cooperation as a whole is picking up pace as the United States is showing an increasing interest in Kazakhstan as a regional leader. In the military-political aspect of relations, this manifests itself in that the U.S. side is attempting to give many of the bilateral cooperation projects a regional status. For example, it is planned in the future to grant the Military Institute of Foreign Languages the status of a regional institute. The Asia Hummer technical service center is also expected to receive such a status. Given that U.S. officials are increasingly referring to Kazakhstan as a regional leader,⁷ it can be assumed that such projects within the framework of Kazakh-U.S. cooperation are designed to expand the U.S.'s contacts also with other Central Asian countries via Kazakhstan.

Also, following Kazakhstan's abandonment of nuclear weapons and implementation of initiatives to create a nuclear-free area in Central Asia, the United States recognized Kazakhstan as a leader in nuclear nonproliferation. Thus, according to R. Gottmoeller, former deputy administrator, Office of Defense Nuclear Nonproliferation, Kazakhstan is a leader in WMD nonproliferation.⁸ Kazakhstan's nonproliferation initiatives were also highly appraised by former U.S. Secretary of Defense D. Rumsfeld. In the course of his visit to Kazakhstan in February 2006, he underlined the importance of Ka-

⁶ See the official website of the Republic of Kazakhstan Defense Ministry [www.mod.kz].

⁷ See: *U.S. Policy in Central Asia: Balancing Priorities. Statement of Richard A. Boucher, Assistant Secretary for South and Central Asian Affairs to the House International Relations Committee*, Official website of the U.S. Department of State, available at [<http://www.state.gov/p/sca/rls/rm/2006/65292.htm>].

⁸ See: "Sovremennye kazakhstansko-amerikanskije otnoshenia: mnenie eksperta SShA," available at [<http://www.inform.kz/newsite/index.php?lang=rus&select=archive§ion=kazinformat&y=2006&m=06&d=17#155031>].

zakhstan's negotiations with the Central Asian countries on the creation of a nuclear free zone and ensuring regional security.

As for problems of bilateral military-political cooperation, it is important to note that problems here are, rather, latent and indirect. For example, from every indication, the United States, by strengthening its military-political cooperation with Kazakhstan, is striving to weaken Russia's military presence in Central Asia since from a geopolitical perspective, Kazakhstan is a key state in ensuring regional security. In this context, it is important for Washington to develop relations with Astana to enhance its own political role in Central Asia, while at the same time weakening the positions of Russia and China. This U.S. striving has a negative impact on the development of both Russian-U.S. relations and U.S.-Chinese relations, which in turn aggravates the geopolitical situation in the Central Asian region.

Furthermore, Kazakhstan's excessive rapprochement with the United States in the sphere of military-political cooperation could provoke an undesirable reaction from Russia, which could in turn impair the development of relations between Astana and Moscow. For example, R. Cheney's visit to Kazakhstan in May 2006 could have produced a negative effect. The fact is that before coming to Astana, R. Cheney had visited Vilnius where he had made a number of critical comments with respect to Russia's democratic development and its human rights record. That statement clearly had a negative impact on Russian-U.S. bilateral relations. At the same time, the U.S. vice president's subsequent visit to Kazakhstan and the signing of a number of bilateral cooperation agreements in the energy and defense sphere could arouse Moscow's concerns that Astana is building a rapprochement with the United States at the expense of Russia. As for Kazakhstan, such negative trends, which can enhance the region's potential for conflict, are not in its political interests since Astana, in relations with its partners, follows a balanced policy without emphasizing rapprochement with one power at the expense of relations with other states. Thus, commenting on Kazakh-U.S. relations, Marat Tazhin, former secretary of the Security Council of the Republic of Kazakhstan and currently Kazakhstan foreign minister, stressed that "military-technical cooperation between Kazakhstan and U.S. special services does not eliminate our cooperation with Russia. Kazakhstan is a reliable strategic partner of the United States, Russia and China alike."⁹

Kazakhstan's commitment to a multi-vector policy, a policy of maintaining a balance of forces in Central Asia is also evident from a recent state of the nation address by Kazakhstan President N. Nazarbaev on the strategy of making Kazakhstan one of the 50 Most Competitive Countries of the World. The Kazakhstan head of state noted in part: "We should strengthen cooperation with the Central Asian states in standing up to these challenges, including through participation in joint exercises within the framework of the CSTO and the SCO, as well as in joint antiterrorist operations and initiatives with NATO."¹⁰ Therefore, it is clear that Kazakhstan applies the same principles with respect to security and military-political cooperation, including in its relations with the United States, Russia and China. It appears that this course is crucial to Kazakhstan's successes in upholding and advancing the regional security system.

Another problem that is mentioned by some experts is the sheer fact that Kazakhstan cooperates with the United States in the military-political sphere. In particular, there is a view that Kazakh-U.S. military-technical cooperation can lead to the deployment of U.S. military units in Kazakhstan.¹¹ It is difficult, however, to agree with this view for the following reasons:

⁹ "My ne sobiraemsia družhit' s kem-to protiv kogo-to," available at [<http://www.apn.kz/opinions/article6220.htm>].

¹⁰ *Poslanie Prezidenta RK N.A. Nazarbaeva "Strategia vkhozheniia Kazakhstana v chislo 50-ti naibolee konkurent-osposobnykh stran mira: priority i puti ikh realizatsii,"* Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, Almaty, 2006, p. 29.

¹¹ See: O. Sidorov, "Oboronny Sovet vedomstv SShA i RK: komu chto vygodno," available at [<http://www.gazeta.kz/art.asp?aid=64756>].

- First, the deployment of U.S. military units or military bases (or those of any other state) in Kazakhstan is impossible because this does not correspond to Kazakhstan's interests or its multi-vector policy. As mentioned earlier, Kazakhstan is striving to cooperate in all spheres, including the military-political sphere, with all states to an equal degree, which enables it to maintain a geopolitical balance of forces in Central Asia, and facilitate the achievement of regional stability as a whole.
- Second, in the course of the July 2005 Summit of the Shanghai Cooperation Organization, in Astana, the SCO member countries openly stated their position with respect to U.S. military presence in Central Asia, which was dictated by the common interests of the organization's members. The outcome of the SCO 2005 Summit showed the international community in general and the United States in particular that the Central Asian countries do not need U.S. military bases if they are not obviously necessary. Today, the only exception to that is Kyrgyzstan where a U.S. air base is deployed at Manas airport. Yet it seems that Kyrgyz-U.S. military cooperation is dominated—at least in so far as Bishkek is concerned—by financial rather than political considerations.

Summing up the existing problems and achievements of Kazakh-U.S. military cooperation, there is good reason to say that today the number of achievements far outweighs the number of problems. Military contacts between Washington and Astana are developing in a positive key, as is evident from statements made by the countries' leaders, among other things. Thus, during N. Nazarbaev's visit to Washington in late September 2006, the sides signed a joint Kazakh-U.S. statement highlighting the principal areas of bilateral cooperation between Kazakhstan and the United States, also reiterating their commitment to further advancing regional and global security. George W. Bush and N. Nazarbaev reaffirmed their adherence to their common vision of stability, prosperity and democratic reform in Central Asia and outside by increasing dynamic and diverse partnership and facilitating the achievement of common global and regional goals. In particular, the statement said that the two sides will strive to deepen their cooperation in strengthening regional security, economic integration, and the reconstruction of Afghanistan and Iraq.

Special priority is given to cooperation in fighting terrorism. In particular, the statement noted that Kazakhstan and the United States are reliable partners in the international war on terror; the United States is grateful to Kazakhstan for its immutable commitment to strengthening stability in Afghanistan and Iraq; [we] are committed to further strengthening the excellent level of cooperation that has already been achieved between our countries and reaffirm our resolve to strengthen our close cooperation in the fight against international terrorism and trafficking in drugs, human beings, and dangerous weapons.¹²

This document, therefore, clearly reflects the sides' striving to continue productive military cooperation in which both sides pursue their own interests—consolidation of geopolitical positions in Central Asia and access to the region's energy resources (United States) and access to advanced military technology and the possibility of actively participating in regional geopolitical processes (Kazakhstan). Kazakhstan is Washington's sole stable strategic partner in Central Asia as the republic's role in U.S. foreign policy strategy is steadily growing. Nevertheless, it seems premature and unjustified to make hasty conclusions about an abrupt tilt in the republic's foreign policy course toward the West. The specifics and dynamics of Central Asian geopolitics impose certain conditions on the countries in the region with respect to building their foreign policy, in which there is no room for any "biases" or "zigzags."

¹² See: *Kazakhstansko-amerikanskoe sovместnoe zaiavlenie*, Washington, 29 sentiabria 2006, available at [http://www.akorda.kz/page.php?page_id=91&lang=1&article_id=1614].

TAJIKISTAN AND REGIONAL INTEGRATION IN CENTRAL ASIA

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1

The idea of an independent integrated Central Asian expanse was born when perestroika in the Soviet Union was on its last legs. There was the strong feeling that the crisis of Soviet statehood gave rise to numerous and multiplying challenges that needed to be opposed by all means. For the first time in their Soviet history the local republics were confronted with a very real need to act on their own to cope with the problems created by the Union center's loss of ideological, political, and administrative competence.

In the past, the Central Asian republics developed under Moscow's supervision; the center-initiated perestroika reforms led to a breakdown in economic ties between the region and Moscow. The Central Asian republics found themselves in a quandary; they gradually became convinced that they had reached the point of no return. Under these conditions, the local political elites tried to compensate for the lost economic ties with the center by establishing contacts among themselves. It was tacitly accepted that they would stay within the Soviet Union, while the Union itself would transform (without dropping its Soviet nature) from a unitary into a genuinely federal state (which meant it would acquire the form it should have had from the very beginning). As distinct from the Baltic and some other republics, neither the political community, nor the ruling circles, nor society in the Central Asian republics as a whole wanted any other arrangement prior to August 1991, which brought new political forces to power in Russia. The frantic efforts of the Central Asian republics at the late stage of perestroika to organize regional integration fell through.

The Soviet Union collapsed when the Soviet government was liquidated; the Central Asian republics, one after another, declared themselves independent states. This was done in a hurry under the pressure of fear that the new rulers in Moscow would try to restore pre-Soviet, albeit modernized, order across the still Soviet expanse. After beginning to fill their theoretical independence with real content in 1990 by declaring their national sovereignties within the U.S.S.R., they found this prospect distasteful.

Together with the Soviet Union's disintegration, the region fell apart into smaller units—the newly independent states—causing even worse hardships for the man in the street than the last period of perestroika. The disappearance of the unified state came as a shock—political, social, economic, humanitarian and, not least of all, psychological. No wonder a fairly large share of the local population still looks at restoring a more or less integrated regional expanse as one of the remedies.

At the turn of the 21st century, the development of new realities in Central Asia received a new impetus. In the wake of 9/11, the United States and its Western allies increased and confirmed their political, financial, economic, military, and information presence in the region in the course of the anti-Taliban military operation. This ended Russia's nearly 150-year-long monopoly in the region, urged China, Iran, and other countries to step in, and intensified post-Soviet rivalry among the world powers. The flow of drugs that crosses the region amazed no one: the war against the Taliban sent up drug production in Afghanistan. The repeated attempts to involve the region in globalist projects of all sorts and hues are another everyday reality.

This serves the background for a new dimension of the old idea of an integrated Central Asian expanse. Some forces regard it as a *sine qua non* for protecting the region against the negative results of the processes unfolding as a direct outcome of the circumstances and events mentioned above. Others, separated from Central Asia by thousands of kilometers, look at integration as a means of protecting their regions and states against the negative developments in the region.

2

At this point we should ask ourselves whether there are real prerequisites for a new integrated regional expanse. Those who favor the earliest possible Central Asian integration believe that the conditions absolutely necessary for integration are real: geographic proximity, mutual economic complementarity and mutual dependence, cultural and linguistic proximity, common traditions, and shared historical fates.

The former Soviet Central Asian republics are indeed neighbors, yet this is unimportant. Tajikistan, for example, is Afghanistan's and China's neighbor to a much greater extent than Turkmenistan's and Kazakhstan's for the simple reason that it shares borders with the former and its relations with them at the state level are marred by fewer problems than its relations with some of its Central Asian neighbors.

The economies of all the Central Asian states are the product of Soviet power; in the past, they were part of a common all-Union rather than regional economy. None of the Central Asian republics could boast of a single economic expanse even within its borders. It would be no exaggeration to say that the north of Kazakhstan was economically closer to the Russian regions than to the republic's south. The north of Tajikistan had few contacts with the south: it maintained much closer relations with the neighboring regions of Uzbekistan and even much closer ties with the center of the Soviet state.

Kinship of cultures should rest on a common civilizational platform. In our case, however, the local cultures have at least two such platforms—the Islamic and the Soviet, while the forces that could influence the region's future development are consistently moving away from both. The local peoples are divided by their civilizational affiliations as well: some of them belong to the settled Iranian civilization, others to the nomadic Turkic civilization, while still others to a blend of both. This means that, on the whole, they do not have much in common. As for the linguistic community, they are united by a common Russian language, the language of the former metropolitan country, which they still use when talking among themselves.

Before discussing the community of historical fates we should first define what is meant by community in this case. Do we mean the fact that the Central Asian republics were part of the Soviet Union and that they were lingering in the political (and economic in some cases) backyard of this state; that the "fraternal Slavic republics" did not deem it necessary to inform them of their intention to disband the Soviet Union; that today they are still living through the initial development stages (each in its own way) as national states, or something else? The above suggests that the prerequisites enumerated above cannot serve as a real integration basis.

3

Here is another question: What is the framework of the integration process, if it is possible at all? The broad masses in all the Central Asian republics, which are still Soviet-minded, prefer integration along the familiar Soviet patterns. Smaller population groups that have already rejected the Soviet past yet feel uncomfortable in societies that are gradually going back to their social roots prefer integration along the EU lines; there are also those who would hail an Islamic integrated expanse.

Integration Soviet style is possible under at least the following conditions:

- A single political and economic center strong enough to impose its will on others and influence them;

- A monolithic omnipresent and integrating ideological system able to mould all aspects of life across the integrated expanse and a population ready to accept it;
- Delegation by the integrating (or integrated) states of most of their sovereign rights and powers to the unitary center; to be more exact, the states should abandon their independence, voluntarily or otherwise, to the center.

Obviously, there are no such conditions in Central Asia. Uzbekistan is the only country the economic-demographic potential of which, coupled with its central strategic location and the presence of traditional religious and cultural centers on its territory, can claim the role of a seat of the hypothetical integration process. The other Central Asian states, however, have flatly denied Uzbekistan this role. This is happening, among other things, because the national resurrection conceptions used to create national states in Central Asia (Tajikistan, Turkmenistan, and Uzbekistan in particular) have nothing in common. Finally, none of the countries is prepared to delegate even the smallest part of its sovereignty to a potential center, to say nothing of abandoning the status of an independent state altogether.

Integration European style is a voluntary merging of the old and fully developed nation-states bound together by shared political and economic interests, their belonging to the same or very similar civilizational expanses, and their having common ideas, values, and close mentalities. The citizens and political elites of the EU countries look at themselves as an inalienable part of one European society with an identity of its own based mainly on the Western Christian community. At the same time, they are aware of belonging to closely knit national communities.

Until recent times, the “dual identity” of the Europeans within the EU developed without hindrances. This explains why most of them had no qualms about abandoning many of their powers and even sovereignty in favor of the common European center in Brussels completely independent of the largest European powers. They knew that their rights and national specifics were being looked after in the vast expanses of Larger Europe. Nothing of the sort can be seen in Central Asia.

Integration European style is possible among countries which share similar democratic approaches to such problems as the government and the opposition; the government and the economy; the government and the media; the government and civil society institutions, etc. In Europe, the approaches to these and similar issues are very close—something that is absent in Central Asia.

The Central Asian states have just embarked on the road leading to national states; like all other post-Soviet republics looking for their national identities, the process is accompanied by trends that encourage monoethnicity. It will take quite a few years for these processes to reach a certain logical conclusion, for the states to formulate common democratic approaches to many key issues, i.e. to achieve integration European style.

Integration Islamic style is not contemplated by any of the influential political forces in any of the local states. Society is not fond of it either—at least for the time being. What is more, the supporters of all sorts of Islamic integration projects are persecuted under the law, which presupposes imprisonment. To put it bluntly, when brought to court they are accused of conscious rejection of national states for the sake of a certain supra-national integration program. But is this not the final aim of those who support the Soviet-communist and Euro-democratic integration models? No matter what pattern is employed to achieve integration in Central Asia, the process will sooner or later result in the disappearance of national states as we now know them.

4

The above suggests two questions: To what extent does the single integrated expanse meet the current national interests of Tajikistan and the Tajiks as an ethnos? To what extent will it suit them in the near future?

During the last few years, the following ideas have been diligently planted in the minds of the Central Asian public by various (Western in particular) forces. Due to intensive globalization, the world is nearing an obviously beneficial era of post-national state development, which means that to rid themselves of the

burden of economic and humanitarian problems, to ensure economic growth, and to introduce democratic institutions capable of protecting human rights and interests, the Central Asian republics should, having passed through the development stage as national states, move on to the next stage as promptly as possible. In other words, it would be in their best interests to leave the stage of national statehood behind.

Back in 1999, when speaking at an international symposium on the problems of development of Tajik statehood organized by the Center of Strategic Research under the President of the Republic of Tajikistan, Prof. Arne Seifert of Germany offered a Western idea of the period and pointed out to two key processes. First, the state is losing its national nature; second, the state's functions are shifting from protecting national interests to protecting the rights and interests of individuals. The German professor told the symposium that NATO began bombing Yugoslavia in the spring of 1999 and moved its troops into Kosovo with the single aim of protecting human rights and interests and that the war against Yugoslavia was the first in the "post-national statehood" era. The attempts to justify the wars the West was waging against Afghanistan and Iraq by the need to protect human rights against the states ruled by the Taliban and the BAAS testified to the fact that these ideas have obviously been widely accepted as basic conceptions.

Today, we are at the very beginning of the evolution of the contemporary Tajik nation, which will take a long time to be completed. This means that abandoning national statehood for the sake of regional integration and an integrated common expanse without borders in Central Asia, as well as putting the individual and his rights above national values, are fraught with dire negative consequences for the Tajik ethnos.

Between the collapse of the Samanid state in the late 10th century and the time czarist Russia conquered the larger part of contemporary Central Asia, the Tajiks lived in states ruled by other ethnoses. In a situation in which these states were not national states as we now understand them, the Tajik ethnos felt neither oppressed nor downtrodden.

Later, when the Russian imperial authorities organized the Central Asian lands into the Turkestan Territory, launched a well-calculated policy of relying on the non-Tajik ethnoses, while marginalizing the traditional political, economic, and cultural centers and areas with Tajik majorities, the status of the Tajiks as an ethnos in Central Asia as a potential seat of resistance to the Russian rulers worsened.

The process became even more obvious when in the 1920s Soviet power dissected the region into several national-administrative units, and later when Soviet republics appeared. In some of them the nation-forming processes were accompanied by deliberate efforts to transform the multinational republics into monoethnic. With respect to the Tajik ethnos, this took the form of consistent "de-Tajikization" of the Tajiks' traditional areas of settlement and self-realization. Throughout most of the 20th century, Afghanistan remained a victim of a similar (yet much less intensive) process that brought the national-ethnic identity of the Tajiks living outside their national-state unit to the verge of disappearance. In the post-Soviet period, when the local republics became independent states, the situation became even worse.

"De-Tajikization" in Central Asia has become possible in places where Tajiks live in compact groups outside their own state. We can expect that if the national states in Central Asia disappear under pressure of the calls to "post-national state development," "de-Tajikization" will spread to Tajikistan proper. The region is dominated by ethnoses that are ethnically and linguistically different from the Tajiks. This means that in the absence of their own national state, the Tajiks will be deprived of their national-ethnic identity, an ethnic catastrophe for the entire ethnos. Therefore, Tajiks should treat with utmost caution all calls for Central Asian integration (and should be even more suspicious of the calls to speed up the process), irrespective of their sources.

5

It is probably not a mere coincidence that the West, Germany in particular, insists on accelerated integration of the local states, which should, according to the integration enthusiasts, leave behind the stage of national states as promptly as possible. Indeed, it is the well-known German foundations—Friedrich Ebert and Conrad Adenauer—that are initiating and sponsoring most of the conferences and

seminars on the subject in Central Asia. They are closely associated with the two major parties of the Federal Republic of Germany—the SDPG and CDU/CSU, which take turns at the helm.

When actively promoting the idea of a single Central Asian expanse, Western supporters of the idea insist that their continued development as national states does not allow the local countries to successfully deal with the overripe economic and political issues. Without a rapid economic revival, they argue, the urgent social problems will be never settled; they add to social and political tension and lead, in the final analysis, to negative developments.

In fact, Western attention to the Central Asian integration issue is prompted by the West's two major aims: first, to weaken the region's dependence on Russia and, second, to prevent the forces guided by Islamic values from coming to power. The West is merely trying to ensure its own security and realize its political and civilizational interests, not only by limiting Russia's influence in the region, but also by preventing a dual (national and Islamic) identity from cementing its position in Central Asia.

Sympathies for all the forms of regional integration imposed from the outside deprive the national states of any future; they undermine the conceptions of national resurrection that have so far been serving the cornerstone of national statehood in all Central Asian countries. No matter how vague and amorphous, the above serves as a practical, even if not formalized, state ideology in all the regional states. They are concentrating on restoring their lost statehoods by establishing continuity between the present and the past, when these ethnoses flourished in their own states. This is completely true of Tajikistan and Uzbekistan, the political elites of which, when talking about restoring continuity, have in mind the Samanid state and the state of Tamerlane and his successors, which were Islamic states.

Those who side with the Westernized integration model, be it the Soviet-communist or the Euro-democratic, while holding forth on a single Central Asian expanse, are in fact insisting on uprooting the Islamic civilizational elements in the Central Asian republics; those who insist on the Islamic version reject the national elements. In both cases, those who favor regional integration clash with the ideologies of national resurrection and with one of its most important elements—the idea of continuity between the national states and the allegedly national states of the past.

To sum up I would like to point out that Tajikistan will profit from integration that does not threaten the Tajik ethnoses' continued existence. When viewed in this light, the model of an integrated expanse populated by Tajiks and kindred ethnoses looks much more attractive. In practical terms, this means closer relations between Tajikistan, Afghanistan, and Iran. These countries have everything they might need: energy fuels, natural resources, communication lines with access to the sea, and a potentially diversified economy. Finally, they have a common culture and speak the same language.

So far, the more or less different mentalities of the nations of the three countries and their different political cultures, largely due to Tajikistan's Soviet past and the way it is treated in Afghanistan and Iran, have been interfering with positive developments in the required direction. Gradual yet consistent "de-Sovietization" of Tajikistan will finally convince the two countries to abandon their idea of the republic as a semi-Soviet state: the burden of the Soviet past will disappear over time. Stronger ties at all levels (especially in the business community and the elites) can, and probably will, help to overcome the still existing differences and obstacles. This will create prerequisites (psychological as well as others) indispensable for bi- and trilateral contacts. Trilateral contacts at the ministerial and parliamentary levels, as well as at summits, have become routine. It seems that this process, which is similar to that going on among the Turkic-speaking states, will become or might become even more intense in the near future.

Neither encouraging a comprehensive regional integration process, nor merely talking about a single Central Asian expanse meet the interests of the republic and the Tajik ethnoses at present for political and other reasons. This issue can only be discussed in Tajikistan when it develops into a strong, independent, and fully developed state with a stable national identity. Until then, it would be wiser to develop bilateral contacts.

FIFTEEN YEARS OF
INDEPENDENCE:
THE CENTRAL ASIAN AND
CAUCASIAN COUNTRIES
SUM UP THE POLITICAL AND
ECONOMIC RESULTS OF
THIS PERIOD

POLITICAL TRANSFORMATIONS
IN KYRGYZSTAN
(1991-2006)

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Since the early 1970s, those studying the transformation processes in totalitarian and authoritarian regimes have been busy identifying the features found in all transition models and the factors determining the trends and rates of democratic changes. Western political scientists (D. Ros-

tow, F. Schmitter, O'Donnell, S. Huntington, and others) who have been working on the theory of democratic transition regarded the political process as common to all societies and insisted that all transition states would go through the same stages: preparatory (liberalization), decision-making (democratization), and acceptance (socialization).¹

At the preparatory stage, political forces clash: the new elite mobilizes all the social strata dissatisfied with the old regime to carry out concerted actions that lead to a protracted and bitter political struggle. Political forces rally around two opposing banners.² Instability is an inevitable result, and economic and social crises follow suit. There are no attempts to set up a democratic regime at the first stage; it produces a technically democratic order (a so-called paternalist democracy). In the absence of a strong opposition, an authoritarian regime may survive for a long time. At the second stage, the main political forces achieve a compromise, which makes it possible to destroy the authoritarian order and set up democratic institutions in its stead. As members of the new parliamentary institutions, the opposition has the opportunity to join in the decision-making. At the third stage, the compromise is sealed and the democratic forces become consolidated. The pace of change outlined above and the choice of roads leading to democracy depend on the alignment of the key political forces.

An analysis of the transition models reveals that the democratization experience in the states, which, according to Samuel Huntington, will hardly become democratic (Central Asian countries are among them),³ should be summarized.

We shall use the political process in independent Kyrgyzstan to identify the specific features and stages of its political transformation.

The movement toward political reforms began and a new development model appeared in the fall of 1991 when the nation elected a president for the first time in full accordance with the Law on Establishing the Post of the President of the Kirghiz S.S.R. and Introducing Amendments and Addenda to the Constitution (the Fundamental Law) of the Kirghiz S.S.R. of 1990. Political and economic reforms were going on simultaneously at a fast pace. In 1992, the country acquired a Program of Economic Rehabilitation for the next eighteen months, to which IMF and WB experts also contributed. Funding began in July 1993 when credits were allotted by international financial organizations and donor countries. The country chose a liberal model and "shock therapy" that presupposed total denationalization and privatization, a multi-layer market economy, cutting back budget spending (particularly in the social sphere), liberalization of prices and foreign trade, devaluation of the local currency, etc. The transfer to democracy Kyrgyz-style greatly differed from the "classical" Western models: there were no democratic preconditions, while the transfer to the market was carried out in a country badly hit by a profound economic crisis, technological backwardness, galloping prices, total deficit, and the nation's plummeting standard of living.

The first stage (1991-1995) proved to be the most trying for the state and the nation: the systemic crisis developed into a socioeconomic one; destabilization in the financial and social spheres increased along with instability in political life; there was a severe confrontation between the political forces (the communists and the democrats); and the legislative and executive powers could not agree on many issues. The struggle between the old and the new elites over redistributed powers ended with the president's victory supported by the democrats.

On 5 May, 1993, the Supreme Soviet session of the Kyrgyz Republic (KR) adopted a new Constitution based on democratic principles (the separation of powers, general election of the president,

¹ See, for example: D.A. Rostow, "Perekhody k demokratii: popytka dinamicheskoy modeli," *Polis*, No. 5, 1996, pp. 8-11; F. Schmitter, "Protsess demokraticeskogo tranzita i konsolidatsia demokratii," *Polis*, No. 3, 1999.

² See: D.A. Rostow, *op. cit.*, p. 5.

³ See: S. Huntington, "Budushchee demokraticeskogo protsessa: ot emansipatsii k konsolidatsii," *MeiMO*, No. 10, 1995.

etc.). The new Fundamental Law established a model close to the presidential-parliamentary form of government: the head of state and the highest legislative body both had fairly wide powers. The parliament (Jogorku Kenesh) played an important role in forming the government and its structure, and also identified the main trends in the country's domestic and foreign policies. The parliament and the president had the right to submit the most important issues for a referendum.⁴ The Constitution created legal conditions in which the legislative and executive branches could function relatively independently, thus making an agreement between them possible. The president could not rule independently of the Jogorku Kenesh.

In 1994, the president's power betrayed the first signs of strengthening at the expense of the parliament. In December 1993, the country was shaken by a cabinet crisis, and in September 1994, the legislature dissolved itself amid another crisis. The president made skillful use of his address to the nation to fortify his position even more. The dissolution of the parliament was explained by the fact that the head of state and the legislative branch were at odds with each other. (Communists uninterested in carrying out rapid democratic reforms formed the parliamentary majority at that time.)

The national referendum of October 1994 set up a bi-chamber parliament elected in February 1995 in accordance with the majority system introduced to keep any potentially strong opposition party outside the parliament. This created a so-called pocket parliament.

In December 1995, for the first time in its history, the nation went to the polls to elect a president from among several candidates. The post-election context proved to be very different from the pre-election situation: the coalition that supported the president-elect found itself in the winning position. The new alignment of political forces led to another series of constitutional amendments and addenda in 1996.

At the second stage (1996-2000), the republic acquired its final political image as an authoritarian state with elements of democracy (a so-called hybrid state). The amended Constitution supplied the president with the wide powers for forming the executive and judicial branches; the balance of forces shifted to the president. In the absence of a checks-and-balances system, the hybrid regime could easily develop into a regime of personal power.

At this stage, the country achieved temporary stability; the disunited opposition was too weak to rally the discontented masses into active protest. The regime, which skillfully maneuvered between the left and the right, the liberals and the traditionalists, made unification of all the opposition forces impossible and even drew some of their prominent members to its side as civil servants.

The nation became divided into the very rich and very poor, a large part of whom lived below the poverty level and remained under the spell of populist speeches and programs; it was still unprepared to engage in mass anti-government protest actions. The people, fed up with all the failed reforms, feared change; mental inertia was obvious.

As a rule, election campaigns stirred up people's political awareness. In 2000, parliamentary elections were scheduled for February. By that time the drop in the standard of living of nearly the entire nation, as well as the burgeoning shadow economic sector and corruption, had negatively affected the political situation. The share of per capita income in the GDP steadily declined from 14.1 percent in 1998 to 12.2 percent in 2000; the level of budget revenue collection dropped dramatically from 99.4 percent in 1997 to 81.3 percent in 2000.⁵ Uneven social and economic development in the regions (the North and the South; the valleys and the mountainous areas) created even more problems. In the South, which is less urbanized and less industrially developed, poverty

⁴ For more detail, see: A. Elebaeva, M. Pukhova, "Political Transformation in Kyrgyzstan: Specific Features," *Central Asia and the Caucasus*, No. 4 (10), 2001.

⁵ See: *Komsomol'skaia pravda: Kyrgyzstan*, 2 November, 2001.

was much more obvious, while Muslim traditions are much stronger here than in the North. This explains the locally widespread negative feeling about the democratic reforms patterned on the West.

The events in Aksy that took place in March 2002, protest rallies in Bishkek and in settlements in the Jalal-Abad Region, and picketing of the Osh-Bishkek highway destabilized the situation to a great extent. The nation no longer trusted executive power.

The republic's party system also changed a lot: the number of parties increased from 8 in early 1994 to 27 in late 1999, which obviously called for amendments and addenda to the republic's electoral system. In 1999, Kyrgyzstan acquired the Law on Political Parties and the Code on Elections in the Kyrgyz Republic, which introduced a proportional majority system (25 percent of the deputies were elected by a proportionate and 75 percent by a majority vote).

The 2000 parliament was elected according to the new system. The number of seats in the Legislative Assembly increased from 36 to 60, 15 of them being allocated to parties. In 2000, the Communist Party won 5 out of 15 seats, the Union of Democratic Forces election bloc, 4; the Democratic Party of Women, 2; the Political Party of the Afghan War Veterans, 2; the Ata-Meken Socialist Party, 1; and the My Country Party, 1.

The previously disunited opposition showed the first signs of activity: in October 2000, about 10 parties united into an opposition People's Patriotic Movement bloc; the opposition was displeased with the president's fairly wide powers, which it assessed as too wide and insisted that they should be redistributed in favor of the parliament. They also insisted on the presidential-parliamentary form of government and wanted the Constitution to be amended accordingly.

To normalize the situation, the government grudgingly granted certain concessions. In September 2002, a Constitutional Conference (to which the opposition was also invited) was convened to discuss a new version of the republic's Constitution. On the strength of the referendum of 2 February, 2003, the Law on the New Version of the Constitution of the Kyrgyz Republic was adopted on 18 February, 2003.

The new version restored the political balance among the power branches. The Jogorku Kenesh received the following powers: the approval of the structure of the Government of the Kyrgyz Republic recommended by the President; giving its consent to the appointment of the Prime Minister and the members of the Government; control over the Government; giving a vote of no confidence in the Government by a majority of no less than two-thirds of the votes of the deputy corps; giving its consent to appointment of judges of the local courts, etc. (Art 58). The premier was given a greater role in building the executive power vertical and in guiding the government and the local executive bodies. The cabinet was made responsible to the President and Jogorku Kenesh, a situation typical of a presidential-parliamentary republic.

The Constitution introduced the majority system of election to the parliament. Under Art 54, the Jogorku Kenesh shall consist of 75 deputies who will be elected for a five-year term from single-member constituencies.

In 2003, the number of political parties in the republic reached 43, yet all of them were small, lacked wide social bases, and could not affect the activity of the parliament and the cabinet in any way. This explains why the majority system was chosen: the parties lost the chance to run for parliament by party lists, but acquired the chance to nominate their candidates in single-member constituencies (Art 24 of the Code on Elections in the Kyrgyz Republic).

Under the new version of the Constitution, the president acquired fairly wide powers; he plays a significant role in appointing and dismissing top figures (the premier and the ministers) and disbanding the cabinet. This is typical of a presidential republic. The head of state has more power to control the government than the parliament. He plays the key role in appointing the premier, since under Art 63

of the Constitution the Jogorku Kenesh may be disbanded ahead of schedule by the President in the event of three refusals of the parliament to approve the appointment of a prime minister. The Jogorku Kenesh may also be disbanded ahead of schedule by the President, as the result of a referendum and in the event of a legal crisis caused by the insurmountable contradictions between the branches of power. These rights are typical of semi-presidential republics.

So, under the new version of the Constitution, the President retains his political domination; the Fundamental Law failed to register the checks-and-balances system and created legal conditions conducive to a hybrid (mainly authoritarian) political regime that combines the features of a presidential and a semi-presidential republic.

The new version of the old Constitution did not bring political stability; continued disagreements among all sorts of elite groups ruled out the possibility of a consensus between the government and the opposition, while informal (clan) relations in the political, social, and economic spheres added to the general instability. A dialog, let alone a consensus, between the government and the opposition was next to impossible. The opposition wanted to annul the results of the 2 February, 2003 Referendum because the final version of the Constitution (drafted by a group of experts) differed greatly from the version the Constitutional Conference had approved. The opposition, very much disturbed by the president's fairly wide powers, demanded his resignation, while President Akaev repeated all over again that he had no intention to run for another term. His political opponents, however, feared that he might extend his term in office to seven years, as the republic's Central Asian neighbors had done. In fact, signatures had already been collected across the country to make this possible.

Late in 2004, under the pressure of the upcoming parliamentary elections and the top people's refusal to talk to the opposition, the situation became even worse. Elections to the one-house parliament were held in February 2005; in some constituencies, the election campaign developed into clan clashes. The pro-presidential *Alga Kyrgyzstan* won a clear majority, the opposition, meanwhile, complained "about the numerous violations" and demanded that the results be annulled. The elections finally forced the opposition to close ranks within the People's Movement of Kyrgyzstan headed since November 2004 by former premier Kurmanbek Bakiev. There was no ideology behind the process—the opposition and part of society had had enough of the powers that be represented by President Akaev.

The opposition made its demands public at a meeting in front of the House of Government in Bishkek. On 24 March, 2005, peaceful protest actions demanding the president's resignation took place in Bishkek; later the protesters were joined by a column that arrived from Osh. Led by the opposition, prominent figures and the leaders of youth organizations, a large crowd headed to the House of Government; a nation-wide crisis became obvious; the premier resigned when the crowd took the House of Government by storm, while the president simply left the country.

An interim government was set up under Kurmanbek Bakiev, the appointed premier and acting president; the March coup changed the people on top and the elites. Unlike in the Czech Republic, where the so-called velvet revolution brought a new elite to power, in Kyrgyzstan it opened the road to the top for the former president's former comrades-in-arms, whom he removed from power for different reasons. The new people at the helm wanted to steer the country toward continued reforms rather than toward a new development model or a new social-political system.⁶ The coup was an outcrop of the clan struggle over power and property caused by several intertwining domestic and external factors. To a great extent the March events were caused by aggra-

⁶ There is a common agreement in the West that a genuine revolution brings new people to power rather than restores those who already had the chance of ruling the country.

vated domestic problems, but external factors should not be ignored either. Sun Zhuangzhi, a Chinese expert, for example, insists that the United States allocated \$31 million for the republic's democratic development.⁷

The following domestic factors made the regime change possible: the political regime's crisis of legitimacy and its inability to defend the constitutional order; contradictions inside the ruling elite, which led to a split; the economic crisis; the structural industrial crisis; the plummeting standard of living; unemployment (especially obvious in the South); the consolidated opposition; the emergence of all sorts of political alliances and parties; pending regional and ethnic issues; corruption and crime; drug trafficking; the drug mafia's obvious drive for power; the development of the informal sector; the growing number of people employed in shadow economy, which was gradually moving toward criminal activities; the failed attempt at stemming the process; and the gap between the democratic constitutional principles and reality.

The March coup, which destroyed the vertical of power, added vigor to all sorts of regional, ethnic, religious, clan, and other groups. In the small hours of 25 March, 2005, the law-enforcement bodies preferred to keep a low profile, which drove the excited mobs to marauding, plundering, and setting fire to shops in the republic's capital. The drug barons did not remain idle either. On 12 May, 2005, in an effort to prevent a split into the North and the South and in response to numerous public demands to preserve peace and stability, Bakiev and Kulov entered into an agreement on a political tandem. On 10 July, 2005, Kurmanbek Bakiev, one of the nine candidates, won the pre-term presidential election with a wide margin (he received 88.5 percent of the votes). The confrontation between the newly elected chief executive and the earlier elected parliament became revived with fresh vigor. The Jogorku Kenesh refused to approve some of the president's ministerial candidates; in response, the Jany Kyrgyzstan and Erkindik (headed by T. Turgunaliyev) parties started collecting signatures (the number needed by law was 300,000) for the parliament's dissolution.

To avoid this, the Jogorku Kenesh passed a Law on Referendum, under which the parliament could annul referendum results. The law envisaged that the failed issue could not be put up for a referendum for the next two years, even if 300,000 people voted for an earlier date.⁸

In an effort to bury the Bakiev-Kulov tandem, some of the deputies tried to initiate a vote of non-confidence; there were suggestions to set up a coalition cabinet and transform the country into a parliamentary republic.

In January 2006, the opposition moved toward greater unity within a newly established People's Coalition of Democratic Forces of 18 parties, movements, and NGOs. The "new" opposition insisted on more amendments to the Constitution, administrative and judicial reforms, and more active anti-criminal measures. The opposition's more radical members and some of the parliamentarians went as far as demanding that the Bakiev-Kulov tandem be disbanded, while others predicted its dissolution due to the contradictions (the HIPC membership) and the absence of a single political program. The situation in the South, where radical Islamic groups were stepping up their activities, remained disturbing. Hizb ut-Tahrir and its supporters were spreading their influence far and wide.

Crime was on the increase; criminals were trying to join the power structures to impose their will on the president. In fact, the entire political system could have fallen victim to total criminalization. The law-enforcement structures could not cope: exchanges of fire between criminal groups, contract murders, and illegal seizures of land and enterprises became daily occurrences.

⁷ See: S. Luzianin, "Color Revolutions in the Central Asian Context: Kyrgyzstan-Uzbekistan-Kazakhstan," *Central Asia and the Caucasus*, No. 5 (35), 2005.

⁸ See: *AiF Kyrgyzstan*, No. 14, 2006, p. 4.

Starting in 2005, the number of grave and capital offences has been on the increase. According to the law-enforcement bodies, at that time there were 162 organized criminal groups in the republic; trade in arms and ammunition escalated out of control. The wave of crime was also rising because the public had lost faith in the law-enforcement structures.⁹

The instability, lack of social agreement, and higher crime level could have caused chaos and loss of control, therefore a large part of the public and mass organizations demanded that the government restore law and order and step up its anti-criminal and anti-corruption efforts. In fact, no one was safe in the country; everyone feared for their lives: the ruling elite was not yet ready to defend constitutional order and uphold human rights.

The Political Council of the People's Movement of Kyrgyzstan Party called on the ministers, governors, akims, and chairmen of the ayyl okmotu to spare no effort to restore stability and concentrate on economic rehabilitation and creative labor.¹⁰ The For Democracy and Civil Society Coalition called on the president to take resolute anti-crime measures and restore law and order in the country before it was too late.

In response, President Bakiev spoke about the need to restore the vertical of power, which would allow the government to regain control over the situation. More than twelve months before that the president spoke of the need to reform the state administrative mechanism; the World Bank allocated about \$20 million for this purpose. Constitutional amendments and addenda could no longer be postponed.¹¹

A Constitutional Conference was convened to work on a new version of the republic's Fundamental Law; the first stage of the constitutional reform started in April 2005. In June 2005, the amended text reached the media; a nationwide debate followed and was completed on 6 October, 2005 with a presidential decree that said the draft should be revised "not only as far as its wording was concerned; its entire content required revision." The decree set the final date of 25 December 2005, by which time the final version of the draft Law on Amendments and Addenda to the Constitution of the Kyrgyz Republic should have been completed.¹² The head of state justified his demand of the revision by the parliament's excessively wide powers. A strong parliamentary republic, he argued, was possible in a country with strong parties, whereas Kyrgyzstan was a country of over 80 parties, nearly all of them parties of the leader and a handful of his supporters. With weak and tiny parties, the programs of which had nothing in common with what the country needed, the republic was unprepared to switch to the parliamentary form of government.¹³

The Constitutional Conference failed to grasp the meaning of the proposed constitutional reform; in its zeal it suggested that over forty articles of the country's Fundamental Law should be amended; the revision of all the norms that caused disagreements would have required much time and a wider constitutional conference.

At the second stage, its membership increased to nearly 300 people,¹⁴ which pushed the lawyers and deputies into the minority. Chairman O. Tekebaev, former Jogorku Kenesh speaker, was replaced by President Bakiev. In his address to the conference, the newly appointed chairman suggested that the Conference should rule itself by the following: a presidential-parliamentary form of government; a "strong president, strong parliament, strong cabinet, and strong civil society"

⁹ See: *Vecherniy Bishkek*, 2 November, 2005.

¹⁰ See: *MSN*, 10 February, 2006, p. 2.

¹¹ Since 5 May, 1993, when the Constitution was adopted, the amendments and addenda have been introduced to it four times to strengthen the president's power.

¹² See: *Slovo Kyrgyzstana*, 7 October, 2005, p. 3.

¹³ See: *Slovo Kyrgyzstana*, 26 September, 2006, p. 2.

¹⁴ The Constitutional Conference was enlarged, in addition to prominent politicians, with educators, doctors, heads of farming households, etc.

model; dual citizenship; a parliament based on the majority-proportionate election system; the president, premier and the deputies should be deprived of immunity, while the judges should retain theirs.¹⁵

The presidential vs. parliamentary form of government caused a lot of discussions and disagreements: teachers, doctors, public figures, and aksakals (elders) from the regions insisted on wider presidential powers, they wanted the president to fill the premier post as well. Other conference members wanted a parliamentary republic in which many of presidential powers would be transferred to the parliament.

An editorial commission was set up to smooth out the contradictions and to submit the final version to the president before 25 December, 2005. A nationwide discussion of the published final version was also planned.

Serious disagreements slowed down the process; the Constitutional Conference failed to reach an agreement on the final version. On 23 March, 2006, the president issued a decree, on the basis of which a workgroup was established under deputy J.K. Beknazarov to complete the job. In July 2006, the group, which collected over 3,000 relevant suggestions, came up with three drafts of the Fundamental Law for a presidential, parliamentary, and “mixed” republic: fifteen versions in all, which attracted critical remarks from all sides.

The majority of the Jogorku Kenesh deputies insisted on a parliamentary republic; they went as far as launching a wide campaign to discredit the president. On 17 June, 2006, the opposition made its demands public at a rally in Bishkek. Tension continued and reached its peak on 5 September, 2006 when deputy O. Tekebaev was detained at the Warsaw airport. On 22 September, the parliament presented an ultimatum to the head of state: it demanded a coalition cabinet of popular confidence and “immediate” constitutional reform based on the draft Law on Amendments and Addenda to the Constitution of the Kyrgyz Republic, elaborated by the Constitutional Conference and published in 2005. The parliament expected this to be done before 20 October, 2006.¹⁶

On 28 September, 2006, President Bakiev addressed the parliament with a message On the National Development Strategy and Immediate Tasks, in which the head of state announced that new tasks had been identified, such as a competitive market economy, a standard of living no lower than the world’s average, reliable standard social guarantees, fully-fledged democracy, and a fair and efficient government. The president said that the first stage had been successfully completed: the economy was no longer in a crisis, while the state bodies and all the other vital systems were functioning smoothly.

At the second stage, said the president, the country should acquire an efficient system of governance, which requires constitutional amendments and addenda. He described the future constitution as a constitution “with a strong executive power” and added that the country needed a new normative legal act on political parties and movements, specific criteria for streamlining the ministries, departments, and territorial administrations, conditions conducive to law and order, as well as reformed law-enforcement and judicial systems. The president confirmed his opinion that efficient parliamentary governance was not possible in a country that lacked strong political parties.¹⁷

The first signs of the political crisis appeared in the fall of 2006: the confrontation between the executive and legislative branches developed into a crisis; the parliament split. To put pressure on the country’s leaders, the opposition resorted to a tested weapon—constitutional amendments; it did not want reforms as such—the opposition hoped to force the president and the government to resign (that

¹⁵ See: *Delo No*, 10 October, 2005, p. 3.

¹⁶ See: *Slovo Kyrgyzstana*, 26 September, 2006.

¹⁷ See: *Ibid.*, 29 September, 2006, pp. 2-4.

meant the regime change could be described as a “second” coup). The opposition demanded that the president submit the final version of the country’s Constitution no later than 2 November, 2006, otherwise the members of the For Reforms movement threatened to start a wide-scale perpetual rally in the capital’s center on that very day that would attract from 15,000 to 20,000 demonstrators. The movement’s headquarters demanded that the president dismiss Procurator General K. Kongantiev and head of the Bishkek Main Administration of Internal Affairs M. Kongantiev; discontinue his “family” business, and nationalize all facilities still owned by the Akaevs.

Some public associations and parties called on the opposition not to aggravate the political crisis and move toward a constructive dialog with the government to overcome contradictions by legal means; they condemned the desire of the leaders of the For Reforms movement to resort to rallies and demonstrations. On 31 October, 2006, two rounds of talks between the reformer deputies and the head of state were crowned by an agreement under which the presidential and the deputy groups (consisting of three experts each) were expected to produce a compromise version of the Constitution of a presidential-parliamentary republic; on 2 November, the president was expected to offer the draft to the Jogorku Kenesh. The sides agreed to proceed from the version the first Constitutional Conference had completed in the summer of 2005. The president agreed on the majority-proportionate election system. No agreement was reached on other controversial issues.¹⁸ On 1 November, 2006, the president met with the heads of parliamentary committees and factions and members of the public who were resolute in their conviction that “the Constitution cannot be adopted in two days.”¹⁹ There was apprehension that clashes might follow in the country already divided into the South and the North. Some of the deputies went as far as suggesting direct presidential rule.²⁰

Under the Law on the Rules of Procedure in the Jogorku Kenesh, draft amendments and addenda submitted to the parliament should be discussed no earlier than three months after the date of their submission; the opinion of the Constitutional Court should be taken into account. Proceeding from this, 33 deputies authored an address in which they suggested that the draft constitution should be approved before 1 December, 2006, while the president should submit a new version of the Fundamental Law before 6 November.²¹ In case of disagreements between the branches of power, the draft should be offered for a national referendum.

On 2 November, a huge rally in support of the reforms was held in front of the House of Government in Bishkek. On the same day, President Bakiev informed the Jogorku Kenesh that he intended to submit the draft constitution to the parliament on 6 November.²²

On 6 November, 2006, the parliament met for a special meeting to discuss the draft constitution presented by the deputy-reformers under which the country was to become a parliamentary republic. Deputy O. Tekebaev said that the new Constitution should be adopted by a specially convened Constituent Assembly; 38 deputies supported him; Deputy Baybolov was elected its chairman, while toraga (speaker) of the Jogorku Kenesh M. Sultanov and 20 deputies refused to take part in the Constituent Assembly and left. This created an impasse: there were two parallel structures—the Jogorku Kenesh and the Constituent Assembly.²³ Defense Minister I. Isakov described this as a “constitutional coup,” while President Bakiev said that what the opposition had done was a breach of law and invited it to engage in conciliatory procedures. Some of the deputies, as well as leaders of political parties and

¹⁸ See: *Slovo Kyrgyzstana*, 3 November, 2006, p. 2.

¹⁹ *Ibidem*.

²⁰ See: *Ibidem*.

²¹ See: *Ibid.*, p. 5.

²² See: *Ibid.*, p. 2.

²³ Under the current Constitution of 2003, the legislators’ right is limited to introducing amendments and addenda to the country’s Fundamental Law.

movements, agreed that the opposition had demonstrated that it was ready to use mass rallies to accomplish another coup.

On 7 and 8 November, the centrist deputies and the pro-presidential parties and movements responded with an anti-rally in front of the parliament building; the initial crowd of 5,000 then swelled to about 15,000. According to the media reports, thousands of Bakiev's supporters arrived from the South. Large rallies in support of the president were held in the Osh, Jalal-Abad, Batken, Naryn, and Talass regions, which condemned the opposition. The rallies demanded that the parliament ("which intended to stage a coup") be dissolved and that a referendum on constitutional reform be held.²⁴

The fact that the Constituent Assembly adopted the new Constitution aggravated the political conflict and even brought the country dangerously close to a civil war. On 7 November, 30 Jogorku Kenesh deputies, together with the speaker, issued an Address in which the president and deputies were invited to amend the Law on the Rules of Procedure in the Jogorku Kenesh to bridge the widening gap, to come to an agreement on the still contradictory constitutional issues, and to submit the draft of a new version, which should take the sides' opinions into account, to the parliament.

On 8 November, 2006, the parliamentary majority (50 votes) adopted the changes to the parliament's rules of procedure; the deputies finally got down to discussing the "conciliatory" version based on the version supplied by the first Constitutional Conference of 2005, the president, and the Jogorku Kenesh.

The head of state agreed to sign the new rules of procedure, if the deputies, in turn, agreed to make him a co-author of the new version of the republic's Fundamental Law and preserve his right to endorse ministers and appoint local judges.

On the same day, the parliament adopted in two readings the new version of the country's Constitution born by a political compromise. This ended the political crisis and prevented open clashes.

The following amendments can be described as most important: the parliament's membership was increased to 90 deputies; it received wider powers, such as passing decisions on the cabinet's structure and its members; the party that wins over 50 percent of the seats (out of 45) acquires the right to form the government and nominate a candidate for premier to be approved by the president. If none of the parties acquires over half of the seats, the head of state has the right to invite one of the parliamentary parties to select a premier. If this method fails three times and the country is left without a premier and cabinet, the president dissolves the Jogorku Kenesh and uses his right to form a cabinet that will retain its power until the next parliamentary elections.

No less than 50 percent of the deputies are to be elected by proportionate vote by party lists; the others are to be elected by majority vote. The deputies retained their immunity, but if they are absent from plenary meetings for 45 or more days without good reason, they could lose their mandates.²⁵ The Jogorku Kenesh has the right to pass a vote of non-confidence in the cabinet if dissatisfied with its annual report.

The new version gave the president the following rights: approval of the premier, dismissal on his own initiative or at the request of the prime minister or any of the cabinet members; appointment of the Procurator General and chairmen of the National Bank and the Central Election Commission after the parliament approves the candidates. The head of state retains his considerable role in appointing other top figures; under the new Constitution the Kyrgyz language is the state language, while the Russian language is described as the official tongue; the Constitution also introduces dual citizenship; all the power structures retain their powers until their term expires in 2010.

²⁴ See: *Slovo Kyrgyzstana*, 10 November, 2006.

²⁵ See: *Ibid.*, p. 3.

The republic acquires a presidential-parliamentary form of government close to the French model of a semi-presidential republic.

This is the first step toward a consensus between the president and the opposition, but the continued reforms require mechanisms for overcoming the contradictions and achieving a balance among the power branches.

C o n c l u s i o n s

The advance toward democracy that took place in 1991-2006 in Kyrgyzstan shows that the republic is still at the first stage of the transition period. This stage (1991-1995) can be described as a stage of bitter power struggle between the democrats and the communists, which the latter lost. Privatization and the economic reforms brought power and property together and created an oligarchic group of very rich people.

At the second stage of the first period (1996-2000), the country moved away from the initial presidential-parliamentary form of government to a presidential republic; the head of state and his supporters strengthened their positions and achieved temporary stability. Authoritarian trends became even more obvious in the absence of a developed civil society and its institutions. At the same time, strong presidential power and authoritarian trends were much more preferable in a transition society than lack of cohesion and populist tendencies that inevitably created tension and lead to confrontation.

At the third stage of the same first period (2000-2006), the gap between society and the political elite became even wider; the still unresolved social and economic problems (particularly in the South) added to the already obvious political crisis and ended in a social upheaval.

The March 2005 events and confrontation that came in their wake between the president and the opposition were the products of the struggle for power and property. The transfer of power and regime change became too complicated and even dangerous and required a long period of transition to be completed.

Democracy in Kyrgyzstan is superfluous—the society remains devoted to the pre-Soviet (clan system) and socialist (collectivist) norms and principles. The democratization process is slowed down by the mounting informal relationships in the political and socioeconomic spheres (the clan system and tribalism being the most typical of them). They make compromises and agreements between the elites and other groups next to impossible.

The stability and ethnic consolidation needed to move toward democracy have not yet been achieved, while there are persisting problems of center/periphery and South/North interaction; criminal and religious groups pursuing their own aims do not add stability. In the last 15 years, the legislative and executive branches have frequently been in conflict.

To prevent revolutionary upheavals, which are too costly for any society, the state should abandon the legal norm of off-term presidential elections²⁶ and create mechanisms of power transfer to finally achieve a balance of power and social stability. The system of institutions should be improved to be able to promptly respond to mounting conflicts and prevent them. In fact the country needs a national idea as an instrument of social consolidation.

Stability of the political system requires accelerated unification of parties into blocs and coalitions; the process might be encouraged by a new law on parties and public movements. This law should specify the registration conditions with the Ministry of Justice (size, local branches in all regions and districts) and establish a barrier of 5 or 7 percent, which will weed out the parties based on the principles of tribalism or clientage and will help the parties based on genuine social interests and ideas.

²⁶ Life has shown that political regimes that permit off-term elections are less stable.

The political aspect of the democratization process is closely connected with the culturological approach, which means that traditional values should be taken into account; modernization should be rooted in the country's national and cultural specifics. All ethnic and regional groups should curb their special interests to reach a consensus. Traditional culture is a collectivist culture. We should always bear in mind that tribalism may undermine the state's stability and integrity.

The experience of the Kyrgyz Republic has demonstrated that a democratic transition is hardly possible in countries with low economic development levels where the market or its elements and a civil society are still undeveloped. Disagreements among the political elites and between the South and the North and their ethnic communities prevent a move to the next democratization stage. The main political forces should seek a consensus on the strategy of social reforms and find it.

ARMENIA: ON THE THORNY PATH TO INDEPENDENCE

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The establishment or restoration of independence is the cherished desire and dream of every nation. During their multi-century history, the Armenian people have lost and restored their statehood many times. This also happened at the end of the 20th century, when a Third Republic was set up in Armenia. It was not only formed on the basis of the First (1918-1920) and Second (1920-1991) republics, but also became their legal successor and heir. After existing for two and a half years, the First Republic laid the foundation for the Armenian state of the most recent period, essentially ensuring, albeit in imperfect form, its existence in the form of Soviet Armenia, which some time later became part of the Transcaucasian Federation, and later of the U.S.S.R.

As a constituent of the Soviet Union, the republic achieved significant success in almost all areas of social and economic life. It acquired a developed industry, agriculture, and culture, but it did not and could not become, a politically and economically independent, free national state. At the end of the 1980s-beginning of the 1990s, the U.S.S.R. fell apart as the result of the tempestuous development of political processes, and Armenia, along with the other Soviet republics, became independent, which was legislatively enforced on 21 September, 1991 by the results of a national referendum.¹ A presidential form of rule was introduced in Armenia.

¹ See: *The Republic of Armenia*, 24 September, 1991.

In a short time, the Republic of Armenia (RA) acquired universal international recognition, became a member of the U.N., and established diplomatic relations with many countries of the world. At this time, the RA, like other post-Soviet republics, encountered the need from the very beginning to carry out significant changes throughout the system. These reforms encompassed all areas of society's vital activity (political, economic, legal, social, cultural) and were very far-reaching and deep-cutting in nature.

Carrying out such transformations was unprecedented in its scope for the world community, that is, no other state had yet to resolve such major problems, and this meant there was no corresponding experience. In order to build a democratic, law-based state, it was necessary, in addition to carrying out political reforms, to proportionally and correctly develop different branches of the economy, replace ineffective management mechanisms with more effective market ones, and modernize the structure of the economy, adapting it to the needs created by the new economic system and producing goods and services that were competitive on the world market.

But those countries that encountered the inevitable need to conduct reforms had very little time to carry all this out, since the collapse of the former economic system led to a decrease in the production volume and a drop in the population's standard of living.

Analyzing the course and results of the reforms conducted in the RA over the past 15 years, we come to the unequivocal conclusion that despite the obvious positive shifts, it might have been possible to achieve more, which did not happen for several objective and subjective reasons.

The formation of market relations can be considered one of the main results of the socio-economic reforms in Armenia. The governments that followed each other in close succession liberated prices and foreign trade, introduced a domestic monetary unit, and created new market structures (a banking system, consultative, insurance, and auditing companies, as well as companies acting on the security and real estate market) with a certain amount of success. As a result of the continuing changes in the state governance system, entirely new customs and tax bodies, a price policy for state purchases, and special institutions regulating the civil service system were formed, while the activity of the state administration hierarchy was adjusted to meet the demands of the market economy.

Thanks to the reforms in the judicial-legal sphere, the formation of a new judicial system was completed and new laws and codes were adopted. At present, new civil and criminal codes are in effect, numerous laws and legislative acts have been adopted for regulating the activity of the budget, tax, and banking systems, as well as of various organizations. Widespread privatization has led to the production of the private sector constituting the main part of the GDP. Structural changes have also occurred in power engineering. The national monetary unit, the dram, remained stable, and the budget deficit and inflation became manageable. The reforms in the social sphere—education and health care—were carried out with varying success. Introduction of a system of family benefits was an important step from the viewpoint of rendering assistance to the low-income strata of the population. Significant investments were made in the production structures (mainly in the form of credits and donations) for restoring the disaster zone and developing and modernizing power engineering, motor roads, irrigation and drinking water systems, and communications. Private (including foreign) investments were made in the republic's industry, particularly in the mining-metallurgical, chemical, and pharmaceutical branches, in the processing of precious metals and gems, in the food and the light industries, and so on.

Beginning in 1994, thanks to the above-mentioned reforms and investments, the RA registered an average annual economic increase of 5.9%, in 2001 it was 9.6%, and almost the same figure was recorded in 2005.²

² See: *The Sociopolitical Situation in Armenia, January-December 1994*, Erevan, 1994, p. 8; *The Sociopolitical Situation in Armenia, January-December 2002*, Erevan, 2002, p. 141.

But, despite all of this, during the past 15 years, the Republic of Armenia has been unable to restore the level of socioeconomic development and standard of living of the population that existed during the pre-perestroika period. More than half of the country's residents are considered extremely poor, and the polarization of personal incomes is the highest among the former U.S.S.R. republics. The benefits and pensions granted by the state are approximately 8-fold lower than the cost of the food basket and minimum subsistence level. According to official statistics, the average monthly wage of those employed in production reaches a mere \$43.³ According to some researchers, the number of unemployed is approximately 30-32% of the able-bodied population.⁴ The funds allotted by the government for education, public health, culture, and science have been drastically cut back, which has resulted in immense detriment to these spheres, particularly with respect to the quality of services rendered and the extent to which they reach all those in need of them.

Nor have any dramatic changes been noted in the sectoral structure of the economy, or in the competitiveness of goods on the world market. The volume of exportable production dropped 15-fold compared with the pre-transition period,⁵ and the export structure has drastically changed, the main part of which consists of non-labor-intensive low-value added goods. But along with this, the significant increase in foreign deliveries and volume of foreign investments observed in recent years inspires the hope that positive structural shifts have begun in the economy that will lead to the development of those branches with internal reserves in export.

In this way, despite the efforts aimed at carrying out socioeconomic reforms, Armenia remains a poor country with a great many unresolved social problems.

In order to correctly assess the results of the changes that have occurred during the period under review, the objective and subjective reasons for the difficult socioeconomic situation that has developed must be identified, and those shortcomings and errors pointed out that gave rise to the current situation and made it impossible to rapidly overcome the difficulties of the transition period. In particular, cooperative production ties were destroyed in one fell swoop, and export channels were cut off; the economy and society found themselves in a profound crisis. To these problems we can add the war, blockade, 1988 earthquake, migration, to name a few. There are objective and subjective reasons for the crisis that developed. Among the former, which caused a profound slump in the economy and slow restoration of its pre-transition level, we can single out three (apart from the earthquake and consequences of the war).

1. *No one expected so many drastic changes, and the country proved unprepared for them.* As a result of the rapid collapse of the U.S.S.R. and Russia's, our main trade partner, use of shock therapy for carrying out the economic reforms, Armenia found itself faced with the need to carry out large-scale economic transformations. At the beginning of the 1990s, the ruble quickly became devaluated; under conditions of state control over prices, basic necessities disappeared. But whereas in the Russian Federation and several Eastern European countries rather detailed and lengthy preparations were made for the reforms, the new authorities in the RA were unable to carry out such a high volume of work, which resulted in the transformations begun being incomprehensive and inconsistent, that is, the political changes in the U.S.S.R. took place so quickly that Armenia did not have time to comprehensively prepare for carrying out the reforms required by these changes. This was also hindered by the fact that the country was in an actual state of war with Azerbaijan.
2. *There were not enough resources for successfully carrying out a large number of structural changes.* The abrupt slump in the Armenian economy and its subsequently slow re-

³ National Archives of the Republic of Armenia, rec. gr. 119, inv. 15, f. 53, sheets 1, 21.

⁴ See: *Armenia-2001. Statistika*, Erevan, 2001, p. 21.

⁵ See: *Foreign Trade of the Republic of Armenia, 2000*. Erevan, 2001, p. 13.

covery were caused by the industrial nature of the latter and its complete dependence on the market of the former U.S.S.R. In 2001, the volume of industrial production amounted to only 55% of the 1990 level.⁶ The loss of foreign markets led to significant structural changes in this sphere. As a result of the collapse in the integrated economic space and payment system, reduction in the production volume, as well as the formation of a new competitive environment in all the republics, not only did production but also export volume drastically decrease in Armenia. In 1993, in keeping with the official dollar exchange rate to the ruble, the export volume dropped almost 40-fold compared to 1988,⁷ and, what is more, the largest part of export constituted production from four branches: the food, the light, the chemical, and the machine-building industries. Not one industrial enterprise was ready for such an abrupt change in the situation, the mechanism of guaranteed sales was no longer effective and the industries mentioned were supposed to find sales markets themselves. Adaptation to the new conditions required a fair amount of time, since new knowledge and structures, qualitatively new employees, and, more important, an increase in the competitiveness of the goods produced were needed in order to organize production management and sale in the new situation. Large amounts of resources were needed to carry all this out and achieve success on the foreign market. Even those enterprises at which relatively new equipment and more or less contemporary technology was used were unable to quickly adapt to the new situation. As for reserves, the economy did not have any. Enterprises could not maintain even their circulating assets (high interest banking loan rates made it impossible for enterprises to use them). Financial resources did not become available for enterprises until after the seventh year of the reforms, when international organizations began putting the first credit programs into practice and foreign investments in the economy gradually began to grow. The above-mentioned factors promoted a significant increase in export volumes beginning in 2000. Under the new conditions, it was necessary to form a corresponding environment for the activity of enterprises, as well as preserve a stable domestic political situation, which, unfortunately, was impossible to accomplish in the RA.

The contested results of the 1996 presidential election, the change of power in 1998, as well as the October events of 1999 and the destabilization of the political situation that followed it led to frequent changes in government and, consequently, to a slowdown in the rates of socioeconomic reform in all the spheres. As a result, despite the economic growth noted in the past few years, no positive shifts in the standard of living of the impoverished strata of the population have occurred, not to mention the "reverse processes." Regardless of the fact that a strategy aimed at economic reforms continued to develop, the domestic instability, deterioration of the social status of the people, and other circumstances reigning in the country led to an increase in protest against the reforms in various strata of the population and to an intensification of the domestic political struggle for power, which caused the formation of a weak and impotent system of state administration. After creating an unhealthy situation in the power structures and society, this situation (particularly under the difficult social conditions) made it impossible to concentrate on the consistent implementation of socioeconomic reforms. Official powers began to be abused for the sake of personal and group interests to the detriment of the state and the broad masses; embezzlement of state property and bribery increased in the civil service; as the result of the patron-

⁶ See: *Ekonomicheskiy rost v usloviakh spravedlivogo raspredelenia. Vybory ekonomicheskoi politiki, napravlennoi na sokrashchenie bednosti*, Erevan, 2002, p. 4.

⁷ See: *Promyshlennost' v 1990-1997 gody*, Erevan, 1999, p. 7.

age of various state bodies, the shadow economy swelled to enormous proportions; and access to carrying out economic activity was made more difficult. Under these conditions, various power bodies merged with new structures: groups formed that used the state's potential to meet their narrow, clan interests. The lack of fair economic and political competition, monopolization, and abuse of power became the main ways in which certain strata of the population became rich or impoverished. This also promoted an increase in the inequality of social groups, some of which, after concentrating power and wealth in their hands, slowed down the further course of the reforms, since otherwise they would have been deprived of their source of wealth. Consequently, the frequent manifestations of instability and the unsophisticated system of state administration made it impossible in the difficult socioeconomic situation to consistently carry out political and socioeconomic reforms and prevented the development of the private sector, a significant increase in the investment of foreign funds, and the implementation of structural changes.

3. *The economic blockade.* As a result of the latter, freight shipments linking the RA with its main trade partners (Russia, as well as Turkmenistan, Ukraine, and other republics of the former U.S.S.R.) became much more expensive. This was a serious blow to the competitiveness of Armenian goods. The blockade is still having a negative effect both on the implementation of domestic economic reforms and on the export volume. The latest results of the studies carried out by the World Bank with respect to the factors preventing regional cooperation show that opening the borders with Azerbaijan and Turkey will make it possible to reduce transportation costs by 30-50%, double the export volume, and increase the GDP by 38%.⁸ Those advantages that Armenia has because of its geopolitical location at the intersection between highways and other supply lines have essentially turned into a factor hindering economic development, due to the unfavorable political situation and the blockade by the two countries mentioned. The socioeconomic situation that has developed at present is, of course, caused not only by the objective circumstances listed. Impressive indices of economic growth and an increase in the population's standard of living could have been achieved even in the situation described if subjective factors had not played their decisive role and subjective errors had not been made.

1) The reforms in Armenia were not carried out comprehensively and consistently and the question of control over their quality and efficiency was not constantly raised. In contrast to the states that chose shock therapy for carrying out their reforms (for example, Poland and, partially, Russia), liberation of prices and foreign trade were not accompanied in the RA by financial stability, macroeconomic balance, and widespread privatization. Shock therapy was essentially not used in Armenia comprehensively, since this method is mainly aimed at the rapid achievement of financial stability and convertibility of the national currency, replenishing the budget deficit, reducing inflation rates and bringing inflation to a standstill, preserving a manageable situation, and creating currency reserves, which is made tangible by liberating prices and foreign trade. In order to ensure structural changes in the economy and economic growth, this process should also be accompanied by the formation of a private sector and the organizations that service it. This was possible in two cases:

a) if the RA, after preparing a corresponding reform program and possessing the necessary resources, introduced its own monetary unit;

⁸ See: *Bankovskiy vestnik*, Central Bank of the Republic of Armenia, Erevan, December 2000, p. 17.

b) if a corresponding agreement were reached with Russia and both countries carried out the same policy. But at the beginning of 1992, Armenia was not ready to take either of the above-mentioned steps.

The new authorities did not carry out any reliable preparatory work in this area, since they hoped that, by remaining in the ruble zone, they would be able to retain their economic ties with the Russian Federation and other constituents of the former U.S.S.R. for a long time to come. However, this would only have been possible if Armenia carried out a policy coordinated with Russia in monetary and foreign economic spheres, which did not happen at that time.

2) The socioeconomic reforms being carried out in the RA were a mechanical transfer of the processes going on in a particular state, whereby without taking local features and traditions into account.

Without a clear program of action and ignoring the management and administration experience accumulated over decades, the organizations and individuals in power strove in one fell swoop to resolve difficult issues relating to the transfer from autocracy to market relations.

3) Land privatization began without any serious preparation. Without taking into account the needs of the farmers, universal decollectivization was carried out at breakneck speed. More than 900 collective and state farms were eliminated and approximately 320 thousand individual farms were formed on small land plots, the number of which reached a million.⁹ Even highly productive farms with a solid base were destroyed. As a result, plough land and heads of cattle are decreasing with each passing year; many farmers have given up their dream of having private property, left their homes, and emigrated.

It should be noted that there are still collective and state farms in most former Soviet republics. Their potential was intelligently used to organize agricultural production. Even such a land-rich country as Russia has not yet transferred to large-scale privatization.

Due to the lack of skills of the Armenian statesmen, the absence of a legislative field, and the lack of management, the main agricultural valuables (land, mechanisms, buildings, processing plants) have gone for a song to chance people who have absolutely nothing to do with agriculture, but who have established strong ties with the authorities. Subsequently, after "coming to," the state tried to settle the problems of agriculture and farming by means of certain legislative acts, but the damage done was so great that it was impossible to achieve the anticipated result. Farmers, left to their own devices and without protection, lost faith in the government, became disillusioned, and abandoned their dream of obtaining their own farm.

4) The desire to be first led to industry being privatized in an even more disorganized and unplanned way. After acquiring independence and being deprived for objective and subjective reasons of raw materials and energy, some industries stopped functioning. The RA, which had the highest level of industrial development among the former Soviet republics, found itself at the lowest level in the mid-1990s. Privatization of this sphere was also carried out at breakneck speed, which proved more destructive than creative for industry that had been relatively developed in the past.

The privatization of small structural units went quite smoothly. As for large industrial enterprises, the government created conditions whereby they went for a song to the

⁹ See: *Ekonomika*, Vols. 1-3, Erevan, 1999, p. 29; *Statistical Yearbook of Armenia, 1993-1994*, Erevan, p. 129; National Archives of RA, rec. gr. 113, inv. 165, f. 448, sheet 13.

relatives and acquaintances of high-ranking leaders. The organizational chaos resulted in 8% of the families (clans) in Armenia possessing 90% of the privatized facilities. Many expensive enterprises were sold as scrap metal to other states, and no one bothered about putting the rest into operation. This led to a collapse in the economy and an increase in unemployment. It was also the main reason for emigration, which was encouraged by the authorities.

- 5) Some reforms were carried out in the credit and banking spheres aimed at bringing them into harmony with the demands of the times, but even here there was appropriation of large amounts of credit and personal funds, which often took place under the cover of high-ranking officials. In fact, reform of the monetary system weakly promoted the strengthening and development of medium and small businesses. Despite the fact that a whole series of decisions were made in this area in the future, the medium producer was not the main figure and had little effect on both the development of industry or on reducing the level of unemployment and its elimination. Unable to ensure the development of production as the result of privatization, the state began to pay more attention to improving tax mechanisms and replenishing the main part of the budget with legal and illegal taxes. It essentially improved its financial position at the expense of the small and medium producer, willy-nilly patronizing the shadow economy and promoting an increase in polarization.
- 6) The government's role is of course extremely important in the transition period and in the contradictory and difficult conditions of economic and sociopolitical reforms. After the republic gained its independence, Armenia's bigwigs, among whom were many people who took their posts by chance, tried to copy the structure and work methods of the state apparatus in developed European countries, forgetting that these states have a stable production market, legal field, and so on, formed over the span of centuries. Such attempts did not take into account the RA's specific conditions and at best ended in the adoption of empty general socioeconomic laws, mechanisms for the implementation of which were not even drawn up. Democracy and market relations are not permissiveness. Privatization that turned into all-out robbery and market relations that took the form of a street bazaar could not help but have destructive consequences. By encouraging the expansion of commercial ties, the state did not concern itself with selling industrial production, augmenting production, and reducing the import of goods that have exceeded their expiration date. What is more, foreign merchants accounted for a large percentage of the employees on the republic's markets, while the army of the country's own unemployed grew from year to year.
- 7) During the Soviet era, the interests of all the strata of the population were protected by the state's strong social policy, in an organized way and in keeping with a certain program. During the years of sovereignty, Armenia was declared a social state, but a targeted program for protecting the interests of every category of citizens was not drawn up. Mechanisms for protecting society's interests were not launched in this area either, particularly with respect to its disabled strata and invalids. The social reforms carried out did not help to resolve the population's main and vitally important problems. The RA government has done essentially nothing to regulate labor relations and draw up work contracts between employers and hired workers, and all of this is only leading to an increase in the number of unemployed. A market of labor resources has essentially not been formed, republican and regional employment programs have not been drawn up, there is no special information about the movement of manpower; the creation of jobs is nothing more than figures on paper. The state has essentially been unable to alleviate the polarization of society by means

of a planned policy, or reduce the difference in income between the poor and the rich. It is strange, to say the least, that pensioners and employees of the budget organizations are, in addition to refugees and the unemployed, among the very poorest group of the population. Where is the state's social policy? The fact that in 1990-2001, 1.3 million people left the republic (including refugees from Azerbaijan), only an insignificant number of whom returned to their homeland, is a result of the helplessness of this policy.¹⁰ The authorities do not understand the ethnic consequences of mass emigration, which in turn is having a negative effect on the country's socioeconomic development.

- 8) The socioeconomic crisis that developed after independence was declared also had a destructive effect on public health, science, and education. The annual decrease in state subsidies and paid services deprived the impoverished majority of the population of access to these spheres, which had a negative effect on the activity of scientific and educational institutions.

Soviet Armenia with its potential of scientific personnel and level of scientific development always occupied an advanced position in the Soviet system. The almost 22,000-strong army of Armenian scientists enjoyed recognition in many countries of the world, but the difficult economic situation and loss of scientific ties upturned the material-technical base of efficient scientific research during the years of sovereignty. The republic was unable to engage in resolving problems that no longer had any customers. As a result, the number of researchers decreased by approximately 3.8-fold and reached 6 thousand.¹¹ Finding itself in an overall crisis, the government underestimated the role of science, did not understand that it is national property, and was unable to create suitable conditions for its development. The miserly salary white-collar workers earn has forced many of them to leave their jobs and emigrate to other countries. Not until the end of the 1990s were several steps taken aimed at strengthening the material-technical base of science—the use of foreign grants and resources from various foundations. Scientific relations with the diaspora have expanded.

The main institutions engaged in training researchers are higher educational establishments where many attempts at restructuring were undertaken during the years of independence. By ignoring the rich and positive experience accumulated over the decades, changes began to be implemented that mechanically brought the existing system of higher education closer to Western standards. Under the conditions of chaos, several dozen private universities and colleges were created in which the teaching level left something to be desired. At present, the first steps are being taken to establish control over their activity and render assistance in building up those that are indeed helping to advance the education system.

The adoption of the laws On Education and On Higher and Post-Graduate Education have made a great impact on regulating the problems in the development of this system. The decision to switch to a three-stage training system consisting of a Bachelor's program—incomplete higher education, a two-year Master's program, and the training of high-level specialists and postgraduate students, adopted by the government on 12 June, 1992, was an innovation. In 1995, several higher education institutions and, in 2005, almost all higher schools of learning transferred to this education system. Specific steps are being taken to increase the independence of higher learning institutions and strengthen ties between higher learning institutions of the republic and scientific and educational structures abroad.

In the first years of sovereignty, the need arose for developing principles to create a national school called upon to bring up students in the spirit of national traditions and carry

¹⁰ See: *Armenia-2001*, p. 13; *Nishcheta i demokratiia v Armenii*, Erevan, 2000, p. 72.

¹¹ See: *Znamia*, Iss. 3, February 1999, p. 18.

out teaching on the basis of the latest achievements in science and technology. Several steps were taken in this direction: education in this school was liberated from the pressure of the Communist ideology, during the years of independence work was carried out to change the curriculum, and basic and alternative textbooks were published.

Despite the shortcomings, introduction of the system of family benefits has become a significant event from the point of view of rendering aid to low-income members of the population.

- 9) Deprived for more than 10 years of targeted ideological influence, cultural life has experienced a real crisis. Western values are constantly penetrating and becoming incorporated into different spheres, on the one hand, while the ideas formed during the years of Soviet power are still largely in effect, on the other. What is more, it is obvious that certain national values are beginning to undergo reconsideration. After independence was declared, ideological frameworks were eliminated in Armenia that restrict the development of the national culture, great opportunities have appeared for free creativity, but not until 2000 was a state conception developed according to which the preservation of the cultural heritage and assistance to artistic creative progress were envisaged.

In this way, the attempt to analyze the 15-year history of the development of the Republic of Armenia brings us to the conclusion that the difficulties of the transition period might not have been not so extensive and destructive if the government had carried out a scientifically substantiated socio-economic policy, taking into account the country's specific features. Of course, objective reasons can be given (the war in Nagorno-Karabakh, the blockade, and so on), but the RA leadership was unable to alleviate these problems in a more flexible and subtle way. Along with all this, the achievements relating to preventing a total collapse in the economy, strengthening the defensibility of the state, and enhancing the development of sociopolitical life, as well as other areas show the real potential of a nation that follows the path of independence.

GEORGIA'S FUEL AND ENERGY COMPLEX AFTER INDEPENDENCE

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This article analyzes the development trends in Georgia's fuel and energy complex (FEC) and its individual branches over the past 15 years.

The rates and dimensions of their progress are characterized during this period of time and a brief assessment is given of how the complex operates, both

in the past and during the years of independence. An analysis is carried out of individual types of energy resources. In so doing, particular attention was given

to the export-import of energy resources, as well as to the degree the country's demand for them is being satisfied by local resources.

Brief Excursion into History

The fuel and energy complex is a large multi-branch national economic system that plays a leading role in forming society's material and technical base, accelerating scientific and technological

Table 1

Main Development Indices of Power Industry in 1960-1990¹

Years	Installed Capacity at the End of the Year, thou. kW			Electric Power Generation, million kWh		
	Total	including hydropower plants	%	Total	including hydropower plants	%
1960	974	651	66.84	3,702.0	2,223.0	60.05
1965	1,584	778	49.12	6,042.4	2,792.0	46.21
1970	2,064	788	38.18	8,964.0	2,642.0	29.47
1975	2,708	1,122	41.43	11,603.4	2,564.0	22.10
1980	4,155	2,558	61.56	14,687.4	6,410.0	43.64
1985	4,389	2,688	61.24	14,421.3	6,243.0	43.29
1986	4,385	2,688	61.30	14,570.8	6,056.0	41.56
1987	4,391	2,688	61.22	14,549.7	4,693.0	32.25
1988	4,412	2,733	61.94	14,599.7	7,748.0	53.07
1989	4,412	2,733	61.94	15,824.5	8,787.0	55.53
1990	4,522	2,732	60.42	14,238.0	7,594.0	53.34
1990 in percentage of						
1960	464.3	419.7	-6.4	384.6	341.6	-6.7
1970	219.1	346.7	22.2	158.8	287.4	23.9
1980	108.8	106.8	-1.1	96.9	118.5	9.7

¹ Compiled on the basis of data of the Georgian Statistics Department.

progress, forming the necessary prerequisites for improving operating conditions, and raising the population's standard of living.

The main branch in the complex is **the power industry**, which is the life-supporting and blood-supplying system of the economy's entire complex organism. During the last 30 years of Soviet power (1961-1990), serious quantitative and qualitative shifts occurred in the development of Georgia's power industry: the installed capacity of all types of power plants and electric power generation have grown 4.6- and 3.8-fold, respectively (see Table 1).

The building of power plants was particularly intensive between 1961 and 1980, when the Ortachal hydropower plant (1961), the Tbilisi State Regional Power Plant (TbilGRES), the Khrami-2 hydropower plant (1963), the sixth unit of the thermal power plant of the Rustavi Metallurgical Plant (1962), three stages of the Vartsikhe hydropower plant (1977-1980), new units at the TkvarcheliGRES (1977), and the thermal power plant of the Batumi Oil-Refining Plant (1977-1978) were put into operation. As early as 1970, the total capacity of all of Georgia's power plants amounted to more than 2 million kW, and in 1980 to 4,155,000 kW. In 1980, 14,687.4 million kWh of electric power were produced, which was more than four-fold higher than the corresponding index for 1960.

Whereas before 1960, Georgia's power industry was largely developed by assimilating hydro resources, in subsequent years, the picture changed and thermal power plants came to the fore. This occurred in 1965 when these enterprises accounted for 50.9% of the installed capacity and 53.8% of the electric power generation. In 1970, for the first time in its history, the republic had a positive power balance and even delivered its electric power to other republics. The increase in the latter reached its peak in 1980 (1,743.8 million kWh). By this time, the structure of capacities in Georgia's power industry was as follows: thermal power plants accounted for 38.4% and hydropower plants for 61.6%. Electric power generation at hydropower plants amounted to 43.6% and at thermal power plants to 56.4%.

In subsequent years (1981-1990), electric power generation remained at almost the same level, while consumption quickly rose (by 0.5 million kWh on average per year), with respect to which the power shortage also noticeably increased. In 1988, the power shortage amounted to 3.6 billion kWh in the republic. This figure was a record for Georgia's entire history. In the period under review, the power balance was in the red.

In 1990, the republic was 3.2 billion kWh of electric power short and could only satisfy 81.6% of the demand. But even this level could not be realist, since thermal power plants supplied with fuel from the outside accounted for 46.7% of the electric power produced in 1990.

Georgia is traditionally supplied with **natural gas** from other countries. Efforts to gasify the republic began in 1956. At the end of 1959, Tbilisi received natural gas from Azerbaijan. The throughput capacity of the main gas pipeline amounted to 1.8 bcm a year, and to 4.6 bcm after reconstruction.

From the very beginning, Georgia's gasification was carried out at a rapid rate, due to which the pipeline capacity and gas resources proved insufficient. New sources of gas supply had to be found. The Vladikavkaz-Tbilisi gas pipeline was built and put into operation in 1963. In 1970-1978, Iranian gas was delivered to the republic. Since November 1978, gas supplies from Iran stopped due to the political events that took place in this country. The Vladikavkaz-Tbilisi gas pipeline was in need of reconstruction, which began in 1985 and was completed in 1991. The annual throughput capacity of the route reached 20 bcm.

Due to this, the Transcaucasian republics (including Georgia) "switched" to gas from Turkmenistan. At this time, Georgia was one of the advanced countries in terms of gasification level. Gas was supplied to 48 cities, 230 villages, 600,000 apartments, some 800 industrial and agricultural enterprises, 1,500 boiler installations, and 2,000 public utility facilities. Ten thousand kilometers of gas

pipeline were laid: 2,000 km of main and 8,000 km of distribution network. In 1989, gas consumption in Georgia topped 6 bcm, which amounted to 60% of the country's fuel balance.²

At one point, increasing **coal** production was regarded as a priority for Georgia's industry. At the end of 1990, this branch accounted for 20% of the gross output, 79.6% of the employees, and 53.4% of the cost of the basic production assets of the fuel industry. Coal production has a century-long history in this country. The industry demonstrated its highest index during its entire development in 1958 when 3,014,000 tons of coal were produced, which is three-fold higher than the 1990 level. This was because the post-WWII years saw the most intensive construction of coal enterprises. Pig iron and steel appeared and were developed in Georgia at this time.

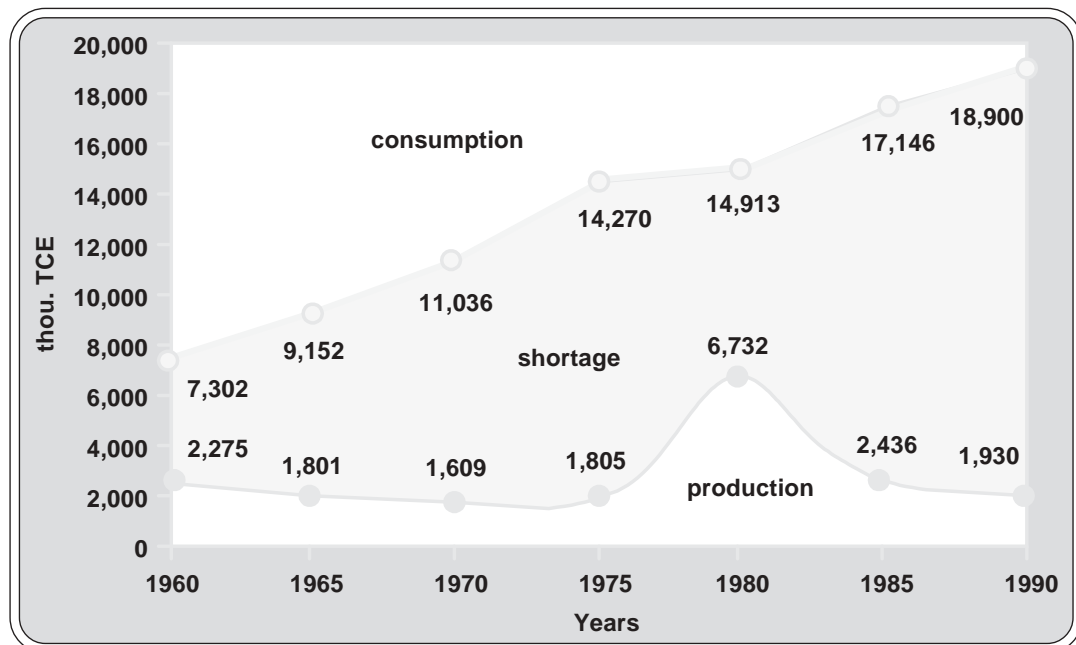
The coal industry was extremely important for the progress of other industries as well. It supplied ferrous metallurgy with process fuel, and the power industry with power-generating coal. Georgia was the only republic in the Transcaucasus that had its own coal industry and met its own needs for this process and power-generating resource to a certain extent.

In 1990, Georgia produced 956,000 tons of coal, 655,000 tons of which (or 69.6%) came from the Tkibuli, and 290,000 tons (or 30.4%) from the Tkvarcheli mines.

For ten years, the republic's annual **oil** production fluctuated within the range of 20-30,000 tons. The situation drastically changed in 1974-1975. In 1974, 44,000 tons of oil were produced, and a year later, this figure increased almost 6-fold. In 1974, two fields were discovered near Tbilisi—the Samgori-Patardzeuli and Shromisubani-Tskaltsminda. During deep drilling, other deposits were discovered in Georgia. Oil production reached its peak in 1982 at 3,331,000 tons, which was almost 100-fold higher than the 1960 level.

Figure 1

Production and Consumption of Fuel and Energy Resources in 1960-1990, thou. TCE
(ton of coal equivalent)³



² See: D. Chomakhidze, *Energeticheskaia bezopasnost Gruzii*, Tbilisi, 2003, p. 122.

³ See: D. Chomakhidze, *Energeticheskiy balans Gruzii*, Tbilisi, 2007, p. 341.

In Soviet times, the oil-refining industry was represented by the Batumi plant—this enterprise refined 4-5 million tons of oil a year. On the whole, during the Soviet period, the branches of the fuel and energy complex developed with varying success, but the demand for energy resources rose much faster, causing the shortage to increase from year to year. An exception in this respect was 1980 (see Fig. 1).

Fuel and Energy Complex in the Transition Period (1991-2000)

Despite the problems in the power industry that have existed since Soviet times, independent Georgia inherited a power base that was not very efficient, but relatively developed.

In 1990, 2,600 kWh of **electric power** was produced per capita in the republic, and 3,200 kWh were consumed. In this way, as these data show, the country experienced a shortage of electric power. Since then, the generation of the latter has remained at the same level, and later it began to decrease. In 1990-1995, electric power generation decreased by 50.3%, and consumption 2.2-fold. A drop in generation was noted both at hydropower plants (by 16%) and at thermal power plants (9.5-fold). The level of use of the existing capacities also dropped. In 1995, the total capacity of all power plants amounted to 4,800,000 kW, while only 1,800 kW, or 28.7%, were in working order. The number of hours of average annual capacity use also decreased.

Under these conditions, Georgia's power system was forced to operate under non-standard emergency conditions, which had a dilapidating effect on the installment of the system. The republic's power industry has encountered new and extremely difficult problems. Repair work at electric power facilities has essentially ceased due to insufficient funds, and supplying power plants with fuel has become problematic. The power system could not satisfy the demand. Electric power metering and collecting money for its consumption were in an even worse state. Electric power losses escalated out of all proportion. The energy crisis reached its peak. Economic destabilization, the violation of executive discipline in the industry, the plundering of power facilities, the constant turnover of qualified personnel, and other negative phenomena were obvious.⁴

Since 1994, electric power generation has remained at essentially the same level; it reached its peak of 8,119 million kWh in 1999. Subsequently, its generation gradually decreased. It dropped by half at thermal power plants, and increased by 23.3% at hydropower plants, but this increase could not be considered realistic. In particular, in 1994, the lowest level of electric power generation during the past 26 years was noted at hydropower plants: this year, 4,923 million kWh of electric power was produced, which is the lowest index since 1979.

The decrease in generation had an impact on the country's electrification indices: this primarily concerns per capita electric power generation (see Table 2)—over a span of ten years (1990-2000), it dropped by 39.3%. In terms of this index, Georgia lags noticeably behind other states, including the CIS countries.

The development rates of the republic's power industry traditionally lag behind those of the economy as a whole, including in the production sector. This trend was also manifested in the period under review.

⁴ See: G. Tavadze, D. Chomakhidze, *Prirodnye monopolii i ikh regulirovanie*, Tbilisi, 2005, p. 46.

Table 2

Per Capita Electric Power Generation⁵

Years	In kWh	In percentage of 1990
1990	2,626.3	100.0
1991	2,452.8	93.4
1992	2,107	80.2
1993	1,898.7	72.3
1994	1,352.5	51.5
1995	1,399.1	53.3
1996	1,466.2	55.8
1997	1,491.4	56.8
1998	1,702.9	64.8
1999	1,723.6	65.6
2000	1,593.7	60.7

After 1990, gas consumption in Georgia gradually dropped, and in 2000 amounted to 1,094 mcm, that is, it dropped 5.5-fold compared with 1990.

The well-known phenomena of the past years had an impact on the gas industry. Gas supplies to the country ceased for a long time. During the first half of 1995 and 1996, Tbilisi, like almost the whole of Georgia (apart from Rustavi and the Kazbegi District) found themselves without gas.

The halt in gas supplies aggravated the technical state of the gas plants, since gas pipelines were subjected to external corrosion, which began in earnest due to the instable supply of electric power; while internal corrosion became an additional problem. During the instable period between 1991 and 1993, the corrosion protection installations were plundered, copper and other materials being removed from them. The training of engineers and middle-rank technical personnel, as well as of blue-collar workers, was undermined. The emergency and accident prevention service left much to be desired. The repair work done showed that 40-50% of the gas pipeline inspected needed to be restored. The sections of the gas network damaged by corrosion were "repaired" in the traditional way, by means of their complete replacement. This is much more expensive than using the new technologies advanced countries (Germany, France) make use of, for example, inserting a section of polyethylene pipe in the damaged steel network or attaching special film to the inside of the pipe.

As a result of all the above, gas consumption decreased from 6.1 bcm in 1989 to 0.9 bcm (or 6.7-fold) by 1998, and if we do not take into account the large consignors (the power industry, the chemical industry, the metallurgical industry), use dropped 15-fold. Of the 587,000 gasified apartments, only 13.6% were supplied with natural gas.

Against the background of the economic crisis, the demand for coal dramatically dropped in the period under review. The **coal** industry almost ground to a complete standstill. Coal production has

⁵ Compiled on the basis of data of the Georgian Statistics Department.

been decreasing with each passing year, and by 2000 dropped to 7,300 tons. During the period under review, it decreased by 40.9%.

During the first years of independence, the Georgian oil industry was in a piteous state. It was poorly financed and did not have material and technical support. The need arose for forming joint ventures with foreign companies. At this time, oil production was being carried out by Iorisveli joint venture, Frontera Intern-Georgia, the Georgian-British Company, and so on.

Development of the Fuel and Energy Complex in 2001-2006

Electric power generation in 2001-2006 not only did not increase, but, on the contrary, decreased by 4.6%.

It stands to reason that its generation also decreased at certain power plants, including at large ones, such as the Inguri hydropower plant, the Vardnili hydropower plant, the Lajanuri hydropower plant, the Khrami-2 hydropower plant, and others. Between 2000 and 2005, generation dropped by 6%, 12.8%, 35.6%, and 44.5%, respectively (see Table 3). A record drop in electric power generation was noted in 2001, when it decreased to 6,942 million kWh, which approximately amounted to the 1967 level, that is, in this respect, the country lagged by 38 years.

In 2000-2005, the drop in generation at hydropower plants was largely caused by breakdown of the hydroturbine units. In particular, the Khrami-2 hydropower plant was out of operation for 17 months during 2000-2005, due to which the republic was unable to produce approximately 350 million kWh.

Due to the instable operation of the Lajanuri hydropower plant, the power system was short approximately 200 million kWh of power. Due to the emergency shutdown of the hydroturbine units (Vardnili hydropower plant No. 1, No. 2, and No. 3, Vartsikhe hydropower plant No. 2 and No. 5, the four Shaori hydropower plants, and Gumati hydropower plant No. 3) and the breakdown of the hydraulic structures (the sluices of the Inguri dam, and so on), more than 1 billion kWh of electric power were not produced.

The increase in generation at thermal power plants was due to the relatively stable operation of the 9th power generation unit of the Mtkvari-Energy Company and the 3rd unit put into operation. In 2005, the import of electric power rose by 16.7% (it was imported both from the Russian and the Armenian power systems, amounting to 732.9 and 475.4 million kWh, respectively).

The irrational use of water by hydropower plants had a negative effect on the results of the industry's operation. For example, on 1 January, 2005, there were plans to accumulate water reserves equivalent to 502 million kWh in the reservoirs connected to the hydropower plants. However, in actual fact, only 277.7 million kWh of equivalent water were accumulated for the hydropower plants, that is, 55% of the plan.

The technical state of the power system's plants can be evaluated by the following indices: by the end of 2005, the total working capacity (of the 4,600 MW of all the installed capacities) amounted to 1,766 MW, that is, only 38.4%. The data presented show that the technical state of the power-generating facilities is extremely alarming, and this is aggravating the shortage, increasing the weighted average tariff rates, reducing revenue into the budget, and negatively influencing the economy and finances.

It is a well-known fact that the percentage of the Inguri hydropower plant is significant in the entire structure of all the electric power produced. In 2005, its generation amounted to 2,578.9 million kWh,

Table 3

Electric Power Generation in 2000-2005
(million kWh)⁶

Indices	Years						2005 in % of 2000
	2000	2001	2002	2003	2004	2005	
Electric power generation	7,446.0	6,942.0	7,045.6	7,163.0	6,706.0	7,100.6	95.4
Including by: Thermal power plants	1,540.4	1,370.5	513.5	635.1	813.2	1,030.6	66.9
of them: TbilGRES	1,520.1	139.8	245.8	18.7	21.5	318.2	227.6
Mtkvari		1,226.4	267.7	616.4	791.7	712.4	58.1
TbilTPP	20.3	4.3	—	—	—	—	—
Hydropower plants	5,905.6	5,571.5	6,532.1	6,527.9	5,892.8	6,070.0	102.8
of them: Inguri	2,742.6	2,344.2	2,989.0	3,066.1	2,728.1	2,578.9	94.0
Vardnili	487.5	457.3	509.9	356.0	384.2	425.0	87.2
Lajanuri	194.6	186.7	134.0	216.0	86.3	125.3	64.4
Vartsikhe	665.7	657.1	840.7	738.0	606.6	674.0	101.2
Shaori	81.9	90.4	146.1	138.0	96.9	109.4	133.6
Dzevrula	109.7	70.9	171.5	139.0	84.3	128.0	116.7
Gumati	176.6	184.4	181.9	181.2	204.3	203.0	114.9
Rioni	267.5	259.2	226.6	290.0	288.8	296.0	110.7
Khrami-1	149.1	158.8	151.7	313.0	238.8	197.0	132.1
Khrami-2	228.3	239.8	210.4	104.0	3.0	126.6	55.5
Zhinvali	292.9	362.2	476.1	353.0	437.9	402.0	137.2
Others	509.2	560.5	704.6	633.6	733.6	804.8	158.1

four (capacity of 920 MW) of the five units at the plant (installed capacity of 1,300 MW) are in working condition, but only one is in use, 110 MW of the 210 MW of installed capacity of which are in operating order. The Vardnili-2, 3, and 4 hydropower plants have come to a complete standstill.

⁶ Compiled on the basis of data of the Georgian Statistics Department.

In 2005, with the support of the Georgian government and Ministry of Energy, an entire series of hydropower plants, thermal power plants, and the electric power network were restored (thanks to the amount allotted from the state budget). All of this made it possible to raise the reliability of the power system and ensure stable supply of consumers with electric power.

On the whole, due to the lack of financing for hydropower plants undergoing repairs, the utilization rate of the installed capacity is very low, which is causing large water losses during flooding and also the loss of cheap electric power. As for privately owned installations, it should be noted that twenty hydropower plants were privatized in Georgia with a total installed capacity of 105.7 MW. Their total installed capacity amounted to 37.7 MW at the end of 2005, that is, essentially one third of the installed capacity was used—35.7%. In 2006, another six hydropower plants were privatized (the Rioni hydropower plant, the Ats hydropower plant, the Shaori hydropower plant, the Lajanuri hydropower plant, the Gumati hydropower plant, and the Dzevrula hydropower plant), as well as the Kakhetian, Ajarian, and joint distribution companies.⁷

During the years of independence, new power installations were put into operation in the republic: first the Khadori hydropower plant with a capacity of 24 MW, and then a gas-turbine installation with a capacity of 55 MW (with the prospect of doubling it).

Georgia's **gas supply** (as of 1 January, 2005) provided 32 enterprises with fuel, 3 of which (or 9.4%) are large, 14 (43.7%) are medium, and 15 (46%) are small. As for the service structure, the large enterprises accounted for 72.2% of all the production, the medium for 23.2%, and the small for 4.6%. In 2005, the industry disposed of gas totaling 35.5 million lari, and it employed 3,200 people. Compared with 2000, the production volume increased 3.8-fold, and the number of employees by 33.3%.

The largest gas distribution company is the Tbilisi Company (created in 1958); street gas networks of 2,040 km in length and costing approximately 4.8 million lari are kept in its account. The company services 205,000 gasified apartments and 3,350 enterprises. Part of the gas pipeline (1.6%) is high pressure, 26.7% is medium pressure, and 71.7% is low pressure. A joint-stock company was formed on the basis of the indicated structure. In 2006, the KazTransGaz Company purchased Tbilgaz.

The **oil-producing** industry currently operates on the basis of the existing fields, whereby some of them have been in operation since 1930. According to experts, the current oil and gas wells are on the brink of exhaustion. This shows that these fields have very few possibilities for increasing production, although growth can still be achieved by using new technologies and methods. There are prospects of finding new deposits.

The data on oil production for 2001—2005 are as follows (in thou. t): 2001—98.8, 2002—73.9; 2003—139.7; 2004—97.6, and 2005—66.6, which is naturally not enough for resolving the existing energy problems.

The **coal** industry could not reinforce its foothold on the energy resource market in 2001-2005 (with respect to sale of its production). The industry is essentially running idle. Coal production in these years amounted to the following (in thou. t): 2001—5, 2002—6.1; 2003—8, 2004—8.1, and 2005—5.1.

Georgia is rich in **non-traditional** sources of energy (thermal waters, solar and wind energy), but their use, as in previous years, remains at a very low level (see Fig. 2).

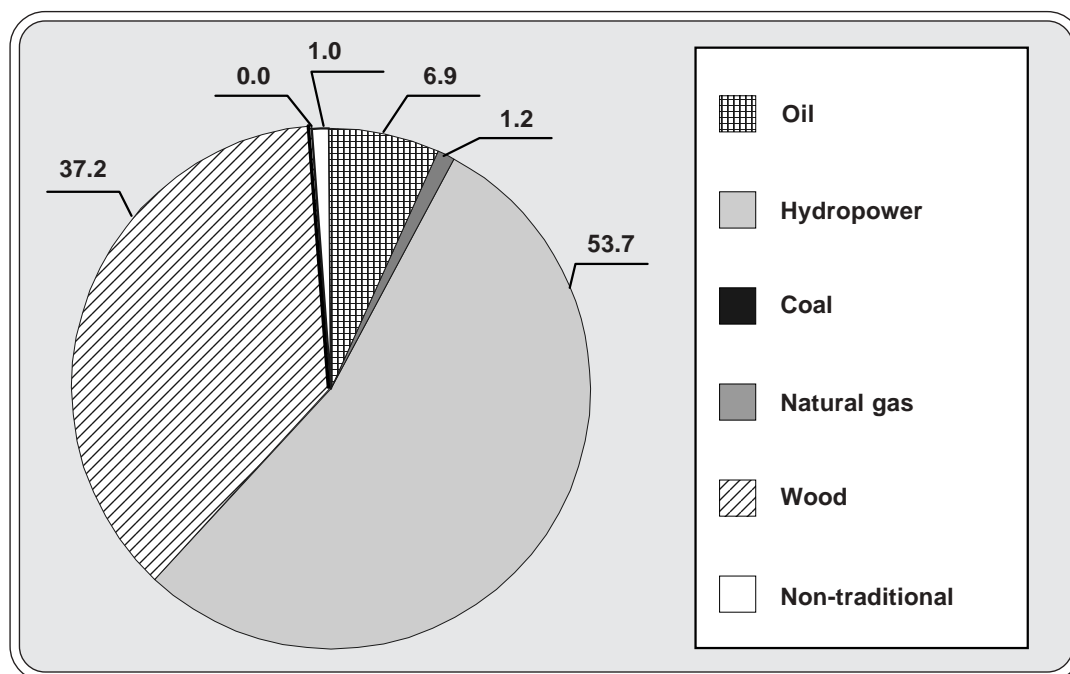
In 2006, 7,425 million kWh of electric power were produced in the republic, which is 4.5% more than the same index for 2005, and consumption amounted to 7,964 million kWh. There is no doubt that the country has a deficit power system. As for oil production, it dropped by 4.7% and amounted to 63,500 tons (compared with 66,700 in 2005).

The increase in electric power generation in 2006 was promoted by the increase in its generation at thermal power plants (by two-fold and more). In the indicated year, the gas-turbine installation

⁷ See: G. Tavadze, Ir. Kavtaradze, *et. al.*, *Regulirovanie energetiki. Teoriia i praktika*, Tbilisi, 2006, p. 192.

Figure 2

Structure of Self-Produced Energy Resources (%)
[2005—972,000 TCE]



produced its first electric power (in a volume of 290,500 kWh). What is more, the generation of the TbilGRES and the Mtkvari-Energy Company increased (2.1-fold and 61.3%, respectively).

In 2006, Georgia's hydropower plants produced 5,321.6 million kWh of electric power, or 71.6% of its total generation. Compared with 2005, it decreased by 12.3%; in particular, at the Inguri hydropower plant by 36%, at the Vardnili hydropower plant by 14.5%, at the Shaori hydropower plant by 38.8%, at the Khrami-2 hydropower plant by 6.4%, and at the Zhinvali hydropower plant by 3%.

The main reason for the generation drop at the Inguri hydropower plant and Zhinvali hydropower plant was that scheduled maintenance work was being carried out, which meant that these plants were out of service for three months. In addition to this, the Khrami-2 hydropower plant stood idle for four months, and the Shaori hydropower plant and Dzevrula hydropower plant have not been operating for three months.

In 2006, the republic's power system was characterized by a decrease in imports and a loss of electric power in the networks. The indicated "losses" fell to 1,404 million kWh (1.7% of consumption), and imports decreased to 764.5 million kWh (or 1.83-fold). Despite the positive shifts, in 2006, an electric power shortage was nevertheless noted, which amounted to 682.1 million kWh, but the trend toward its decrease was obvious. Compared with the previous year, the deficit decreased almost two-fold.

C o n c l u s i o n

During the years of independence, the development of the country's fuel and energy complex has been unsatisfactory. There has been an obvious decrease in energy resource production (the situation in this sphere has only begun to improve in recent years).

The research carried out showed that in the transition period (1991-1995), the production, as well as the consumption of fuel and energy were characterized by a slowing trend. At the current stage (1996-2005), they are undoubtedly increasing; whereas in 1991-1995, the production of fuel and energy resources decreased 2.3-fold, and their consumption 8.5-fold, in 1996-2005, there was an increase by 67.9% and 56.7%, respectively. In this way, a trend has recently been designated toward a gradual decrease in the deficit.

Georgia is not rich in fuel and energy resources, but the country does have reserves of these resources to one extent or another: it has bituminous and brown coal, peat, oil, associated gas, thermal waters, hydropower resources, and favorable conditions for using solar and wind energy.

This analysis has shown that despite its energy shortage, Georgia should make fuller use of its local reserves in order to better satisfy its energy demands.

DYNAMICS OF ECONOMIC REFORM IN POST-SOVIET KYRGYZSTAN

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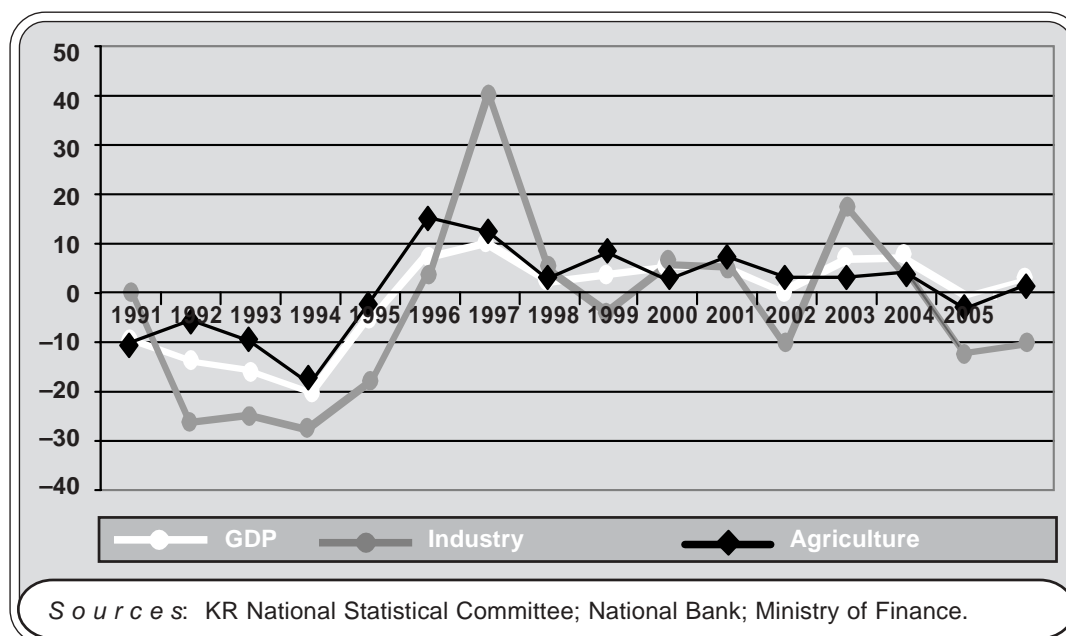
The post-Soviet period in Kyrgyzstan has been marked by dynamic changes. After the breakup of the U.S.S.R., the Kyrgyz Republic (KR) embarked on a parallel transition to a democratic system of governance and a **market economy**. In contrast to other CIS countries with sizeable energy and other natural and labor resources, larger domestic markets and close proximity to transportation arteries, the Kyrgyz Republic lacked such resources and conditions. In this context, its choice of a development option based on the model of a small but “open” economy and highly intensive reforms is quite understandable. The republic was obliged to implement a mixed (convergent) economic system whose basic principles are free enterprise, free market pricing and free competition.

These radical economic transformations were launched and carried out in the conditions of an unprecedented economic crisis. The breakup of the Soviet Union meant a disruption of cooperation ties between economic agents, so that the activities of many enterprises were fully or partially paralyzed. The loss of habitual markets and changes in the structure of domestic demand led to a significant reduction in the gross domestic product (GDP), which fell by over 25%.

In order to overcome the systemic crisis, the republic’s authorities took resolute steps to lay the groundwork for a market economy, which made it possible to create a private sector, set up a basic market infrastructure and liberalize all the key prices (in 1992). Being the first CIS country to introduce a national currency (in 1993), the republic managed to stop hyperinflation and, as a result, to resume economic growth (from 1996).

Figure 1

Economic Dynamics During the Reform Period



An analysis of market transformations in the republic over the past 15 years and of their influence on macroeconomic dynamics allows us to identify a number of stages in the development of the national economy.

Stage one (1991-1995) was marked by a sharp drop in production and household income coupled with a rapid increase in the number of people living below the poverty line (over 50% of the population), with inequality and hyperinflation, followed by initial macroeconomic stabilization, whose first stage was a slowdown in inflation (1992-1995). Macroeconomic and structural reforms in that period laid the foundations for market regulation of the economy. The need to ensure macroeconomic stability was of crucial importance.

This stage was characterized by market transformations which created the institutional, legal and regulatory frameworks for sustainable economic growth.

Economic reforms during the first period were mainly geared to:

- curb and stabilize inflation;
- ensure the stability of the national currency;
- reduce the budget deficit;
- restructure large loss-making enterprises;
- demonopolize some sectors of the economy;
- carry out the state privatization program;
- liberalize prices and foreign economic activity.

A liberalization of the domestic market in the republic first began during the existence of the Soviet state, and by mid-1994 it was virtually completed. In that period, most prices were “deregulated” and bread subsidies were abolished. By the end of 1993, price regulation continued only in the

energy industry and public utilities. Such rapid liberalization of prices and foreign economic activity led to an “equalization” of domestic and external prices, and this spurred producers to learn to work in the new conditions of stiff competition and to look for new markets. Price liberalization was accompanied by institutional transformations.

During the transition to a market economy, the question of forming private property came to the fore. A Law on Privatization was adopted on 20 December, 1991, and a State Property Committee was set up for its implementation. All types of property were given “equal opportunities.”

As a result of intensive privatization in 1992 and 1993, by the end of 1998 the share of the private sector increased to 87% in industry, 97% in trade, 57% in construction, and 55% in transport. The modification of state property resulted in the creation of a non-state (non-public) sector as a real basis for the development of market relations in the economy and changes in the economic behavior patterns of business entities. Naturally, at the early stages of privatization it was only possible to accomplish an “intermediate” task: to diversify the forms of property.

Radical changes were also underway in agriculture. The republic’s collective farms proved to be totally unviable in the new conditions, because they were fully dependent on government subsidies. They were reorganized into numerous single and multi-family “farmsteads,” which became the main type of enterprise in Kyrgyz agriculture. Land was distributed among all rural families in proportion to the number of family members.

In May 1993, the Kyrgyz Republic introduced its own national currency (the som) and became one of the first post-Soviet countries to leave the “ruble zone.” This measure enabled it to pursue an independent financial and monetary policy and to control the economic situation. Among the key achievements of this monetary policy was slower inflation and a slower decline in production, which helped the economy to adapt to market conditions.

This went hand in hand with a reform of the banking system, which consisted in the creation of a two-tier banking mechanism and liberalization of the rules for opening commercial banks. In fact, that was when the constructive implementation of economic reforms actually began.

When hyperinflation was brought to an end in 1994, the focus shifted to structural transformation, although the reforms of the fiscal and monetary systems naturally continued. As regards macroeconomic dynamics, 1994 proved to be the most difficult year: there was a significant worsening of the situation in industries geared to meet consumer demand and in areas associated with capital investment. The decline in production was less pronounced in sectors which already had their own markets and were able to find new marketing outlets, both within the country and abroad (electricity industry, nonferrous metallurgy). This resulted in significant changes: an increase in the share of natural resource industries and a reduction in the share of industries producing end products.

By late 1994 and early 1995, the first stage of structural transformation showed that at that time Kyrgyzstan was a leader among the CIS countries in terms of the intensity of change. In international reference books, its efforts in the areas of privatization of state property and liberalization of prices and foreign trade were assessed as significant, and in the areas of governance reform and budget consolidation, as moderate.

The implemented reforms brought about a gradual improvement in the economic situation (from the second half of the 1990s).

The turning point in economic development was reached in 1996, when the republic’s GDP began to grow. In 1991-1996, the trend toward financial stabilization was strengthened, and in 1995-1997 the deep crisis engulfing the Kyrgyz economy was by and large overcome.

Stage two (1996-1999) was a period of economic stabilization, although growth was recorded only in some sectors of the economy (agriculture, gold mining and energy).

Nevertheless, the need to cover the budget deficit made the economy sufficiently vulnerable. The 1998-1999 crisis, largely caused by the “collapse” of the Russian ruble, had its effect as well.

The second stage of economic development proved to be important for strengthening the foundations of the market economy in the country. The pivotal reforms were completed. A consistent monetary policy made it possible (with significant efforts on the part of the fiscal authorities) to reduce inflation from 1,366% in 1993 to 23% in 1997. These successes in curbing inflation were achieved due to the adoption of measures projected in the anti-inflation program, especially a tight monetary policy, an import-substitution policy, etc. The authorities managed to consolidate public finances, reducing the budget deficit to 5% of GDP; they were able to strengthen the som and reduce interest rates.

In 1997, Kyrgyzstan was a leader among the Central Asian countries in transforming the economy and introducing market mechanisms. According to such an authoritative publication as *The Financial Times*, in 1997 the republic ranked 14th among the top 20 fastest-growing economies in the world. The macroeconomic stabilization and significant liberalization of the economy achieved by that time enabled the republic to go over to the next stages of the transformation process: privatization of strategic facilities and structural adjustment. It had to restructure large state-owned enterprises and to arrange effective use of mechanisms for reorganizing unprofitable business entities or initiating bankruptcy proceedings.

In that period, as a result of the land reform carried out in Kyrgyzstan, the republic was also able to stop the decline and achieve a certain recovery in agricultural production. It should be noted that the results of transformations in the agricultural sector were at first not very tangible because up to 1997 private commercial and individual farms were "overtaxed"; in view of this, a single tax on land was introduced in 1998. One can say that the agrarian reform initiated in 1991, when collective and state farms were falling apart, was completed by 1997; at that time, a market system for crediting the land reform was introduced in place of the practice of commodity credit.

Growth in agriculture was first recorded in the late 1990s. The reforms carried out in this area have enabled the agricultural sector to increase real production by more than 40% (at an average rate of about 7%), mostly due to growing crop production, which accounts for over half of total agricultural production.

In 1995-1997, state budget revenues remained at 16.8-16.6% of GDP. In order to improve the situation, steps were taken to intensify the tax collection process, establish a treasury service, introduce (in 1996) a new Tax Code, and streamline the tax system. Special funds of public sector organizations and profits from privatization of public housing and other state-owned property were included in budget revenues.

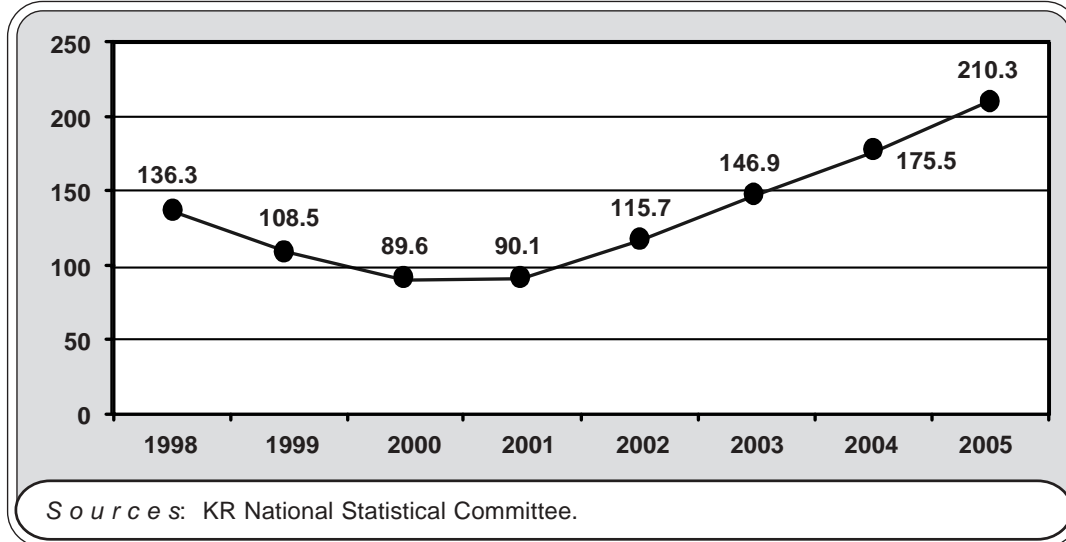
Structural reforms were subsidized on a significant scale by donor countries and international financial organizations. It should be emphasized that macroeconomic stabilization was in large part achieved due to substantial borrowings and donor aid. From 1993 onward, the republic began to receive large amounts of foreign assistance. In the second half of the 1990s, soft loans and grants for maintaining the budget and balance of payments, for structural adjustment, infrastructure projects, technical assistance, etc., added up to about 10% of GDP.

The republic continued to pursue a policy designed to liberalize foreign trade, maintaining low import tariffs and allowing all economic agents to engage in export and import of goods. This policy was underpinned by Kyrgyzstan's accession to the WTO in 1998 (it was the first CIS country to join that organization). As a WTO member, the republic harmonized its national legislation on foreign trade with WTO provisions and upgraded the legal framework that provides a basis for the republic's foreign trade, industrial innovation and investment policy, helps to foster a competitive environment, and determines the interaction of the national economy with the world economy and the degree of the republic's participation in international trade.

Among the main reasons for the republic's accession to the WTO is open access to foreign markets and export advantages.

Since 2000, there has been an increase in foreign direct investment, a significant part of which goes into industry.

Figure 2

Gross Foreign Direct Investment (*million dollars*)

In 1999-2000, upon the completion of small privatization, the authorities launched a campaign to privatize strategically important industries: the energy industry, mining and telecommunications. At that time, the non-public sector accounted for over 79% of the total number of employed persons, but there was still no “effective” owner. The republic introduced private property in land. As the bulk of the population was drawn into the market economy, employment and, consequently, the economy in general were “ruralized.” In 1991-2001, the share of people employed in agriculture increased from 34.5% to 52.9%, while the share of those employed in industry fell from 18.1% to 8.2%.

In the period from 1996 to 2000, the average rate of economic growth in Kyrgyzstan was 5.5%, one of the highest figures among the CIS countries.

Stage three (from 2000 to March 2005) brought continued growth, a reduction in the budget deficit and stabilization of exchange rates, but compounded the problem of external debt. From 2002 to 2004, the average rate of economic growth was around 5%, reaching 7% in 2003 and 2004 due to progress in some sectors, primarily an increase in gold exports and in agricultural production.

During the third period, reforms revolved around deregulation problems: the need to remove administrative barriers to business, reduce the number of state control and authorization agencies, and enhance investment activity. Concrete measures to deregulate the economy were designed to create conditions that would encourage investment in priority sectors and improve the investment climate in the republic.

An improvement in the economic situation made it possible to increase budget revenues from 16% of GDP in 2000-2001 to 19% in 2003-2004. The budget deficit fell from 11.9% of GDP in 1999 to 5.7% in 2002. Inflation slowed down significantly: from an annual average of 12.6% in 2000-2001 to 3.4% in 2002-2005. The national currency strengthened as well.

Within a few years, certain changes took place in the structure of Kyrgyzstan’s GDP. The agricultural and service sectors, whose contribution to GDP was on average around 70%, remained dominant and ensured economic growth. The share of the service sector gradually increased and, starting from 2002, exceeded the share of agriculture, reaching 38.3% in 2004. The shares of industry and agriculture tended to decline: in 2000-2005, the share of industry fell from 23.3% to 16.1%, and that of agriculture, from 34.2% to 30.5%.

Table 1

GDP Composition (in current prices; as % of total)

	2000	2001	2002	2003	2004	2005	2006
Total	100	100	100	100	100	100	100
Industry	23.3	23.1	17.9	17.3	19.2	16.1	14.9
Agriculture	34.2	34.5	34.4	33.6	29.9	30.5	28.9
Construction	3.8	3.8	3.4	2.9	2.5	2.5	2.7
Services	31.7	31.4	35.6	36.8	38.3	40.2	41.2

Source: KR National Statistical Committee.

Rapid progress in the service sector was due to successful reforms and an expansion of market services. In recent years, this expansion was mostly ensured by an increase in the volume of trade and paid services, driven by domestic demand associated with rising household income.

From 2000, active work was underway to privatize strategic industries such as the power industry and telecommunications. The level of privatization in that period was as follows: 88.6% in industry, 97% in trade and public catering, and 99.85% in consumer services. These figures show that most enterprises are now in the non-public sector and their activities are regulated by market relations. On the whole, roughly 90% of all industrial and agricultural products are produced in the private sector of the economy. Since 1991, more than 7,000 economic entities have changed their form of ownership. The private sector, mostly represented by micro, small and medium enterprises, has become a leading force, looking for new markets, enhancing product quality, raising management standards, and investing in human capital. Small and medium businesses operating in the light and food industry and in the service sector are an important and dynamic sphere of the economy. Today these enterprises provide most of the jobs in urban areas, but many of them operate in the “shadow” economy, which limits their opportunities to develop and to take part in creating public goods.

Consistent measures taken in that period by the National Council on Good Governance markedly improved the investment climate, which promoted a steady annual increase in investment in the economy. True, during the years of reform the republic has been unable to attract the expected amounts of foreign capital or to ensure its proper quality. These failures are mostly due to political and macroeconomic conditions (sociopolitical instability), mistakes in implementing market reforms and their incompleteness; in large part these “setbacks” are connected with flaws in the policy designed to attract foreign direct investment. The situation is also complicated by excessive bureaucratization of the economy and related corruption problems.

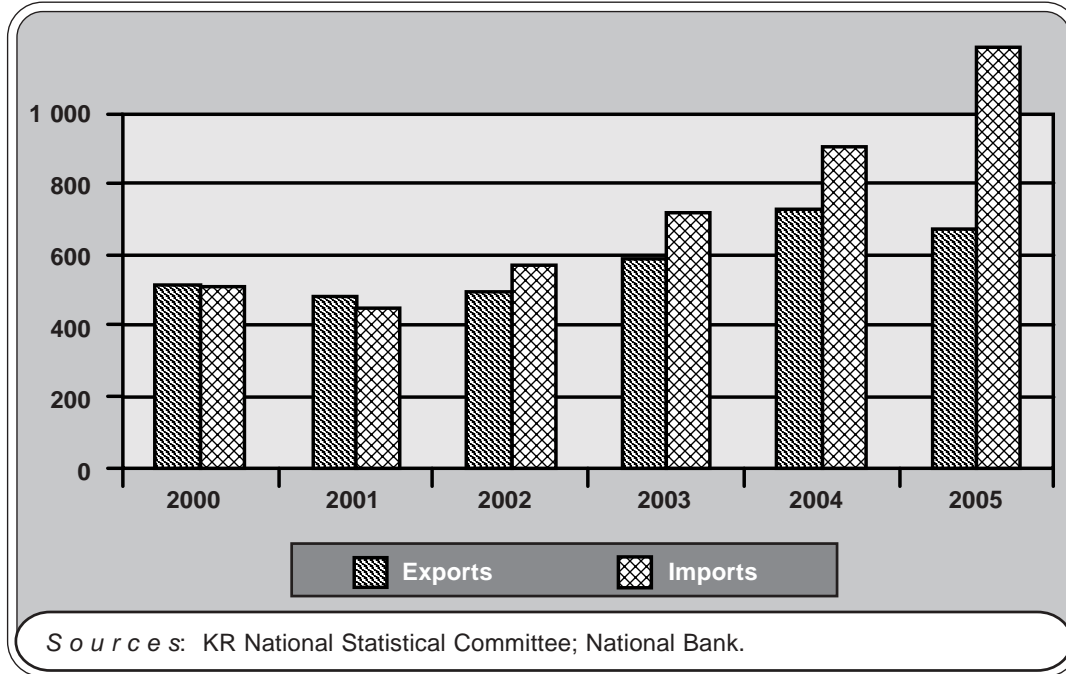
In the period under review, significant changes took place in Kyrgyzstan’s foreign trade. Thus, the decline in trade recorded from 1999 to 2001 was reversed in 2002, when the trade turnover began to increase. This increase in commodity flows was in large measure due to rising imports (see Fig. 3).

During the past years, the country’s trade balance was negative, with the exception of 2001. Incidentally, this was the second time (after 1994) during the years of independence when the balance was positive, constituting \$8.9 million. Nevertheless, in 2002 the situation changed once again: the trade deficit began to increase, reaching \$429.3 million in 2005.

About half of the republic’s trade is carried on with member countries of the following regional associations, of which the Kyrgyz Republic is a member:

Figure 3

Exports and Imports in 2000-2005 (million dollars)



- Commonwealth of Independent States (CIS);
- Eurasian Economic Community (EurAsEC);
- Shanghai Cooperation Organization (SCO);
- Economic Cooperation Organization (ECO).

Since 1999, the geographical composition of exports and imports has changed significantly. In exports, the share of non-CIS countries has increased with a reduction in the share of CIS countries, and in imports, on the contrary, the share of the former has declined from year to year with an increase in the share of the latter. This reorientation of the Kyrgyz market and trade with non-CIS countries can be explained by the fact that trade relations with WTO states are based on the most favored nation (MFN) principle. In 2005, 52.3% of Kyrgyz exports went to WTO countries.

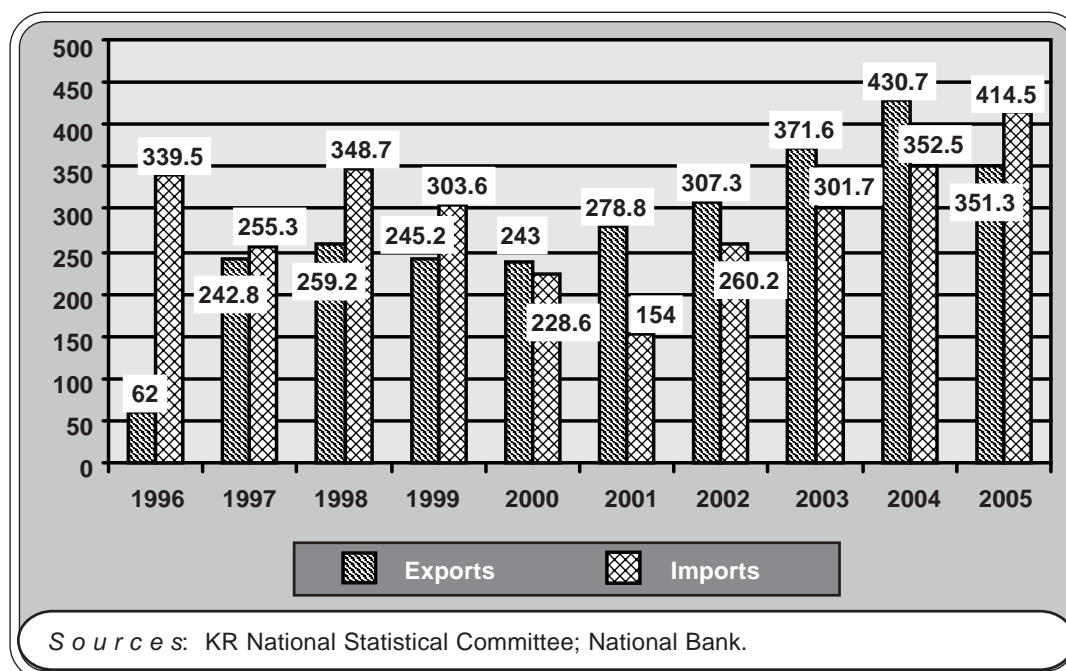
Overall, the Kyrgyz Republic today maintains trade and economic ties with almost over 100 countries in the world, including 11 CIS countries and more than 90 WTO states (see Fig. 4). The republic's WTO membership creates stable and liberal conditions for access to the markets of WTO countries in view of MFN treatment accorded to Kyrgyz exports, which means guaranteed compliance by WTO members with generally accepted commercial practices, without any restrictive measures in the form of bans or quotas.

In October 2006, Kyrgyzstan's first trade policy review (performed by each WTO member in order to ensure transparency in commercial and investment policy) took place at the WTO headquarters in Geneva. During this event, the WTO states gave a positive assessment of the republic's economic reforms designed to liberalize trade and attract investment to the economy, noting that Kyrgyzstan was performing its obligations.

In the period from 2000 to March 2005, inflation slowed down while GDP growth somewhat accelerated, but it was too early to talk about macroeconomic stability. The situation in the republic

Figure 4

Trade with WTO Countries in 1996-2005 (million dollars)



remained insufficiently stable. This lack of macroeconomic stability and sensitivity to “external shocks” were due to the following factors:

- the persistently large budget deficit, which has traditionally been one of Kyrgyzstan’s main economic problems;
- an external debt in excess of annual GDP, with the burden of debt service weighing heavily on the budget; markedly reduced foreign aid was used entirely to overcome these difficulties and maintain the stability of the national currency;
- the shadow sector of the economy, which in 2000 accounted (according to statistical data) for about 25% of GDP.

The underlying causes of the above problems were incomplete reforms, ineffective functioning of the financial market, and an insufficiently favorable climate for the development of private enterprise and for attracting foreign direct investment. The republic reached a point where a consistent and active renewal process could only be achieved based on a long-term strategy designed to resolve existing problems and meet the people’s basic needs.

At this stage, Kyrgyzstan became a pilot country for the introduction of a Comprehensive Development Framework Until 2010 (CDF), which projected the strategic goals of socioeconomic progress for 10 years ahead. In this process, the Millennium Development Goals (MDGs), including a twofold reduction in poverty by 2010, were “extended” to the republic. The CDF was based on an approach known as “pro-poor growth” and a development strategy oriented toward economic progress. By means of distribution mechanisms ensuring such growth and in accordance with its main purposes, the CDF was to benefit the poor and most vulnerable strata of the population. The overall CDF goal had three major components:

- enhancing effective and transparent governance;
- building a fair society;
- ensuring sustainable economic growth.

In 2003-2005, the National Poverty Reduction Strategy (NPRS) spelled out and gave substance to the CDF through various practical measures and programs. The NPRS was developed with broad participation of civil society and donor organizations, and was completed at the end of 2002. Among its merits one can include a sober assessment of the current poverty situation, an orientation toward transition to a market economy (with due regard for the need to protect the poor and to promote the private sector), an urge to ensure the harmonious development of rural areas and branches of the economy, and—last but not least—an awareness of the need to fight corruption.

Current economic development (since March 2005). The relatively stable growth of the Kyrgyz economy was disrupted by the events that followed in the wake of 24 March, 2005. As a result, economic growth that year fell to -0.6% (compared to 2004). Out of the three main sectors of the economy, production fell in industry and agriculture, whereas the service sector held its ground, posting growth of 5.7% . Accordingly, there was a decline in real household income and in domestic and foreign investment, coupled with a worsening of social indicators. As regards fiscal policy, it was aimed, as in previous years, to broaden the tax base and ensure priority financing of the social sector. Thus, improvements in tax policy (including the enactment of a new Customs Code and enhanced tax administration) made it possible—against the background of slowing economic growth—to meet the target figure for budget revenues.

Let us once again turn to the past. In the early 1990s, Kyrgyzstan became a member of the World Bank, and in 1993 it signed the first agreement with this financial organization on a so-called rehabilitation loan designed to pay for food imports in that difficult post-Soviet period. That was when it became fashionable to borrow money abroad instead of learning how to work properly and to collect taxes. Needless to say, at the early stages of the transition period—in view of limited budget resources and low levels of domestic investment—the attraction of foreign capital and its effective use were the crucial factors of economic growth in Kyrgyzstan. At that time, our economy could not do without dollar “infusions” and grants from abroad. Of course, foreign loans enable the recipient country to invest and consume more than its own economy produces, but piling up external debt has a depressing effect on its fledgling financial and economic systems, destabilizes the general economic situation and leads to malfunctions in the development process.

At the same time, foreign loans have been unable to ensure (because of low efficiency) the rate of growth in production and exports required for their own redemption. In recent years, the republic has come up against an urgent need for restructuring its external debt, caused by the lack of domestic sources for its redemption.

It is no secret that the republic’s external debt is regarded as “excessive.” The main question of 2006 was whether to join the HIPC. This option came under consideration because this could ease Kyrgyzstan’s debt burden within the framework of the Multilateral Debt Relief Initiative (MDRI). At the same time, in order to obtain debt relief the republic will have to meet sufficiently severe conditions, including invitation of international experts to take part in reforming the key sectors of the economy: energy and mining.

The question of joining the HIPC met with a mixed response in Kyrgyz society.

The development of the necessary reform programs was somewhat delayed in view of the complicated situation. The CDF-2010 goals turned out to be hardly attainable. The question of carrying the projected reforms to their logical conclusion remained high on the agenda. By the end of 2005, the government produced its Program of Concrete Actions to Accelerate Economic Growth in 2006. The

tax reform was continued. From January 2006, the rate of profit tax was reduced by 10%, and income tax was switched to a flat rate of 10%.

In 2006, a draft Country Development Strategy (NDS) was formulated in Kyrgyzstan. It charts the main lines of the republic's progress and activity for 2006-2010. Its main goal is to raise the level and quality of life in the country by means of sustainable economic growth, a proper employment market, high and stable income, access to a wide range of social services, and high living standards in a healthy environment. According to the NDS, in 2010 per capita GDP is to reach \$728 (for developed countries, this figure is at least \$1,000), the average wage is to increase by 60%, while the budget deficit is to be reduced to 2.6% of GDP.

From 2007, the republic is to go over to a two-tier budget consisting only of the national and local budgets (the regional and district levels are abolished). A legal framework for the new arrangement was provided by the Law on the Principles of Budget Law. The switch to such a system should do away with the transfer of funds from local budgets to the national budget, so encouraging local government bodies to increase their revenue-raising capacity.

Having gone through a change of power in 2005, Kyrgyzstan has got a chance to move into a qualitatively new phase of progress.

We have got an opportunity to overcome the accumulated negative consequences of various undesirable phenomena. For this purpose, the country should revise certain elements of its system of governance and its economic development strategy, and should strictly implement the projected plans. Current economic policy should be focused on the main goals.

At the present stage of progress, we have to take an objective view of the republic's prospects, with a sober approach to the realities we will have to face in the near future and in the longer term. Another thing we have to do is to remove the organizational and legal obstacles to future growth.

A dawning awareness of these imperatives supported by concrete actions holds out hope of positive changes.

TAJIKISTAN: ECONOMIC DEVELOPMENT TRENDS SINCE INDEPENDENCE

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Current economic development in the Republic of Tajikistan (RT) is mostly driven by migrant remittances, which make up from 20% to 50% of GDP, and by large government investments in the power and aluminum industries. Let us examine these key sectors of the economy first separately and then in combination so as to determine the trends and prospects of the whole economy.

In analyzing remittances, experts usually pay attention to their share in GDP. But the larger this share, the greater is the dependence of the home country's economy on these remittances and, consequently, on the socioeconomic and legal situation in the host country. On the other hand, it is important to know how these remittances are used. In this context, we will focus on only two aspects: consumption and investment.

As a rule, an increase in consumption should intensify investment processes, but since the Tajik economy is an open one and its investment potential is very small, rising consumption leads to an increase in imports, putting more pressure on the country's balance of payments.

With an economy that hinges on remittances from abroad, the authorities find it very hard to hold inflation in check and to pursue a balanced monetary policy for a number of reasons.

- First, the amount of these remittances is never known exactly, since apart from formal channels there are various informal ones as well.
- Second, remittances increase household income, which leads to a rise in consumer prices.
- Third, migration and the competitiveness of domestic production are inversely proportional, and this makes the Tajik economy heavily dependent on importers. The latter usually respond to growing demand by raising prices, at least in the short term. This is caused by two factors. One of these is the time factor, i.e., the limited volume of imported goods due to import quotas or to the importer's limited opportunities in the short term. And the second one is the transportation factor, which includes transport and non-transport costs incurred in the delivery of goods. Most of Tajikistan's imports come from Uzbekistan or pass through it, which is very costly for the Tajik economy in view of high customs fees and corruption in Uzbekistan's customs system. According to World Bank estimates, non-transport costs in the transit of Tajik freight traffic through Uzbekistan average \$200 per ton of goods, while official customs fees amount to \$500 per truck, a figure which does not meet international standards.¹

In 2000-2004, the average annual rate of economic growth in the republic was 10%, but in 2005 GDP grew by only 6.7%. At the same time, in the opinion of academicians N.K. Kaiumov, R.K. Rakhimov and T.N. Nazarov from the Tajik Academy of Sciences, the Tajik economy needs an annual GDP growth rate of at least 14%. According to their estimates, only such a growth rate can create conditions for developing the country's productive forces on a qualitatively new basis and for raising living standards.

In January-September 2006, GDP grew by 7.6% compared to the same period of 2005, reaching 6.52 billion somoni (SM), or over \$1.92 billion. This was due to an increase in industrial production (by 6.2%) and agricultural production (by 8.5%). In that period, 58.1% of the republic's 702 enterprises exceeded the production level of January-September 2005, and 205 (29.2%) were at a standstill. According to the State Statistical Committee, the production of goods accounted for 40.8% of GDP, the service sector for 47.7%, and taxes for 11.5%. In that period, the enterprises of the Ministry of Industry produced SM 284.5 million worth of products (4% more than a year ago), while those of the Ministry of Agriculture reduced production by 0.8% (to SM 317.6 million).²

As regards immediate prospects, experts project further growth in 2007: GDP is expected to approach \$3 billion, increasing by \$360 million from 2006, and inflation, according to Finance Ministry forecasts, will be around 6%.³

¹ See: *Central Eurasia 2005. Analytical Annual*, CA&CC Press®, Sweden, 2006, pp. 239-240.

² See: *Sotsial'no-ekonomicheskoe polozhenie respubliki Tadjikistan za ianvar-sentiabr 2006 goda*, RT State Statistics Committee, Dushanbe, 2006, p. 146.

³ [www.regnum.ru].

Table 1

Main Macroeconomic Indicators

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GDP per capita, US\$	183.9	158.7	221.8	178.2	158.0	171.2	190.0	236.7	309.6	337.5
GDP growth, % of the previous year	83.3	101.7	105.3	103.7	108.3	109.6	110.8	111.0	110.3	106.7
GDP growth, % of 1991	32.6	33.2	34.9	36.2	39.2	42.9	47.5	52.7	58.3	62.1
Production of goods, % of GDP	65.2	57.9	50.0	52.8	60.4	60.0	57.4	57.3	50.7	48.9
Production of services, % of GDP	27.2	32.5	42.4	39.9	31.0	31.0	32.7	32.0	38.3	39.6
Net taxes on products, % of GDP	7.6	9.6	7.6	7.3	8.6	9.0	9.9	10.7	11.0	11.5

S o u r c e: *Tadzhikistan: 15 let gosudarstvennoi nezavisimosti*, Statistical Handbook, RT State Statistical Committee, Dushanbe, 2006, pp. 205-209.

Table 2

Main Macroeconomic Indicators
for January-September 2006
(somon)

Indicator	Jan-Sep 2006	% of Jan-Sep 2005
GDP	6,519.8	107.6
Industrial production	3,214.6	106.2
Gross agricultural production	2,410.1	108.5

S o u r c e: *Sotsial'no-ekonomicheskoe polozhenie respubliki Tadzhikistan za ianvar-sentiabr 2006 goda*, p. 141.

In the agricultural sector, the main contribution to GDP is made by cotton growing, and in industry, by aluminum production. Cotton and aluminum make up most of the country's exports (adding up to 83%). In view of a shortage of machinery and equipment, the production of raw cotton involves considerable difficulties. Almost half of Tajikistan's agricultural workers (557 thou-

sand) are employed in cotton growing, and they produce \$162 million of exports. The aluminum industry employs 15 thousand workers, whose contribution to exports is \$573 million. Other exports include vegetables, fruits and electricity. Profits in export-oriented sectors in large part depend on external factors. The slowdown in GDP growth in 2005 compared to previous years was due to slower growth in industry and agriculture. In agriculture, this was caused by a decline in the production of the main agricultural product, raw cotton (by 20%), and in the export of cotton fiber (by 42%). From 1991 to 2005, employment in agriculture increased from 881 thousand to 1,425 thousand. In principle, an increase in employment should lead to production growth, but in Tajik agriculture this was not the case: in 2005, production reached only 85% of the 1991 level. In that period, the share of agricultural employment rose from 45% to 68%. Labor productivity in this sector fell with a decline in the capital-labor ratio. In the developed countries, for example, the agricultural sector employs 4-5% of the working age population, but the capital-labor ratio and power per worker in this sector are very high. If most of the population is employed in agriculture, this is a sign of a less developed country and a major factor holding back overall economic growth and a rise in production standards.

Nevertheless, in describing the situation with cotton production in an interview with the newspaper *Asia Plus*, Agriculture Minister Boris Madaminov focused, first, on the labor surplus in this sector, saying that most of the republic's population (about 70%) lives in rural areas. Second, he spoke of 10% revenues from the sale of cotton going into the state budget. According to his estimates, with annual exports of 150 thousand tons of cotton fiber, budget revenues could amount to \$15-18 million. Third, the minister noted a shift from the export of raw cotton to the production of higher value-added cotton products in the republic. Fourth, the minister emphasized the need to sow a part of the cotton crop areas to other crops. In 2005, these areas were reduced by 38 thousand hectares, and there are plans to reduce them annually by 2.5-3 thousand hectares. At the same time, the production of raw cotton should be maintained at 550-600 thousand tons by raising yields. World Bank estimates show that cotton yields can rise by 40% from 1.8 tons per hectare (tons/ha) in 2001 to 2.5 tons/ha once the country's irrigation and drainage systems are rehabilitated.

The decline in cotton yields in recent years is estimated as follows: from 2.8 tons/ha in 1990 (according to the Asian Development Bank, from 2.0 tons/ha) to 1.5 tons/ha in 1997-2000. With the end of the drought, and also due to an expansion of crop area and more timely supply of seed material and fertilizers, cotton yields increased in 2001 to 1.8 tons/ha.⁴

Since Tajikistan became independent, the cotton sector has declined considerably (from 34% of exports in 1993 to 11% in 2001).⁵ According to the National Bank of Tajikistan, export earnings from cotton in January-September 2005 amounted to \$86 million. Cotton currently sells at \$1,000 per ton (for wheat, the figure is \$160 per ton).

In my opinion, apart from the factors mentioned above, the slowdown in GDP growth in 2005 was caused by the following factors characteristic of today's Tajik economy.

- First, the past years have been marked by a recovery in sectors whose infrastructure was created back in Soviet times. Such processes are usually more intensive than the development of new lines of production. But even such growth (at an annual rate of 10% in 2001-2004) is nevertheless inadequate, since GDP has now reached only 68% of the 1990 level. According to the experts of the World Bank and the International Monetary Fund, recent economic growth in Tajikistan is still of a recovery nature.

⁴ See: *Tapping the Potential: Improving Water Management in Tajikistan*, National Human Development Report, UNDP, 2003, p. 39.

⁵ *Ibid.*, p. 38.

Table 3

Cotton Sector
in 2000-2005

	2000	2001	2002	2003	2004	2005
Cotton crop area, thousand hectares	238.6	257.4	269.2	284.4	293.6	288.7
Cotton production, thousand tons	335.4	452.7	515.5	537.4	556.8	447.9
Cotton production, % of 1991	41.2	55.6	63.3	66	68.4	55
Cotton yield, 100 kg per hectare	14.1	17.6	19.3	19	19.1	15.6
Cotton yield, % of 1991	51.1	63.8	69.9	68.8	69.2	56.5
Cotton pickers, pieces	1,346	1,309	1,168	1,071	868	763
Cotton pickers, % of 1991	44.7	43.5	38.8	35.6	28.8	25.3

Source: Tadjikistan: 15 let gosudarstvennoi nezavisimosti, pp. 286-304.

- Second, the propensity of migrants to remit money to Tajikistan is declining for the following reasons:
 - (1) rising cost of living in Russia;
 - (2) tightening control over migration in Russia;
 - (3) creation on the basis of migrant remittances of small enterprises in Tajikistan's trade and service sector; income earned by their owners reduces the need for new remittances from migrants;
 - (4) a trend toward an increase in the number of migrants seeking permanent residence in Russia.

True, formal remittances have recently increased. This is due to the fact that remittances have become more transparent, bypassing informal channels. Formal channels are now more attractive because banks have reduced transfer fees and people have more confidence in their reliability. In 2001, certain changes occurred in the Tajik banking system regarding money transfers, so that the republic's banks became the absolute leaders among all channels of migrant remittance inflows. For example, after the abolition of the 30% tax on international transfers, the amount of remittances through the banking system multiplied tenfold, and in 2004 they reached \$433 million (21% of annual GDP).⁶ Today the cost of money transfers to Tajikistan for individuals is 1.5-3%.

Most Tajik citizens working in other countries have the immigration status of seasonal workers, so that they themselves carry home a significant part of their earnings. For example, air transport brings

⁶ See: A. Kireyev, *The Macroeconomics of Remittances: The Case of Tajikistan. IMF Working Paper*, January 2006. P. 6.

about 200 thousand people a year from Russia to Tajikistan, and if at least half of them carry an average of \$1,000, the republic's GDP should increase by 5%.⁷

The republic's banks are a sector of the economy on which remittances have a very significant direct influence, i.e., money transactions through these banks have spurred an increase in their capital. Given that in 2005 remittances through the banking system added up to \$433 million, the average income from money transfer transactions could be around \$4.33 million, while the minimum capital requirement for commercial banks is set at \$5-6 million. But on the whole this sphere of the economy is still far from perfection: four of the country's largest banks control 70% of total bank assets, 81% of household deposits and 71% of private credits, while credits (over half of them to the cotton sector) make up 16% of GDP. The lending activities of commercial banks are mostly confined to extending short-term loans to commercial entities. Another active part consists in foreign exchange transactions, which are already indirectly influenced by remittances. As regards operations with securities and other debt instruments, these are developed least of all. But the general trend and development prospects of this sector of the market infrastructure are obvious: the latest reforms ensure its rapid development. In 2002-2005, the capital of commercial banks more than tripled to 2.7% of GDP.

Another change in the banking system introduced by the government in May 2005 was a reduction by the National Bank of the required reserve ratio for commercial banks from 18% to 15%. Today these banks have wider opportunities for providing credit to the economy.

The trend toward the development of the banking system continued in 2006 as well. Thus, a spokesman for Orienbank, the largest bank in the republic, has told *Asia Plus* that in January-September 2006 the bank's net profit increased by SM 2.6 million to almost SM 8 million (over \$2.35 million), multiplying 2.15 times compared to January-September 2005. The bank's total capital rose by SM 5.38 million to SM 56.3 million, an increase of SM 14.7 million compared to the same period of the previous year. Its authorized capital increased by SM 6.4 million (from SM 34.3 million to SM 40.7 million), and the balance of deposit accounts was over SM 337.2 million, or SM 189 million more than a year ago. Money transfers to Tajikistan through Orienbank in the first nine months of 2006 exceeded \$114 million (an increase of \$53.2 million compared to the same period of 2005), and money transfers in Russian rubles were close to 693 million, going up by 325.4 million from January-September 2005.⁸

Whereas at the end of 2000 Tajikistan's external debt amounted to 96% of GDP, by 2005 it was down to 40% for the following reasons.⁹ First, on the IMF's recommendation the republic began to assume financial obligations only on terms favorable to itself. Second, bilateral agreements on debt restructuring and cancellation were signed with a number of countries. For example, Russia agreed to write off \$306 million and \$250 million of Tajik debt in return for the deployment in Tajik territory of a Russian military base and the Okno (Window) space tracking station. Third, under an IMF program for cancelling the entire debt of 19 poorest countries, including Tajikistan, the republic's debt burden was reduced by \$99 million. And fourth, a reduction in the share of external debt was due to relatively high GDP growth over a number of years (from 2000 to 2004, at an average annual rate of 10%).

Tajikistan has unique water resources: 93% of its territory is covered by mountains, where large reserves of water are formed. The area of glaciers (8% of the country's total area) exceeds that of agricultural croplands (6%). In terms of the volume of water resources, the republic ranks second among the CIS countries (behind Russia). And with a population of 6.5 million, water production per person

⁷ See: A. Kireyev, *The Macroeconomics of Remittances: The Case of Tajikistan*. IMF Working Paper, p. 9.

⁸ [www.regnum.ru].

⁹ See: *Biulleten' inostrannoi kommercheskoi informatsii*, No. 76 (9022), 8 July, 2006, p. 5.

Table 4

External Debt as of 1 October,
2006

	Total debt	Public debt	Publicly guaranteed debt	Non-guaranteed debt	Government debt to PRC	IMF loans
US\$ million	830	727	32	14.41	6	50.45
% of GDP	32	28	1.23	0.55	0.23	1.94

Source: *Biznes i politika* with reference to Finance Minister Safarali Najmiddinov [www.regnum.ru].

Table 5

Debt to International Financial Organizations

	Total debt	IMF	WB	ADB	IDB
US\$ million	510	50.45	307	100	41
Maturity period, years	—	—	40	32	27
Annual interest rate	—	—	2	2	2

Source: *Biznes i politika* with reference to Finance Minister Safarali Najmiddinov.

per year (over 13,000 cubic meters in 2003) is among the highest in the world.¹⁰ Considering the importance of water for human development, these resources give the republic immense potential advantages. Its water resources turn the country into a competitive partner in two major areas: irrigated cotton production and hydropower. These sufficiently developed and well-managed sectors have real potential for developing the economy and reducing poverty.

Thus, the republic's exploitable hydropower potential, of which less than 10% is currently being used, is about 264 billion kWh per year, while total electricity consumption in the Central Asian countries in recent years has averaged 135 billion kWh per year. If Tajikistan's hydropower potential is fully harnessed, the country could single-handedly power the entire region twice over.¹¹ The republic's hydropower resources are mostly concentrated in large rivers: Vakhsh, Panj, Obihingou and others. They run through deep rocky canyons, which make it possible to build effective hydro plants. Tajikistan's share in Central Asia's total hydropower potential is 76.8%, while the shares of Kyrgyzstan and Kazakhstan are 12.6% and 6.5%, respectively. Despite this potential, Tajikistan now experiences a power shortage (600 million kWh per year) in the winter period, when electricity is supplied to the republic (at world market prices) from Turkmenistan, Uzbekistan and Kyrgyzstan.

¹⁰ See: *Tapping the Potential...*, p. 20.

¹¹ *Ibid.*, p. 49.

The total capacity of the country's operating hydroelectric power plants (HPPs) is 4,451 thousand kW, and annual electricity production comes to 16-17 billion kWh. The largest plants are the Nurek HPP (3 million kW), Baipaza HPP (600 MW) and Golovnaya HPP (210 MW).¹²

In the late 1980s, Tajikistan's hydropower system had a turnover of \$150 million, sending \$90 million of profit to the Center every year. Today, revenues only cover current costs (about \$40 million per year), leaving an average annual shortfall of \$20 million for basic capital investments in the maintenance and renewal of the system. Whereas under normal operating conditions hydrosystems typically lose about 10% of power, Tajikistan's hydropower stations are losing as much as 30-40% of their power output due to underinvestment in the power infrastructure.¹³

In 2005, exports of electricity earned the country about \$53 million (in 2004, \$58 million). But in view of power shortages in the north of the republic, Tajikistan is obliged to import electricity from Uzbekistan. Hence a deficit of \$5 million in this sector in 2005. Electricity generation in the Tajik Republic peaked in 1996 (18 billion kWh), and the target for 2006 was 17 billion kWh.

Table 6

Electricity Balance in the Economy (*million kWh*)

	2000	2001	2002	2003	2004	2005
Electricity generation	14,247	14,382	15,302	16,509	16,491	17,090
Electricity exports	3,909	4,047	3,874	4,596	4,466	4,402
Electricity imports	5,242	5,396	4,659	4,605	4,810	4,637
Balance of foreign trade in electricity	-1,333	-1,349	-785	-9	-344	-235

S o u r c e: Tadjikistan: 15 let gosudarstvennoi nezavisimosti, p. 263.

In the coming years, Russia plans to invest \$2.5 billion in the Tajik economy,¹⁴ which amounts to almost 100% of the republic's 2005 GDP. These funds will mostly go into priority sectors: the electric power industry and metallurgy. One of the investment projects being considered is the construction of the Sangtuda-1 HPP with a design capacity of 600 MW. Its construction started back in 1989, but only 24% of the scheduled work has actually been performed (at a cost of \$187.5 million). The hydropower station is to be completed by RAO UES, Russia's major power company, which plans to invest in it \$600 million.

Consequently, the capacity of this HPP is sufficient not only to meet internal power shortages, but also to export electricity. In addition, the construction of the world's largest Rogun HPP (3.6 million kW) has been resumed. Incomplete construction here, according to preliminary estimates by Tajik experts, exceeds \$1.2 million. Based on the development of the power industry, Russian companies are investing in the production of aluminum, which today, according to official data, accounts for 65% of the country's exports.

The construction of the Sangtuda-2 HPP (with a design capacity of 220 MW at a cost of \$220 million) was partially undertaken by Iran (\$180 million), the remaining \$40 million to be invest-

¹² See: Sh. Sultanov, "Ekonomika Tadjikistana: sostoianie i perspektivy razvitiia," *Ekonomist*, No. 6, 2006, p. 69.

¹³ See: *Tapping the Potential...*, p. 47.

¹⁴ See: *Address by Tajikistan President Emomali Rakhmonov to the Country's Parliament*, Dushanbe, 20 April, 2006.

ed by Tajikistan. Tehran is to complete the project in about three years and is then to operate it for 12 years, whereupon its share is to be transferred to Dushanbe free of charge.

The completion of the Rogun and Sangtuda (1 and 2) HPPs will enable the republic to resolve a strategic problem: to achieve self-sufficiency in energy; it will help to save fuel and energy resources and provide opportunities for exporting electricity to Afghanistan, Pakistan, Iran, China, Southern Kazakhstan and Russia.

As a result, Tajikistan will eventually export very low-cost energy, so competing with other kinds of energy in the region, and this will be a key factor ensuring the viability and profitability of the country's hydropower industry. Another powerful incentive to its development is provided by the prospect of depletion of coal, oil and gas reserves.

The republic should focus on developing its economy with due regard for migration processes, which, on the one hand, have turned into a powerful instrument for improving the well-being of households and, on the other, result in a loss of human capital. Large investments in promising sectors (hydropower and aluminum) of the Tajik economy will probably do little to reduce migration for the following reasons. First, migration is underpinned by a solid infrastructure, which will continue to attract potential migrants for a long time. And second, some of the jobs created under these projects require certain skill standards.

So, Tajikistan may eventually have to face a surplus of unskilled labor and a shortage of skilled labor. Consequently, those who cannot meet the requirements of the Tajik labor market will be obliged to emigrate. The country's human capital no longer meets the needs of the modern world. The government should take measures to prevent a loss of skills by people of working age.

REGIONAL ECONOMIES

**FERGHANA VALLEY:
PROBLEMS OF MAINTAINING
ECONOMIC STABILITY**

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The Central Asia region, which is located in the very heart of the vast Eurasian continent at the crossroads where four of the largest civilizations (Russian, Chinese, Indian, and Islamic) meet, has a long and profuse history teeming with difficulties and conflicts.

The Ferghana Valley is a territory where all the problems of the Central Asia region (border conflicts, poverty, shortage of fertile land and water resources, unemployment, ethnic disputes, and so on) are concentrated and come together in a tangled ball of contradictions. So an analysis of the main, primarily economic, problems of the Ferghana Valley is vital to understanding the overall situation in Central Asia and around it.

The Ferghana Valley, an intermontane depression nestled in the foothills of Tien Shan, up to 300 km in length from the West to the East and up to 170 km from north to south, is one of the main agricultural regions of Central Asia. Only four roads (Ferghana-Tashkent, Ferghana-Khujand, Osh-Bishkek, and Osh-Khorog) and one railroad branch (Ferghana-Khujand) link the valley to the outside world.

In Soviet times, national-state demarcation was carried out in Central Asia, including in the Ferghana Valley, on the basis of a rather arbitrary idea of ethnic borders. The Ferghana Valley, which was always a single area, was divided by the administrative borders of Uzbekistan, Kyrgyzstan, and Tajikistan, which acquired the status of state borders after the collapse of the U.S.S.R. Today, this

change in status is giving rise to many problems. The borders divide a previously indivisible region and have broken down historical economic, cultural, and political ties. The flat part of the valley belongs to the Republic of Uzbekistan and is divided into the Andijan, Namangan, and Ferghana regions. The eastern part of the valley as well as the mountains and foothills surrounding the valley from the north, east, and south belong to the Republic of Kyrgyzstan and are part of the Osh, Jalal-Abad, and Batken regions. The western part of the valley belongs to the Sogd (former Leninabad) Region of the Republic of Tajikistan.

All the regions belonging to the Ferghana Valley are extremely important to their respective states, since they play a significant role in their socioeconomic life. Over 27 percent of Uzbekistan's entire population lives in the Andijan, Namangan, and Ferghana regions, which occupy 4.3 percent of the territory. About 60 percent of Kyrgyzstan's population lives in the Batken, Jalal-Abad, and Osh regions (40.4% of the territory), and 29.9% of Tajikistan's population lives in the Sogd Region (17.6% of the territory).¹

An interesting geopolitical situation has developed in the region. Uzbekistan controls the lowland and most of the population, Kyrgyzstan the upland and the main sources of water, and Tajikistan

Table 1

Main Demographic Indices of the Ferghana Valley

Country	Region	Size of population (mill. people)	Percentage of rural population (%)	Percentage of urban population (%)
Kyrgyzstan*	Osh	1.05	76.8	23.2
	Jalal-Abad	0.97	76.9	23.1
	Batken	0.42	80.8	19.2
Tajikistan**	Sogd	2.03	74.2	25.8
Uzbekistan***	Ferghana	2.75	71.0	29.0
	Andijan	2.30	70.1	29.9
	Namangan	2.05	62.3	37.7

Notes: * Data on the size of the population presented as of 1 May, 2006, for the rural and urban population as of the end of 1999.

** Data on the size of the population presented as of 1 January, 2005, for the rural and urban population as of the end of 2001.

*** Data on the size of the population presented as of 1 January, 2003, for the rural and urban population as of the end of 2003.

Source: Data of the State Statistics Board of the Republic of Uzbekistan [www.state.uz], the National Statistics Board of the Republic of Kyrgyzstan [www.stat.kg] and the State Statistics Board of the Republic of Tajikistan [www.stat.tj].

¹ Calculated by the author according to the data of the State Statistics Board of the Republic of Uzbekistan [www.state.uz], the National Statistics Board of the Republic of Kyrgyzstan [www.stat.kg] and the State Statistics Board of the Republic of Tajikistan [www.stat.tj].

the only railroad branch linking the Ferghana Valley with the outside world. Additional complications in interstate relations in the regions are created by the enclaves—Uzbek (Sokh, Shakhimardan) on Kyrgyz territory and Tajik on Uzbek territory (Sarvak) and on Kyrgyz territory (Vorukh).

High population growth is characteristic of the Central Asian countries. In so doing, this growth is mainly occurring among the rural population. The Ferghana Valley is primarily an agrarian region (rural residents constitute 60-80% of the population), which means that it is also experiencing high natural population growth.

So, as of today, approximately 12 million people live in the Ferghana Valley, which constitutes one percent of the land in the Central Asia region. This figure amounts to more than one fifth of the entire population of Central Asia (see Table 1). The average population density on the whole amounts to approximately 100 people/sq km, and more than 350 people/sq km in the lowland part of the valley (in the Andijan Region of Uzbekistan, the population density is higher than 500 people/sq km).² The rural overpopulation becomes obvious when we take into account that there is only 0.6 hectares of land per person in the most fertile areas.³ In so doing, we should keep in mind that the population is continuing its rapid growth. The predominance of young people and children in the population structure (every second resident of the Ferghana Valley is younger than 18) will maintain the high birthrate in the future too. According to experts, the population of the Ferghana Valley in 2010 will reach 14-15 million people.⁴

In this way, the situation in the Ferghana Valley is a classical example of social tension caused by overpopulation, a dearth of land, and surplus labor resources, particularly in agriculture. These problems are aggravated by the complicated ethnic situation in the region, where, despite the absolute numerical domination of Uzbeks, the interests of several national communities (Uzbeks, Kyrgyz, Tajiks, and the members of a few other nationalities) come in conflict with each other. All of this is happening against the background of the high activity of various underground Islamist groups, both those acting at their own risk, and those associated with radical foreign Islamic organizations (for example, Hizb ut-Tahrir).

The conflict potential of the Ferghana Valley began manifesting itself during the final years of the Soviet Union. It was openly expressed in the conflict between the Uzbeks and Meskhetian Turks in Ferghana, in the clashes between Tajiks and Kyrgyz on the border of the two republics in 1989, in the Osh tragedy of 1990, and in the disturbances in Namangan in 1991.

The economic situation in the region is characterized by the acute shortage of resources (land and water), the inefficiency of the economic reforms, the poor development of small and medium business, the unfavorable investment climate, and the collapse of the local market due to governmental isolationist measures and toughening up of the border conditions. The percentage of the shadow economy is high and corruption is widespread. There is a drop in the percentage of the GRP (gross industrial product) in the regions belonging to the Ferghana Valley Region and in the GDP of their states. For example, whereas in 1991, the percentage of the Sogd Region in Tajikistan's GRP amounted to 20.8%, by 2000, it dropped to 15.1%.⁵ In recent years, this trend has also been noted in Uzbekistan (see Table 2).

Despite the differences among the states in their choice of economic and political reform models and their rates of implementation, the authorities in all three parts of the Ferghana Valley are encountering the same threats to regional security—poverty, unemployment, inefficiency of the agricultural sector of the economy, disproportions in regional development, curtailment of border cooperation, envi-

² Calculated by the author according to the data of the State Statistics Board of the Republic of Uzbekistan [www.state.uz], the National Statistics Board of the Republic of Kyrgyzstan [www.stat.kg] and the State Statistics Board of the Republic of Tajikistan [www.stat.tj].

³ See: *Natsional'naia strategiya ustoychivogo razvitiia Respubliki Uzbekistan*, Tashkent, 1999, p. 48.

⁴ See: S. Olimova, M. Olimov, "Vliianie antiterroristicheskoi kampanii v Afganistane na sosiednie strany Tsentral'noi Azii," available at [http://www.eawarn.ru/pub/AnnualReport/AnnualReportWebHome2001/2001anrep05.htm], 17 January, 2007.

⁵ Data of the State Statistics Board of the Republic of Tajikistan can be found at [www.stat.tj].

Table 2

**Percentage of the GRP of the Ferghana Valley Regions
in the GDP of the Republic of Uzbekistan (%)**

Region	2001	2002	2003
Ferghana	9.4	9.2	8.5
Andijan	8.4	7.5	6.9
Namangan	5.0	4.7	4.3

S o u r c e: *Regiony Uzbekistana v 2003 godu,*
Tashkent, 2004, calculated by
the author.

ronmental problems, a rise in social tension, aggravation of ethnic contradictions, stepping up of the activity of radical Islamist organizations, criminalization of society, and an increase in drug traffic volume.

Environmental problems are closely related, since the policy of the governments of the Central Asian countries in agriculture is currently aimed at reducing subsidies on the maintenance of irrigation facilities due to the shortage of financial resources. The increase in social tension, aggravation of ethnic contradictions, and stepping up of the activity of radical Islamist organizations is closely tied to economic reasons, since the high level of unemployment and low standard of living of most of the population is leading to the formation of closed groups of young unemployed people deprived of access to resources, education, and health care, and with no opportunity to change their lives for the better. This is the atmosphere in which extremist groups and radical Islamist organizations are stepping up their activity. Overall criminalization of society (the increase in crime, the growth of the smuggling and drug traffic volume, and corruption) is also related to problems in the region's economy. The absence of legal sources of income is forcing the residents of the Ferghana Valley to look for illegal ways of earning a living. The unsophisticated state of the legislation, primarily in the economic sphere, is creating fertile ground for corruption.

So it can be said that the fundamental threats to security in the region are economic threats: poverty, unemployment, the inefficiency of the agricultural sector of the economy, and curtailment of border cooperation, which form the basis of those negative processes taking place in the Ferghana Valley.

Poverty and unemployment. South Kyrgyzstan and the Ferghana regions of Uzbekistan are the poorest regions in their countries. During Soviet times, the Sogd Region was the wealthiest region in Tajikistan, but in the past few years, the standard of living in the region dropped at a faster rate than throughout the country as a whole. According to studies by the World Bank and the State Statistics Board of the Republic of Tajikistan in 2003, 64% of the region's residents lived on the poverty line (this amounts to 32% of the poorest people in the Republic of Tajikistan),⁶ and in 2001 it was the highest index, in percent, of chronically undernourished children under the age of five (more than 33%).⁷

In 2004, the average monthly wage in the Kyrgyz part of the valley amounted to \$15, in the Uzbek part to \$11-12, and in the Sogd Region of Tajikistan to \$20 (one of the lowest in the country, it is lower only in the Khatlon Region at \$19).⁸

⁶ Data of the State Statistics Board of the Republic of Tajikistan can be found at [www.stat.tj].

⁷ See: *Strategy Paper 2002-2006 and the National Indicative Program 2002-2004 for Central Asia*, 31 October, 2002.

⁸ See: "Samaia vysokaia zarplata v Tadzhikestane u rabotnikov sfery svyazi," available at [http://news.mail.ru/news.html?940626], 11 January, 2007.

On the whole, the poverty situation in the Ferghana Valley is well illustrated by the results of studies carried out by experts from the European University Institute/University of Essex and the World Bank in 1995 and 2003 (see Table 3).

Table 3

Level of Poverty in the Ferghana Valley

Region	Level of poverty (% of the local population)				Share of the poor (% of all the poor)			
	city		village		city		village	
	1995	2003	1995	2003	1995	2003	1995	2003
Ferghana Valley	28	11	25	47	...*	12	...*	88

Note: * No data.

Source: Calculated by the employees of the European University Institute/University of Essex and the World Bank.

These data indicate that, despite the efforts undertaken by the authorities and international community, poverty in the rural regions of the Ferghana Valley is not only failing to decrease, it has reached a truly catastrophic level, whereby essentially every second resident is impoverished. Nine out of ten people living below the poverty line are currently living in rural areas. But the main thing is that not only is the level of income low, so is the opportunity level, which is much more disturbing. The valley residents do not have access to resources, education, health care, or quality nutrition. Poverty destroys human capital, leads to violence, stimulates instability, and worsens social and ethnic relations.

One of the most important problems characterizing the social situation in all three parts of the Ferghana Valley is unemployment. It is caused by the sharp drop in employment in the state sector and the slow development of the private sector, the halt in production units, and the increase in disproportion between the burgeoning workforce and the low demand for it. In the Tajik part of the valley, 27% of the population older than 18 are unemployed.⁹ The level of unemployment in the Kyrgyz and Uzbek parts of the valley is a little lower. The problem of unemployment among women and young people is the most acute. For example, according to official statistics, as of 1 March, 2006, women account for 60% and young people between the ages of 15 and 29 for 57.9% of all the unemployed in the Sogd Region.¹⁰

Precise data on the number of unemployed are not known, and official statistics present an artificially low figure. However, unemployment in the region, particularly in the Uzbek part, can only be fought mainly with the help of unskilled workers in agriculture by granting mandatory leave, reducing working hours, and introducing a system of home workers. This creates a situation in which a person is technically not unemployed, but nor does he have a permanent job either.

In the near future, there will be no significant changes in the trends that have developed in the workforce, in its overall size, or in the gender-age structure. The rate of replenishing the workforce with young people who are coming of able-bodied age will also remain high. So the authorities of the

⁹ See: S. Lunev, "Ferganskaia dolina kak odna iz modelei regionalnogo razvitiia," *Central Asia*, No. 9, 1997, available at [http://www.ca-c.org/journal/09-1997/st_04_lunev.shtml], 22 January, 2007.

¹⁰ See: "V Sogdiiskoi oblasti zaregistrirovano 14 tys. Bezrabotnykh," *Information Agency AKIpress*, 27 April, 2006.

regions located in the Ferghana Valley have the complicated task of not only making as efficient use as possible of the available potential of young people, but also of the potential of those who will swell the ranks of the workforce in the near future. The main factor alleviating the contradictions between the demand and supply of workers in agriculture is cotton-growing, since it is more labor-intensive than fruit-, vegetable-, and grain-growing.

But on the whole, the underdevelopment of the production and social infrastructure and the sphere for applying labor beyond the agrarian sector has caused Kyrgyzstan's, Tajikistan's and Uzbekistan's agriculture to become oversaturated with manpower, and it is replenished every year with the recent graduates of agricultural schools. According to official estimates, this reserve amounts to 500,000-530,000 people in Uzbekistan alone, of which the Ferghana Valley accounts for 29%,¹¹ while experts say that these figures are actually 3-3.5-fold higher.

Under the conditions that have developed, there is an acute need for jobs not related to agriculture, primarily in the labor-intensive industries (for example, the textile industry) and in creating capacities for the industrial processing of agricultural raw material, with the subsequent supply of finished products to the domestic and foreign markets.

Reform of the agrarian sector of the economy. Agriculture plays a leading role in the economy of the Ferghana Valley, since it provides 30-40% of the GRP and up to 50% of the able-bodied population are engaged in it. Commerce and the services (20-30% of the GRP) play a perceptible role, while the significance of the extractive and processing industries is much lower (16-19% of the GRP).¹² According to the predicted estimates, the agrarian sector will continue to retain its leading role in the region's economy. So those measures the authorities are undertaking to reform and raise the efficiency of agriculture deserve particular attention.

Agrarian reform in the different parts of the Ferghana Valley is going at different rates. In Uzbekistan and Tajikistan, the state still owns the land. Land in Kyrgyzstan, on the other hand, was transferred to private ownership, and at present some 90% of all the farms in the republic are privatized.¹³ But, despite the differences, agricultural producers everywhere are encountering the same problems.

Art 16 of the Land Code of the Republic of Uzbekistan reads "Land shall belong to the State..."¹⁴ At first, the government laid special emphasis on the support of large agricultural cooperatives (shirkats). But the program currently being carried out in Uzbekistan, and in the Ferghana Valley in particular, is to transform the shirkats into private farms. After replacing the collective farms and state farms of the Soviet era, shirkats proved just as unviable, despite the resources saved from their enlargement. After rising out of the ruins of Soviet state farms and collective farms, the shirkats were to embody elements of market relations. According to the law, the shirkat is a cooperative enterprise, the members of which manage its activity through their own shares in the holding.¹⁵ But the shirkats in fact only changed the name of the form of property, while the operating mechanism remained the same. Relations between the shirkat chairmen and the district leaders did not change. The unrealistic plans to turn in agricultural produce to the state and the outmoded technical base led to the fact that the plans for turning in cotton and grain to the state have not been fulfilled for several years now in the regions

¹¹ See: *Natsional'naya strategiya ustoychivogo razvitiia Respubliki Uzbekistan*, p. 48.

¹² Calculated by the author according to the data of the State Statistics Board of the Republic of Uzbekistan [www.state.uz], the National Statistics Board of the Republic of Kyrgyzstan [www.stat.kg] and the State Statistics Board of the Republic of Tajikistan [www.stat.tj].

¹³ Relevant data (in Russian) of the Water Users Associations Support Program (WUASP) in Kyrgyzstan, Tajikistan, and Uzbekistan (joint project of the United States Agency for International Development (USAID), Winrock International, Academy for Educational Development and New Mexico State University) are available at [http://www.wuasp.uz/index.php?module=ContentExpress&file=index&func=display&ceid=12&meid=22], 11 January, 2007.

¹⁴ Relevant information (in Russian) on the Land Code of the Republic of Uzbekistan is available at [http://lawlib.freenet.uz/laws/uzbek/zemluz/4.html], 11 January, 2007.

¹⁵ See: Art 1 of the Uzbekistan Republic Law on the Agricultural Cooperative (Shirkat), available at [http://zakonuz.narod.ru/z89.htm], 11 January, 2007.

of the Ferghana Valley (the only exception being 2005 when the bumper harvest and mobilization measures—not only were enterprise employees, students, and senior schoolchildren sent to gather in the harvest, but also junior schoolchildren and rent debtors—made it possible to fulfill the cotton plan). Shirkat members who do not fulfill the plan do not receive their wages, but the shirkat cannot withdraw from the state management system and independently dispose of its production.

The transformation of shirkats into private farms was called upon to expand the members' management powers. But the state contract system is still in effect in the country for the main agricultural products—cotton and grain. This system does not give farmers the opportunity to independently dispose of the produce they grow, regardless of the form of ownership, be they agricultural cooperatives or farms. Agricultural workers are obliged to give their produce to the monopolistic state purchasing agency at prices much lower than those on the market.

Meanwhile, practice has showed that farms are much more profitable than shirkats. Since 1999, when farms first arose as a form of economic management, they became an important part of the economy's agrarian sector. Whereas in 2004, they produced 51.6% of cotton and 46.9% of grain, in 2005, these figures already reached 66.3% and 56.4%, respectively.¹⁶

Ideally, farms are entirely independent private enterprises, but they are also responsible for executing the state contract. Farmers must fulfill the plan, and if they do not, they are more severely punished than shirkat chairmen. At worst, a shirkat chairman who does not fulfill the plan may be removed from his post, but a farmer is deprived of his right to rent land. Farmers are frequently punished even when they do not fulfill the plan for reasons beyond their control, for example, because of unfavorable weather conditions, or if the state did not supply them with seeds, fertilizer, or water for irrigation on time. The last factor is particularly important for the farmers of the Ferghana Valley, since, due to the poor state of the irrigation system, they are faced with constant breakdowns in water supply for irrigation. According to the law, farmers are exempt from land tax for the first two years, but they must pay off the debt of the former shirkats. What is more, they have to fulfill the cotton and grain plan of the former shirkat within ten years at the same rates that were set for the shirkats. Contradictions in legislation complicate the situation even more. Although the law on farming states that "A farm shall independently define the sphere of its activity, structure, and production volumes..."¹⁷ this regulation of the law is violated by a government decision stipulating the procedure for reorganizing agricultural enterprises into farms. According to this procedure, the farmer does not have the right to change the crop he grows, he does not have the right to allow a drop in harvest yield, and so on.¹⁸ Violation of these regulations is considered a gross violation of the rent agreement, and it could lead to loss of the right to rent land.

Another form of agricultural entrepreneurship—dekhkan farms—functions on the periphery of large agricultural producers (shirkats and farms). As a rule, such farms are made up of one family that works a small plot of land of up to two hectares.¹⁹ Despite their small size, dekhkan farms are much more productive than shirkats. In 2004, they produced 89.7% of the potatoes, 77.3% of other vegetables, and 61.4% of the melons and gourds in the republic, while in 2005, these indices rose to 92.4%, 77.7%, and 61.6%, respectively.²⁰

¹⁶ According to the data of the State Statistics Board of the Republic of Uzbekistan, available at [<http://www.stat.uz/STAT/index.php?%ru%&article=65>], 11 January, 2007.

¹⁷ See: Art 22 of the Republic of Uzbekistan Law on the Farm, available at [<http://www.wuasp.uz/modules.php?name=UpDownload&req=getit&lid=150>], 21 January, 2007.

¹⁸ Decision of the Cabinet of Ministers of the Republic of Uzbekistan on Measures to Reorganize Agricultural Enterprises into Farms (5 January 2002, No. 8), available at [<http://www.wuasp.uz/modules.php?name=UpDownload&req=getit&lid=156>], 21 January, 2007.

¹⁹ See: Republic of Uzbekistan Law on the Dekhkan Farm (No. 837-XII), available at [<http://www.wuasp.uz/modules.php?name=UpDownload&req=getit&lid=149>], 21 January, 2007.

²⁰ According to the data of the State Statistics Board of the Republic of Uzbekistan, available at [<http://www.stat.uz/STAT/index.php?%ru%&article=65>], 21 January, 2007.

The situation in Tajikistan is also developing along the same lines. According to Art 2 of the Land Code of the Republic of Tajikistan, "land in the Republic of Tajikistan shall be the exclusive property of the State."²¹ But since 1997, collective farms have been actively disbanded and land divided up in Tajikistan. Tajikistan legislation envisages the transfer of the land of former collective farms and state farms to the dekhkans for their use and the creation of dekhkan farms.²² By 2003, they accounted for about half of the total number of farms. But this did not change the crux of economic relations in the agrarian sector. Land reform is going very slowly. Former state farms and collective farms throughout the entire country have changed only their name and stamp during the reform, which fact contradicts public relations in the agroindustrial sector regulated by legislation. The dekhkans still operate according to the team method. Each individual member of a dekhkan farm does not know where his share of land is located. The chairmen of dekhkan farms still report to the local government bodies.

Land allotment is accompanied at all stages by bribes and additional payments. The dekhkans do not know the current laws regulating the course of the reform. So former state farm and collective farm chairmen abuse their powers when distributing land by taking advantage of the illiteracy of the dekhkans: they dispose of land at their own discretion or do not want to distribute it at all. In almost all regions of the republic, instances are known of regulating land relations by means of rent agreements, which contradicts the current laws and violates citizens' right to land.

As a result of various land manipulations, only a small percentage of dekhkans become landholders, one third rent it, and the rest are deprived of access to land at all, retaining only estate plots. There are cases when former collective farm and state farm heads established certain fees or distributed land in exchange for property. For example, in the Asht District of the Sogd Region, a dekhkan at the Bobodarkhon farm was supposed to give two rams for each hectare of land he was to receive. During the division of collective and state farms, the main assets go to large landholders. The chairmen of khukumats of the districts are trying to unite dekhkan farms by issuing decisions. In their attempt to fulfill the plans, they are making farmers sow more cotton to the detriment of other crops, determining independently which investor a contract should be entered with, and at which factory raw cotton should be processed. As a result of this, dekhkan farms are falling into debt and going bankrupt. This is leading to a significant increase in the number of landless peasants and undermining the position of the small farmer. It is also giving rise to the widespread migration of farmers to the cities and maintaining a high level of foreign work migration.

In contrast to the neighboring states, radical agrarian reform was carried out in the Republic of Kyrgyzstan. Its legislation envisages different forms of land ownership, including the private one (Art 4 of the Land Code of the Republic of Kyrgyzstan).²³ But here too farmers are encountering numerous problems.

The fragmentation of land plots and technology, and the scattering of them among numerous peasant, farm, and private holdings created during the agrarian land reform make it impossible to carry out scientifically justified crop rotation aimed at obtaining high harvest yields and to accumulate the resources needed for purchasing and using modern, powerful and, at the same time, economical technology. Problems are also arising in selling the produce grown due to its limited amount.

²¹ Relevant information (in Russian) on the Land Code of the Republic of Tajikistan is available at [<http://www.kishovarz.tj/documents/ru/qonunho/zemelny.doc>], 21 January, 2007.

²² Ibidem; relevant information (in Russian) on the Law of the Republic of Tajikistan on the Dekhkan Farm is available at [<http://zakon.tj/index.cgi?lid=3629>], 21 January, 2007; Decision of the Republic of Tajikistan Government "On Reorganization of Agricultural Enterprises and Organizations between 2002 and 2005," available at [<http://zakon.tj/index.cgi?lid=3769>], 21 January, 2007 (in Russian).

²³ Relevant information (in Russian) on the Land Code of the Republic of Kyrgyzstan is available at [<http://lawlib.freenet.uz/laws/kyrgyz/zemkg/1.html>], 27 January, 2007.

More than 85% of the agricultural machinery has been in use for more than 15-20 years, that is, 2-3-fold longer than its standard lifetime, and is already due to be written off.²⁴ The high price of fuel and lubricants, spare parts, mineral fertilizers, pesticides, and technical services are making it unprofitable to grow agricultural produce. Many farmers are complaining about their insufficient core financial resources, as well as the shortage and incompatibility in terms of maturity and interest rates of loans offered by credit institutions.

The expensiveness of electric energy used for pumping stations supplying irrigation water for agricultural crops and the unclean state of a large part of the interfarm and intrafarm channels are making irrigated and provisionally irrigated land unproductive.

Problems of cross-border cooperation. Due to the differences in the areas and rates of conducting economic reforms, the prices of several goods, including raw agricultural material (particularly cotton) in the Uzbek part of the valley, are much lower than in the Kyrgyz and partly in the Tajik areas. This is an important prerequisite for smuggling goods. Many farmers from the border areas prefer to risk sending cotton to neighboring Kyrgyzstan or even Kazakhstan. In response, the Uzbek authorities are undertaking tough measures to fight the export of cotton to neighboring republics. But fighting economic interest using forceful methods is doomed to disaster in advance. A vivid example is the trading situation at the Kara-Suu bazaar, which is located in a small town 20 kilometers from the Kyrgyz city of Osh and right on the border of Uzbekistan. The prices here are low, since the goods largely come from China via the mountain passes from Urumqi and Kashgar. When, in 2002, the Uzbek authorities placed restrictions on trade at the bazaars within the country, hard currency gushed into the Kara-Suu market from Uzbekistan. Instead of easing off on the trade restrictions, the Uzbek government adopted a simple decision in an attempt to stimulate business in the country. In December 2002, the bridge connecting Kara-Suu with Ilyichovsk on the Uzbek bank of the river was pulled down, which put an end to all the legal cross-border trade in one fell swoop. But trade did not stop, instead it was taken under the control of organized criminal groups. Incidentally, Ilyichovsk, along with Andijan, became one of the centers of the mass disturbances in Uzbekistan in May 2005.

The threat from Islamic extremists is forcing Uzbekistan to constantly toughen up the border, customs, and migration conditions, which is dealing a heavy blow to the interests of the residents of the Ferghana Valley as a whole. Several grave incidents on the borders in the Ferghana Valley—people killed from stepping on mines set by the Uzbek authorities on the border with Tajikistan and Kyrgyzstan (mining of the Tajik-Uzbek border was begun by the Uzbek side in August 2000 to prevent the fighters of the Islamic Movement of Uzbekistan from crossing the border. According to the data of the State Border Protection Committee under the Tajikistan government, during this time sixty people have been killed and seventy peaceful citizens injured by antipersonnel mines on the Tajik-Uzbek border)²⁵ and firing by Uzbek border guards on peaceful citizens from neighboring states—are arousing a wave of public indignation in the valley.

Interstate contradictions are the reason for many of the everyday problems faced by the residents of the Ferghana Valley. Difficulties with gas and water supply have become run of the mill for the local residents. The Uzbek side periodically restricts the supply of gas to the border regions of Kyrgyzstan and Tajikistan, motivating this by an increase in the debt of Kyrgyz and Tajik consumers for fuel already delivered. This results in interruptions in gas supply to citizens. The last such incident took place in April of last year when the Uzbektransgaz Company introduced restrictions on gas deliveries to the Sogd Region, which gave rise to an acute fuel crisis in Khujand and the regions next to it.²⁶ In response, Tajikistan

²⁴ For more detail on the agriculture of the Osh Region see: [<http://www.osh.gov.kg/agr/agr.htm>], 27 January, 2007.

²⁵ See: A. Taksanov, "Razminirovanie—put miru i protsvetaniyu. Vzgliad iz Uzbekistana," *Varud*, No. 36 (124), 22 September, 2004.

²⁶ See: "V Khujande ogranichena podacha gaza gorozhanam do 1 chasa v sutki," *Information Agency AKIpress*, 14 April, 2006.

periodically creates difficulties in goods transit to the Uzbek part of the Ferghana Valley (it is separated from the other regions of Uzbekistan by the Kuramin Mountain Range (altitude of up to 3,768 m), and the only railroad runs through the Sogd Region). The poor state of the irrigation system is leading to an increase in water shortages, which, in turn, is entailing periodical restrictions in water supply for agriculture and everyday needs from Kyrgyzstan to Uzbekistan.

At present, the isolationist measures undertaken by all the countries and the lack of coordination in legislation among Uzbekistan, Tajikistan, and Kyrgyzstan are preventing the movement of capital, labor, and goods, destroying traditional cross-border local markets, disrupting the common labor market, and hindering the development of private business within the framework of the entire region and, in so doing, aggravating unequal socioeconomic development and increasing poverty and instability in the region. Most of the goods circulation remains in the shadow, and the main flow of labor and trade migration has become illegal. The Ferghana Valley has turned into a zone of shadow capital, which is encouraging a spread in corruption. Bureaucrats in the parts of the valley are rapidly merging with semi-criminal and criminal structures.

Taking into account the above, emergency measures must be carried out to improve the socioeconomic situation in the region. The set of measures should include those aimed at developing the agrarian sector of the economy, attracting foreign investments, and forming a system for exporting manpower.

Development of the agrarian sector of the economy. In order to resolve this situation in the agrarian sector of the Ferghana Valley, we should keep in mind the specifics of the processes going on in each republic and take the following measures:

1. Improve the legislative base of all the republics and adopt regulatory acts aimed at economic stimulation of priority branches of agriculture.
2. Cancel VAT on agricultural produce in general, including on technical and other services.
3. Create government support funds for agricultural cooperatives and farms, where financial resources should be used for the centralized purchase of new machinery, spare parts, mineral fertilizers, high-yield seeds, pesticides, and so on intended for stimulating and supporting agricultural cooperatives and farms under conditions of credit recovery after a certain period of time (leasing system).
4. Cancel the existing system of mandatory state purchases of cotton and grain in Uzbekistan and Tajikistan.
5. Introduce a system of open auctions for purchasing agricultural produce to assist the formation of market mechanisms in the agrarian sector.
6. Lower electricity rates fixed for pumping stations and pumps supplying irrigation and drinking water in all the republics.
7. Develop, including with the aid of foreign investors, enterprises for the advanced processing of raw agricultural material.
8. Take urgent and comprehensive measures to oppose corruption in the government power and local self-government bodies.

The mandatory introduction of private land ownership in Uzbekistan and Tajikistan proposed by some experts is inexpedient, since private land ownership in itself is not a panacea against the difficulties in agricultural development. The example of the Republic of Kyrgyzstan vividly illustrates this. Therefore, the system of long-term land rental for 20-50 years is entirely acceptable.

Foreign investments. Another important factor determining the development of the economy in the Ferghana Valley is attracting foreign investments. The development of infrastructure (particularly of the irrigation system) and of the light and food industries is a priority area for foreign investors.

The insufficient financial resources allotted to maintain the necessary operation and technical servicing of the irrigation infrastructure has led to a significant deterioration in the state of the irrigation and drainage system, a reduction in the throughput capacity of canals, significant water loss, widespread and intense salinization of water and soil, and a reduction in the yield of agricultural crops in the Ferghana Valley. Programs for attracting foreign investments into this sphere should be aimed at financial and technical assistance for improving the operation of the irrigation and drainage infrastructure, developing technically approved procedures for drawing up water use plans and for improving irrigation techniques. This will help to raise the harvest yield and efficiency of agricultural production.

Due to the enormous demand for finished products, most primary resources are exported from the Ferghana Valley without advanced processing (for example, 85% of the cotton fiber produced and hundred of thousands of tons of fruits and vegetables).²⁷ And this is despite the fact that the production infrastructure in the rural areas is characterized by a relatively stable state of road-transportation and energy management, gas supply, as well as the reserve capacities of construction organizations. In order to resolve this problem, the light (particularly the textile) and food (processing of fruits and vegetables, canning, and so on) industries must be developed.

An important place in agricultural potential in the future, as it was in the past, will be occupied by cotton production. So the emphasis must be placed on developing production plants for advanced processing of raw cotton and cotton fiber, as well as of the textile and sewing industries. An important fact defining the need to attract foreign investments into the region's light industry is the fact that the enterprises of this branch are envisaging the use of a large amount of labor resources, thanks to which additional jobs can be created with relatively small amounts of investments. This primarily concerns the creation of clothing manufacturers. In light of the high unemployment level, particularly among women, this will be extremely conducive to reducing the level of social tension.

What is more, the investment climate must be improved in the region by offering foreign investors tax and other benefits and eliminating the administrative barriers that hinder the development of small and medium business.

The manpower export system. As already noted above, the labor market in the Ferghana Valley is under rather strong demographic pressure. So the authorities of Uzbekistan, Tajikistan, and Kyrgyzstan are objectively interested in increasing the export of manpower to other countries. According to the estimates of the Institute of Macroeconomic and Social Studies, together with the Republic of Uzbekistan's Ministry of Labor, labor migration in Uzbekistan currently encompasses no fewer than 600,000-700,000 people.²⁸ According to official data, approximately 350,000 of Tajikistan's able-bodied workers are currently working outside the republic. Most of them are in the Sogd Region. Labor migration from Kyrgyzstan is similar in volume. The main flow of working migrants goes to Russia, but those who leave are mainly young people under the age of 30, primarily men with very different levels of education.

But factors exist that are hindering the development of labor migration in the Ferghana Valley. Organized labor migration has still not become widely developed. There is no streamlined system for exporting manpower at the state level in Uzbekistan, Tajikistan, and Kyrgyzstan. For example, Uzbekistan has a state monopoly on the export of manpower abroad, and there is no legal private intermediary activity in this sphere. The government bodies are not taking advantage of the opportunity to augment both potential partners in labor migration, as well as quotas for the export of manpower under contracts, although the population's demand for such labor activity is very high. So most labor migration from the Ferghana Valley is carried out illegally and in indirect forms—by means of guest visas, tourism, shuttle trips, and so on.

²⁷ See: *Natsional'naiia strategiiia ustoichivogo razvitiia Respubliki Uzbekistan*, p. 48.

²⁸ See: L. Maksakov, "Eksport rabochei sily iz Uzbekistana," *Trudovaia migratsiia v SNG* (Labor Migration in the CIS), No. 7, 2002.

The dimensions of informal labor migration are difficult to define, since no record is kept of this phenomenon. Only indirect estimates can be made. We can only say for sure that the actual volumes of registered labor migration account for only a small part of the main flow.

Based on this, the local authorities should develop state programs for exporting manpower, assist private intermediary activity for providing citizens with jobs abroad, and enter corresponding international agreements with manpower importer countries (particularly with Russia).

So labor migration of the population of the Ferghana Valley is economically favorable both for the region, and for the participants themselves. It ensures an inflow of hard currency and helps to reduce tension on the labor market, particularly in the most densely populated areas. This means that support of manpower export should be one of the most important areas of state policy in the employment sphere.

ARMENIA: ECONOMIC CHALLENGES DURING THE CHANGE OF GUARD

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The next parliamentary elections in Armenia are to take place in May 2007, followed by presidential elections in March 2008. In other words, the country is to go through a radical "change of guard." Robert Kocharian is to leave the post of president because in accordance with the Armenian Constitution he cannot be nominated for a third term of office. This highlights the importance of the 2007 parliamentary elections, considering that the name of the future occupant of the presidential palace for a term of four years will in large part depend on the results of these elections. Amendments to the Basic Law made in November 2005 enhance the role of parliament and government by transferring to them some of

the president's powers, and this complicates the picture still further.

Another point to note about the coming change of power is that Robert Kocharian's ten-year presidency and Andranik Margaryan's seven-year tenure as prime minister (2001-2007) have undoubtedly proved to be quite successful for the country's economy. This means that the coming change of power is also a test for the economy of this small (in size) republic or, more precisely, a test for its stability and policy continuity. In addition, on the threshold of this decisive change of guard the country faces (or may face) a number of economic challenges, whose successful resolution is also part of the test.

Main Economic Results of the Kocharian Era

Although Robert Kocharian is to remain at the helm of state for almost a year, an attempt to sum up the preliminary results of his rule (economic results above all) is perfectly justified, especially since

one can say that the main events of his term of office have already taken place, while his further moves are predictable.

The general situation in the economy is as follows.

—The country was among the first seven FSU republics to restore the 1989 level of GDP by 2005.¹ In this case, Armenia differed from the six post-Soviet states with higher rankings in that, among other things, it had no natural resources (in contrast to Azerbaijan and Kazakhstan). Moreover, the crisis through which it passed in the early 1990s was one of the deepest among the crises experienced by all FSU republics (GDP fell to 42% of the 1989 level). There were also the economic consequences of tense relations with Azerbaijan and Turkey in view of the Nagorno-Karabakh conflict.

Economic growth (for six years running, from 2001 to 2006, this growth was expressed in double-digit figures) entailed a substantial reduction in poverty: the share of the population living below the poverty line was down from 56% in 1999 to 29% in 2005. In other words, in six years a quarter of the population (about 800 thousand) ceased to be poor.

—Now that the republic has restored its pre-crisis GDP level, its new economy has proved to be more competitive than it was right after the breakup of the U.S.S.R. In the first place, this is expressed in lower resource intensity: with the same GDP, the country now consumes 2.5 times less electricity and almost three times less gas than in the Soviet period. The material intensity of GDP has declined as well, with a sharp reduction in the republic's dependence on the foreign market: the foreign trade turnover has decreased almost sixfold compared to the Soviet period.² Such a reorientation toward the domestic market is in itself a sign of the economy's growing competitiveness and stability.

—The main factor that has produced this result is the state's highly liberal economic policy, as evidenced, for example, by the Heritage Foundation/Wall Street Journal Index of Economic Freedom. In terms of this index, Armenia has for several years now ranked above all the other CIS republics, and in 2005 it was among the top 30 countries in the world (out of more than 150), outranking even a number of EU states. The republic also ranks quite high on the Ease of Doing Business Index, calculated by the World Bank. At year-end 2005, it was 46th among 155 countries, far ahead of all the other CIS republics.³ This has been achieved, in the first place, due to Armenia's liberal tax and trade regime, whose foundation was laid under Robert Kocharian's predecessor, the country's first president Levon Ter-Petrosian. And the Kocharian-Margaryan tandem continued to pursue the course adopted at that time (improving the situation in some respects and worsening it in others).

—Today the Armenian economy is fairly balanced (its dependence on growth in some particular sector or subsector is insignificant). A distinguishing feature of the six years of "double-digit growth" mentioned above was that in different years this growth was driven by different "locomotives," with industry, agriculture and construction replacing each other in this capacity. Similar processes were underway within these sectors: in industry, for example, food production took the lead alternately with diamond cutting and mining.

¹ See: *EBRD Transition Report 2005*. According to forecasts for that year, only six countries were expected to reach that level: Uzbekistan, Estonia, Turkmenistan, Belarus, Kazakhstan and Armenia. But then it turned out that in 2005 the Soviet-period GDP level was also reached by Azerbaijan, whose record GDP growth (26%) at that time was due to a sharp increase in oil production and world oil prices.

² See: H. Khachatrian, "Economic Situation in the South Caucasus Countries in the 15th Year of Independence. A Comparative Analysis," *Armenian Trends*, 2006, Q4.

³ According to an updated technique applied a year later, Armenia's ranking was even higher: 37th place (see: www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=10).

- Armenia is not a model of democracy, but the fairly long period of stability⁴ has enabled its authoritarian leaders to take steps conducive to economic development and growth. Internal political processes ran along lines that helped, as far as possible, to separate economics from politics. Two major developments were of particular importance in this respect. First, the introduction of a system of civil service (one of Kocharian's key reforms) has made most of the state apparatus independent of political processes: from now on, ministers can be replaced as often as once a month, but none of the new ministers have the right, as they had only six years ago, to dismiss their subordinates (at the appropriate level) as they see fit. Another characteristic development of this kind is that over the past two years the function of the main reforming agency has passed from the government to the Central Bank, which is much less dependent on the current political situation. The Central Bank is now engaged in creating a securities market, which implies the need not only to develop an appropriate legislative framework and infrastructure, but also to carry out fundamental reforms in the area of corporate governance in Armenia, especially when it comes to companies owned by big businessmen (oligarchs). And the fact that the Central Bank is not susceptible to political change and, in particular, that its present chairman, Tigran Sarkisian, can retain his position for another five years is good reason to hope for success in this matter.
- Armenia is undoubtedly a unique state as regards its geopolitical position. What I mean is that it is probably the only country in the world which, while being a military-political partner of Russia, at the same time declares its pro-Western orientation, actively implementing market reforms and getting Western assistance for their implementation. In particular, throughout most of the 1990s the republic was the world's third largest recipient of U.S. government aid (per capita), ranking behind Israel and Egypt. This ensured, among other things, a constant inflow of money and technical assistance from international financial organizations: the International Monetary Fund and the World Bank. At the same time, the existence of such an ally as Russia provides tangible support in ensuring the security of the country's borders. In recent years, cooperation with Russia has also led to an increase in investment (it should be noted that Russia—Armenia's "strategic ally"—has never provided it with any free assistance, in contrast to the United States, Russia's rival in the region). In 2006, Armenia's allied relations with Russia probably for the first time produced real economic results. Thus, Russia's Gazprom agreed to keep the price of gas supplied to the republic down to the level of \$110 per 1,000 cubic meters, which is half the price paid by most other CIS countries, in exchange for the unfinished fifth power generating unit of the Razdan Heat and Power Plant (Armenia could not find an investor for this unit for over 10 years). The resultant "gas respite" is a welcome development for Armenia, whose industrial growth has slowed in recent years.

The Challenges of the Near Future

The economic challenges facing the country today and those it may confront in the coming years are mostly due to the factors listed above. They can be divided into two groups. First, there are challenges of

⁴ In effect, stability has lasted for almost seven years, since the appointment of Andranik Margaryan as prime minister in May 2000. The Kocharian-Margaryan tandem was able, without much difficulty, to keep the reins of power during the 2003 presidential and parliamentary elections. True, these elections took place with obvious violations in favor of the ruling elite, but the weak and fragmented opposition failed not only to undermine the existing regime (to realize their dream about a "color revolution" of their own), but even to create a tangible threat to its stability. One of the main reasons for the weakness of the opposition was evidently the weakness of the protest electorate, which could not be strong in the conditions of rapid economic growth accompanied by poverty reduction in the country.

an objective kind caused by the fact that the republic's development has reached a certain watershed, a point from which it has to move forward so as not to lag behind and lose the advantages gained in competitive struggle. The second group includes factors external to the economy, which, for their part, can be divided into two subgroups: factors partly determined by the domestic political situation (primarily the coming elections) and purely external challenges. Finally, all these three sets of challenges are closely interrelated, and the fact that they have come together at this time only complicates their analysis.

A) Risks Associated with Elections

1. Risk of Destabilization During and/or After the Election Campaigns

The record of the past few years shows that there is little likelihood of political destabilization in the republic and that when such risks did appear (as during the 1996 presidential election and both elections in 2003) the ruling regime was able to neutralize them with considerable ease. But the coming election campaigns are unique in the sense that for the first time (at least since 1995) there is to be a contest not between the ruling party and the opposition, but between different factions of one and the same ruling regime. Political reality and legislation are such that these factions will not take a common stand against some kind of opposition, but will compete with each other both for parliamentary seats and for the presidency. This situation will be complicated by two circumstances. First, by the ambitions of Robert Kocharian, who will have to step down as president, but who declares that he has no intention of leaving the political scene.⁵ The role that he wants to play after March 2008 and that the ruling elite is prepared to entrust to him (let us recall that officially Robert Kocharian is not a member of any political party) remains a matter for conjecture. And second, by the emergence of a new and potentially powerful political organization, the Bargavach Hayastan (Prosperous Armenia) party. Analysts are at a loss about its ambitions and its possible place in the country's political spectrum.⁶ But all of them agree that this party is destined to make a significant contribution to the implementation of Robert Kocharian's personal plans after his departure from the position of head of state.

All of the above suggests that the change of guard will probably be accompanied by some kind of upheavals. And it is taken for granted that such upheavals will have a negative or even catastrophic effect on the economy. In my opinion, however, there is little likelihood of such a turn of events; the ruling elite will manage to reach an agreement and go through this new and unprecedented period in the country's history without upheavals, which are ultimately not in the interests of any group of the national elite.

2. Risk of International Sanctions for Improperly Held Elections

This is a more mild version of political upheaval which may follow in the wake of elections if they do not meet the standards of democracy, as has been the case virtually throughout the past ten years. Western donors have repeatedly shut their eyes to the violations of electoral laws and procedures used by the ruling party to consolidate its power in the struggle against the opposition. In the period preceding the current election cycle, the Armenian authorities got more warnings than usual that in case of detection of such violations foreign donors would apply certain "sticks." There are two of these. First, the

⁵ Here is what he said in an interview on 15 December, 2006: "I have no intention of becoming the youngest pensioner in Armenia" (see: [<http://news.president.am/rus/separate.php?sub=press&id=96&year=2006>]).

⁶ Today one can say the following about this party. First, it was set up and is financed by Gagik Tsarukian, one of the country's wealthiest businessmen. Second, the party engages in charity on a large scale, winning widespread popularity. And third, it has no prominent professional politicians among its members.

threat of suspension of the U.S. Millennium Challenge program (\$236 million for the rehabilitation of roads and other infrastructure facilities in rural areas). And second, the possibility of a review (or suspension) of the joint Action Plan under the European Neighborhood Policy program (whose implementation begins in 2007), a possibility which is not ruled out by the European Commission.

As I see it, this risk is not very significant either. And the point is not only that the Armenian ruling elite is afraid of these “sticks” (although they are not large in money terms, their use would mean a break with the leading Western partners and donors, even while there is no alternative to the “Western” path of development for the country’s economy). There is yet another and possibly more important factor, a consequence of the above-mentioned political situation, in which the main struggle is to take place between different factions of the ruling elite, i.e., between forces in possession of virtually equal resources both for election rigging and for counteracting such attempts. It is precisely due to this circumstance, paradoxical as it may seem, that they will probably have no choice but to determine the composition of the future parliament in the course of a relatively fair fight (the outcome of the presidential election is a more complicated and distant problem). It cannot be ruled out that National Assembly Chairman Tigran Torosian, who has recently stated on many occasions that fair elections are in the interests of all political forces in the republic, will prove to be right.

B) Risks Associated with the Country’s Economic Development

As noted above, Armenia has carried out sufficiently rapid and effective market reforms and has reached a point where these reforms have already produced their results, whereas further active economic growth requires qualitatively different reforms. Consequently, the risks included in this group would have appeared even without an election campaign, but the realities of the latter complicate these problems still further. In my opinion, there are two main risks of this kind:

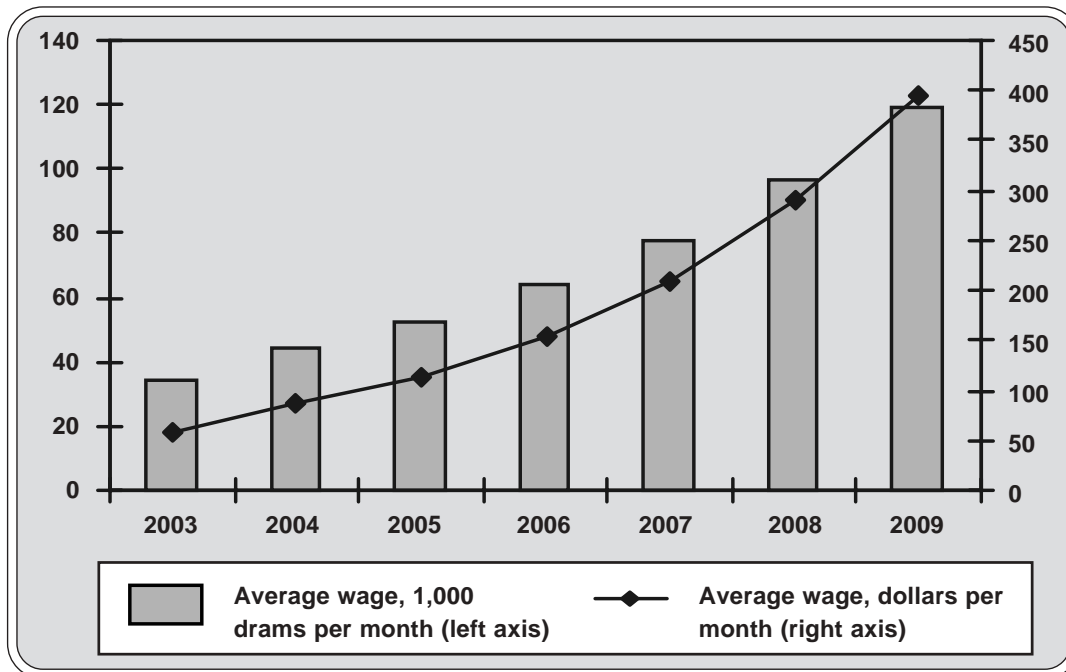
1. The possibility of a departure from liberal economic principles or a suspension of the reforms. The beginning of 2007 was marked by an event which causes some concern. In terms of the Index of Economic Freedom for this year, Armenia has dropped from 27th to 32nd place. Although it has retained the “title” of the freest economy in the CIS (and according to the authors of the Heritage Foundation report, this drop, at least in part, is due to changes in the calculation technique), it is worrying that a number of problems cannot find their solution for several years. These include corruption, dependence of the judicial system on the executive authorities, unequal law enforcement in relation to different subjects, etc. All of this can create the risk of Armenia’s losing its investment attractiveness, which is not too great as it is in view of geopolitical factors. According to experts of international financial organizations, in order to achieve further stable economic growth Armenia should set itself more ambitious tasks than at the first stage of economic reforms. Now that the basic tasks of economic transition along these lines have in the main been accomplished (creation of a private sector with a subsequent increase in its role in the economy, development of appropriate state regulation of the “rules of the game”), it is necessary to radically increase the role of financial institutions. This task has been undertaken by the Central Bank, which in 2005 and 2006 was vested with such functions as the development of mechanisms for the creation of a securities market and an insurance market (even including the development of a framework for transition to a funded pension system). As noted above, this is a step in the right direction if only because the Central Bank is relatively independent of political factors (incidentally, this very independence is among sovereign Armenia’s undeniable achievements). However, it is also obvious that without support from the government the Central Bank will be unable to cope with these tasks (take, for example, the question of introducing modern corporate governance principles in business companies, without which

it is impossible to create a securities market). Hence the danger that the government and parliament, preoccupied with their pre- and post-election concerns, will not pay proper attention to these problems. Robert Kocharian appears to be aware of this, because he has time and again spoken of his intention to prevent electoral processes from having a significant effect on the economy.

- Continued strengthening of the Armenian dram. This process began in 2003 (the dram was at its lowest point in relation to the dollar in March 2003: 587 drams per dollar). Since then the dram has risen against all currencies at an annual rate of about 10%, causing discontent among a significant part of the population (say, employees of foreign organizations paid in foreign currency). This discontent is most pronounced in the large segment of the population (according to Central Bank estimates, about one-third of the country's households) that receives monetary support from relatives abroad. According to the Central Bank, these remittances are actually the main cause of the rise in the value of the national currency, because in recent years their amount has increased at an annual rate of at least 15% (other contributing factors are a reduction in the trade deficit and an increase in investment inflows). However that may be, this discontent does not go beyond faint murmurs, because the people's purchasing power has been rising anyway, both due to these remittances and as a result of rising income levels in the country. Another and much more serious consequence of this phenomenon could be excessively rapid growth of the dollar equivalent of Armenian wages, which could have a negative effect on the competitiveness of domestic goods. According to government assurances, the strengthening of the dram has so far had no such effect, while the slowdown in the growth of exports over the past two years is caused by other factors. The chart shows the movement of the average wage in the country—in drams and in dollars—from 2003 to 2006 (real) and its projections until 2009, given a continued increase in the dram wage (at 23% per year) and a rise of the dram against the dollar (at an average annual rate of 10%).

Chart

Real and Projected Average Wages in Armenia



If the current trend continues, in 2008 the average dollar wage will already exceed \$300 per month, and in 2009 it will be close to \$400. And this is already comparable to the figures for East European countries, i.e., the republic will lose such an important (in some respects) advantage as relatively low wages, which will deal a severe blow to the competitiveness of domestic goods.

For the time being, the strengthening of the Armenian dram is to some extent even beneficial to local producers, because the weakening U.S. dollar reduces investment costs, e.g., the costs of purchasing new equipment abroad. Over the past two years, according to the Ministry of Trade and Economic Development, imports of such goods have been growing faster than other imports, and this, in the Ministry's opinion, opens up prospects for enhancing the competitiveness of Armenian goods.

C) Risks Associated with External Factors

The most serious external risks to the Armenian economy are undoubtedly outbreaks of violence in territories adjacent to the republic. Such risks can come from each of the four neighboring countries: in the form of a resumption of hostilities in the zone of the Karabakh conflict, a U.S. armed attack against Iran, destabilization in Georgia or even in Turkey. However, the likelihood of all these adverse scenarios being set in motion in the foreseeable future is very insignificant. The following risks appear to be more real:

1. A simultaneous return home of large numbers of labor migrants from Russia as a result of the Russian government's new policy. This can not only reduce the inflow of remittances, but also cause a surge in unemployment and related problems.⁷ The government of Armenia, in contrast to the authorities of Azerbaijan, is not particularly concerned about the possible inflow of compatriots, who are now prohibited, by decision of the Kremlin, from working in public retail markets. According to fragmentary data, there are not too many Armenians in Russian markets. But even if one in ten Armenian citizens living in Russia are obliged to return home (and this is about 60-70 thousand people), the country will be faced with a serious problem: it will take at least several years to integrate the returnees into the economy.
2. Shocks caused by changes in world grain and energy prices. Armenia has partly insured itself against such shocks by its deal with Gazprom, signed in April 2006. However, the possibility of its violation by the Russian company cannot be entirely ruled out; on the other hand, by 2009 the price of gas in Armenia is to double anyway, and the country should make the most of this "gas respite." Although the rise in the value of the dram (according to Central Bank forecasts, it is to continue for at least another year) will to some extent cushion this blow, Armenia will in any case eventually have to deal with a significant rise in the price of its basic fuel: from the current \$110 to about \$235 (if not more) per 1,000 cubic meters. For the present, the republic's authorities are in no hurry to reduce electricity rates, which is quite possible given the current price of gas and the continued weakening of the dollar (this could be a preventive measure in the face of the future increase in gas prices).
3. Geopolitical risks associated with a possible change of economic orientation driven by political and not economic factors. A meeting between Robert Kocharian and Vladimir Putin held in Sochi on 24 January, 2007, produced a sensational result: Russia declared its intention to invest in Armenia over the next few years roughly as much as it had invested in the previous decade. One

⁷ Of course, a great deal will depend on the occupations of people returning in the first place. The country has recently experienced a growing shortage of skilled labor, primarily in construction. But skilled construction workers are unlikely to return, because Russia itself is in the midst of a building boom.

of the options here is even a project for the construction of such a facility untypical for Armenia as a refinery for processing Iranian oil.⁸ On the one hand, an inflow of investment can only be welcomed but, on the other, such plans will mean Erevan's close ties to the Moscow-Tehran axis, which will probably have a negative effect on the prospects of Armenia's contacts with the West. Another consequence of this expansion could be a "politicization" of investment activity. For example, attention is already drawn to the fact that Russia has stated its intention to engage in uranium production in Armenia, even though a short time ago the republic's authorities rejected a similar proposal made by the American company Global Gold.

4. Shocks associated with the possible unblocking of transportation routes. At present, the republic suffers from the closure of the Abkhaz Railway, the most convenient route connecting Armenia and Russia, and also from the closure of the Armenian-Turkish and Armenian-Azerbaijani borders. My own analysis carried out three years ago showed that the chances of these communication lines being unblocked decreased precisely in the above-listed order, i.e., that the unblocking of the Abkhaz Railway was most likely, while the opening of the Armenian-Azerbaijani border was least likely.⁹ Given the recent complications in relations between Moscow and Tbilisi, and also certain progress in the talks on Nagorno-Karabakh, this order no longer appears so indisputable. An "easing" of Armenian-Azerbaijani relations as such can hardly be expected to have an immediate beneficial effect on the economy, but it could pave the way for the opening of the Armenian-Turkish border, closed by Ankara in April 1993 as a token of solidarity with Baku over the Karabakh conflict. Although the probability of this is fairly low, Erevan should be prepared for such a turn of events because, according to experts, the opening of the border with Turkey could result in a doubling of GDP growth in Armenia,¹⁰ i.e., the republic could be faced not only with very rapid GDP growth (known as "overheating of the economy" and believed to be a rather dangerous phenomenon), but also with a mass of other problems (the need to restart communications, the inflow of freight and people, etc.), for which Armenia has to prepare as well.

⁸ For more detail, see: "Svet v kontse truby," *Kommersant*, 26 January, 2007.

⁹ See: H. Khachatryan, op. cit.

¹⁰ The results of a recent conference are available on the website of the U.S. Embassy in Armenia: [www.yerevan.usembassy.gov/news/2007/january/news011307.pdf].

CAN THE KAZAKHSTAN ECONOMY BECOME RAW-MATERIAL INDEPENDENT

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Kazakhstan's economic development has been rather impressive in recent years, but the country has very justified concerns

about how long it can keep these dynamics up. Many experts are inclined to explain the stable growth rates not by the government's intelligent

economic policy, but by the economy's reverse motion after the slump reached its peak, and also by national currency devaluation and increasing oil prices.

The high price of raw material resources in recent years is indeed ensuring high growth rates of Kazakhstan's GDP. But the amount of revenue coming into the country from these sources is extremely unstable and unpredictable and can hardly be viewed as a firm foundation for long-term economic growth. What is more, as many research studies indicate, this revenue may even hinder successful development to a certain extent. The Kazakhstan economy is not unique in this respect. Nearly all resource-rich countries are encountering the same problem—how to diversify industrial production and export so that they depend less on resource factors.¹

¹ See: N. Volchkova, "Prichiny syrevoi zavisimosti rossiiskoi ekonomiki: "gollandskaia bolezn" ili nedostatochno razvitye instituty?" p. 2, available at [http://siteresources.worldbank.org/INTRANETTRADE/Resources/Topics/Accession/438734-1109706732431/ChapteronNaturalResources_Rus.doc].

The question economists are trying to answer is whether abundant resources are a boon or bane for the economy.² At first glance, it seems strange that a country's natural supplies of valuable resources might be a reason for economic failures. But, as often happens in economic systems, various indirect negative effects can outweigh the direct positive effect of supplementary wealth, so in terms of economic development as a whole, the overall effect of possessing natural resources could be negative.³

Several mechanisms can be singled out that are responsible for the negative effects of a country's natural resources on its economic development. First, the percussions of the "Dutch disease." Second, the unproductive activity of economic agents, stimulated by the high rent related to natural resources, leads to poor management of economic institutions, which, in turn, slows down economic growth.⁴

² Ibidem.

³ Ibidem.

⁴ Ibidem.

Growth without Development

Today, the main source of economic growth is exploitation of the country's raw material potential. Economic growth is generated by an increase in oil production maintained by the high price of raw material, as well as the increase in foreign investments. The oil sector has had a stimulating effect on other key spheres of the economy as well, such as the service, production, and construction sectors, which achieved significant economic indices.

Extensive growth based on rich natural resources is being observed in the country. The oil-producing countries of the Persian Gulf and many other states went through similar development stages in the 1950s-1970s, in so doing demonstrating the highest GDP growth rates. For example, in Mexico, high oil prices stimulated an increase of 8-9% in the GDP in 1978-1981, compared with 3-4% in 1975-1977, and the average annual increase in investments amounted to 16%. But the situation in the Mexican economy began to deteriorate due to a change in the oil price trend at the beginning of the 1980s. The GDP began to decline, the national currency (peso) underwent devaluation of more than 40%, capital began to drain from the country at an accelerated rate, and the foreign debt rose to 97 billion dollars in 1985.⁵

⁵ See: V. Mau, "Ekonomicheskaya politika v 2004 godu: poisk modeli konsolidatsii rosta," *Voprosy ekonomiki*, No. 1, 2005.

The Kazakhstan economy began undergoing real growth in 1996, although it backtracked in 1998 when the Asian and Russian financial crises and the drop in world prices for the country's main export items caused a decrease in the GDP of 1.9% compared with the previous year. After the profound crisis at the beginning of the 1990s, economic growth in 1996, 1997, and 1999 was insignificant, averaging 1.6%, while the improved situation on the world market at the beginning of the 21st century gave a boost to economic growth as a whole and to oil production in particular. For example, the average annual growth rates in GDP for 2000-2006 were more than 10%. The volume of GDP increased from 2,016 trillion tenge (or 16.85 billion dollars) in 1999 to 9.74 trillion tenge (or 77.24 billion dollars) in 2006.

Revenue from the raw material sectors largely defined the priorities not only of economic, but also of social policy. For example, the unsuccessful development of the situation on the world hydrocarbon market in 1997-1998, when the price of oil fell at the end of 1998 to 9 dollars a barrel, forced the government to curtail the investment programs and sequester the budget (mainly its social component) several times throughout 1999.

The natural resource sector is playing a very significant role in Kazakhstan's economy. But there are problems with defining the precise structural proportions of the GDP.

According to the results of 2005, the RK Statistics Board assessed the percentage in the GDP of all branches related to the oil and gas sector at 17.5%, or at 1 trillion 334.6 billion tenge (or 10 billion dollars) in absolute figures (at current prices). While the share of the raw material sector in the GDP amounted to 22.2% and to 1 trillion 682.4 billion tenge (12.66 billion dollars) in absolute figures (at current prices).

The official statistics show that the oil and gas sector itself accounts for 14.3% of the GDP. In so doing, the share of crude oil and associated gas production amounted to 12.4% of the GDP, natural gas production to 0.2%, oil and gas production services to 0.8%, and petroleum product production to 0.8%.

In other branches of the economy, the contribution of the oil and gas sector to the GDP is much lower. For example, in construction, the oil and gas sector is represented by the laying of major oil and gas pipelines, whereby in 2005 the volume of this work amounted to 0.3% of the GDP. In trade, car repair, household goods, and personal items, the oil and gas sector is represented by services in wholesale liquid or gaseous fuel trade, which amount to 1.4% of the GDP. In the transportation sphere, the oil and gas sector accounted for 1% of the GDP, in terms of pipeline transport for 0.7% and of rail shipment for 0.3%. With respect to real estate transactions, rental and other services offered customers in the oil and gas sector by means of geological survey accounted for 0.5% of the GDP.

Judging by these statistics, the contribution of the oil industry to the GDP looks artificially low. Many experts are taking note of this fact. In particular, Peter Oppenheimer, economic advisor at Oxford University and expert at the British company Oppenheimer Technical Assistance Consultants, said in Almaty at a conference on the Development of the RK's Energy Strategy on 23 February, 2006 that the official data do not realistically reflect the share of the oil industry in the GDP, since part of what the oil industry actually produces is attributed to other services, trade, and transport." Mr. Oppenheimer believes that the actual share of the oil industry tops 25% of the GDP.

It should also be noted that the Russian Federation State Statistics Board offers a similar picture, according to which the percentage of the oil and gas industries amounted to only 9% of the GDP in 2000. However, the report of the World Bank shows that the assessments of the State Statistics Board are significantly distorted by the transfer pricing that occurs in vertically integrated production and trade companies and branches of the economy related to natural resources. This leads to an underestimation of the share of the resource-intensive production sector and an overestimation of the service (trade) sector in the production structure of the economy. Using the trade markups obtained from the statistics for other countries (Great Britain, Canada, Denmark) and data of the Russian input-output table, researchers of the World Bank recalculated the share of these industries and came to the conclu-

sion that the contribution of the oil and gas industries in the Russian economy could reach 25% of the GDP, while the share of trade could decrease from 30% to 10%.⁶

The change in Kazakhstan's industry and export structure speaks in favor of raw material growth.

As a result of the structural changes at the beginning of the 1990s and the increase in prices for raw materials at the end of the last decade of the 20th century, there was a decrease in the share of machine-building and agriculture with a simultaneous increase in the share of the mining industry.

In 1990, agriculture accounted for 34% of the GDP, the production sphere for 20.5%, transportation for 8.6%, construction for 12%, and trade and distribution for 8.2%. Six years later, the percentage of agriculture in the GDP fell to 12.2%, of construction to 4.4%, while the share of the production sector and transportation changed very little and amounted to 21.2% and 9.7%, respectively. In so doing, the share of trade and the circulation sphere rose to 17.3%.

The major changes in the structure of the economy continued after the price of oil and metals began to increase. The share of agriculture fell to 5.5%, thus showing an annual reduction in the role of this sector in the GDP for the entire time of the country's independence. The share of the production sector in the GDP for this period grew steadily, reaching a peak of 33.3% in 2000, when the price of oil abruptly increased. In 2005 and 2006, this share decreased somewhat, after reaching 29.8% and 29.5%, respectively. After the slump in the mid-1990s, the share of construction began to rise, reaching 8.9% in 2006, and the share of transportation for these years remained at a steady 9%.

As industry's role increased, its share of crude oil and natural gas production increased from 10.8% in 1995 to 50.9% in 2005, thus intensifying the raw material vector of industry, which is largely explained by the export orientation of these branches. In so doing, the percentage of ferrous and non-ferrous metallurgy compared with the beginning of the 1990s remains essentially unchanged, and even fell compared with the middle of the mentioned decade. In so doing, this happened under conditions of an increase in the price of metal on the world market.

Table 1

Structure of Industrial Production for 1990-2005 (%)

	1990	1995	1996	2000	2003	2005
The entire production sector	100	100	100	100	100	100
Oil production	1.8	10	14.2	38	39.6	50.4
Gas production	0.2	0.8	1	0.5	0.4	0.5
Ferrous metallurgy	6.1	13.6	10.7	8.5	7.9	5.3
Non-ferrous metallurgy	9.5	11.5	11.8	11.7	8.1	7.6
Machine-building	15.9	7.4	7.1	2.5	3.3	3.4
Light industry	15.6	2.5	2.4	2.1	1.4	0.83

Source: The Republic of Kazakhstan Statistics Agency.

⁶ See: N. Volchkova, *op. cit.*

The share of industries putting out end products, on the contrary, dropped. For example, in 1990, machine-building accounted for 15.9% of the industrial production, whereas in subsequent years the share of this industry steadily fell, reaching 3.4% in 2005. The share of the light industry (represented by the textile and sewing industry, as well as leather production) fell from 15.6% in 1990 to 0.83% in 2005, and of the food industry from 22.3% in 1991 to 8.8% in 2005 (see Table 1). Several branches, such as the glass, china and porcelain, and microbiological industries ceased their activity entirely.

The deterioration in the export structure also demonstrates an increase in oil dependence. For example, the share of mineral products in export for the past ten years has been steadily increasing. In 1996, the share of mineral production in export amounted to 36.9%, and of oil and gas condensate to 21.3%. In 2006, mineral products occupied 71.9% of export, 61.7% of which was oil and gas condensate.

According to the results of the first nine months of 2006, the export of raw materials and low value-added primary products accounted for more than 90% of the country's export. Against the background of an increase in the export of hydrocarbons and non-ferrous metals, there is a reduction in the share of other goods in the overall export volume. Despite the increase in export in cost terms, in comparison with the first nine months of 2005, the percentage of export of ferrous metals decreased from 8.2% to 6%, of textiles and textile goods from 0.7% to 0.6%, of machinery and equipment from 0.8% to 0.7%.⁷

According to the estimates of the World Bank, since 1997 the export volume of all the other industries has been frozen at a level of approximately 2 billion dollars.

Hypertrophy of the oil and gas industry can be seen even more prominently in the structure of foreign direct investments. Investments in major projects of the oil and gas industry determine the structure of the gross FDI inflow in terms of types of economic activity and investor countries.

In 1993-2005, the share of the production industry, primarily of the oil industry, was approximately 70-80% of the total mass of foreign direct investments coming into the country.

In general, the production industry and geological survey work absorbed more than three quarters of the gross inflow of foreign investments from 1993 to the first nine months of 2006. Ferrous and non-ferrous metallurgy account for a little less than one tenth (approximately 7%). The processing industry, not including metallurgy, accounted for only 5% of the inflow of investments, and agriculture for only one tenth of a percent.

According to the result of the first nine months of 2006, the gross inflow of foreign direct investments topped 7.1 billion dollars, after increasing 1.6-fold compared with the same period in 2005. The percentage of investments in industries related to raw material production, ferrous and non-ferrous metallurgy, and geological exploration for the first nine months of 2006 amounted to 81% (see Fig. 1), while only 1.6% was invested in the production of machinery, 4.3% in construction, 3.66% in transportation and communications, and 0.5% in agriculture (see Table 2).

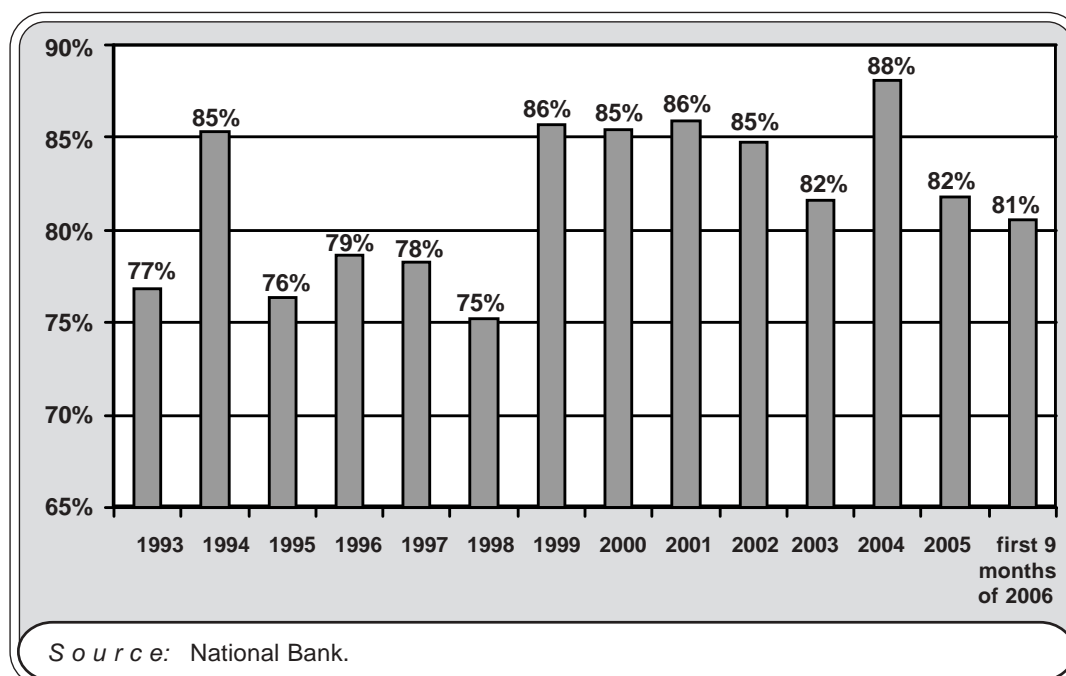
The increase in gross inflow of direct investments was largely ensured by implementing oil and gas projects, in particular with respect to the development of the Kashagan, Tengiz, Korolevskoe, and Karachaganak fields. The increase in geological exploration and survey work to 57.8% was related to the increase in financing for the North Caspian project, and the slight drop in the gross inflow of FDI into oil and natural gas production is explained by the KazMunaiGaz National Joint-Stock Company's purchase of assets of the Kazgermunaigaz Joint Venture from foreign investors.

Summing up the above, we will note that the role of the raw material industries in the country's economy has significantly increased and forms the foundation of the country's development. Whereby the influence of the increase in the oil and gas sector goes way beyond its direct contribution to the GDP through demand on suppliers and related industries, the effect of oil wealth on domestic con-

⁷ See: Report of the National Bank "Balance of Payments and Foreign Debt of the Republic of Kazakhstan," January 2007 [<http://www.nationalbank.kz/?docid=626&uid=080CABD1-802C-E8FB-3D60D6426DE661FC>].

Figure 1

Percentage of Investments in Industries Related to Raw Material
Production, Ferrous and Non-Ferrous Metallurgy of the Overall FDI



sumption, the increase in the price of real estate and financial assets, and the increase in the real exchange rate.

At present, construction, trade, commercial activity, transportation, and financial services are undergoing growth, but these trends are the direct or indirect result of demand born by large investments and spending in the oil industry. As we know, the Dutch disease, the symptoms of which are inherent in the Kazakhstan economy, could be manifested in an increase in the relative significance of branches producing non-commercial goods, that is, goods that cannot be imported, primarily services.

Table 2

Gross Inflow of Foreign Direct Investments
in Terms of Types of Economic Activity (million dollars)

Type of activity	1993	1995	1999	2000	2005	first 9 months of 2006
Agriculture, hunting, forestry, and fishing	—	—	0.3	3.8	1.2	35.7
% of overall FDI	—	—	0.01%	0.14%	0.02%	0.50%
Mining industry	921.5	477.8	1,402.9	2,035.5	1,795.2	1,363.0

Table 2 (continued)

Type of activity	1993	1995	1999	2000	2005	first 9 months of 2006
% of overall FDI	72.5%	48.5%	75.7%	73.2%	27.13%	19.14%
including crude oil and natural gas production	921.5	191.8	1,372.5	2,002.1	1,681.0	1,153.6
% of overall FDI	72.5%	19.5%	74.1%	72%	25.41%	16.20%
Textile, sewing industry, production of leather, leather goods	—	0.8	—	1.0	0.0	1.7
% of overall FDI	—	0.08%	—	0.04%	0.00%	0.02%
Ferrous metallurgy	—	98.0	4.8	71.4	3.2	1.2
% of overall FDI	—	9.96%	0.26%	2.57%	0.05%	0.02%
Non-ferrous metallurgy	—	62.4	29.8	29.8	92.6	258.3
% of overall FDI	—	6.3%	1.6%	1.07%	1.40%	3.63%
Production of machinery, equipment, electric and electronic equipment, transportation equipment	—	16.6	28.0	52.6	49.6	113.3
% of overall FDI	—	1.7%	1.5%	1.9%	0.75%	1.6%
Construction	—	1.3	2.6	12.3	119.0	305.5
% of overall FDI	—	0.1%	0.1%	0.4%	1.8%	4.3%
Transportation and communication	—	18.3	20.4	88.4	110.9	260.6
% of overall FDI	—	1.9%	1.1%	3.2%	1.7%	3.7%
Geological exploration and survey work	55.3	113.0	149.5	238.2	3,521.7	4,116.1
% of overall FDI	4.3%	11.5%	8.1%	8.6%	53.2%	57.8%
TOTAL FDI (foreign direct investments)	1,271.4	984.3	1,852.1	2,781.2	6,616.5	7,120.3

Source: National Bank.

Development Paths

An accelerated oil production strategy does not meet the country's interests and entails risks both for the country's current economic development and for the future. The tempestuous development of the raw material industries primarily generates the problem of extraction and redistribution of rent revenue. It can be appropriated by the field owners, while personal incomes will decrease or remain unchanged, or will increase at slower rates. This is leading to high income differentiation and social inequality. To prevent this from happening, the state should extract natural rent with the help of taxes or fees for use of the subsurface owned by the state. But nowhere has it yet been possible to carry out such regulation painlessly and efficiently.

Second, even with full extraction of natural rent by the state and its fair distribution among citizens, problems may arise of regional imbalance between product demand and supply.

Third, an important aspect of the Dutch disease is its time-domain measurements. A sharp decrease in merchandise production, cutback in the export of the traditional industries, and an increase in raw material export is causing the appearance of unprofitable and bankrupt enterprises in the processing industry, in agriculture, as well as in the high-tech branches of the economy. This is leading to high structural unemployment and a decrease in the wages of many categories of highly qualified employees, particularly in the scientific-intensive industries. After all, the production branches, including oil, are not scientific-intensive and high-tech, their production operations are simple and standard and so do not require special high technologies and complicated techniques, and they are conservative and do not particularly need a highly qualified workforce. At the same time, oil revenue is inevitably slowing down the necessary structural changes by strengthening the tenge exchange rate and thus raising production costs, as well as lowering the competitiveness of the non-raw material sector of the economy.

Fourth, particular price instability is characteristic of the raw material markets. And this is giving rise to strong macroeconomic instability. In so doing, undesirable consequences for Kazakhstan's economy could arise in the event of both low and high oil prices.

In this way, at accelerated oil production growth rates, no structural changes in the economy within the permissible limits will make it possible to bring the share of finished products closer to the share of raw material in the GDP, especially in export. This means that the country will always be on the fringe of the developed countries, and its economy peripheral and backward, despite its oil wealth.

At present, when there is abundant revenue coming in from oil export due to the favorable foreign economic situation, it is difficult to expect the government to reject the impressively high growth rates that oil generates. Particularly since the high growth rates and vast inflow of oil revenue observed over the span of seven years have already created the strong illusion that economic growth is sustainable and have given rise to a false feeling of euphoria that the Kazakhstan economy will continue to grow in the future and that the country is safe as long as it has oil. Nothing discourages the people and the government like an abundance of natural resources, which generates vast surplus revenue when the situation in the world economy is favorable.

Oil ultimately becomes not so much a boon as a bane for structural and institutional reforms, without which there can neither be diversification and an increase in the economy's competitiveness, nor its sustainable growth. But if the state pursues the correct policy, the surplus of resources could augment the welfare and prosperity of the present and future generations.

Today, Kazakhstan's main problem is relieving the economy of its raw material dependence and the volatility of world oil prices, and facilitating a transfer to economic growth accompanied by development. So the most urgent task is to ensure broad diversification of the economy and raise its competitiveness. Whereby not only is diversification necessary, but also radical modernization. The production of new types of finished products must be assimilated, particularly high-tech forms with

high added value, their range renewed and expanded, a qualitative revival of the entire production apparatus of the economy's non-raw material sector achieved, and the economy provided with a highly skilled workforce.

At present, unequal conditions have been created for the processing industry compared with the raw material sector. The raw material sector has enormous earning power, so it stands to reason that investments are being channeled in that direction. On the other hand, profitability of the processing industry is very low. The share of unprofitable enterprises remains high—34% of all the enterprises in the sector—while the earning power of these branches is no higher than 10%, and several branches and many sub-branches are in the red.⁸

So the processing sector cannot compete for investments. This means that capital is not flowing between the raw material and the processing industries.

World experience shows that the economy should be cured of the Dutch disease, like any other medium- or long-term interference of the state in the economy, with the help of fiscal measures (changes in taxation, and so on), and not only monetary policy measures (manipulating the hard-currency exchange rate by means of transactions on the currency market), and by building up the National Fund and gold and currency reserves.

Having understood this situation, the government took several measures to diversify the economy. The government approved the Republic of Kazakhstan Strategy of Industrial-Innovative Development for 2003-2015. The following free economic areas function as a means of state stimulation of real production: Astana-New Town, Information Technology Park, Aktau Sea Port, and Ontustik. Along with creating free economic areas, the government is also promoting another of its ideas regarding sectoral clusters. In order to develop the textile cluster, a special free economic area—Ontustik—has been created. Nine sectoral and inter-sectoral programs have been approved, such as programs for forming and developing a national innovation system, developing the construction industry, items, and structures, an energy-saving program, and others.

The state is also creating development institutions. As of 1 October, 2006, the portfolio of investment projects of the development institutions consists of 144 projects approved for project financing totaling 3.7 billion dollars, and with the participation of development institutions totaling more than 1.0 billion dollars.

Also, in the past two years, a set of tax remissions has been introduced into the legislation aimed at ensuring an overall decrease in the tax load (individual income and social taxes, VAT), and the introduction of benefits and preferences for enterprises operating under special tax conditions and certain sectors of the economy. For example, certain preferential tax conditions have been established for organizations functioning in the petrochemical industry and special economic zones, as well as for organizations selling products they manufacture themselves with high added value. Tax preferences are being introduced separately, which the government determines for enterprises implementing investment projects.

Despite the efforts aimed at diversifying the economy and the relatively high development indices of the non-petroleum sector in recent years, the rapid growth of the oil and gas industry has made it possible to preserve its dominant position in the economy.

The government's efforts to change the current situation in the economy are arousing doubts. For example, the Kazakhstan economy will hardly be able to compete with China by means of its cotton cluster, which M. Porter, one of the authors of the cluster strategy, announced. And the development institutions have still not implemented any kind of serious projects in 2005-2006.

⁸ See: A. Esentugelov, "Rekomendatsii po dolgosrochnoi strategii upravleniia dokhodami ot dobyvaiushchei promyshlennosti," in: *Collection of Reports "Kazakhstanskaia nefi—shans dlia razvitiia,"* Kazakhstan Revenue Watch, Almaty, 2006, p. 54.

There is criticism of the state's tax policy, which offers individual tax benefits to certain, so-called priority branches and enterprises. This archaic way of stimulating production, which was used by the Asian countries in the 1960s-1970s, is leading only to subsidizing poorly managed inefficient industries at the expense of citizen taxes and efficiently functioning branches, which is reminiscent of the Soviet system of profit redistribution of advanced enterprises. In this way, the government is creating unequal competitive conditions. It is not fair that enterprises and entire industries become competitive not on the merit of their own activity, but with protection from the state by means of competitive industries that are successful through their own efforts. What is more, the priority of certain industries and the establishment of preferences by willful and hidden methods in the quiet of the government's offices are subjective.

So the IMF's criticism is justified, according to which the investment business climate beyond the oil industry remains difficult, in particular for medium and small enterprises and foreign investors.

With respect to the aforesaid, the tax load on the non-raw material sectors of the economy must be significantly decreased while retaining high export duties on raw material, which is called upon to extract part of the natural rent. For example, the corporate tax rate should be drastically lowered from the current 30% for all enterprises of the processing industry, agricultural taxes and VAT rates should be further reduced, and cooperation between business and the government significantly simplified.

The financing and stimulation of R&D and innovations in the economy should also be drastically increased, primarily of fundamental science and innovationally active enterprises. Investments in these spheres mean investments in people, without whom it will be impossible to raise the competitiveness of the country's economy. However, Kazakhstan spends only 3.4% of the GDP on education (according to 2005 data) and 2.5% of the GDP on public health, while in Hungary, Poland, and the Baltic countries from 5.1% to 7.5% of the GDP is spent on education and from 4.0% to 7.4% on public health.⁹

The state should not only increase budget fund investments in the development of human capital and reduce the tax load, but also drastically raise the efficiency of the state bodies with the help of information technology and institutional changes. This in turn is arousing the need for reform of the entire institutional system and the production of services of the state sector in order to raise its efficiency.

Administrative and budget reforms, which define clear and sensible distribution of responsibility and income sources at each level of the government, are capable of significantly reducing additional outlays caused by corruption, the economically unjustified shuffling of resources within the economy, and so on, which will help to raise economic efficiency as a whole, without causing "overheating" of the economy and an increase in inflation.

⁹ See: A. Esentugelov, *op. cit.*, p. 59.

RELIGION IN SOCIETY

THE “ISLAMIC REVIVAL” IN DAGHESTAN
TWENTY YEARS LATER

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The Caucasian Muslims witnessed a tempestuous Islamic upswing during the last decade of the 20th century and at the beginning of the new millennium. As though by the wave of a magic wand, the region was transformed from Soviet into Islamic. The outer appearance of towns and villages drastically changed, along with the very tempo of private and public life. Islam became the basis on which children and adolescents socialized. Islamic schools and higher education institutions opened. Islamic parties and movements of different trends, Islamic periodicals, and even a Russian-language Islamic Internet appeared. Sufi sheikhs emerged from the underground. In the Eastern Caucasus, the Naqshbandi, Shazili, and Qadiri orders are functioning openly again. Islam has become a marketable political trump card, and every politician is rushing to assure the Muslim how much he loves and wants to protect him. The statements of Daghestan President Mukhu Aliev are typical in this respect: “We have no history without religion, and we will help our traditional religious trends ...

and strengthen the position of the Spiritual Administration of Muslims with this goal in mind...”¹ Daghestan found itself in the epicenter of the movement. Reislamization has assumed more vehement and at times grotesque forms here.

It will soon be twenty years since the Islamic upswing or revival, as the people in Daghestan like to call it, began. Perestroika set it in motion. It is worth doing some tallying up on the eve of this “glorious anniversary.” Particularly since, after all the upheavals of the post-perestroika period, it appears that life both in Russia and the Caucasus has calmed down somewhat. It is time to think about the lessons that can be learned from the Islamic boom in Daghestan. As an ethnographer, I would like to do this by turning to the information gathered in the republic between the fall of 1992 and the winter of 2006.² I was lucky enough to

¹ A. Shikhsaidov, “Islam v Dagestane,” *Tsentral'naia Azia i Kavkaz*, No. 4, 1999, p. 113.

² I would like to thank my Daghestani colleagues and friends A.R. Navruzov, Sh.Sh. Shikhaliev, and K.M. Khanba-

witness both the beginning of the Islamic boom and the slump in the fervor over Islam that began at some point after the mid-2000s. Returning to the problem of the post-Soviet forms of Islam, which I have written about repeatedly, including in *Central Asia and the Caucasus*, I would like to clarify

baev for clarifying several statistics and facts presented in this article.

several still not entirely clear questions about the nature and consequences of the Islamic boom. What caused the Islamic revival? How does it correlate with the Soviet imperial past in the Caucasus? What has the Islamic boom done for Dagestan? What ended up being revived, and has anything actually been revived? And, finally, is there a correlation between the revival of Islam and the increase in conflicts and instability in the region?

Islam and Politics

Islam's return to public life was accompanied by the turbulent politicization of society. The collapse of the one-party Soviet system led to the appearance of a whole slew of Islamic parties and movements in Dagestan. They were united by common global goals: restoring the religious freedoms of Muslims, returning from state atheism to Islam, unifying Muslim countries on the basis of the Shari'a, and restoring the high pre-revolutionary Islamic culture as a long-term goal.³ The Dagestanis participated in creating one of the first Islamic movements in the U.S.S.R., the Islamic Revival Party (IRP, *Nahda*). It was formed in June 1990 in Astrakhan. Akhmad-qadi Akhtaev, a physician from the Dagestani village of Kudali, was elected the chairman (amir) of the IRP. The party's Council of Alims also included Magomed-Rasul Magomaev, who later became the mufti of the Confederation of the Caucasian Peoples, and Abas Kebedov and Bagautdin Magomedov, brothers from Pervomaiskiy, all of them Dagestanis. Most of them subsequently headed the movement of religious dissident Wahhabis. As early as 1989, Dagestani Khasbulat Khasbulatov from the village of Gubden organized the *Jamaat-ul-Muslimi* movement. In October 1990, the Islamic-Democratic Party of Dagestan appeared in Makhachkala. Among its founders were future mufti Seidahmed Darbishgajiev, physician Abdurashid Saidov, and ethnologist Surakat Asiiatilov.

By the mid-1990s, the number of parties registered in the republic reached the impressive figure of 187. Three religious organizations, most of the 13 national movements, including the Imam Shamil Avar People's Front, and several foundations, including the Shamil Foundation, announced their adherence to Islamic values.⁴ The name of this hero of the Muslim resistance movement against Russia's occupation of the Caucasus in the 19th century became emblematic. As a symbol of the Islamic revival, Shamil entirely replaced Lenin of the stagnation era.⁵ Portraits and statues of Shamil adorn government offices, city squares, and existing mosques. Central streets (including former Kalinin Prospekt in the republic's capital of Makhachkala) are named after him. The Shamil Foundation has instituted Shamil medals and prizes. In the fall of 1997, the 200th anniversary of the imam was celebrated throughout Dagestan with great pomp and ado.

In the mid-1990s, political activity in Dagestan began to decline. The post-Soviet Islamic movements proved to be amazingly short-lived. All of them, including the notorious IRP, which disintegrated even earlier into republican divisions unrelated to each other, somehow unobtrusively ceased to exist.

³ See programs of the Islamic Democratic Party of Dagestan of the Dagestan branch of the *Jamaat-ul-Muslimi* Islamic Revival Party, in: *Dagestan: etnopoliticheskiy portret*, Compiled by V.F. Gryzlov, Vol. II, Moscow, 1994, pp. 262, 277, 281-282, 284.

⁴ See: *Makhachkalinskie izvestia*, No. 24, 9 June, 1995.

⁵ Comment by French ethnologist F. Longuet-Marx (see: F. Longuet-Marx, "Le retour de l'imam," *Caucase. Axes anciens, nouveaux enjeux. Nouveaux mondes*, No. 8, 1998).

The leaders of these organizations simply did not re-register them when the time came (1994). The new Islamic organizations that arose during these years positioned themselves as cultural-enlightenment movements. Such were the all-Russia Noor movement (1995) and al-Islamiya created in 1996 by Akhmad-qadi Akhtaev, the Caucasus missionary center in Makhachkala, and the Muslimat (Muslim Women's Association). The Union of Muslims of Russia, which arose in September 1995, announced its task to be fighting "national and religious extremism ... keeping in mind the special traits, traditions, cultural heritage, and main provisions of Islam."⁶ Daghestani Nadirshakh Khachilaev became its head.

More than ten years have passed since then. Sparks flew around the fantastical plans to declare the Caucasus a confederation of Islamic republics and restructure Daghestan's public order and legislation on the basis of the Shari'a. Not only did the first Islamic parties disappear and fall into oblivion, but the cultural-political movements of the 1990s too. There is no serious Islamic opposition to the government in Daghestan today. Politicians like the Khachilaev brothers, who tried to play the Islamic trump card, were thwarted. Akhmad-qadi Akhtaev died prematurely in 1998, and the leader of the radical wing of the Wahhabis, Bagautdin Magomedov, who I will talk about below, was forced to emigrate from Russia to the Arabian Middle East. His brother, A. Kebedov, spent long years in Cairo. He later returned to his homeland, but no longer participated in politics. The previously well-known names of Kh. Khasbulatov and M.-R. Mugumaev have faded completely from memory. The newspapers and brochures they published became a bibliographical rarity. What is more, the communist *nomenklatura*, the imminent collapse of which the opposition publications predicted so many times, is still going strong in Daghestan. It was quick to forget its communist ideals, having easily reconciled itself to the idea of relying on Islam as the "Daghestani tradition."

All of this is leading to several thoughts. The hopes placed on Islam as a means of political liberation and national self-determination of Soviet Muslims have not justified themselves in Daghestan. Political scientists placed too much emphasis on the significance of the political component of the Islamic upswing.⁷ After the euphoria of perestroika and the bloody clashes of the 1990s, it seems that the man in the street (including the Muslim) has grown very tired of politics, which is shown by the empty ballot boxes at every election. At the same time, we should not place any particular hope on the "peaceful traditions" of the Shari'a, which certain journalists and ethnologists repeatedly called for reviving.⁸ What the attempt to introduce Shari'a laws with a deft flourish of the pen led to can be judged from the fate of Maskhadov's Chechnia. A strong, even if criminal, local government willing to make compromises is capable of keeping Daghestan away from chaos today.

Islam in Figures

The unprecedented increase in religious Islamic institutions is a more reliable indication of the upswing than politics. The number of jamaat communities and mosques in them has grown a hundred-fold over the past eighteen years. Whereas in 1985, the Council for Religious Affairs recorded the existence of 47 registered Friday (Juma) mosques, 27 of them in Daghestan, by 1990, their number had jumped to 431.⁹ On 25 November, 2003, the number of mosques in Daghestan reached 1,679, including 1,091 Friday mosques. In other republics and regions of the area, the figures are much lower. In 1997, there were 91 mosques in Karachaevo-Cherkessia, in 2002, 132 in Kabardino-Balkaria, and in 2003, only

⁶ A. Shikhsaidov, op. cit., p. 111.

⁷ See, for example: A.V. Malashenko, *Islamskoe vozrozhdenie v sovremennoi Rossii*, Moscow, 1998; A.A. Ignatenko, *Islam i politika*, Moscow, 2004; E.F. Kisriev, *Islam i politika v Dagestane*, Moscow, 2004.

⁸ For more detail, see: V. Bobrovnikov, "Mythologizing Shari'a Courts in the Post-Soviet North Caucasus," *ISIM Newsletter*, No. 5, June 2000, p. 25.

⁹ See: N.M. Emelianova, *Musul'mane Kabardy*, Moscow, 1999, p. 101.

26 in Adigey and Krasnodar.¹⁰ By 1998, the largest mosque in the Northern Caucasus opened, which was built in Makhachkala by the Turks. It holds 7,500 people. Thousands of private prayer houses (*kurma/kulla*) have opened in the Daghestani villages.¹¹

At first glance, it seems that after coming full circle, Islam simply swept away everything that was built over the span of 70 years. The figures are more than eloquent. Soviet power struggled with the problem for 20-30 years, replacing Koranic classes (Arabic *maqtab*) at mosques and “colleges”-*madrasahs* with secular general education schools in Russian and the national languages. The cultural revolution did not yield its first fruits until the 1960s. And even in 1959/1960 academic year, there were only 199 secondary schools, 27 special schools and polytechnics, and four higher education institutions (all in the capital of Makhachkala) in the republic.¹² The achievements of the Muslim school during the first 10-15 years of the Islamic “cultural revolution” are more impressive. Between 1987 and 1996, 670 *maqtab*s appeared here (there were only 398 Soviet primary schools by 1927), 25 *madrasahs*, and 13 Islamic higher education institutions with branches in rural areas. Courses could be attended in almost every city and village to study Arabic and the basics of Islam, which were akin to the elimination of illiteracy efforts during Soviet times. Up to 14,000 people receive an Islamic education today. Another 33,000 are involved in the unofficial Sufi teaching system. There are Islamic scientific institutions in 40 of the 42 rural regions and 9 of the 10 cities in Daghestan.¹³

The private nature of financing in the contemporary Muslim school is surprising. Whereas during Soviet times, the enormous sums Moscow allotted Daghestan were spent on the development of national education (in the 1929/1930 academic year alone, 7,581,400 rubles, or 34.4% of the republic’s budget),¹⁴ the upswing in the Muslim school occurred by means of private donations (Arabic *sadaqa*) from local businessmen and nouveau riche Daghestanis, for instance, head of the Makhachkala port Muhammed Kharkharov and city mayor Said Amirov, as well as from renting commercial and storage spaces and from small businesses. Islamic education used to exist by means of *waqf*, private property transferred for the charitable and religious needs of Muslims.¹⁵ In 1927, this wealth was nationalized, transferred to peasant cooperatives, and soon all entirely ravaged. In the 1990s, certain *waqfs* were de-facto restored. But the funds received from them are not enough to support the Muslim school.

Graduates of the *madrasahs* and Islamic higher education institutions acquire three main “professions” today: readers of the Koran (Arabic *qari*’), mosque imams, and *ulema* (Muslim scholars) with a wide profile. Since Islam has no church or clergy, the position of the Muslim spiritual elite is traditionally unstable and depends entirely on the choice of jamaat, the candidate’s training, and his knowledge of the local religious traditions. There are never enough *ulema* anywhere. There are no exact statistics on their number. At the beginning of the Soviet era, up to 10% of the Daghestanis belonged to this category. This figure was provided by the first Soviet census in 1926. Today there are much fewer of them, a little more than 2,500 (less than 0.1%).¹⁶ This circle of people includes imams and *muedzins* of mosques, *qadi* judges, teachers at *maqtab*s and *madrasahs*, sheikh-mentors of Sufi orders, and other educated Muslims.

¹⁰ See: K.M. Khanbabaev, “‘Shariatizatsiia’ postsovetskogo Dagestana: mify i realnost’,” in: *Islam i pravo v Rossii*, Issue 1, Moscow, 2004, p. 158; I.L. Babich, “Respublika Kabardino-Balkaria: mecheti i islamskie obshchiny,” in: *Islam i pravo v Rossii*, Issue 3, Moscow, 2004, p. 37; idem, “Respublika Adygeia i Krasnodarskiy kray: mecheti i islamskie obshchiny,” in: *Islam i pravo v Rossii*, Issue 1, p. 84.

¹¹ Their number cannot be precisely calculated.

¹² See: *Sovetskiy Dagestan za 40 let*, Makhachkala, 1960, pp. 119, 129, 131.

¹³ See: D.V. Makarov, *Ofitsial’nyy i neofitsial’nyy islam v Dagestane*, Moscow, 2000, pp. 5, 71; K.M. Khanbabaev, “Religioznoe obrazovanie v Dagestane,” in: *Problemy polikontsional’nogo obrazovaniia v Dagestane*, Makhachkala, 2002, pp. 118-119.

¹⁴ See: An. Skachko, *Daghestan*, Moscow, 1931, pp. 127-128.

¹⁵ For more detail, see: V.O. Bobrovnikov, “*Waqf* v Dagestane: iz vcherashnego dnya v zavtrashniy?” in: *Islam i pravo v Rossii*, Issue 2, Moscow, 2004, pp. 150-165.

¹⁶ See: An. Skachko, op. cit., p. 89; V. Bobrovnikov, “Dagestan,” in: *Islam na territorii byvshej Rossiiskoi imperii*, Compiler and editor-in-chief S.M. Prozorov, Vol. 1, Moscow, 2006, pp. 123-124.

This is clearly not enough for Daghestan's rapidly growing population, which reached 2,641,000 in 2006. The number of ulema will continue to decline if we take account of the republic's variegated ethno-confessional composition. The Muslims of Daghestan are broken down into several trends which have gained ethnic hues in the 20th century. Most of them are Sunnis. Daghestanis (and the neighboring Chechens and Ingushes) traditionally follow the *Shafi'i* trend of the religious jurisprudence schools (Arabic *madhab*) of Sunni Islam. The Nogais of Northern Daghestan, like other Russian Muslims, follow the *Hanafi madhab*. In the south of the republic, there are Imamite Shi'ites (4.3%), mainly Azerbaijanis. During post-Soviet times, 20 Shi'a communities were restored here. Apart from Derbent, there are Shi'a mosques in Makhachkala and Kizliar. It has not yet been possible to restore Shi'a education in Daghestan. The language barrier prevents the Daghestani Shi'ites from obtaining an education in the madrasahs and higher education institutions of Iran.

The situation with training staff for the Muslim spiritual Sunni elites is not much better. Today, the entire region is acutely short of educated imams and mosque clergy, teachers, and *qadi* judges. A.R. Shikhsaidov, a prominent present-day Daghestani historian and Islam expert,¹⁷ correctly points out that Islamic higher education institutions of the beginning of the 21st century are mere shadows of the famous madrasahs of the 18th century, which gave Daghestan the worthy title of a "sea of science" (Arabic *bahr al-'ulum*). Nor can sending young Daghestanis to Islamic centers in Syria, Egypt, Saudi Arabia, and Tunisia, where more than 1,500 people are currently studying, correct the situation. Most of the Daghestani students abroad have long given up their studies and gone into the Russian-language tourist business. And those who do return home do not have a very high level of training.¹⁸

This also leads to the sad conclusion that there has indeed been no Islamic spiritual revival. Islamic experts and politicians, as well as the Daghestani ulema themselves, admit this. Now deceased minister of national political affairs, information, and foreign relations of Daghestan M.M. Gusaev noted bitterly that "the revival processes in Islam are not noticeably advancing the moral and spiritual life of Muslims, due to which Islam failed to become a stabilizing factor in the republic" (1998). Il'yas-hajji Il'yasov, an influential alim scholar and Naqshbandi sheikh who obtained a good Islamic education in the late Soviet era at the Mir-i 'Arab Madrasah in Bukhara and the famous Cairo University of al-Azhar, was even more critical of the present-day Muslim school. He believes that "there are many more spiritual learning establishments in Daghestan than the republic needs... Not one of our numerous Islamic institutes has been certified or accredited... Not one of the rectors of Islamic institutes and universities has higher (or even secondary) secular professional education."¹⁹

Why is the Islamic culture of Daghestan still in such a deep slump? What is stopping it from shifting from quantity to quality? It appears the roots of the problem lie in the Soviet withdrawal experienced by pre-revolutionary Muslim society and in the reforms. On the one hand, by 1941, all the mosques and mosque schools in the Soviet Caucasus were closed. The backbone of the Muslim spiritual elite perished in Stalin's prisons and camps. In the 1950s-1980s, the needs of Soviet Muslims for "clergy" were satisfied for better or worse by the Mir-i 'Arab Madrasah in Bukhara and the Islamic Institute in Tashkent. Apart from these two schools, where most people found it impossible to enroll, illegal private Koranic circles functioned in the region, but their level of education was low. On the other hand, the urbanization and secularization of the second half of the 20th century reduced society's need for Islamic education. Russian squeezed out Arabic and Turkish as the language of culture, law, and politics. Whereas the prominent Daghestani ulema of the last century, such as Najmutdin Gotsinsky (d. in 1925) repressed by the Soviet government, Abusupyan Akaev (d. in 1931), and Khasan of Kakhib (d. in 1937), hardly knew Russian, today the Islamic press, fatwas, and Sufi

¹⁷ See: A.R. Shikhsaidov, op. cit., p. 110.

¹⁸ See my special article on this topic: V. Bobrovnikov, "Al-Azhar and Shari'a Courts in Twentieth-Century Caucasus," *Middle Eastern Studies* (London), Vol. 37, No. 4, October 2001, pp. 9-13.

¹⁹ Quoted from: A.R. Shikhsaidov, op. cit., p. 110.

treatises only come out in Russian and the national languages. Today, influential sheikh Said-afandi of Chirkey talks about the decline in the importance of the Arabic language in Daghestan.²⁰

The influence of the Soviet past on the Muslims of Daghestan, and on the whole of the Northern Caucasus, is stronger than it appears at first glance. It is particularly noticeable in the Islamic higher education institutions, which did not exist before Soviet times. Their names, curricula, and teaching methods were taken from the secular higher education institutions of Russia. Here there is a strange mixture of the traditional disciplines taught in madrasahs (for example, Qur'anic Exegesis, 432 hours a year) and Physical Education (360 hours), Information Technology, History of the Homeland, the Basics of International Relations (72 hours each), as well as Astrophysics (72 hours), which are studied at the North Caucasian Islamic University of Sheikh Muhammad Arif in Makhachkala.²¹ The low level of education of the graduates of Islamic higher education institutions is inevitably the result of this eclectic combination, therefore many of them are forced to obtain a second secular education when looking for a job.²²

In post-Soviet times, economic collapse, unemployment, and the consequences of the two Chechen wars were added to the decline in culture. New mosques are growing up against the background of the unresolved social problems. In order to raise their prestige, businessmen and politicians are investing money in the construction of mosques, while continuing to rake in the profits on the manufacture of alcoholic beverages prohibited by Islam, drug trade, and bank machinations. Today, looking good is more important for Muslim sponsors than rendering real assistance to those in need. So the construction boom did not lead to perceptible results. Many madrasahs and mosques stand empty. The number of schools at mosques has been decreasing in recent years. Between 1996 and 2006, the number of maqtabs dropped almost seven-fold, from 670 to 94. Last year, 38 madrasahs, 184 maqtabs, and 19 branches of Islamic higher education institutions closed down, and the number of students at them decreased by 7,750 people. The construction rates of new mosques have also slowed down. By 31 December, 2006, their number amounted to 1,910. In the last four years, a total of 16 new Friday mosques have been built.²³

Imperial Heritage in Traditional Islam

The general course of the Islamic revival in Daghestan was largely defined by the ups and downs caused by the changes in the post-Soviet Russian state. The collapse of the Soviet Union, which had run its course by the winter of 1992, aroused a reciprocal collapse of the central bodies of management and control over the Soviet Muslims. In 1991, the Union Council for Religious Affairs, which was responsible for registering mosques and mullahs and executing Soviet legislation on religion, ceased to exist in Moscow. The four regional muftiats (councils for religious affairs) formed in 1943-1944 fell apart due to the new state borders that divided the former Soviet Union republics and autonomous districts. The Spiritual Administration of the Muslims of the Northern Caucasus (SAMNC), located since 1975 in Makhachkala at 2, Aliev Street, was the first to be destroyed. Its successor, the Spiritual

²⁰ See his interview with journalist Maxim Shevchenko: M. Shevchenko, "Znanie ot proroka," *Zov predkov*, No. 2-3, 2001, p. 4. Said-afandi's book with the Arabic subtitle *Majmu'at ap-fava'id* (Treasure-House of Blessed Truths), compiled in the form of question-answer traditional for Daghestani ulema, was written and published first in Avar (Makhachkala, 2000), and soon reprinted in Russian in Moscow (2001, 2003). What is more, Said-afandi published *Tales about Prophets* (K'isasul anbiya, Makhachkala, 1999) in Avar.

²¹ See: *Uchebniy plan Severokavkazskogo universiteta imeni sheikha Muhammada-Arifa. Podgotovka sviashchennosluzhitelei islamskogo veroucheniia* (Curriculum of the North Caucasian Islamic University of Sheikh Muhammad Arif. Six Year Training in the Islamic Faith for Clergymen), s.a. (manuscript).

²² Field material of 2002-2005. For more detail about the Islamic higher school in Daghestan today, see: A. Navruzov, "'The Yawning Heights': Islamic Higher Education in Post-Soviet Daghestan and International Educational Networks," *Central Asia and the Caucasus*, No. 1 (43), 2007.

²³ See: D.V. Makarov, op. cit., p. 71; Current Archives of the Administration of Religious Affairs at the Government of the Republic of Daghestan. I am grateful to K.M. Khanbabaev for providing the information.

Administration of the Muslims of Daghestan (SAMD), is now located at this address. On 13 May, 1989, a group of Muslim activists captured the building that housed the SAMNC and deposed the last mufti, Makhmud-hajji Gekkiev (1978-1989). After this, until the mid-1990s, the state lost control of Islam for a while in Daghestan, and in Russia as a whole.

The prehistory of the Daghestani muftiat deserves separate attention. By January 1990, it had grown out of the fragments of the SAMNC. As we can see from the statement by the republic's president, with which I began this article, today people are in the habit of regarding the Spiritual Administration of Muslims as a time-honored Islamic tradition. There could be nothing more erroneous. One should not confuse *muftis*—the highest authorities in the Shari'a, who come from the Arabian caliphate—and *muftiats*—institutions created for controlling the Muslims in the Russian Empire during the 18th-19th centuries, from Catherine II to Alexander II, and restored by Stalin at the end of World War II.²⁴ There is nothing essentially Islamic about the muftiats, for Islam has no church or clergy. As early as the 19th century, Islamic theologians argued about the legitimacy of founding these councils for religious affairs.²⁵ The gist of the matter was quite clearly set forth by S.G. Rybakov, an expert in Islam of the pre-revolutionary Russian Ministry of the Interior: "Since the second half of the 18th century," he wrote, "the government has considered it necessary to regulate the spiritual life" of Muslims... "This view of governing the Muslims resulted in the creation of the so-called Muslim clergy and Muslim spiritual administrations, which had never existed in Islam..."²⁶

In czarist Russia, muftiats were state institutions, and the muftis were supported by the state treasury. In the post-war Soviet Union, they were passed off as public organizations. In actual fact, although the muftis and other representatives of the Muslim clergy restored by the authorities were also transferred to the upkeep of Muslim communities, the muftiats were sooner a Soviet institution, an Islamic tradition contrived by the state. Along with serving the religious needs of some of the mosque communities recognized in the U.S.S.R., the SAMNC and other muftiats defended the interests of the Soviet state. By fulfilling the role of a spiritual court, the SAMNC gathered alms-*zakat* and issued *fatwa*-explanations on questions regarding the *Shari'a*, and also registered mosques and their imams, helped the state to fight illegal Koranic circles (*hujra*) and Sufi communities ("Muridism"), and participated in the U.S.S.R.'s struggle against the capitalist camp. Being responsible for issues relating to the Islamic culture, the SAMNC did not have its own network of Islamic education. The latter was concentrated in the Central Asian muftiat (CASAM) which was in charge of the Mir-i 'Arab Madrasah in Bukhara and the Islamic Institute in Tashkent.

After losing the support of the Union center, the SAMNC broke down into republican divisions. This is how the SAMD arose, which inherited the general structure and property of its predecessor, in which Daghestan always occupied a key position. The priceless archives of the SAMNC were destroyed during the fight for power in the new muftiat at the beginning of the 1990s. The collapse of the muftiats did not stop at the republican level. The SAMD was largely recognized by the Avar jamaats of North and Central Daghestan. In counterbalance to the Avar muftiat, as it was called then, in 1992-1993, the mono-national Kumyk Spiritual Administration of Muslims in Makhachkala and the Spiritual Revival of the Lakh People in Buynaksk were created. In the town of Izberbash, an independent Darghin Kaziat was formed. At the Muslim Congress of South Daghestan in 1993, a separate (Lezghian) inner-Daghestani muftiat was formed with its center in Dagestanskii Ogni.²⁷ Similar disintegration processes were going on at the time among the Muslim communities of other North Caucasian

²⁴ For more detail, see: V. Bobrovnikov, "Islam in the Russian Empire," in: *The Cambridge History of Russia*, Vol. II, *Imperial Russia, 1689-1917*, ed. by D. Lieven, Cambridge, 2006.

²⁵ See: M. Kemper, *Sufis und Gelehrte in Tatarien und Baschkirien, 1789-1889: der islamische Diskurs unter russischer Herrschaft*, Berlin, 1998.

²⁶ D.Iu. Arapov, E.I. Larina, S.G. Rybakov i ego "Obzor" organizatsii dukhovnoi zhizni musul'man Rossii (April 1917), Moscow, 2006, p. 14.

²⁷ For more detail, see: V.O. Bobrovnikov, "Dagestan," in: *Islam na territorii byvshei Rossiiskoi imperii*, p. 123.

republics and territories. The last muftiat at the regional level was the Spiritual Administration of Muslims of the Nogai Region of the Republic of Dagestan formed in 1999 in the regional center in the village of Terekli-Mekteb.

In the second half of the 1990s, the reverse process of gathering the jamaats under the control of the republican muftiats began. The strongest of them proved to be the Avar SAMD. By 1994, it had defeated the national opposition and monopolized the organization of *hajj*. The Dagestani authorities supported the SAMD, controlling it by means of the Committee on Religious Affairs (CRA) headed by A.M. Magomedov, who fulfilled the duties of the mufti of the SAMNC for a while at the beginning of the 1990s. The mono-national SAMs competing with it did not pass state registration. In recent years, they have disappeared into the woodwork. In 2006, the SAMD rid itself of the control of the CRA. The committee was disbanded and transferred to one of the many administrations in the republic's government. The means and potential of the SAMD became much better. After freeing itself from strict state control, the muftiat created several Islamic higher learning institutions in the republic, in particular the Saypula-Qadi Islamic University in Buynaksk, the rector of which is the chairman of the Council of Alims of the SAMD Arslan-Ali Gamzatov. The SAMD has its own newspapers, *As-Salam* and *Nur-ul-Islam* (which come out in Russian and several Dagestani languages), regularly updated websites ([www.islam.ru]; [sufism.chat.ru]), and a television program called "Peace to Your Home," which comes on the air twice a week.

According to its charter and the letter of the law, the SAMD is a public organization in no way related to the government. Nevertheless, it makes wide use of state channels for spreading its influence in the provinces. In several regions in the north and center of the republic, for example in Untsukul, the regional administrations are lobbying the interests of the muftiat, subsidizing the events they hold, and even paying benefits to the protégés of the SAMD among the rural imams.²⁸ In turn, the Russian state, which is reinforcing the power vertical in the republics, has shifted to supporting traditional Islam, which was legislatively enforced in the new federal law on the freedom of conscience and religious associations adopted in September 1997, and then confirmed in its Dagestani version in December of the same year. For the first time, Islam was recognized as the most traditional confession after Orthodoxy. The law protects the interests of traditional Islam against foreign missions and other "non-traditional" confessions, the rights of which were significantly restricted after 1997. They are not allowed to open schools, publish or disseminate religious literature, or have foreign representative offices.²⁹ After returning to the Soviet practice of registering religious organizations, legislation is trying to place Islam under state control.

Metamorphoses of the Wahhabi Opposition

Despite all the efforts of the post-Soviet state and traditional Muslim elite it recognizes, nothing like a regional SAMNC structure has been restored in Dagestan. Most Muslim communities do not recognize the authority of the muftiat. Even in the republic's capital of Makhachkala, 4/5 of the 74 active mosques are in no way associated with the SAMD. Across the republic, no more than 15% of the mosque communities are subordinate to the muftiat.³⁰ The absence of wide support among the ordinary Muslims explains why many graduates of Islamic higher education institutions controlled by the muftiat cannot find a job in their field of specialization in the jamaats of Dagestan. The situation is

²⁸ See: K. Matsizato, M.-R. Ibragimov, "Tarikat, etnichnost' i politika v Dagestane," in: *Etnograficheskoe obozrenie*, No. 2, 2006.

²⁹ See: Federal Law on the Freedom of Conscience and Religious Associations, in: *Legislation Code of the Russian Federation*, No. 39, 1997, pp. 7677-7678, 7667, 7669, 7673, 7674-7676.

³⁰ See: D.V. Makarov, op. cit., p. 11.

aggravated by acute rivalry which has split the Sufi communities (*virds*) that have emerged from the underground. In present-day Dagestan, there are 19 active Sufi sheikhs. What is more, there are communities grouped around the sacred places (*ziarats*) of well-known Sufi mentors of the 19th-20th centuries. *Virds* belong to the three orders that penetrated the Eastern Caucasus when it was conquered by Russia. These are the Naqshbandiyya-Khalidiyya, Shaziliyya, and Qadiriyya orders. The latter is more widespread in Chechnia and Ingushetia. It should not be thought that the orders have an ethnic hue. The Dagestani *virds* unite representatives from different nations, Avars, Kumyks, Tabasarans, Darghins, and even Russians converted to Islam.

The Naqshbandiyya order split into two branches as early as the 19th century, one of which (Khalidiyya-Mahmudiyya) merged with the Shaziliyya. Journalists, as well as certain academics, often exaggerate the meaning of Sufism in post-Soviet society.³¹ In actual fact, the influence of most Sufi sheikhs does not extend beyond the boundaries of their small communities. In terms of their duties, they are closer to the mullah. It is no accident that many prestigious sheikhs, for example, Naqshbandis Il'yas-hajji Il'yasov or Muhammed-Muhtar Babatov, supervise district jamaats on the outskirts of Makhachkala. At the same time, a whole series of madrasahs and 17 of the republic's 19 active Islamic higher learning institutions are under the influence of the Naqshbandiyya-Shaziliyya order. Their curriculum includes the ethics of Sufism. There are two extremely influential Sufis in Dagestan today. They are Said-afandi of Chirkey in the north and Serajutdin of Hurik in Tabasaran (South Dagestan). The latter recently helped the government to resolve a conflict that arose around the Derbent Friday mosque. The *murid*-followers of Said-afandi have been controlling the muftiats in Makhachkala since 1992. Said-afandi's successor in the Shaziliyya order, Arslan-Ali Gamzatov, heads the Saypula-Qadi University in Buynaksk. The intolerance of Said-afandi's followers, who do not recognize most of the other sheikhs, is making relations among today's Muslim elite extremely difficult.

But the dissident Wahhabis are the main enemy of the spiritual and secular authorities. Their opponents from the SAMD gave the movement this nickname, believing that the movement members fall under the "heresy" of Muhammad ibn Abd al-Wahhab, a reformer from Arabia of the 18th century. The Wahhabis opposed the Caucasian Muslims both in terms of convictions, and in terms of clothing (at least until the beginning of the persecutions at the end of the 1990s). They called themselves "brothers" (Arabic *ihwan*) or the community of true Muslims who follow the testaments of the "righteous ancestors" (Arabic *as-salafas-salihun*) of the times of the Prophet Muhammad, from where another name for the movement, *Salafis*, comes. Men wear short trousers, grow beards, but shave their moustaches. Women wear a headscarf (*himar* or *hijab*), and at times cover their faces, which was never encountered before among mountain women. The Wahhabis are trying to purge Islam of impermissible innovations (Arabic *bida'*), including honoring of the Sufis, saints, and several local customs, for example, wakes and excessive ritual spending on weddings and funerals. In contrast to the traditionalists, the Wahhabis are looking for "true Islam" outside the madhabs. In their opinion, due to contacts with the unfaithful, the traditional Muslims have long lost all connection with true Islam, having fallen into polytheism (*shirk*) and idolatry.

The Wahhabis are one of the most mysterious trends in present-day Islam. The assessments of them are vague, and the mood of many publications is close to panic.³² Wahhabism has been repeatedly called "dollar Islam," signifying that Arab missionaries paid the Wahhabi imams (*amirs*) thousands of dollars for every newly converted person. In so doing, they are hinting at the foreign origin of the movement, which was supposedly brought to the Caucasus by Islamists from Arab countries.³³

³¹ See: I. Maksakov, "Sootnoshenie islamskikh dvizheniy Dagestana," *NG "Religii"*, 18 March, 1998, p. 4; N. Mitrokhin, "Russkaia pravoslavnaia tserkov' i postsovetskie musul'mane," *Otechestvennye zapiski*, No. 5, 2003, "Islam i Rossia," p. 127.

³² See: *Izvestia*, 10 February, 1998; 21 April, 1998; 25 April, 1998; *Novye Izvestia*, 29 May, 1998; *Osobaia papka NG. Chechnia—2000*, No. 2, 29 February, 2000, etc. (for more detail, see: M. Etkin, "The Rhetoric of Islamophobia," *Central Asia and the Caucasus*, No. 1, 2000).

³³ See: A.A. Ignatenko, op. cit., pp. 181-188.

The facts do not confirm these rumors. In actual fact, the movement was born in Daghestan in the 1990s. Later, it did indeed receive money and humanitarian aid from foreign foundations, such as Taiba, al-Haramain, al-Igasa al-Islamiya, and others. But even larger funds went through the SAMD and other officially recognized Caucasian muftiats.³⁴ Not only Wahhabis, but also traditionalists often participate in the mass hajj revived since 1990 (last year, 2006, its quota for Daghestan amounted to 13,200 places).³⁵ As early as the 1970s, the movement ideologists Akhmad-qadi Akhtaev, B. Magomedov and his half-brother A. Kebedov, along with the future Sufi enemies, created illegal circles-*hujrs* where young people were taught the Arabic language and the basics of Islam. Their ways parted in the struggle for power over the Spiritual Administration of the Muslims of Daghestan (SAMD), which was seized in 1992 by the supporters of Sheikh Said of Chirkey. By December 1997, the traditionalists forced Bagautdin Magomedov to flee to Urus-Martan in Chechnia. Soon after that, as has already been mentioned, Akhmad-qadi Akhtaev died.

All of this made rapid radicalization of the movement possible. By this time, the Wahhabis were drawn into the armed confrontation between Chechnia and Russia. They shifted from the peaceful preaching of "pure Islam" to an armed struggle to protect the faith (Arabic *jihād*), viewing the entire Caucasus as a "zone of war" for it (Arabic *dar al-islam*). The Jamaat of Daghestan Party established by Bagautdin Magomedov served this purpose. Veterans of the Afghan and Chechen campaigns joined this movement, including Saudi Arabian Samir Saleh Abdullah Al-Suwailem, who is better known as al-Khattab (1969-2002), and Chechen terrorist Shamil Basaev (1965-2006). In May 1998, four Darghin villages in the Buynaksk District of Daghestan declared themselves a Shari'a territory (the Kadar zone) independent of Russia. In the summer of 1999, Basaev's units made raids into the north of Daghestan, but they were quickly destroyed by the Russian troops and Daghestani militia. At that time, the Kadar zone was taken by storm. According to the law adopted in September 1999, all Wahhabi mosques, schools, and newspapers in Daghestan were closed. Many supporters of the movement were thrown into prison. After this, outlawed and deprived of a leader, Wahhabism went underground. The traditionalists sustained the victory in Daghestan.

Despite the persecution of the movement's supporters throughout the Northern Caucasus, the traditionalists, as well as the Russian authorities, just could not rid themselves of their fear of Wahhabi recidivism. The Wahhabi amirs were either killed or emigrated. Ayub (Anguta) Omarov, a former student of Bagautdin Magomedov, left the rich community of Wahhabis in Astrakhan. But all the same, the specter of Wahhabism would give the authorities no peace. They thought they could see it in the disturbances aroused by the "nouveau riche Muslims" and in the series of terrorist acts that swept the Russian Caucasus in 2004-2006. Basaev's seizure of the school in Beslan in September 2004, the attack of the Yarmuk jamaat on the Administration of the State Drug Control in Nalchik in December 2004, and the "hunt" on policemen in Daghestan are the most well known.³⁶ I do not think it productive to see the hand of the Wahhabis behind all of this. It is obvious that the Wahhabis should not be ascribed Satanic traits. They do indeed pose a threat, but not to the world, rather only to certain Muslim societies of post-Soviet Russia. They are a nihilistic trend and are causing a new split among the Muslims.³⁷ The Wahhabis have raised their hand against their own believers and hallowed places, for example, the holy grave of the mother of sheikh Kunt-Hanji, which they tried to destroy in Chechnia.

³⁴ See: D.V. Makarov, op. cit., p. 47.

³⁵ See: Ibid., p. 47; Current Archives of the Administration of Religious Affairs...

³⁶ For more detail, see: V. Bobrovnikov, "The Beslan Massacre," *ISIM Review*, No. 15, Spring 2005, p. 13.

³⁷ For more on the attitude of the Wahhabi movement to post-Soviet forms of Islam, see: V. Bobrovnikov, "Post-Socialist Forms of Islam: North Caucasian Wahhabis," *ISIM Newsletter*, No. 7, March 2001, p. 29.

Old Fears and New Barriers

Russia is reinforcing its southern borders against the Wahhabi threat. Since the fall of 2004, a military settlement has been going up in Botlikh in Daghestan, where there are plans to deploy Russian troops from Georgia. Passport control had been toughened up. It might be thought that history has retreated two centuries to the time when the entire region was dissected by the reinforced Caucasian Line. The old fears have resurfaced about the Islamic threat from abroad. Even serious experts are talking about the “export” of Islamism to Russia from the Arab world.³⁸ Like the old warriors of the 19th century Caucasian War, the Russian military in Chechnia are, out of nostalgia for the empire’s lost grandeur, promising not give up a single clump of “Caucasian soil soaked in Russian blood.”³⁹ They see the Caucasian Muslims as the potential allies of foreign terrorists. Of course, a resolute fight against terrorism must be waged in the Caucasus. Along with the failures, such as the Beslan tragedy, the Russian power-related bodies have sustained definite victories in the Caucasus. Among the latter we can note the destruction of the Yarmuk jamaat in Nalchik in January 2005 along with its amir Seyfulla (M. Ataev). The situation in Daghestan has also stabilized somewhat in recent months. Nevertheless, the repeated clashes with Muslim radicals, be it in Kabardino-Balkaria or in Daghestan, are giving food for thought.

Such a movement can only be neutralized with the support of the peaceful Muslim population, both the traditionalists, and the nouveau riche Muslims. Forceful measures alone will not help here. I see the solution to the problem in rejecting imperial ambitions and seeking a dialog with both factions of the Muslim spiritual elite. It stands to reason that those republics are in the most difficult situation today whose authorities played on the contradictions between the official muftiat and the opposition in the 1990s. This primarily applies to Daghestan. The attacks on policemen were to some extent a reaction to the violence wielded by the keepers of the peace over the Daghestanis during the years of suppressing the Wahhabi opposition. The recent disturbances in Kabardino-Balkaria, as Russian ethnologist A.A. Yarlykapov correctly noted,⁴⁰ were due to blunders of the authorities, which closed mosques and organized a raid on the people praying, as well as grossly affronting the religious feelings of the opposition in other ways. It is characteristic that in Adigey, for example, a conflict between the muftiat and young Muslims was avoided thanks to the policy of mufti N.-h. Emizh, who recruited young people to work in the SAM and created a youth organization under it headed by Cherkessian repatriate from Kosovo N. Abazi. While recognizing Islam as the reality of the present-day Russian Caucasus, the authorities should preserve the secularity of the state declared by the Constitution and not allow any of the Muslim groups at loggerheads with each other to lead them by the nose.

³⁸ See, for example: A.A. Ignatenko, op. cit., pp. 181-188.

³⁹ A. Jersild, *Orientalism and Empire*, Montreal, London, 2002, p. IX.

⁴⁰ See: A.A. Yarlykapov, “Islam na Severnom Kavkaze: sovremennye problemy. Severo-Zapadnyy Kavkaz,” in: *Et-nicheskaia situatsiia v stranakh SNG i Baltii*, Annual Report, ed. by V.A. Tishkov, E. Filippova, Moscow, 2005, p. 37.