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#### **Central Asia and the Caucasus**

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## RELIGION IN SOCIETY

# ISLAM AS A POLITICAL FACTOR IN POST-SOVIET AZERBAIJAN

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Religious revival in Azerbaijan as a research subject is too vast to be discussed within the scope of one article, therefore I shall limit myself to its individual aspects. In particular, I shall

show how Islam acquired a greater political role after 20 January, 1990 and how its political clout largely depends on the situation in the republic and on its political leaders.

## 1. Emergence of Religious Identity and the “Islamic Renaissance” of the Late Soviet Period

Religious renaissance as a phenomenon typical of many post-Soviet transit societies is commonly regarded as a process that either predates or postdates a new national identity. I think that religious revival in Azerbaijan in the late Soviet period postdated the new national identity of the titular ethnos. So far, there is no agreement in the academic community about the factors leading up to the creation of the new national identity. Brenda Shaffer, for example, has written that this process was deeply rooted in the pre-perestroika period, when the Azerbaijani intelligentsia, highly impressed by historical writings and literary works, developed ideas of a new collective identity.<sup>1</sup> Mark Saroyan in turn believes that it was the events of the 1980s around Nagorny Karabakh that contrib-

<sup>1</sup> See: B. Shaffer, *Borders and Erethren. Iran and the Challenge of Azerbaijani Identity*, The MIT Press, London and Cambridge, 2002, pp. 6-7, 119.

uted to the process of forming the Azerbaijanis' new national awareness.<sup>2</sup> Russian and Azerbaijani academics mostly believe that although reflected in what small dissident and quasi-dissident groups were doing under Soviet power (the political activities of the future president, Abulfaz Elchibey, can be cited as an example), the new national identity stems from the Karabakh conflict and what is called the "Armenian catalyst."<sup>3</sup>

In any case this conflict can be regarded as a boost to the Azerbaijanian national movement and an indirect cause behind the slow growth of the titular ethnoses' religious awareness. Ali Abasov has written: "Even if society was mainly deprived of its religion, the failure of the communist ideology and the new upsurge in the national-liberation movement that happened when Soviet power had nearly reached its end inevitably pushed Azerbaijani society toward Islam."<sup>4</sup> The Azerbaijanis were driven by cultural considerations rather than a desire to come back to the fold of their religion. Indeed, the nation's majority "graduated" from the Soviet school of atheism, and Islam as an ideology was non-existent for them. We cannot say, therefore, that from the very beginning the Karabakh conflict was seen as a religious war in that milieu.<sup>5</sup> Contrary to what Dmitry Trofimov has written, the fact that most Azeris are Shi'a Muslims does not mean that they are driven by the "Islamic ideology," which was manifested, in particular, in the "cruelty of (Armenian.—R.S.) pogroms" in Baku in January 1990.<sup>6</sup> It seems that Audrey Altstadt was more objective: "Despite popular media references to a 'Muslim-Christian conflict' and the convenient use of Shi'ism to explain the unrest, the Azerbaijani Turks have not made religious appeals. Islam, although important in culture and personal life, has not been used for political mobilization, political organization, for unifying the population, or defining any major political platform in Azerbaijan."<sup>7</sup>

Religious revival in late-Soviet Azerbaijan, which followed national renaissance, was not an ideological, but rather a cultural process: the nation driven to Islam as part of its ethnic culture visited the mosques in greater numbers than before. It should be added that the mosques themselves were either built anew or restored using foreign funds. In the past, before the Soviet Union was formed, there were about 2,000 mosques in Azerbaijan, most of which were destroyed in the 1930s, or closed down during the atheism campaign launched by the communist government and designed to uproot religion in the Soviet Union. During World War II, some of the mosques were reopened: the Stalin regime used all the means at its disposal, including religion, to mobilize the Soviet people to fight Nazi Germany. Still, until the mid-1980s there were only 16 officially registered mosques in the republic; two central and five district ones in the capital.<sup>8</sup> By 1991, there were 84 mosques and other religious organizations functioning in the republic, some of them illegal or semi-legal.<sup>9</sup>

Religious revival stirred up the political activities of the main Muslim religious structure of Azerbaijan—the Spiritual Administration of the Muslims of the Transcaucasus (SAMT).<sup>10</sup> Its head, Sheikh ul-Islam Allahshukur Pasha-zadeh, came forward with several initiatives for peaceful settlement of the Karabakh conflict. In May 1988, he met with head of the Armenian Apostolic Church, Vazgen I, in Ros-

<sup>2</sup> See: M. Saroyan, *Minorities, Mullahs, and Modernity: Reshaping Community in the Former Soviet Union*, University of California, Berkeley, 1997, p. 175.

<sup>3</sup> See, for example: D. Furman, A. Abasov, "Azerbaijanskaia revoliutsia," in: *Azerbaijan i Rossia: obshchestva i gosudarstva*, ed. by D. Furman, Sakharov Foundation, Moscow, 2001, pp. 124-125; S. Cherniavskiy, *Novy put Azerbaijan*, Azeri-Media, Kniga i Bizness, Moscow, 2002, pp. 26-28; A. Balaev, *Azerbaijanskoe natsional'noe dvizhenie: ot "Musavata" do Narodnogo fronta*, Elm Publishers, Baku, 1992, p. 38.

<sup>4</sup> A. Abasov, "Islam v sovremennom Azerbajijane: obrazy i realii," in: *Azerbaijan i Rossia: obshchestva i gosudarstva*, p. 293.

<sup>5</sup> See: *Zerkalo* (Baku), 17 March, 2001, p. 22.

<sup>6</sup> D. Trofimov, *Islam in the Political Culture of the Former Soviet Union: Central Asia and Azerbaijan*, IFSH, Hamburg, 1995, p. 57.

<sup>7</sup> A. Altstadt, *The Azerbaijani Turks: Power and Identity Under Russian Rule*, Hoover Institution Press, Stanford, 1992, p. 209.

<sup>8</sup> See: Y. Ro'i, *Islam in the Soviet Union. From the Second World War to Gorbachev*, Hurst & Company, London, 2000, p. 182, f. 5.

<sup>9</sup> See: R.G. Landa, *Islam v istorii Rossii*, Vostochnaia literatura RAN, Moscow, 1995, p. 249.

<sup>10</sup> There was another religion-related structure. I have in mind the Religious Administration at the Council of Ministers of the Azerbaijanian S.S.R. set up to control all religious communities in the republic.



tov-on-Don.<sup>11</sup> In June 1989, Pasha-zadeh was elected a delegate to the First Congress of People's Deputies of the U.S.S.R., which riveted the attention of the entire country; later he served on the U.S.S.R. Supreme Soviet committee for openness, citizens' rights and complaints and was a member of the group entrusted with drafting a law on the freedom of religion,<sup>12</sup> and for a long time he sat on the Soviet Children's Foundation Board.

His political involvement (which looked fairly active at the first glance) did not mean that Islam had an important political role to play in the republic. It acquired this role in the small hours of 20 January, 1990 in Baku when, as a result of bringing Soviet troops into the capital, over 100 people of different nationalities and religions were killed or crushed by tanks.<sup>13</sup> It was understood that the troops were brought in to stem the Armenian pogroms in Baku, which had reached their peak on 13 January. Officially, Moscow described the bloodshed, in which peaceful citizens of Azerbaijan lost their lives, as a "struggle against Islamic fundamentalists" wishing to capture power in the republic. In his address to the Soviet people, Mikhail Gorbachev said: "An attempt to establish an Islamic regime was made in Azerbaijan."<sup>14</sup> On 21 January, the spiritual leader of Azerbaijan, Allahshukur Pasha-zadeh, openly criticized the Moscow leaders for the first time in the history of the religious establishment of Azerbaijan. He accused Gorbachev of "sanctioning the bloody events." In his letter to him, he stressed that the use of the "Islamic factor" in an attempt to justify the use of force in Baku was aimed at fanning enmity between the republic's Muslims and the Christians.<sup>15</sup>

Burials of the victims, a purely religious ceremony, developed into a political protest against the Moscow-organized repressions of the Azerbaijani national movement. On 20 January, 1990, about one million people went out into the streets of Baku to honor the memory of the victims. Together with the spiritual leader of the Muslims of Azerbaijan, leaders of other confessions (Russian Orthodox and Judaic included) came to the funerals of the victims of the Soviet army's aggression.<sup>16</sup> They also resolutely condemned the introduction of troops. According to the local custom, a 40-day long mourning for the innocent victims was announced, the most striking feature of which, according to many people, was Koran readings in Arabic, with which the Radio Liberty-Azadliq service interspersed its information programs to mark its solidarity with the mourning nation. The 20 January events in Baku can be described as the beginning of a religious revival in the republic. The process that started after perestroika as a cultural one received a new impulse, which propelled it to a qualitatively new level, that of the politicization of Islam.

## 2. Islam during the First Independence Years

As soon as it acquired its independence in 1991 Azerbaijan began establishing friendly contacts with the Muslim world. By that time it had already established close ties with its neighbors, Iran and Turkey; it extended its diplomatic relations further, to Saudi Arabia, Kuwait, the UAE, Egypt, Iraq, Syria, Pakistan, etc. On 8 December, 1991, Azerbaijan became the first post-Soviet Muslim republic to be elected a member of the OIC.<sup>17</sup> Islam was gradually moving to the center of political activities; since 1990,

<sup>11</sup> On the SAMT initiative for settling the Armenian-Azerbaijani conflict, see: V. Ibayev, *Qafqaz Müsəlmanları İdarəsi və Ermənistan-Azərbaycan Münaqişəsi*, Əbilov, Zeynalov və Oğulları, Bakı, 1999.

<sup>12</sup> See: P. Savin, "Ne proizvodite rasstroystva na zemle!" *Nauka i religia*, No. 9, 1989, pp. 14-16.

<sup>13</sup> See: *Konflikty v SSSR: Cherny ianvar v Azerbayjane. Vyderzhki iz Otcheta amerikanskoy khel'sinskoy grupy*, s.l., May 1991, p. 22.

<sup>14</sup> V. Ibayev, op. cit., p. 60.

<sup>15</sup> See: Şeyx ul-Islam Allahşükür Paşa-zadə, *The Appeal to the Secretary General of CC of CPSU, the Chairman of the Supreme Council of the U.S.S.R. Mikhail Gorbachyev* [<http://www.president.az/azerbaijan/20/english/yan06.htm>].

<sup>16</sup> About religious confessions in post-Soviet Azerbaijan, see: R. Sattarov, "Interreligious Dialogue in the Era of Globalization: The Example of Azerbaijan," *Journal of Azerbaijani Studies*, Vol. 5, No. 3-4, 2002, pp. 79-85.

<sup>17</sup> See: *Islam Qazeti*, 19 December, 1991.

several political parties and public organizations (*cəmiyyətlər*) guided by Islamic principles and moral values have existed: the Islamic Party of Azerbaijan (IPA); the Azerbaijanian Party of Islamic Progress, and public organizations, Azad Ruhaniyə (the Free Clergy) and Tövbə (Repentance). In the early 1990s, at least three Islamic newspapers appeared in the republic. *Islam*, an apolitical weekly, was published by the Administration of the Muslims of the Caucasus (the former SAMT); two other publications, *Islam Dün-yası* (the Islamic World) and *İslamın Səsi* (the Voice of Islam),<sup>18</sup> belonged to the IPA and were its political mouthpiece.<sup>19</sup>

It should be said, however, that these Islamic organizations were not typical of the political landscape of Azerbaijan. The majority of the republic's political leaders looked at Islam as a unifying principle which connected the country with the rest of the Muslim world, and nothing more.<sup>20</sup> There is no denying that Islam acquired a greater political role in independent Azerbaijan. This can be graphically illustrated by how the post-Soviet leaders took advantage of the nation's religious sentiments. Aiaz Mütəllibov, the first president of independent Azerbaijan (1991-1992), was obviously leaning on the Qardaşlıq (Brotherhood) public-religious organization and on the Repentance organization mentioned above. Abulfəz Elçibey, the second president (1992-1993) and the Popular Front of Azerbaijan leader, introduced religious symbols into official ceremonies for the first time in the republic's history. In June 1992, he kissed the Koran and the Constitution during his inauguration, thus bringing religious and secular symbols closer together. Even though the president himself was a secular-minded person and looked at religion as part of culture, he used the Muslim factor to promote his interests. Indeed, head of the AMC, Pəşə-zadəh, not only attended his inauguration, but also blessed the newly elected president. This can be interpreted as an effort to enlist the support of religion and the clergy.

During his presidency, two main Muslim holidays—Qurban Bayramı<sup>21</sup> and Ramazan Bayramı<sup>22</sup> were made state holidays. For purely personal reasons, President Elçibey supported the religious activities of numerous Turkish organizations operating in Azerbaijan: the Ministry for Religious Affairs (Diyanət Başkanlığı) and the Religious Foundation (Vəqf) (Diyanət Vəqfi).<sup>23</sup> It was during his presidency that Turkish mosques and religious secondary schools (of the imam-khatib type) appeared in Azerbaijan, while the media promoted Sunni Islam. For example, in 1992, thanks to the organizational and financial support of the Ministry for Religious Affairs, which supplied staff as well, the secular Baku State University acquired an Islamic theology faculty (İlahiyyət Fakültəsi). In the same year, the Azerbaijani version of the Turkish newspaper *Zaman* (Time), published by the supporters of the disgraced Turkish religious leader Fəthullah Gülen, the spiritual leader of the Nurcular movement, began appearing in Azerbaijan. Azerbaijanis had the opportunity to receive programs from the pro-Gülen satellite TV channel Saman Yolu (Milky Way); for many of them it was the only source of cultural-religious information. In August 1992, the Milli Mejlis passed a highly liberal Law on Freedom of Conscience. As a result, the number of officially registered mosques and Muslim organizations in the republic reached 230.<sup>24</sup>

Private persons and public organizations from Iran, Saudi Arabia, and Kuwait were as active as the Turkish ones when it came to paying for more mosques, religious schools, and centers in Azerbaijan.

<sup>18</sup> In May 2004 the *Nəbz* (Pulse) newspaper can be regarded as the ideological successor to these two earlier publications. It is an unofficial IPA newspaper; this is confirmed by the nature of publications in it and its Internet address [<http://www.islaminsesi.aznet.org>] that brings to mind the *İslamın Səsi* newspaper.

<sup>19</sup> In 1993 the *Islam* newspaper was discontinued, probably for financial reasons; two years later IPA newspapers also disappeared. In the latter case, the disappearance was caused by an official campaign aimed at banning the party.

<sup>20</sup> See: A. Polonskiy, *Islam v kontekste obshchestvennoy zhizni sovremennogo Azerbayjana* [<http://www.1september.ru/his/99/his28.htm>].

<sup>21</sup> Qurban Bayramı (Arabic *id al'-adha*), the main Muslim holiday of offering.

<sup>22</sup> Ramazan Bayramı (Arabic *id al'-fitr*), the second important Muslim feast that closes the fasting of the Muslim month of Ramadan.

<sup>23</sup> According to official statistics in 1994 alone, Turkey paid for 14 new mosques and two religious schools built in Azerbaijan (see: A. Abasov, op. cit., p. 296).

<sup>24</sup> See: *Ibidem*.

Convinced that it was closer, at least spiritually, to the Shi'a culture which dominated in Azerbaijan than its Sunni "rivals" (Turkey and Saudi Arabia), Iran was especially active. First, Tehran supported the IPA even though its members denied this. Second, the humanitarian Imdad Khomeini Foundation, Al'-Houda international publishers, and other Iranian organizations did their best to extend a network of religious education. They invested, in particular, in infrastructure of Baku Islamic University at the AMC and in promoting religious Shi'a literature. They also paid for pilgrimages to Iran and for religious propaganda in the local media.

### 3. Islam and Politics Under Heydar Aliev

In October 1993, during his inauguration, Heydar Aliev, who came after Elchibey, also exploited religious feelings, although the Koran kissing and blessings by the AMC should not be interpreted as his favorable disposition toward religion. Still, there were some rational considerations behind these symbols—Aliev's first year at the helm testified this. From the very first days of his presidency, he took part in nearly every important Muslim event: Qurban Bayramı, Ramazan Bayramı, Mövlüd,<sup>25</sup> and Ashura.<sup>26</sup> For example, on 5 September, 1993, Heydar Aliev, still Chairman of the Supreme Soviet of Azerbaijan, addressed the people who gathered in the central Shi'a mosque of Azerbaijan to celebrate Mövlüd with a long speech later published in three languages (in Azerbaijanian, in the Cyrillic, Latin and Arabic scripts, and in Russian and English) under separate cover (*Let's Move Together along the Way of Allah*).<sup>27</sup> In July 1994, during his official visit as president to Saudi Arabia, Heydar Aliev and the republic's entire religious establishment headed by Sheikh ul-Islam Pasha-zadeh, which accompanied him, made a smaller pilgrimage (*umra*) to Mecca.<sup>28</sup>

The Islamic factor started rapidly losing its political importance in the republic once the oil "contract of the century" was signed in 1994 and the Azerbaijanian leaders turned to the West, to the detriment of relations with Russia and the Muslim East. On 12 November, 1995, the country acquired a new constitution; Art 7 described the country as a secular state; Art 18 said: "Religion shall be separated from the State in the Republic of Azerbaijan." The document contained no mention of a "state religion" and said: "All religions shall be equal by law" (Art 18). Art 48 spoke about religious freedom for all individuals and groups, while the state educational system was described as secular (Art 18).<sup>29</sup> The document caused a wave of protest among certain Iranian clerics, such as Ayatollah Ahmad Jannati and Ayatollah Ali Akbar Meshkini.<sup>30</sup>

In 1995 Heydar Aliev launched a course designed to remove Islamic parties from political scene; the government was feeling more and more apprehensive of the IPA, which was fairly noticeable in Azerbaijan's political landscape.<sup>31</sup> In August 1995, the Ministry of Justice refused to renew its registration because its activity contradicted the secular nature of the state. Its original registration, obtained in Octo-

<sup>25</sup> Mövlüd (Arabic *maulid*), the ceremonies marking the birth of the Prophet Muhammad.

<sup>26</sup> Ashura, a set of mourning ceremonies in Shi'a Islam to commemorate the martyrdom of al'-Husayn, the third Shi'a imam and grandson of the Prophet Muhammad, in 680 during the battle of Karbala (now Iraq).

<sup>27</sup> See: H. Əliyev, *Allahın Yolunda Hamımız Bir Olaq*, Azərbaycan Dövlət Nəşriyyatı, 1993.

<sup>28</sup> See: R. Əliyev, *Heydər Əliyev, Din və Mə'nəvi Dəyərlər*, İrşad Mərkəzi, Bakı, 1998, p. 12.

<sup>29</sup> Art 18 of the Constitution called "Religion and State" says: "Religion shall be separated from the State in the Republic of Azerbaijan. All religions shall be equal by law. The spread and propaganda of religions, which humiliate human dignity and contradict the principles of humanity shall be banned. The State education system shall be of secular character." Art 48 of the same document called "Freedom of Conscience" says: "Every Person shall have the right to freedom of Conscience and Religion. Everybody shall have the right to independently define his/her attitude toward Religion, to profess Religion alone or together with others, or to profess no Religion at all, to express and spread convictions. Free conduct of religious rites if it doesn't violate public order or public morality shall be authorized. Breaches of law shall not be justified by religious creeds and religious convictions."

<sup>30</sup> See: *BBC Service of World Broadcasting*, SU/2467 F/3, 22 November, 1995.

<sup>31</sup> See: A. Useynov, "V Azerbayjane religia okonchatel'no otdelena ot gosudarstva," *Segodnia*, 14 September, 1995.

ber 1992 when the Popular Front of Azerbaijan was in power, was annulled; the IPA was outlawed, and its publications were closed. In 1997, its leaders and certain other members were brought to court on the charge of espionage in favor of Iran.<sup>32</sup>

Even though religious revival in the republic continued (in 1996 there were 800 mosques functioning in the republic<sup>33</sup>), by the mid-1990s the first cases of local Muslims converting to other faiths or joining sects had been registered. This direct result of the increased activities of foreign missionaries who had come to the country in the early 1990s caused public indignation and forced the government to take certain legal measures. On 13 March, 1996, the Milli Mejlis passed a Law on the Legal Status of Foreigners and Stateless Persons, which prohibited religious propaganda by foreigners. On 27 December, 1996, this provision was entered into Art 1 of the Law on Freedom of Conscience, which dated back to Elchibey's presidency. The measures were aimed at limiting the activities of foreign (Islamic included) missionaries in the republic, which brought religion too close to politics. This was the official explanation of these steps.

American official circles, local religious and human rights organizations, and their colleagues in certain other countries were displeased with these measures.<sup>34</sup> It should be said that despite regular warnings against the threat of so-called "Islamic fundamentalism," which have been appearing since 1998,<sup>35</sup> political Islam had no important role to play in the republic. First, the model of an Islamic state promoted by the IPA and other similar organizations was very close to the Iranian model never popular among the Azeris. Second, some of the laws, or amendments, adopted under Heydar Aliev effectively kept religious figures (*din xədimləri*)<sup>36</sup> away from political activities. In particular, they cannot run for the Milli Mejlis<sup>37</sup> and the local administrative bodies.<sup>38</sup> Third, Heydar Aliev's government banned certain political parties and religious organizations that betrayed their political biases,<sup>39</sup> including the IPA. This measure was designed to reduce the role of political Islam in the country. Finally, in June 2001, a State Committee for Work with Religious Organizations was set up to control everything related to freedom of conscience and state registration of religious organizations.<sup>40</sup>

Not everything went smoothly though. Certain publications, for example, did their best to present the clashes between the police and the local people (in which one person was killed, while dozens of others were wounded or arrested) that took place in June 2002 in the settlement of Nardaran (30 km up north from Baku) as an outburst of political Islam. However, the events caused for social and economic reasons should not be taken as an indicator of the rise of political Islam in the republic.<sup>41</sup>

<sup>32</sup> According to official information, they were accused of cooperating with the Iranian special services. In 1997 the Baku City Court sentenced four IPA members to 10-11 years of imprisonment for high treason (see: *RFE/RL Newline*, Vol. 1, No. 11, Part I, 15 April, 1997).

<sup>33</sup> See: R. Aliev, "Sovremennye islamskie techenia v Azerbajdžane," *Publikatsii konferentsii "Obščestvennaia i političeskaia mysl' v Azerbajdžane. XX vek*, Khazar University Press, Baku, 12 May, 1996, p. 81.

<sup>34</sup> See: U.S. Bureau of Democracy, Human Rights, and Labor Affairs, "Azerbaijan," *Report Consistent with the Omnibus Consolidated Appropriations Act, Fiscal Year 1997*, House Report 3610, 22 July, 1997 [[http://www.state.gov/www/global/human\\_rights/](http://www.state.gov/www/global/human_rights/)]. In 1996, the U.S. Ambassador to Azerbaijan "repeatedly pointed to discrimination against the Christians and their consistent persecutions" in the republic caused by the legal steps of the government of Azerbaijan described above (see: *Ibidem*).

<sup>35</sup> For example, according to a very ambiguous and biased Report on Religious Freedom in the Majority of Islamic Countries published in 1998 by the Aid to the Church in Need organization, religious freedom in Azerbaijan existed "in theory," while in practice "nationalists, influenced by Islamic fundamentalism, were becoming increasingly anti-Christian" [[http://www.allenazacattolica.org/acs/acs\\_english/report\\_98.htm](http://www.allenazacattolica.org/acs/acs_english/report_98.htm)].

<sup>36</sup> See: *Constitution of the Republic*, 1995, Art. 56, "Election Right," Point 3 [<http://www.constitutional-court-az.org/az/const-chapter3.htm>]. The English translation of the constitution can be found on the official site of the president of Azerbaijan [<http://www.president.az/azerbaijan/const.htm>], the term "din xədimləri" was wrongly translated as "religious people."

<sup>37</sup> See: *Constitution of the Republic*, Art 85.2.

<sup>38</sup> See: Law on the Elections to Municipalities of 2 July, 1999, Art 3.3. Finally, under the Law on Political Parties adopted in June 1992, religious figures could not be party members (Art 8.3).

<sup>39</sup> Art 4 of the Law on Political Parties prohibits the institution of political parties whose aims or methods are designed to fan racial, ethnic, or religious strife.

<sup>40</sup> See: *Decree of the President of the Azerbaijanian Republic about setting up the State Committee for Work with Religious Organizations*, 21 June, 2001 [<http://www.addk.net>].

<sup>41</sup> See, for example: *Zerkalo*, 6 June, 2002.

## Conclusion

Religious revival in Azerbaijan of the late Soviet period mainly unfolded as the growing awareness of Islam as a cultural component of the titular nation's ethnic identity. Its political role started increasing after the events of 20 January, 1990 when the SAMT head, Allahshukur Pasha-zadeh, openly criticized the Moscow leaders for the first time in the history of the Azerbaijanian political establishment and accused Mikhail Gorbachev of "sanctioning the bloodshed" in Baku.

During the early years of independence the Islamic factor figured prominently in the country's foreign policy: Azerbaijan established diplomatic relations with the Eastern Muslim countries and was elected a member of the OIC. Under Mutalibov and Elchibey, the republic acquired its first political and public religious organizations; religious (obviously Muslim) newspapers appeared; and foreign Islamic missionaries were active in the republic.

Under Heydar Aliev, the country slowly but surely turned to the West; this became obvious after the signing of the oil "contract of the century." The Islamic factor gradually retreated from the political scene; and its role was further limited by certain legal, political, and public steps. It should be added that the Azeris had never been ardent supporters of the ideas of political Islam preached by the IPA. The Nardaran events, which the local media tried to pass for evidence of a revival in political Islam, were caused by purely social and economic factors. The State Committee for Work with Religious Organizations was set up to supervise the developments in religious affairs in the republic.

The above examples and the generally low level of religious feelings among the local people suggest that in the near future Islam has no chance of developing into political Islam. But we should not ignore the possibility that under certain circumstances (such as worsening social and economic conditions) quasi-religious circles may try to exploit the situation to achieve their own selfish aims.

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## WHY THE MUSLIM ORGANIZATIONS OF RUSSIA SPLIT

Mikhail TULSKY

*Observer,  
Portal-Kredo.ru publication  
(Moscow, Russian Federation)*

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### Liberalization of Muslim Life and Moving Toward the Split

**I**n Soviet times the Muslims of the Russian Federation were supervised by two structures: the Spiritual Administration of the Muslims of the European Part of the U.S.S.R. and Siberia (SAMES) with headquarters in Ufa and the Spiritual Administration of the Muslims of the Northern Caucasus (SAMNC) based in Makhachkala. The former was headed by Mufti Talgat Tadjuddin elected on 19 June, 1980; and the latter by Makhmud Gekkiev.

In May–October 1989 Balkar Gekkiev and acting muftis, Kумыk Magomed-Mukhtar Babatov and Darghin Abdullah Aligadjiev, were successively dismissed from their posts; another acting mufti, Darghin Akhmad Magomedov, was elected; by December 1989 the kazi of Karachaevo-Cherkessia, Ismail Berdiev, of Checheno-Ingushetia, Shakhid Gazabaev, and of Kabardino-Balkaria, Shafiq Pshikhachev, withdrew from the SAMNC.

The North Caucasian developments supplied the Tartar Muslims with certain ideas: according to Nafigullah Ashirov (who headed the SAMES department for economic activities), in May 1990, at a SAMES plenary meeting, Gabdullah Galiullin, Mukaddas Bibarsov, and Umar Idrisov put forward a demand to set up regional muhtasibats autonomous of Ufa. Tadjuddin refused to second their proposition. At the SAMES Fifth Congress on 6–8 June, 1990, the majority of 700 delegates supported Tadjuddin and praised, or even acclaimed him. As a result, he was reelected with the high spiritual title of Sheikh-ul-Islam. Gabdullah Galiullin, who made a feeble attempt to raise the question of autonomous muhtasibats, was cut short by Ashirov, who said that the place and time were ill-chosen. Later Ashirov said that for some time their personal relations remained strained.<sup>1</sup> Immediately after the congress, the groups of delegates who stayed in a Ufa hotel said among themselves that “the congress was a formal one; it changed nothing and resolved no problems.” Having failed to suppress the internal contradictions, Tadjuddin agreed to accept some of its demands: on 15 January, 1991, the meeting of the presidium called to “improve administration of the Muslim community” passed a decision on setting up 25 muhtasibats. This inspired the opposition to fight until victory.

The money that started coming to the Russian Federation as soon as the activities of the foreign Islamic foundations were liberalized was one of the reasons behind the tension between Tadjuddin and the regional leaders. In January 1991, head of the SAMES foreign department, Rashid Gilmanov, admitted that SAMES was maintaining contacts with 45 countries: “The closest contacts were established with the Muslim World League (MWL), which negotiated a gift of 1 million copies of the Koran for the Soviet Muslims from the king of Saudi Arabia and with the World Muslim Congress based in Karachi (Pakistan). SAMES was negotiating with the Islamic Development Bank (IDB). We actively exchange delegations with the Waqf and the Islamic Affairs Ministry of Kuwait.”<sup>2</sup>

On 29 December, 1990–1 January, 1991, a delegation of a united mission of the Saudi IDB offices and the Hayat Al Igasa al-Islamiyya al-Alyamiyya (International Islamic Relief Organization) headed by Korkut Ozal, member of the IDB board in Turkey and brother of the Turkish president, visited Kazan on an invitation from SAMES. Korkut Ozal stated that his bank was prepared to directly invest in the economy of Tatarstan, help build a new mosque in Kazan and madrasahs in Kazan and Zelenodolsk, and restore the currently used mosque.<sup>3</sup>

In 1991, the United Arab Emirates allocated \$250,000 to SAMES, the money, according to Tadjuddin, being frozen in the bankrupt Vneshekonombank of the U.S.S.R. On 4 January, 1992, Tadjuddin concluded an agreement with the IDB on a loan of \$1,414,000 for building three mosques (in Tatarstan, Bashkiria, and Moscow,) six centers of Koranic studies and the transfer of the Tartar and Bashkirian writing into Arabic script<sup>4</sup> (!). (By September 1992, \$410,000 had been transferred, the rest was never received.) In February 1992, the government of Tunis created 33 stipends for Muslims from the CIS (including Russia) at the Islamic az-Zaytun University.<sup>5</sup> The Kuwait delegation that attended the opening of the Al-Tauba (Repentance) Mosque in Naberezhnye Chelny in July 1992 presented SAMES with a check for \$140,000.

Earlier, on 15 May, 1992, at a reception in the Moscow Metropol Hotel on the occasion of the opening of the Saudi embassy in Moscow, Tadjuddin said: “We have always maintained contacts with Saudi

<sup>1</sup> A taped interview N. Ashirov gave to the present author.

<sup>2</sup> “Predstavitel Dukhovnogo upravleniya musul’man evropeyskoy chasti SSSR o sotrudnichestve so stranami islama,” *PostFactum*, 18 January, 1991.

<sup>3</sup> See: “Islamskiy bank—Tatarstanu,” *Nezavisimaya gazeta*, 5 January, 1991.

<sup>4</sup> See: “1.5 mln doll. poluchil iz Saudovskoy Aravii glava Dukhovnogo upravleniya musul’man evropeyskoy chasti SNG i Sibiri mufti Talgat-khazrat Tadjuddin,” *PostFactum*, 5 February, 1992.

<sup>5</sup> See: “Mufti Tunisa schitaet, chto musul’mane Rossii malosvedushchi v religioznykh delakh,” RIA Novosti, 28 February, 1992.

Arabia, which enjoys great authority in the Muslim world. Today our contacts will become even broader. Saudi Arabia can extend invaluable assistance to the faithful of Russia and other post-Soviet states in reviving Islamic spirituality and cultural traditions, in restoring Muslim temples, and in pilgrimages to the holy places. Ambassador of Saudi Arabia Abdel Aziz Al Hojja responded with: "We intend to help build a large complex with a mosque, ritual facilities, a library, and classrooms for teaching Islam and the Arabic language in Moscow." Saudi King Fahd ibn Abdel Aziz promised unattached investments and aid to the post-Soviet Muslim regions.<sup>6</sup>

In May-June 1992, all poor Muslims of Moscow, Ufa, and other cities received 5 kg of flour, 2 kg of rice and 1 kg of oil bought using money from the Saudi Ibrahim bin Abdulaziz al-Ibrahim Foundation. In the main Moscow mosque alone, "over 6,000 people received food parcels,"<sup>7</sup> even though the main Muslim holydays, Ramadan Bayram and Kurban Bayram, gather from 2,000 to 3,000 people, not all of them destitute.

Part of the money from Saudi Arabia and other countries came in cash: "I personally wrote out a receipt (Talgat first wrote it and told me to copy it) that in 1992 Tadjuddin received \$200,000-250,000 from Omar Nasyr, Secretary General of the Muslim World League. There was an agreement to build the Kul-Sharif mosque in Kazan and a central mosque in Ufa. The money for the projects arrived in cash; the mosques were never built, naturally. Later he gave the money to Moscow businessmen for business purposes: some of it was never returned—he was obviously cheated. Some of the money was used to build five or six cottages near Ufa: for himself, his son Mukhammad, his son-in-law, Nail, from Ulianovsk, who was married to Zulfia, Talgat's second daughter, and for his driver Marat," said N. Ashirov.

In contrast to Tadjuddin, his future opponent Gabdullah Galiullin could not smoothly appropriate the aid: in 1991, a criminal case was instigated against him (which never reached the court) based on the disappearance of a batch of disposable syringes, humanitarian aid from Saudi Arabia, from the storehouse at the Mardjani Mosque.<sup>8</sup>

The feelings of those who watched how Tadjuddin was spending huge sums without any control (and without them) can be easily imagined. On 28 May, 1992, SAMES was shaken by the first open political conflict: Tadjuddin called on the Muslims of the Republic of Tatarstan (RT) to boycott the constituent conference of the Islamic Center of the RT called by the fundamentalist Islamic Revival Party, the Milli Mejlis (the so-called parliament of the Tartar nationalists; Galiullin headed its commission for religion) and the Mardjani Society. Muhtasib Gabdulkhak Samatov voiced a similar call on television. The conference did take place on 29 May in Kazan. Its chairman, Gabdullah Galiullin, said: "The Islamic Center of the RT was not created to oppose the republic's muftiat or to encourage the Muslims to withdraw from it. We want to address the problems not included in those dealt with by the Spiritual Administration and its headquarters in Ufa. What we find acceptable is not often acceptable for the Spiritual Administration operating in Russia"<sup>9</sup> (!). Galiullin was close to the Tartar national-radicals; he is still friendly with Fauzia Bayramova, leader of Ittifak, the extremely radical National Independence Party. On 12 April, 1992, the Islamic Revival Party supported by Mukaddas Bibarsov met for its regional conference in Saratov (Heydar Jemal was one of its most prominent leaders).

On 13 October, 1992, the Azatlyk and Ittifak parties, the All-Tartar Public Center and the Suverenitet Committee organized a meeting in Kazan "in memory of the Muslims who died in 1552 when defending the city against the troops of Ivan the Terrible." It started with a namaz in memory of the dead defend-

<sup>6</sup> "V moskovskoy gostinitse 'Metropol' sostoialsia diplomaticheskii priem po sluchaiu otkrytia posol'stva Saudovskoy Aravii v Rossii," RIA Novosti, 15 May, 1992.

<sup>7</sup> "V Moskovskoy sobornoy mecheti provoditsia blagotvoritel'naia aktsia po besplatnoy razdache produktov pitania," *Federatsia* (Moscow), 6 May, 1992; "V techenie trekh dney invalidy i pensionery Ufy poluchali gumanitarnuiu pomoshch v ramkakh programmy 'Miloserdie'," *Aktsept* (Ekaterinburg), 16 July, 1992.

<sup>8</sup> See: M. Dmitriev, D. Seitov, "Anatomia kriminal'nogo mira," *Vecherniaia Kazan*, 6 April, 1996 (reprinted from *Moskovsky komsomolets*).

<sup>9</sup> "Sozdanny 29 maia v Kazani Islamskiy tsentr Tatarstana ne poluchil podderzhki muftia Talgata Tadjuddina; Mufti Talgat Tadjuddin prizval musul'man ne sobirat'sia na konferentsiu musul'manskikh obshchestv i dvizheniy v Kazani, odnako 29 maia ona sostoialas," *PostFactum*, 1 June, 1992.

ers and a sermon delivered by Talgat Tadjuddin (who earlier accused his opponents of radical nationalism) on Freedom Square. Tadjuddin read another namaz in the Kazan Kremlin and called on the people to cherish mutual understanding between neighboring peoples, and “to seek ways to their hearts” (the majority of the meeting insisted on Tatarstan’s independence).<sup>10</sup> On other occasions Tadjuddin was also radical. He said in particular: “The Muslims have no opportunities equal to those of the Christians, while their number in Russia has reached 10 to 12 million and is growing. It is very rarely that the Islamic leaders are given an opportunity to speak in public; they have no assistance comparable to that received by the Christians in restoring mosques, most of which are in a sad state indeed. I am especially aggrieved by the passivity with which the authorities are watching the media sling mud at Islam, how they disseminate lies about what the Muslims want and accuse them of aggressiveness. Even in the parliament there is much groundless talk about the notorious ‘Islamic threat’ and the ‘nationalist-separatist’ intentions of the leaders of the Muslim regions.”<sup>11</sup> Tadjuddin, however, never fully supported the nationalists: on 20 March, 1992, Ponchaev, his closest ally and the imam-hatyb of St. Petersburg (today he is one of the Tadjuddin muftis), spoke out against Tatarstan’s independence.

## **The Spiritual Administrations of Tatarstan and Bashkortostan, Tiumen and Saratov Regions Withdraw from Talgat Tadjuddin’s Authority**

The SAMES-sponsored Business Community Forum, “Muslims and the New World Order, Reality, and Prospects for Future Cooperation,” which took place on 16-22 July, 1992 in Moscow, Ufa, and Naberezhnye Chelny, started the split. It attracted 700 prominent Muslim figures from the CIS and 27 states of the “far abroad” (the UAE, Kuwait, Afghanistan, Turkey, the U.S., Canada, etc.). On 20 July, the Al-Tauba Mosque in Naberezhnye Chelny was opened as part of the congress agenda to commemorate the 1100th anniversary of Islam in Great Bulgar; on 22 July the main mosque was also opened there; and in Nizhnekamsk the local mosque, which still in the process of construction, acquired a spire on its minaret.

Here is what Nafigullah Ashirov has to say: “Before the Al-Tauba Mosque was opened Talgat-khazrat spent about 15 or 20 days in a mental hospital in Ufa. Ravil Gainutdin and Gabdullah Gal-iullin visited him regularly; I never left him; I know his doctor. He spoke gibberish at the mosque opening. There were two priests at the ceremony; they entered the mosque together with the rest of us. Suddenly Tadjuddin started reading a namaz; the priests could not leave—the crowd was too dense. They had to kneel together with the Muslims. When the namaz ended, Tadjuddin said: this is the first time in the history of Russia that Muslims and Christians prayed together. These priests were very angry because they were deliberately trapped. When they asked why there were crosses and Stars of David on the mosque Tadjuddin explained that Christians would pray to the crosses, and Jews to the stars of David. This would be their common temple; gradually the three religions would merge and there would be friendship across the world. This was all gibberish. On the way back, at two or three o’clock in the morning we reached Kandara-kul Lake near the town of Oktiabrskiy. There he forced all of us to bathe nude; he undressed himself and used his knife to cut the elastic of the shorts of those who were not fast enough. The car trunks were packed with Anis brandy; he and his people were drinking non-stop.”

<sup>10</sup> See: “13 oktiabria Kazan otmetila den pamiati musul’man, pavshikh v 1552 g. pri zashchite goroda ot voysk Ivana Groznogo,” *PostFactum*, 13 October, 1992.

<sup>11</sup> “Mufti Talgat Tadjuddin schitaet, chto musul’mane ne imeiut poka takikh zhe shirokikh vozmozhnostey dlia otpravlenia kul’ta, kakimi pol’zuiutsia khristiane,” RIA Novosti, 15 April, 1992.



Tadjuddin has another story to tell: “When in Naberezhnye Chelny I was attacked by 120 people, none of whom I had even seen in the town mosque, even though I frequently led praying there. They were mostly Ittifak (Unity) people—their party should have been called Iftirak (Dissent). In full view of all they destroyed the stained glass windows with crosses and stars.”<sup>12</sup> To all questions about his mental health, Tadjuddin answered that he had a medical document about his hospitalization in a psychiatric hospital in 1969: “Everybody knows that I ended up there ‘by mistake,’ for my political views.”<sup>13</sup>

Mukaddas Bibarsov, leader of the group of dissenters, had the following to say about later events: “On 12 August, 1992, 30 people—imams and shakirds invited to attend the course of the Imam Muhammad ibn Saud Islamic University—got together for a meeting in Naberezhnye Chelny. They were saying among themselves that Mufti Talgat Tadjuddin attended the ceremonious opening of the Al-Tauba Mosque armed with a sword, two daggers, and a whip. M. Ibrahim, secretary of the Naberezhnye Chelny muhtasibat, who approached him and other guests with words of greeting, received several strokes of the whip from the displeased mufti. Sultan-khazrat from Bugulma said: ‘I came as an interpreter. Late on 10 August they told me that I, Idris Galiutdinov, and Nail Sakhizianov had been asked to go and see the mufti. We greeted him and his guests. In response Tadjuddin gave Idris several strokes of his whip.’ Imam Kh. Mansur from Orenburg said that Allah should punish the mufti for swearing in the mosque.” Tadjuddin explained why he had used his whip in the following way: “Idris Galiutdinov was one of my favorite pupils. When he started destroying, before my eyes, the temple I had patronized like a child for several years, I delivered several symbolic strokes. Islam does not prohibit the use of force with respect to one’s pupils. I should say that during his work in the Mardjani mosque, Gabdullah Galiullin beat up a 70-year-old man, obviously not his pupil, who worked there.”<sup>14</sup>

One of the Tadjuddin’s supporters, the mufti of Tatarstan in 1997-2001, Farid Salman (Khaidarov), had the following to say about the way foreigners promoted the split: “An independent Spiritual Administration of the Muslims was an inalienable part of the nationalist and separatist ideology and was considered the first sign of Tatarstan’s future independence. This happened when people from Saudi Arabia stepped up their activity in Russia and Tatarstan. The Saudi Embassy was opened in Moscow in 1992 (Wahhabism is the dominant form of Islam in Saudi Arabia). These people had established contacts with Talgat Tadjuddin, yet as soon as they realized he was for Russia and against all forms of separatist and Wahhabi ideology, they cut off these contacts. In 1992, they started acting against him (and continue doing this now); they encouraged dissident Spiritual Administrations. In July 1992, they opened the first Saudi Wahhabi camp in Naberezhnye Chelny. Among other people it was attended by Fenisan and al-Muflerh, professors at the Muhammad ibn Saud University in Riyadh (the privileged Wahhabi university with restricted enrollment). These people are connected with Aradjikhi, a large Saudi banking group with branches all over the world, including in the U.S. The history of the split is intimately associated with Naberezhnye Chelny. I cannot understand how the Saudis managed to gather several scores of teenagers from Tatarstan, Bashkiria, and Siberia in their camp: I am pretty sure that there were no adverts in the media.

“This proves that Saudi Arabia is seriously interested in Tatarstan because the Tartars are the largest Muslim nation of the RF. I headed the international department of muhtasibat of Tatarstan; I know the Arabic language, therefore I was instructed to accompany the Saudi professors. A week later I was invited to cooperate with them and was promised mountains of gold since I was a cleric at SAMES and knew the specifics of Russian Islam. They invited me to cooperate specifically with them, yet being aware of their psychology and the state order I can say that this was not their personal initiative. In an unlimited monarchy, which is Saudi Arabia, where, according to international human rights organizations, human

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<sup>12</sup> Interview Tadjuddin gave to Radik Batyrshin: “Tol’ko vera mozhet vozrodit v nas nadezhdu,” *Nezavisimaia gazeta*, 22 September, 1992.

<sup>13</sup> Interview Tadjuddin gave to Dmitry Mikhaylin: “Vsevyshnego podelit nel’zia,” *Rossiyskaia gazeta*, 9 September, 1992.

<sup>14</sup> *Ibidem*.

rights are consistently and flagrantly violated, no professors or foundations can show their own initiative without being instructed by the state. (It was in 1962-1963 that Negro slavery was abolished in this country; women received passports in December 2001; so far there is a ban on any parties and public organizations. Saudi Arabia and the UAE are two out of 231 states in the world where no elections were ever conducted.—*M.T.*) The Saudi special services are working in a very special field—the field of religious ideology.

“Therefore I interpreted this invitation not as their personal initiative, but as coming at least from their university. At the same time, the authorities of Tatarstan contacted the Saudi professors. Soon after that they were in a car crash and taken back in the king’s personal flying hospital. Two weeks later the split began in Bashkiria. I have perfectly reliable information that Fausia Bayramova met the Saudi professors. Her party, Ittifak, convened a so-called Muslim congress in Naberezhnye Chelny. She ran onto the stage and loudly stated: ‘We should elect Gabdullah-khazrat,’ after which Gabdullah Galiullin was elected ‘mufti of Tatarstan.’ On the same day, dissident Spiritual Administrations appeared in Bashkiria and the Volga area, which suggested that these developments were coordinated from a certain center. I have reason to believe that this center operated from Saudi Arabia.”

The 1992 events were influenced by what was going on in neighboring countries: on 24 June, the Muslims of the Kulob Region left the Kazyat of Tajikistan;<sup>15</sup> and on 1 April, a congress of the Islamic Center of Chechnia, then headed by Magomed Alsabekov, announced that it “disbanded” the Spiritual Administration of Chechnia.<sup>16</sup> On 9 July, a congress of the Spiritual Administration of Chechnia, then headed by Magomed-Bashir Arsanukaev, closed down the Islamic Center of Chechnia.<sup>17</sup>

The split was furthered by personal contradictions with Tadjuddin, as a result of which his opponents could be deprived of their high posts. At the beginning of 1992, Gabdullah Galiullin was dismissed from his post as imam of the Mardjani mosque, the most prestigious one in Kazan, and appointed imam of a smaller mosque. In June 1985, Tadjuddin managed to prevent Gusman Iskhakov (now mufti of Tatarstan), who had completed his first year at the Islam University of Tripoli (Libya), from continuing his education. Gusman-khazrat said later: “I learned about this in 1986 from Tadjuddin’s secretary, when in exile in the town of Oktiabrskiy. I was sent there in the hope that I would perish—people better than me had not survived.” In saying this he was implying that Tadjuddin feared him as a rival. In June 1992, Ashirov’s visa was discontinued after his two years of study at the Islamic University in Constantine (Algeria). Tadjuddin wanted him to come back to his native city of Tobolsk to “revive Islam” there. (Ashirov admitted that in August he “was on vacation and was not the SAMES official secretary.”) In August Tadjuddin removed Nigmatullin from his administrative post as Ufa muhtasib for misdemeanor in office. As a SAMES official, Nigmatullin occupied an apartment that belonged to SAMES, from which Tadjuddin wanted him evicted and sent back to his native village. After the 1990 congress Tadjuddin’s supporters tried to remove Mukaddas Bibarsov from his post as Saratov imam.

On 18 August, when Tadjuddin left for Turkey, public organizations of Bashkortostan and Nigmatullin’s group got together to adopt the following resolution: “The situation in the Spiritual Administration is strained because of the illness of its head, Mufti Talgat Tadjuddin. His illness is growing progressively worse; his amoral behavior (he is a drug user and a drunkard) has nothing in common with his post. In addition, he appropriates the Spiritual Administration’s financial means... The meeting has resolved:

1. To condemn the undignified and amoral behavior of Mufti Talgat Tadjuddin. To point out that he is not worthy of the post of mufti of the Spiritual Administration;
2. To inform the public through the media that the Republic of Bashkortostan has organized its own Spiritual Administration of the Muslims of the Republic of Bashkortostan (SAM RB);

<sup>15</sup> See: “Raskol v musul’ manskoy obshchine Tadjikistana,” RIA Novosti, 24 June, 1992.

<sup>16</sup> See: “V Groznom sozdan Islamskiy tsentr,” ITAR-TASS, 1 April, 1992.

<sup>17</sup> See: “9 iulia sostoialsia s’ezd muftiata Chechni,” *NEGA*, 9 July, 1992.

3. To ask the Health Ministry of the RB and Minister Turianov to issue a document about T. Tadjuddin's hospitalization in a mental hospital;
- ...
5. To send corresponding letters to the law enforcement bodies in order to prevent provocations of the mufti's supporters armed with small weapons and cold steel;
6. To instruct the public organizations of the Bashkirs and Tartars to draw up a joint policy with respect to the future of SAMES and the newly formed SAM RB;
7. To freeze SAMES's bank deposits;
8. To set up an organizing committee to convene a congress and a plenary meeting of the Muslims of the RB."

The hastily drawn-up original document abounds in spelling mistakes; the name of the main culprit was even misspelt. The meeting was chaired by Nigmatullin, yet the verbatim report was signed by two petty officials. According to Ashirov, on the same day the unsigned resolution was faxed to all SAMES mosques.

On 19 August, Nurmuhammed Nigmatullin and the Sterlitamak and Sibay muhtasibs, Rishat Rafikov and Agliam Gazizov, together with one or two other imams (including the imam of Askino), criticized the mufti on TV and announced that a constituent congress of the SAM RB would be convened: Nigmatullin complained that Mufti Tadjuddin had called him a "stupid Bashkir" (he was the only Bashkir among the 128 SAMES imams; in December 1988 there were three Bashkirs<sup>18</sup>). The Bashkirian Popular Urals Center and the Bashkirian Popular Party called on their supporters to take part in the congress.<sup>19</sup>

On 21 August, 1992, which was a Friday, Nigmatullin, Ashirov, Rafikov, Iskhakov, and Gazizov chaired the constituent congress of the SAM RB. "All those who organized the SAM RB were Tartars; Nigmatullin is a Bashkir who speaks the Tartar language; in the Ufa mosque he had to speak Tartar. I learned that Nigmatullin was a Bashkir only when the Bashkirs advised me not to run for the post of mufti. Let Nurmuhammed-khazrat be our imam. It was at that moment that I realized that there was tension between the Bashkirs and Tartars. We printed our Rules, distributed them everywhere, and registered religious communities with the district administrations," said Ashirov. According to Nigmatullin, the congress was attended by 300 people, who represented 120 out of 160 communities (according to Tadjuddin's supporters, there were 208 communities). They all unanimously approved the creation of the SAM RB and its Rules, and elected the leaders. Ashirov was elected first deputy; Rishat Rafikov was elected deputy, and Gazizov and Iskhakov<sup>20</sup> were elected members of the presidium (later, when Nafigulla-khazrat moved to Moscow, Iskhakov was elected first deputy; when he, in turn, departed for Kazan, Aiup Bibarsov, Mukaddas Bibarsov's brother, was elected first deputy). "I personally have been always against a separate spiritual administration, but the recent events in Naberezhnye Chelny and Ufa, as well as the mufti's illness accelerated the whole process," Nigmatullin admitted two weeks later.<sup>21</sup>

The congress adopted an Address to the Muslims of the RB signed by the "initiative group:" "We are addressing you due to the tragic situation in SAMES and due to another bout of its leader's mental illness, which has been returning at regular intervals for many years. The administration cannot function properly... Its money is being squandered on pompous congresses, jubilees, and forums of all kinds. Hundreds of thousands of dollars, which the mufti personally received for publishing religious books to be distributed free, and for restoring mosques and madrasahs, were never registered

<sup>18</sup> See: R.A. Silant'ev, *Etnicheskiy aspekt raskola islamskogo soobshchestva Rossii* [<http://www.iea.ras.ru/lib/neotl/21012003162502.htm>].

<sup>19</sup> See: *Vozrozhdenie kul'turnykh tsennostey Islama v natsional'nom dvizhenii i povsednevnom povedenii tatar* [<http://www.mtss.ru/?page=rebirth>].

<sup>20</sup> "Eto trebovanie vremeni i naroda. Interviu N. Nigmatullina i N. Ashirova," *Kyzyltan* (Ufa), September 1992.

<sup>21</sup> *Ibidem*.

and were used by the mufti for his personal needs. As a result of the pompous events designed to boost the mufti's personal authority, SAMES ran into debt of over 50 million rubles to the local banks; the interest on it is more than SAMES earns. Its staff is obviously too big for its aims; there are too many well-paid "aides" and "security guards" who know nothing about Islamic morality; they are nothing more than servants of the notorious Sheikh-ul-Islam, and they are adding to the debt. They build sumptuous cottages, buy the latest cars for the mufti; they sell religious literature at inflated prices; they are abusing the resources and commercial potential of our republic; and they are increasing the mufti's personal wealth and that of his relatives, who occupy all key posts (on the auditing commission, in commercial and storage departments, etc.). They humiliate local talented people and religious leaders and do not give them adequate posts. For example, hajji Nurmuhammed Nigmatullin, one of the most respected imam-muhtasibs of the Muslims of Bashkortostan and imam-hatyb of the Ufa mosque, who is well known outside the republic, was rudely insulted at a Friday prayer meeting in front of the prayers and was ordered, in an impossibly insulting form, to go to Sibay or Temiasovo to lead the affairs of the Muslims of Bashkortostan from those far-away places."<sup>22</sup>

On 22 August, the Muslims of the Republic of Tatarstan gathered for a constituent congress of the SAM of the Republic of Tatarstan: "In fact, after the SAM RB congress we drove the same people in three buses to the SAM RT congress in Naberezhnye Chelny. We wanted to elect Gusman Iskhakov the Mufti of Tatarstan, there was a preliminary agreement about this. Gabdullah Galiullin, in turn, had reached an agreement with Tartar nationalists. Bayramova and other people from the Ittifak party said that they would attend the congress only if Gabdullah was elected leader. We could not convene our congress in Kazan because Talgat's position was very strong there. Iskhakov did not insist; he knew that the struggle would be fierce—he was not a fighter. He told me: my time will come. He was right," said Ashirov. He was nominated as mufti, but he removed his candidacy in favor of Galiullin, who was married to his sister.

On 24 August, Nigmatullin convened a press conference in the House of the Press, at which he informed the journalists: "Moscow and the Moscow Region, the Baltics, Siberia, and certain other regions will soon leave SAMES, while the Muslims of the Sverdlovsk and Cheliabinsk regions and Siberia want to join SAM RB, temporarily located at 52, Tukai St., Ufa." He then complained: "Bashkortostan and Tatarstan send few young men abroad to study at Islamic educational establishments." Tadjuddin, who had just arrived from Turkey, came to the House of the Press. He informed the journalists that the congress of dissenters was funded by the Ufa cooperative bank Vostok, which gave 120,000 rubles to SAM RB and rented a building in Ufa for it. It was a criminal group of young men who supported SAM RT: "They were the Kashapov brothers, heads of the local mafia. It was on their instructions that psychotropic substances were added to my food, after which I could barely control myself,"<sup>23</sup> said he referring to the Al-Tauba events.

On 26 August, an extended SAMES plenary meeting condemned "the separatists who violated their vow of allegiance and religious ethics," to quote Tadjuddin. It removed Nigmatullin and Ashirov from their posts as SAMES presidium members, together with nine of the 25 muhtasibs. The next day, Tartar public organizations Azatlyk, TOTs, and Idel-Ural convened a meeting at the Main Mosque of Ufa, at which Karim Iakushev, Chairman of the Bashkortostan TOTs, called on all Muslims to rally around Tadjuddin, who "recently has become the victim of a slander campaign." Talgat-khazrat admitted that SAMES had accumulated a debt of 50 million rubles and added that "the state, which caused a lot of damage to Islam during the Soviet era by destroying or nationalizing mosques and madrasahs," should write off the debt. The meeting supported him. "We have erected the Al-Tauba Mosque in Naberezhnye Chelny, which cost us over 5 million rubles. What came of this? The people who are now insisting that I am a sick man tried to destroy the mosque and even broke the very expensive stained glass window. Can they be called

<sup>22</sup> "Obrashchenie k musul'manam Respubliki Bashkortostan," *Zamandash*, No. 26, 31 August, 1992.

<sup>23</sup> R. Aiupov, "Chto privelo k raskolu," *Vecherniaia Ufa*, 26 August, 1992; "Vsevyshnego podelit nel'zia," *Rossiyskaia gazeta*, 9 September, 1992; "Tol'ko vera mozhet vozrodit v nas nadezhdu," *Nezavisimaia gazeta*, 22 September, 1992.

normal people?"<sup>24</sup> said the mufti. He said that Islam, Judaism, and Christianity had common roots and that the Old Mosque in Great Bulgar was decorated with Stars of David, while in Turkey Stars of David and crosses were used to decorate the Mosque of Sultan Ahmad and the Blue Mosque,<sup>25</sup> and nobody objected to them. He then added that even though the dissidents had never been to Turkey, they carried out a hajj to Saudi Arabia.

The plenary meeting adopted an address which said that the split "may seriously aggravate relations between sovereign Bashkortostan and the Muslim countries,"<sup>26</sup> that "out of 230 communities of Tatarstan only 12 imams attended the congress in Naberezhnye Chelny, the other communities being represented by common people." The address said further that the decision to leave SAMES should go to the congresses of clerics; that documents existed confirming that Tadjuddin had not appropriated money, and that it was the leader of the dissidents, Gabdullah Galiullin, who was involved in embezzlement and who "stole a batch of disposable syringes from a mosque storehouse, which had come from Saudi Arabia as humanitarian aid."<sup>27</sup> SAMES decided, therefore, to prosecute the journalists who had spread slander about Tadjuddin unless they publicly apologized.<sup>28</sup>

In September, Tadjuddin offered the following information: 16 out of 250 (or 12 out of 220) imams<sup>29</sup> took part in the SAM RT congress. In both cases, six of them objected to setting up an independent SAM; the SAM RB congress was attended by 15 or 16 imams out of 200, "none of them elected by their communities according to the rules."<sup>30</sup> Ashirov himself had to admit that the congress in Naberezhnye Chelny was neither large nor representative; he added, however, that most of the mosques of Bashkortostan were represented at the congress in Ufa. (The balance of forces in the republic remained the same throughout the last decade: by 1 January, 1995, according to A. Iunusova, who worked with the archives of both SAMs, SAM RB had 219 registered communities and the Central SAM 139 registered communities; by 1 January, 2002, 213 communities of SAM RB and 130 communities of the Central SAM had been re-registered.)

"We set up SAM RB and elected Nurmuhammed-khazrat our mufti; President of Bashkortostan Murtaza Rakhimov received us and then supported us for a long time. He gave Nigmatullin a large four-room apartment; SAM RB received an office building from him," says Ashirov. By 1 September, 1992, the Rules of the new organization were registered with the Council for Religious Affairs at the republic's Council of Ministers, not without help from the republic's president.

On 2 September, Galiullin, Bibarsov, and four other imams convened a press conference, at which they made the following statement: "It was a mad person's idea to display five glass signs of Judaism and crosses inside the crescent in the mosque in Naberezhnye Chelny; the cross is the symbol of Christianity that has been suppressing Islam since 1552." They also told the journalists that they had asked the president and the premier of the Republic of Tatarstan to help them "restore historic justice by rebuilding the spiritual center of the Muslims in Kazan." Tadjuddin's supporters, in turn, said that Galiullin was a member of the Milli Mejlis and that his resignation from SAMES was due to the Milli Mejlis' claims to power in Tatarstan.<sup>31</sup> On the same day Tadjuddin's supporters sent to all the newspapers of Tatarstan an address called "To Our Compatriots and All the Faithful," which said that "the attempts to divide SAMES ac-

<sup>24</sup> "K edineniu ili razdeleniu, no ...bez nasilia," *Izvestia Bashkortostana*, 28 August, 1992.

<sup>25</sup> Later he repeated this in his interview to Dmitry Mikhaylin: "Vsevyshnego podelit nel'zia," *Rossiyskaia gazeta*, 9 September, 1992.

<sup>26</sup> "Organizatsia samostoiatel'nykh dukhovnykh upravleniy musul'man Bashkirii i Tatarstana ochen neodnoznachno vosprinimaetsia v respublike," *NEGA*, 27 August, 1992.

<sup>27</sup> "Vsevyshnego podelit nel'zia," *Rossiyskaia gazeta*, 9 September, 1992.

<sup>28</sup> See: "Razrastaetsia skandal vokrug raskola v Dukhovnom upravlenii musul'man evropeyskoy chasti SNG i Sibiri (DUMES) i sozdania Dukhovnogo upravlenia musul'man Tatarstana," *NEGA*, 29 August, 1992.

<sup>29</sup> See: "V redaktsii mestnykh gazet postupil obrashchenie uchastnikov vneocherednogo rasshirenogo plenuma Dukhovnogo upravlenia musul'man evropeyskoy chasti SNG i Sibiri (DUMES), sostoivshegosia v Ufe," *NEGA*, 3 September, 1992.

<sup>30</sup> "Vsevyshnego podelit nel'zia," *Rossiyskaia gazeta*, 9 September, 1992; "Tol'ko vera mozhnet vozrodit v nas nadezhdu," *Nezavisimaia gazeta*, 22 September, 1992.

<sup>31</sup> See: "2 sentiabria mufti Tatarstana Gabdullah-khazrat provel press-konferentsiu," *NEGA*, 3 September, 1992.

ording to ethnic features completely failed.”<sup>32</sup> On 4 September, the Orenburg muhtasibs, the Tartar and even the Bashkir communities spoke against the split in SAMES.<sup>33</sup>

On 15 September, however, the Council for Religious Affairs in the Cabinet of Ministers of Tatarstan registered SAM RT. President Shaymiev supported the dissenters less obviously than his Bashkirian colleague; his advisors suggested moving the capital of Russian Islam to Kazan; they were prepared to support Tadjuddin if he agreed to the idea.

On 4 September, Tadjuddin and Galiullin met for personal talks, after which Gabdullah-khazrat announced that Talgat-khazrat recognized SAM RT and its mufti.<sup>34</sup> Tadjuddin did not renounce this statement until 8 September. He said that he met Galiullin “to put an end to the mutual accusations” in the media and that the sides had decided to cooperate “on the basis of the Koran and the Sunnah of the Prophet Muhammad to stop the wave of mistrust and rejection among the Muslims and followers of other religions.”<sup>35</sup>

## Results of the 1992 Split

The dissenters failed to conquer the Perm and Sverdlovsk regions (the muhtasibs were replaced, while the local communities sided with Tadjuddin). On 31 August, 1992, an inter-regional SAM of the Saratov, Volgograd, and Penza regions was set up in Saratov; it was headed by Mukaddas Bibarsov, who announced that his structure would join SAM RT. Later he registered an independent SAM of the Volga Area, which included only the Saratov Region. On 26 August, Rashid Almukhametov was appointed “imam-muhtasib of the Volgograd and Saratov regions” and established his control over the Volgograd Region; part of the Penza Region sided with Bibarsov, thanks to his father Abbas, who, six years later, transferred his United SAM of the Penza Region to the SAM of the European Part of Russia headed by Gainutdin. Galimzian Bikmullin, in turn, preserved his control over the Tiumen Region, minus its national districts.

At that time, Ashirov made the following statement: “Many people think that with SAMES removed from the scene we shall have no contacts with our brothers abroad. This is not true. Recently I met a Saudi delegation in the Tiumen Region which had established contacts with the local community bypassing SAMES. We are showered with invitations for our young men to study abroad—we can barely deal with them all. SAMES preferred to ignore them: only a few people from Bashkortostan are studying abroad, while hundreds of young men from Chechnia are enjoying this privilege. We shall no longer reject these invitations.”<sup>36</sup>

On 30 September in Moscow during the Second International Islamic Forum, Galiullin, Nigmatullin, Bibarsov, Bikmullin, muhtasib of the Crimea, Said-Jalil Ibragimov, of the Baltics (Estonia), Ali Kharrasov, and of Byelorussia, Izmail Aleksandrovich, and imam of the Moscow Bayt-Allah community, Makhmud Velitov, and of the Kaliametdin Society from the city of Buguruslan, Ismagil Shangareev, set up a Coordinating Council of the heads of the regional SAMs. At a congress in Kazan on 21 October, it was transformed into the Supreme Coordinating Center of the SAM of Russia (SCC). They adopted the Rules and elected Galiullin its head. The leaders were obviously bluffing when they announced that the Muslims of Udmurtia, as well as of the Sverdlovsk, Cheliabinsk, Perm, and Kirov regions also supported them.<sup>37</sup> It should be said in all justice that by that time most of the Muslim communities of the two key

<sup>32</sup> “Tatarstan: razmezhevanie musul’ manskogo dukhovenstva stanovitsia vse ostree,” RIA Novosti, 2 September, 1992; “Vsevyshnego podelit nel’zia,” *Rossiyskaia gazeta*, 9 September, 1992.

<sup>33</sup> “Orenburgskie musul’ mane protiv raskola,” RIA Novosti, 4 September, 1992.

<sup>34</sup> See: “Mufti DUMESa Tadjuddin priznal DUM (Dukhovnoe upravlenie musul’man) Tatarstana i Gabdullu-khazrata,” *Izvestia Tatarstana*, 8 September, 1992.

<sup>35</sup> “Sheikh-ul-islam i tatarskaia avtokefalia,” *Kommersant-Daily*, 9 October, 1992.

<sup>36</sup> “Eto trebovanie vremeni i naroda.” An interview by N. Nigmatullin and N. Ashirov.

<sup>37</sup> See: “Mufti ‘podryval osnovy islamskoy very,’” *Nezavisimaia gazeta*, 26 October, 1992.

regions (Tatarstan and Bashkortostan) already supported them. This was confirmed by the First SAM RT Congress, which took place on 22 October in Kazan. It was attended by 291 delegates from 166 communities out of the total 227 functioning in Tatarstan (this figure was probably even larger: by late 1991 there were 207 Muslim communities in the republic; as of 31 December, 1992, there were 333 registered communities<sup>38</sup>). In their joint resolution, the congresses of the SAM RT and SCC demanded that the SAMES buildings in Ufa be transferred to them (throughout September they made several attempts to seize them by force), that all material and financial valuables be safeguarded so that the auditing commission of the SCC (!) could check them all, and that the state structures be asked to suspend all financial operations carried out by SAMES. In addition, after auditing all the material and financial valuable were to be transferred to the SCC (!). The dissidents promised that “the communities preferring to remain outside the SCC, but refusing to openly side with Tadjuddin, will receive part of SAMES’s property”<sup>39</sup> (!).

Ashirov later said: “We had the support of all the Muslim embassies. The ambassadors of Saudi Arabia, UAE, Kuwait, Qatar, Libya, and Iran attended the SCC presentation. We had no contacts with the Turkish embassy: it was cooperating with those supported by the official authorities.”

Tadjuddin responded with the Sixth SAMES Special Congress, which took place on 9-10 November in Ufa. It was attended by 738 delegates sent by 522 communities (250 communities registered with SAMES did not attend, thus confirming their break with Tadjuddin) and by 102 guests from Saudi Arabia, Turkey, Iran, Pakistan, and Afghanistan. President Yeltsin and Speaker of the Supreme Soviet Ruslan Khasbulatov sent their greetings to the congress. The delegates unanimously approved Tadjuddin’s activity and condemned the dissenters. Tadjuddin himself expressed the commonly shared feelings: “All people, the Muslims included, are sick and tired of the division of land, our country, and our state. We should all unite for the sake of our children, of the future generations. Stability rests on unity and consent.”<sup>40</sup> Nigmatullin attended the congress as a guest representing the SCC; he expressed the desire to make peace. At the SAM RB congress, which took place the day before, he asked to resign as mufti. The congress refused to do this<sup>41</sup> (because Ashirov was next in line for the post, and he was unacceptable to the Bashkirian communities, which were in the majority in the spiritual administration). The SAMES Congress adopted an address to Yeltsin and Shaymiev, but decided not to address Rakhimov: Tadjuddin accused the Bashkortostan leaders of illegal registering the republic’s SAM; the public prosecutor’s office stated that it had been registered according to the old rules. On 30 December, SAM RB received new registration documents drawn up according to the correct rules.<sup>42</sup>

In 1992, Ravil Gainutdin, who is currently Tadjuddin’s main opponent, was his staunch supporter and condemned the dissenters. His advisor, Farid Asadullin, said at that time: “The split was caused by ambitious young men without any systematic religious education trying to demonstrate their ability to set up and head a spiritual administration. In addition, they were urged by certain political forces in Tatarstan and Bashkortostan. They should admit they were wrong and that they pushed their communities the wrong way. This is the best thing they can do.”<sup>43</sup> “At that time, Gainutdin was Talgat’s most active supporter. Talgat had a well-established structure; we had neither offices nor transportation means. With us, he risked losing the mosque and receiving nothing. He said to us: you are destroying the Spiritual Administration, yet you will not be able to create anything instead and will have to come back to Tadjuddin. You have nowhere to go... When we tried to convince him to join us, Gainutdin answered: if I were invited to head it, I might join you,” recalls Ashirov.

<sup>38</sup> See: R. Abdrakhmanov, E. Mavrina, *Respublika Tatarstan. Model etnologicheskogo monitoringa, indikator 27 “Religioznaiia zhizn”* [http://federalmcart.ksu.ru/publications/abdrakh1.htm].

<sup>39</sup> V. Galimov, “Musul’mane umnozhaiut sily deleniem,” *Izvestia Tatarstana*, 24 October, 1992.

<sup>40</sup> “Segodnia v Ufe zavershil svoiu rabotu Shestoy chrezvychayny kurultay-s’ezd musul’man evropeyskoy chasti SNG, Sibiri i stran Baltii,” *ORT, Novosti* (at 6 p.m.), 10 November, 1992.

<sup>41</sup> “Uchastniki chrezvychaynogo vsemusul’manskogo s’ezda v Ufe priznali DUMES edinstvenno zakonnyy religioznyy organom v regione,” *NEGA*, 11 November, 1992.

<sup>42</sup> See: “30 dekabria v Ufe Dukhovnomu upravleniu musul’man Respubliki Bashkortostan (DUM RB) vydany registratsionnye dokumenty,” *NEGA*, 30 December, 1992.

<sup>43</sup> “Religioznye ambitsii privodiut k raskolu musul’manstva,” *PostFactum*, 10 December, 1992.

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By early 1993 there were 1,028 Muslim communities in Russia (not including the Northern Caucasus).<sup>44</sup> About 550 of them sided with Tadjuddin; 450 supported his opponents. In the last ten years the number of the communities supervised by Tadjuddin has increased by one third; and the number of communities siding with his opponents (today united into the Council of Muftis of Russia under Ravil Gainutdin) has increased 3.5-fold.

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<sup>44</sup> IEG "Panorama." Data base "Labirint:" "Islam v Rossii. Evropeyskaia chast Rossii i Sibir."



## CIVIL SOCIETY

**GEORGE SOROS  
IN CENTRAL ASIA**

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**G**eorge Soros is well known in Central Asia, primarily as a prominent philanthropist, the creator of the charity foundation of the same name, and a champion of new democracy. The Open Society Institute he founded is a conspicuous element in the region's public life. And

Soros's protest against the combat actions in Iraq, the current critical attitude toward him in Russia, and his participation in the change in power in Georgia have only riveted the attention of the local political elite on this outstanding individual even more.

**The Philosophy behind His Presence  
in the Region**

George Soros is particularly critical of two extremes—totalitarianism and market fundamentalism. The first is characteristic of the newly independent Central Asian states as a remnant of their feudal and socialist past, and the second as a social threat. The truth, says George Soros, lies somewhere in between these two extremes, so at this particular moment in time, the region's countries should be putting up particular resistance to the remnants of communist dictatorship and the administrative and command system.

Central Asia "became acquainted" with the capitalist philosophy as early as the beginning of the 20th century. "Asia's awakening" helped the region's republics to turn to democratic values, including constitutionalism and parliamentarianism. Both the crisis of Islamic fundamentalism and the transformation of traditions coincided time-wise, in our opinion, with the "ennoblement" of Sufism, on the one hand, and with acquaintance with the philosophy of positivism, on the other.<sup>1</sup> In this way, if the scales had tipped in favor of positivism, it might have become the dominating philosophical system.

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<sup>1</sup> Works by the representatives of positivism came to Central Asia (in Turkish translations) against the background of active non-acceptance of Marxism. For example, in the 1890s, Akhmad Donish was the first to doubt the feasibility of the socialist experiment for Turkestan, and even predicted the "bloody consequences" of future revolutions.

The three components of Henri Bergson's conception, one of the leaders of positivism and founder of the idea of an "open society"—constructive pluralism, supremacy of the law, and conscious participation—left their mark on local public thought, both due to the traditional respect for French philosophy, and to the tenacious freedom-loving strivings of our region's intelligentsia. It was particularly inspired by Bergson's appeal for "citizens to consciously adopt any decision providing it does not violate the rights of others." Old-timers recall that the Central Asian state university even fought positivism (including that of H. Bergson) during the years of Stalinism.

By opposing the Bolshevik form of colonialism, the most prominent figures of the dissident movement in Central Asia of the 20th century, Mustafa Chokaev, Vali Kaiumkhan, and Boimirza Khait, were also against lawlessness, inequality, and injustice. Criticism by emigrant oppositionists of the institutions of control and punishment and the organizational-ideological structures of the Stalinist system logically led to the thesis that all property, exchange, consumption, and distribution relations were defective in a socialist society.<sup>2</sup> And in its appeal to public associations and citizen self-government structures, Stalinism was responsible for corrupting the even limited understanding of democracy.<sup>3</sup>

Karl Popper's philosophy, which nourished George Soros's world outlook, spread to Central Asia as the original philosophy became disseminated in Western Europe.<sup>4</sup> Popperism attracted the intellectuals of our region and filled the ideological vacuum created by the Marxist crisis with a critical way of thinking, a peaceful style of public organization and social regulation, a democratic way of distributing power, and a market economy, which guaranteed feedback between the authorities and the people. Popperism promulgated a social model that ideally combined discussion, pacifism, order, and activity, something which was highly evaluated even in the medieval East. The Central Asian intelligentsia was inspired by the respect for thought promulgated by the author of this trend, and the intellectual elite as a whole was impressed by the fact that Popperism presented itself only as a code that enriched its own essence. However, certain elements of K. Popper's teaching (in particular on the individual's role in society) gave rise to repulsion. Apparently for people long under the influence of Marxism-Leninism, individualism was quite naturally equated with egoism, private property with personal property, freedom with doing as you please, criticism with anarchy, and parliamentarianism with a decrease in the role of the government.

### ***Expansion Strategy of an "Open Society"***

George Soros was inspired by the idea of carrying out charity work in the U.S.S.R. and launching a Cultural Initiative program in 1987, after reading a newspaper report that C.P.S.U. leader Mikhail Gorbachev had decided to return well-known Soviet dissident Andrei Sakharov from exile. In our opinion, this date also marks the beginning of the triumphant procession of Popperism into Central Asia. If we keep in mind that Andrei Sakharov was interested in this region and had his own point of view on the events going on in it, a certain spiritual kinship between Andrei Sakharov and George Soros in turn reinforced the popularity of K. Popper's books in the Soviet republics.

The Open Society Institute (OSI) existed in Russia from 1995 to 2002, whereas it has been functioning in Central Asia for nine years now. Public opinion has an ambiguous attitude toward the evalua-

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<sup>2</sup> The historical role played by Mustafa Jemilev, leader of the Crimean Tatars and prominent human rights activist of the Turkic world, in the spiritual life of the peoples of Central Asia is a particular one. We do not think that the publications about him reveal all the aspects of this Soviet dissident's participation in the regional democratic processes.

<sup>3</sup> During socialism, philanthropy was qualified by official propaganda as a "way for the bourgeoisie to mask its parasitism by means of hypocritical and humiliating assistance to the poor in order to distract their attention away from the class struggle."

<sup>4</sup> The author remembers discussions on this topic that were held at the Regional Institute of Advanced Studies for Professors of Social Sciences (Tashkent) and at the Philosophical Department of Lenin Tashkent State University.

tion of George Soros's role in the region. Some believe that through his OSI network, the philanthropist has rescued the academies of sciences, as well as their scientific research institutes, in the Central Asian countries from collapse, while others think that this was what provoked the crisis in these institutions. Some believe that he stemmed the "brain drain," while there are others who claim that the philanthropist has been instrumental in the theft of intellectual property. Nevertheless, despite such an ambiguous assessment of Soros's activity, his popularity among the local elite has risen, and he has become an idol of the intellectual youth.

It can be said that the Open Society Institute began actively spreading in our region in July 1995, after its branch opened in Almaty, which was instigated by the special features of the democratic processes in Kazakhstan.<sup>5</sup> Much later (in January 2004), in an interview with the French weekly *Le Nouvel économiste*, the republic's president, Nursultan Nazarbaev, stated that his country was "consistently moving toward an open society,"<sup>6</sup> maintaining that not only did his country take credit for this, but it was also due to the influence of Popper's ideas. Today, the branch of the Soros Foundation created in the Republic of Kazakhstan has seven subsidiary structures, including the National Debate Center, which is extremely popular in the region. The Central Asian Educational Resource Center is also quite active, which is meant for the regional consumer, and enjoys many grants from the Soros Foundation. What is more, among the programs specific for Kazakhstan, experts note those designed for unblocking Internet publications, which helps to democratize the printed matter published in the republic, as well as the essentially unique projects for supporting the Kazakh diaspora in Mongolia.

But in our opinion, the most favorable conditions for the activity of the Soros structures have been created in Kyrgyzstan. Here the American University-Central Asia (AUCA), financed by George Soros, has opened, which acquired a regional status in the fall of 2002. The PEN Center also functions in the country, which is a public association with well-known literary figures, critics, and journalists among its members. One of the most successful projects in the republic is the one drawn up by the Soros Foundation on the conception of the "Principles of Ethnic Development of the Kyrgyz Republic." Since 2003, the Bishkek Consensus Institute of Economic Policy has been in operation, and in April 2004, a presentation took place in the republic's capital of an information project called Open Kyrgyzstan. Its purpose is to "develop transparent and accessible standards for discussing the proposals being drawn up and finding new ways to raise decision-making efficiency based on ensuring public access to information." During his visit to Kyrgyzstan in June 2003, George Soros supported the idea of opening an Institute of Public Policy in the republic. Writer Chinghiz Aitmatov, in turn, suggested that George Soros build a cultural center "anywhere on the shores of Issyk-Kul Lake." Incidentally, the newspapers reported that this visit was "extremely constructive." Suffice it to say that Kyrgyz President Askar Akaev awarded George Soros a 3rd Degree Manas Medal. And the itinerary of Soros's visit to Kyrgyzstan (26-27 April, 2004) included meetings with Askar Akaev, as well as with professors and students of the American University-Central Asia and the Bishkek Consensus Institute of Economic Policy, and participation in a round table with journalists.

During its existence the Soros-Kyrgyzstan Foundation has gratuitously allotted the republic more than 40 million dollars.

The Open Society Institute has been operating in Uzbekistan since 1996, implementing projects in many spheres of the republic's public life, in particular in education, culture, public health, and so on. The so-called debate clubs and library enhancement programs are enjoying particular success.

In Tajikistan, the Soros structures are also actively participating in replenishing libraries. In June 2003, George Soros visited Dushanbe, where he met with the country's prime minister, R. Akilov, vice premier, S. Zukhurov, and leader of the Tajikistan Islamic Revival Party, S. Nuri, and discussed with them

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<sup>5</sup> But even before this, at the end of 1993, 182 Kazakhstani academics received financial support from George Soros. And his visits to Kazakhstan (October 1996 and June 2003) played a large part in strengthening the OSI network in Central Asia.

<sup>6</sup> For more detail, see: [www.president.kz].

the question of doing more charity work in the republic. According to Tajik experts, George Soros is one of the main sponsors of the local cultural and enlightenment programs.<sup>7</sup>

In 2003, the Soros structures organized several major religious events in Central Asia. For example, in May, a contest of projects among NGOs and learning-educational, cultural-enlightenment, and other organizations of these states was held, in June, an international conference called “New School-New Teacher” was organized, and in September, the International Summer School “Street Law” was in operation.

## Attitude of George Soros and the Central Asian Leaders to the War on Iraq

On the same day, 24 April, 2003, the leaders of two Central Asian countries made essentially identical statements about the situation in Iraq. For example, Kazakhstan President Nursultan Nazarbaev noted: “A change of regime in Iraq should help to reduce tension in Central Asia.”<sup>8</sup> And head of Uzbekistan, Islam Karimov, said that his country was participating in the anti-Saddam war for essentially four reasons: Saddam Hussein’s ongoing “game” with the world community; the feebleness demonstrated by some of the members of the U.N. Security Council when resolving chemical disarmament problems; living next door to Afghanistan and the difficulty of stabilizing the situation in the Middle East; and the urgent need to reform the United Nations in order to bring it into harmony with the realities of the international situation.

It was not easy for the heads of these two largest Central Asian countries to make these official statements. First, the matter concerned the U.S.’s war against a Muslim country in close geographical proximity to them. Second, for Central Asia, Baghdad has historically embodied the capital of the Arab caliphate, a city where the greatest thinkers of the medieval East studied. Third, Tashkent and Astana again, as in the case with Afghanistan, permitted themselves to come face to face with international terrorism. Fourth, Uzbekistan and Kazakhstan were not only going against Russia’s will, but also against the majority in the U.N., becoming even more pro-American. Fifth, they were becoming more fundamentally involved in global policy. Even before this, on 12 March, 2002, official Tashkent signed a declaration On Strategic Partnership and the Principles of Cooperation between the Republic of Uzbekistan and the U.S., which in particular envisages that our country should “continue active democratic changes, taking into account the commitments ensuing from international agreements and the requirements of national legislation.” With respect to the topic under discussion, this meant placing globalization over and above domestic problems and taking an approach toward George Soros’s strategy based on his view of the U.S. leadership.

During his visit to Baku on 29 May, 2003, George Soros negatively evaluated George Bush’s position when commenting on the situation in Iraq, calling for the military strikes to be juxtaposed by a series of constructive preventive measures and rendering the democratic forces help in their struggle against totalitarianism. In order to protect ourselves against terrorism, George Soros was to write later, we need preventive measures, awareness, and information. All of this ultimately depends on support from the population among whom terrorists act. It is a big mistake to declare war on those very people whose support we need to fight terrorism. This cannot help but lead to innocent victims, and the more there are, the greater the discontent and the chances that some victims will become new criminals.<sup>9</sup>

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<sup>7</sup> Specialists considered the conference held at the beginning of May 2004 on questions of labor migration, at which representatives of the Tajik government were present, constructive.

<sup>8</sup> From a speech at the 11th Eurasian Media-Forum [www.president.kz].

<sup>9</sup> See an excerpt from George Soros’s book *The Bubble of American Supremacy*, published in the British newspaper *The Guardian*.

George Soros, who plays an important role in global policy, possibly does not define his attitude toward a particular post-Soviet regime depending on the latter's viewpoint on the Iraqi problem.<sup>10</sup> According to him, the war on Iraq is an indication of the attitude toward an "open society," in particular an indication of tolerance. He says that if George Bush loses the election in 2004, his policy will be written off as an accident, and the U.S. will again take its true place among the other states of the world. But if George Bush is elected president again, he will receive a mandate from his voters to continue such actions, and we will have to take full responsibility for their consequences.<sup>11</sup>

George Bush Jr.'s war, believes George Soros, ensues from the above-mentioned market fundamentalism, a doctrine which has led to many erroneous political decisions. Our country, he writes, has proven to be in the hands of a group of extremists, whose certainty that their mission is true can only be compared with their erroneous conviction that they are right... Religious fundamentalism, as strange as it may sound, literally pushed the "market advocates" to make erroneous decisions. As a result, concludes the author, we have been sucked into a nightmarish quagmire strongly reminiscent of Vietnam, a war that did not reap a single benefit.<sup>12</sup>

## Does the "Georgian Scenario" Suit Central Asia?

"It was Soros's plan. Everything was accounted for. Money as well. How much was needed... There was a whole strategy, how to hold the elections so that new people would come to power," said Eduard Shevardnadze in an interview for the program *Vesti nedeli* on the Rossiya television station after M. Saakashvili came to power in Georgia. The elite of the Central Asian countries took it literally. Astana, Tashkent, and Bishkek were facing the parliamentary and presidential elections, and these capitals took these words as a kind of warning by Georgia's overthrown president, after which, of course, the prospects for further coexistence with George Soros's structures, which had become "ensconced" in the region, did not look too promising for the local political authorities.

For example, in an interview with the newspaper *Egemen Kazakstan* (3 December, 2003), Nursultan Nazarbaev, apparently hinting at the negative role of several international organizations in the Georgian events, noted: "Branches of foreign structures do not have the right to create scenarios for our country, for we are an independent state with our own traditions and values." An article entitled "Devotion to the National Spirit," published under a pseudonym on 16 December, 2003 in the Uzbekistan government paper *Khalk suzi*, was also perceived in the spirit of a cautious attitude toward international organizations. Its author noted in particular that the projects of several charity foundations "are not in keeping with national values."

In this way, Astana and Tashkent had a negative response to the continued activity of the structures "involved in the Tbilisi events" in the region. Even in Dushanbe, where there is a more liberal attitude toward the OSI, there were rumors about the involvement of the Soros structures in distributing leaflets promulgating a "Georgian scenario for Tajikistan."

And at the 10th Assembly of the Peoples of Kazakhstan in December 2003, Nursultan Nazarbaev was even more specific, demanding that several western structures "not interfere in the republic's internal affairs." And although the matter concerned international organizations accredited in the country which demanded that radical changes be made in the legislation on mass media, the tone itself was unexpectedly severe. A day later, on 24 December, with the obvious support of the authorities, M. Tinikeev, a deputy of the republic's Majilis, sent a request to the Republic of Kazakhstan General Prosecutor's office, asking

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<sup>10</sup> This was clearly shown by the events in Georgia. The power of President M. Saakashvili, who enjoys the favor of George Soros, has only reinforced the presence of the local contingent among the foreign troops in Iraq.

<sup>11</sup> See: G. Soros, *The Bubble of American Supremacy*.

<sup>12</sup> See: *Ibidem*.

for measures to be taken against the local branch of the Open Society Institute, which “is manipulating public conscience in the region in order to introduce amendments into the legislation.” Society was clearly electrified by a negative attitude toward the “Georgian scenario writers.”

On 14 April, 2004, employees of the Tashkent Open Society-Assistance Foundation Institute received a response from the Uzbekistan Ministry of Justice to its re-registration application. An official letter signed by Deputy Minister P. Samatov contained a denial.<sup>13</sup> Incidentally, even before this, speaking at a press conference in London, George Soros told journalists that the Uzbek authorities had asked the organization to re-register, and this, in his words, will mean the authorities can close down all the projects they don't like. As the Reuters Information Agency reported, the George Soros Foundation has spent 22 million dollars on projects in Uzbekistan since 1996, including 3.7 million in 2003.

## George Soros's Prospects in the Region

The facts show that Soros essentially had no reaction to all the negative statements about him in the CIS countries at the end of 2003. Otherwise, he would not have continued rendering (already openly) financial aid to the new Georgian president, M. Saakashvili. What is more, he stated that “we can begin implementing similar (anti-corruption.—S.A.) projects in other countries of the world.”<sup>14</sup> George Soros's future in the CIS, strangely enough, depends on him continuing his active support of the Georgian oppositionists who have come to power—the philanthropist must prove he is adhering to constructive values.

In the meantime, Central Asia was continuing to recoil from natural democratic processes, which was essentially “provoked” by George Soros. During Russian President Vladimir Putin's visit to Astana on 9-10 January, 2004, Nursultan Nazarbaev noted that “controllable democracy has been created in Kazakhstan.” And although by this the Kazakhstan President meant the planned and coordinated nature of the democratic processes, on the one hand, and showed the achievements of these processes, on the other, a policy aimed at adhering to conservative values could be observed. For “controllable democracy” in the CIS essentially “demonstrated” itself in November 2003 when people in camouflage stormed the office of the Open Society Institute in Moscow, thus starting a new anti-liberal revolution.

In the interview mentioned above with the weekly *Le Nouvel economiste*, the Kazakhstan President also noted that “western democracy is possible only in countries with a western culture and with a western mentality, and Kazakhstan is not striving to transform the country along Western lines.” In Uzbekistan, several branches of international organizations tried to show that the demand to re-register these structures with the Ministry of Justice was the “fear of provoking events like those in Georgia.”<sup>15</sup> In Kyrgyzstan, the authorities and the communist opposition had a nervous reaction to the activity of a branch of the National Democratic Institute (U.S.), similar to the Soros Foundation, which made ultimatum statements about introducing amendments into the republic's legislation on elections.

George Soros is 74. As early as 2001, he began thinking about his successor. If the Republicans lose at the upcoming U.S. presidential elections, the Soros structures will stand firm, at least until 2008 (when the term of the next U.S. president expires). But even if the gloomy forecasts about the fate of the current

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<sup>13</sup> According to some data, one of the main reasons for the denial was that banned publications praising the activity of international terrorist Tohir Yoldosh and religious fundamentalists were included in the literature sent by the local OSI to higher learning institutions, which functionaries of low-level Soros structures were possibly involved in.

<sup>14</sup> During his visit to Kyrgyzstan, George Soros denied the possibility of “anti-corruption payments” to this country. But he admitted that similar payments to the M. Saakashvili regime were increasing the assignments to the Georgian budget. “There is no such need in Kyrgyzstan, nor are there the conditions for introducing such measures,” said George Soros.

<sup>15</sup> This demand was fully in the spirit of the Law on Nongovernmental Nonprofit Organizations, which was adopted with significant help from international experts.

U.S. president are not confirmed, George Soros (with his acumen for “regulating financial markets”) will continue to have an influence on world policy, including in the Caspian region.

What might be the consequences of closing the branch of the Open Society Institute in Tashkent? First, it is doubtful that, with the different levels of socioeconomic development in the Central Asian countries, at least three of them will close their branches of this organization at the same time. (The absence of their unanimity was once more graphically manifested in their viewpoint on Iraq.) Second, there will be the usual re-channeling of Soros funds into contiguous or subsidiary structures. In this event, it is unlikely that any country of the region will agree to the activity of a hypothetically closed OSI being financed by a similar structure still functioning in a neighboring country. This is impermissible with respect to ensuring national security.<sup>16</sup>

What steps can the Soros structures take if one of the regional regimes acts “anti-democratically?”

1. Ascertaining the failures of the current political authorities, which will be expressed primarily in searching out the odious features of the official authorities, in particular instances of corruption. By way of example we can present the statements by George Soros, which have political implication, on ensuring the transparency of oil revenue and the statistics of the Caspian countries.<sup>17</sup> (We will remind you that George Soros is financing the publication of annual international reports on oil revenues.)
2. Attempting to focus attention on general interstate problems which are concealed from society due to mental-ethic norms. This particularly refers to hydroelectric, ethno-religious, land-agrarian, and several other questions. Financing projects for “spreading Kyrgyzstan’s positive experience in building an open society” can be qualified as having a political ring (due to the obvious difference in the approaches of the region’s countries to enhancing democratization).
3. Supporting opposition groups and publications. By way of example, we can present the help rendered by the Soros structures to Kazakhstan’s *Assandi Times*, *SolDat*, and *Kazakhstan*, which confirms the likelihood of an identical approach to neighboring countries. If we also take into account the unfortunately frequent negative attitude of the authorities to the advanced trends in political science, sociology, philosophy, culturology, and so on, the simple distribution of textbooks in these disciplines may also be perceived as having “destructive intentions.”
4. Assisting in destabilizing the economic and political situation in the region’s countries, which could be expressed in particular as shaking the financial system. In our opinion, the most vulnerable in this respect are Kazakhstan and Tajikistan. There is also the possibility of intentionally causing a “brain drain” in Uzbekistan (one of the greatest threats to national security). The situation with Ukrainian President Leonid Kuchma could also be used as an example for Central Asia, against whom George Soros started a discredit campaign.
5. Conducting joint political campaigns with other western structures. When implementing their projects, the branches of the Soros Foundation cooperate (or could cooperate) with international organizations. (For example, George Soros could find a common language with some of them

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<sup>16</sup> During George Soros’s visit to Kyrgyzstan, representatives of the regional mass media focused their attention on his evaluation of the situation in Uzbekistan. He said that his Foundation “can work in Kyrgyzstan, but cannot work in Uzbekistan.” What is more, George Soros accused the region’s heads of state (obviously hinting at Uzbekistan) of attempting “to see their posts as lifetime positions.” The press actively commented on a statement by U.S. State Department spokesman Richard Baucher of 23 April, 2004 in which a negative assessment was given of ceasing the activity of the Soros structure in Uzbekistan.

<sup>17</sup> In Kazakhstan, the Soros structures are implementing the Kazakhstan Revenue Project, which is encouraging a public discussion about the use of funds obtained from the oil sector, as well as other measures, in particular seminars for the republic’s parliamentary deputies aimed at strengthening government control over these funds.

on building a post-revolutionary society in Georgia.) At the same time, it is unlikely that the philanthropist will permit financing of anti-American campaigns in the region's countries (despite the fact that 2004 was declared the "Fight Against Bush Year").

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George Soros is a phenomenon in Central Asia's most recent history. The course of democratic development in the region's countries largely depends on the attitude toward Popper's ideas and the actions of the Soros structures. Desirable tempestuous economic growth is brought about (among other things) by adhering to freedom-loving principles. As experience shows, a strategy of "coexistence" with the Soros structures is needed. Otherwise, recoils, regression, and capitulation to communism, totalitarianism, and other enemies of an open society will be inevitable.

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# WORLD AND REGIONAL CENTERS OF POWER AND THEIR IMPACT ON THE SITUATION IN CENTRAL ASIA AND THE CAUCASUS

## ENLARGEMENT OF THE EUROPEAN UNION AND ITS INFLUENCE ON THE CENTRAL ASIAN COUNTRIES

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This year the European Union increased its membership from fifteen to twenty-five states, thus greatly extending its territory and increasing the size of its population and the aggregate economic potential of this organization, which is one of the most influential centers of power in the world. It should also be noted that compared with the previous stages, the current

wave of the European Union's enlargement is characterized by a higher level of integration. In particular, the formation of the economic and monetary union is nearing completion, and significant progress toward creating a political union and strengthening cooperation in security is being made. In this respect, the current enlargement of the EU is accompanied by significant changes in

the structure and mechanism of the foreign economic activity of the countries that have joined it.

As should have been expected, this stage of development in this structure, which is unprecedented in the quantitative and qualitative sense, has given rise to heated discussions not only in Europe, but also beyond it. Various scenarios of the development in events are being proposed. Experts are primarily worried about the influence this enlargement will have on the economic situation, both in the European Union in particular, and in other regions of the world as a whole. But the Central Asian countries are essentially not participating in these discussions. What is more, without getting into complicated theoretical combinations, but merely summing up a few facts, it can be presumed that the current entry of ten countries into the European Union could have a perceptible impact on the state and development of cooperation of our region's republics in the trade and economic sphere on the world arena. This conclusion can be drawn from the simple fact that the list of states joining the EU this year includes such important trade and economic partners of the Central Asian republics, as Poland, Latvia, and other countries. For example, in 2003, the goods turnover between Kazakhstan and Poland alone neared 400 million dollars.<sup>1</sup> In so doing, according to the documents furnished by the trade and economic department of the Polish Republic Embassy in Kazakhstan, the share of oil amounted to 91.2% of Kazakhstan's total exports to Poland.<sup>2</sup>

Trade and economic ties are developing between Uzbekistan and Latvia. According to some data, in 2001 the volume of transit of raw Uzbek cotton through Latvia was more than 30% of the

total export of "white gold" from Uzbekistan.<sup>3</sup> As was noted during a meeting of the Uzbek-Latvian intergovernmental commission held in Riga in the summer of 2001, Tashkent is interested in increasing the volumes of this transit.<sup>4</sup> (According to the republic's Academy of Sciences' Institute of Economics, cotton fiber currently produces approximately 22% of the country's entire export revenue.<sup>5</sup>)

On the whole, according to some sources, in 2003 the goods turnover between Kazakhstan and the EU countries amounted to 4.04 billion dollars (31% higher than in 2002),<sup>6</sup> and between Uzbekistan and the European Union states to 1.1 billion dollars. What is more, the representative offices of 147 companies from EU countries are accredited in Uzbekistan, and a total of more than 500 companies from these states are working in the republic, 114 of them with 100 percent European capital.

In this respect the question arises of the possible consequences of the EU's enlargement on the development of relations between the Central Asian countries and Europe. In an attempt to at least partially answer this question, the authors of this article will try to identify some aspects, both positive and negative, of the current stage in trade and economic development of the European Union, which may have an impact on Central Asia. We will mainly focus our attention on Uzbekistan and Kazakhstan, since these two states are playing a key role in the region and are the most active trade and economic partners of the EU in Central Asia.

<sup>3</sup> See: [[http://www.autotransinfo.ru/tr\\_news.asp?MsgID=1649866102&q=&Type=0&m=-1&p=1](http://www.autotransinfo.ru/tr_news.asp?MsgID=1649866102&q=&Type=0&m=-1&p=1)].

<sup>4</sup> Ibidem.

<sup>5</sup> See: A. Rasulov, R. Alimov, "Strukturnye preobrazovaniia i povyshenie konkurentosposobnosti ekonomiki Uzbekistana," *Obshchestvo i ekonomika* (Nauka Publishers, Moscow), No. 6, 2003, pp. 193-212.

<sup>6</sup> *Tsentral'noaziatskie novosti. Evropeiskii soiuz podderzhivaet vstuplenie Kazakhstana v VTO*, 16 March, 2004 [[http://www.centran.ru/cgi-bin/index.pl?text\\_id=14252&all=yes](http://www.centran.ru/cgi-bin/index.pl?text_id=14252&all=yes)].

<sup>1</sup> See: *Novoe pokolenie*, No. 14 (254), 2003 [<http://www.np.kz/2003/14/mir.html>].

<sup>2</sup> See: *Polsha i Kazakhstan rassmatrivaiut vozmozhnosti razvitiia torgovo-ekonomicheskikh otnoshenii v sfere gornodobyvaishchei promyshlennosti* [[http://www.pressclub.kz/news/pr.asp?pday=18&pmonth=09&pyear=03&n=\(1\)](http://www.pressclub.kz/news/pr.asp?pday=18&pmonth=09&pyear=03&n=(1))].

## Some of the Positive Aspects

The most important positive aspect of the European Union's enlargement for Central Asia can be seen as the likely intensification of economic and political relations between this organization and the countries of our region. According to Christopher Patten, EU Commissioner for Foreign Relations, "bi-

lateral trade between the EU and Central Asia will increase by more than 20%”.<sup>7</sup> What is more, the European Union is drawing closer to Central Asia geographically, which is raising the importance of several joint projects, including in the transportation-communication and energy fields. Here a significant role is being played by the rich hydrocarbon supplies of our region’s countries. In particular, as Jacek Cichocki, deputy director of the Center for Eastern Studies in Warsaw, emphasizes, in keeping with the EU’s request, Poland, the Czech Republic, Slovakia, and Hungary should significantly reduce their dependence on Russia in the energy sphere. In this respect, according to the Polish expert, the development of cooperation with the Caspian states, particularly with Kazakhstan, is one of the key areas in diversifying raw hydrocarbon sources for these countries.<sup>8</sup>

Direct access of the Central Asian republics to the joint European market is also increasing, which they were offered under previous agreements with the EU. In the event that their products meet European standards, exporters from Central Asia will be able to deliver their goods to all the EU countries, using the most favored nation treatment with respect to customs fees, and so on. In so doing, it should be noted that in several cases, the EU’s general customs tariff on imported goods is on average lower than the national customs rates of the countries that have just joined this organization.

Nevertheless, for several reasons, in particular due to the lack of competitiveness of the technology and products of the new EU members on the European market, they will most likely have to reorient their exports in several branches of their economy to the markets of third countries. What is more, by accepting the European Union’s regulations, the cost of products will increase in its new states, which will create additional stimulus for transferring certain types of production to third countries. According to specialists from the World Bank, this vector of foreign trade “expansion” will be a vitally important way for the new EU countries to compensate for the costs involved in joining the European Union.<sup>9</sup> According to Natalia Smorodinskaia, head of the center for analyzing growth poles and free economic zones at the Russian Academy of Sciences’ Institute of Economics, “the trend toward a rival importer from the more developed European countries ousting the goods of new EU members from domestic markets plays just as important a role here.”<sup>10</sup> As the Russian expert believes, under such conditions, these countries “will soon begin to develop their own export flows to Russia and other CIS members.”<sup>11</sup>

It can be presumed that possible export and technological “expansion” will also have a certain impact on our region, whereby not only on the part of the new EU countries. For example, Russia, Belarus, and Ukraine will strive for more active development of trade and economic relations with the Central Asian republics, since they are also interested in compensating for the consequences of a possible loss in their foothold on the markets of the new EU members.

A similar trend could cause an increase in the economic presence of Europe and the CIS countries in Central Asia, which will largely balance out the growing trade and economic influence on the region from other centers of power, particularly China. In so doing, we will note that opening up the markets of the new members for the European Union old-timers will retard the development of their export to the Central Asian republics to a certain extent.

The influence of “export expansion” should be viewed here separately from “technological expansion.” For example, “export expansion” to the Central Asian states could shrink the regional consumer market for goods from our region’s countries, while “technological expansion” could become an addi-

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<sup>7</sup> *Speech by The Rt Hon Chris Patten. Keynote Speech to the International Community as part of Official Visit to Kazakhstan.* Almaty, 16 March, 2004. SPEECH/04/132 [[http://europa.eu.int/comm/external\\_relations/news/patten/speech04\\_132.htm](http://europa.eu.int/comm/external_relations/news/patten/speech04_132.htm)].

<sup>8</sup> See: J. Cichocki, “The Significance of Caspian Oil and Gas for Diversifying Energy Imports to the Visegrad Group Countries,” *Connections*, Vol. II, No. 1, March 2003. The Quarterly Journal of Partnership for Peace Consortium of Defense Academies and Security Studies Institutes. Garmisch-Partenkirchen (Germany).

<sup>9</sup> See: H. Tang, *Winners and Losers of EU Integration Policy: Issues for Central and Eastern Europe*, Wash., D.C.: The World Bank, March 2000.

<sup>10</sup> N. Smorodinskaia, “Sudba Kaliningrada: globalnoye izmerenie,” *Pro et Contra*, Vol. 8, No. 1, Carnegie Endowment for International Peace, Gendalf Publishers, 2003, pp. 137-162.

<sup>11</sup> *Ibidem*.

tional factor capable of increasing the number of joint ventures in the Central Asian countries, the production of which would be oriented toward the regional market. This in turn would promote the development of the national economies of the region's republics and raise their export potential. Some elements of this trend are already becoming apparent. For example, in the very near future, Kazakhstan plans to begin implementing a project to manufacture Czech Skoda cars at the Azia-avto factory in Ust-Kamenogorsk.

Ultimately, the current stage of EU enlargement can serve as a kind of experiment both for the EU and for the Central Asian countries in making joint preparations for the subsequent stages of European integration. For example, Rumania and Bulgaria are hoping to join the European Union in 2007. Other states, in particular Albania, Bosnia, Macedonia, Serbia, Montenegro, and Croatia, signed agreements with the EU on stabilization and association, which could also open the gates to European integration for them. What is more, the question of Turkey joining the European Union is becoming more urgent, which is one of the most important trade and economic partners of the Central Asian countries.

Nevertheless, the current stage of European enlargement could also lead to certain negative consequences for the republics of our region.

## The Negative Consequences

It stands to reason that changes in the trade legislation of the new EU states will primarily have an impact on the Central Asian countries which have relatively significant trade and economic relations with these EU countries. This is due to their transfer to European Union standards, in particular to a single customs tariff, as well as to corresponding qualitative and quantitative restrictions and trade protection measures adopted by the EU. For example, the countries joining this organization observe standard regulations with respect to cotton. This protective system was introduced in 1981, when Greece, a cotton exporter, joined the European Union.<sup>12</sup> Based on this, an agreement on textiles signed by Uzbekistan and the EU envisages a quantitative limit on the import of certain types of so-called "second category" goods into the European Union, mainly cotton fiber.<sup>13</sup> And with respect to Latvia's entry into the EU, the fifth country in the world in terms of import volume of Uzbek cotton fiber,<sup>14</sup> it will be necessary to review the conditions for Uzbek-Latvian and Uzbek-European trade turnover, since now the Latvian side must determine the amount of its cotton fiber import in accordance with the quota it is offered by the European Union.

It can be presumed that basically the same problem will also arise regarding the import of certain commodities from Kazakhstan to the European Union. For example, pursuant to an agreement between Astana and the European Coal and Steel Community on trade in specific commodities of 15 December, 1999, the EU Commission set restrictions on the delivery of Kazakhstani steel into the European Union.<sup>15</sup> And a new agreement in this sphere signed on 22 July, 2002 in Brussels, although it significantly increases this quota, does not abolish the limit itself.<sup>16</sup> What is more, as German researcher Peer H. Lange believes, "the previous vision of the Baltic states as a bridge between the EU and former Soviet republics is changing."<sup>17</sup> In his opinion, when the Baltic states become integrated into the EU, the status of their budget-

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<sup>12</sup> See: R. Abdullaev, "Regulirovanie rynka khlopka v Evropeiskom soiuzie," *Ekonomicheskii vestnik Uzbekistana*, No. 1/2, 2001, pp. 15-16.

<sup>13</sup> [[http://europa.eu.int/comm/external\\_relations/uzbekistan/intro/index.htm](http://europa.eu.int/comm/external_relations/uzbekistan/intro/index.htm)].

<sup>14</sup> The data of the Uzbekistan State Statistics Board presented in an article called "Tsenovaia koniunktura blagopriiatstvuet eksportu," published in the newspaper *Bankovskie Vedomosti*, No. 13 (412), 17 March, 2004, p. 8.

<sup>15</sup> [[http://europa.eu.int/comm/external\\_relations/kazakhstan/intro/index.htm](http://europa.eu.int/comm/external_relations/kazakhstan/intro/index.htm)].

<sup>16</sup> See: Zh. Ibrashev, E. Ensebaeva, "European Union and Kazakhstan: Trends in Trade and Economic Cooperation," *Central Asia and the Caucasus*, No. 1 (19), 2003, p. 63.

<sup>17</sup> See: P.H. Lange, "The Baltic Countries as a Bridge?" *Internationale Politik*, No. 1, January-February 2003 [<http://www.deutschebotschaft-moskau.ru/ru/bibliothek/internationale-politik/2003-01/index.html>].

supporting transit services, primarily the sea ports, will dramatically change.<sup>18</sup> This in turn will have a perceptible influence on interregional relations between Central Asia and the Baltic in the trade and economic and transportation-communication spheres.

It is likely that similar problems will also arise in other areas of bilateral cooperation. Take, for example, certain technical aspects of air transport communication. At one time, the European Union prohibited essentially all Soviet-manufactured airplanes from entering its air space, as a result of which, companies of the Central Asian countries using these airplanes for flights to the new EU member states will have to refurbish their airplane fleet (if, of course, they do not want to cut back on the volume of air freight). For example, Kazakhstani cargo carriers making flights to Hungary will have to do this before 1 January, 2005. For the moment, however, on the basis of recent bilateral agreements, Budapest will service such airplanes from Astana only as an exception.<sup>19</sup>

Expanding European legislation to include the states joining the EU could also lead to several of their agreements with third countries, including Central Asian republics, being cancelled. For example, “in keeping with the obligations to eliminate all discrepancies with EU legislation (*acquis communautaire*) before becoming a full-fledged member of the European Union common market,” on 11 November, 2003, Latvia withdrew from certain agreements on economic cooperation with several states. According to a report by the Latvian LETA Information Agency, the country’s government approved, in particular, “cancellation of the Latvian-Uzbek agreement on cooperation in standardization, weights and measures, and certification” of 3 July, 1988.<sup>20</sup>

The visa conditions of new EU members are also becoming more complicated, which will probably create additional obstacles for the interregional activity of commercial agents, primarily “shuttle workers” from our region’s countries. And the current situation cannot be corrected by “automatically” enlarging the framework for applying partnership and cooperation agreements (PCA) signed between the EU and a few Central Asian countries.<sup>21</sup> First, it cannot be claimed that partnership and cooperation agreements will make it possible to resolve all the problems of trade and economic cooperation. Second, only a few Central Asian countries have such agreements with the EU (see table).

Table

Partnership and Cooperation Agreements between the EU and Central Asian Countries

Countries	Year the PCA was signed	Entered into force
Kazakhstan	1995	1 July, 1999
Kyrgyzstan	1995	1 July, 1999
Tajikistan	2003	not yet in force
Turkmenistan	1998	not yet in force
Uzbekistan	1996	1 July, 1999

Source: [[http://europa.eu.int/comm/external\\_relations/ceeca/pca/index.htm](http://europa.eu.int/comm/external_relations/ceeca/pca/index.htm)].

<sup>18</sup> Ibidem.

<sup>19</sup> [[www.centran.ru](http://www.centran.ru) 04.12.03].

<sup>20</sup> [<http://www.pravo.uz/inter/query.php3?topic=1688&sub=0>].

<sup>21</sup> Already today partnership and cooperation agreements need some correcting capable of raising their efficiency, for more detail, see: K.I. Baizakova, “Politiko-pravovye osnovy sotrudnichestva Evropeiskogo soiuza s gosudarstvami Tsentral’noi Azii,” *Analytic*, No. 3, 2003, pp. 27-30.

European experts are also forecasting possible negative aspects for the CIS countries. In particular, specialists from the European Bank for Reconstruction and Development believe that the enlargement of the European Union could raise the economic barriers between East European states that are EU members and those that are non-members, for example, between Poland and Moldova.<sup>22</sup> Under such conditions, states that are not members of the EU will be unable to develop their export potential, as a result of which a so-called "belt of undeveloped countries" could form on the eastern borders of the EU.<sup>23</sup> As Stefan Wagstyl, an observer of the British weekly *Financial Times*, notes,<sup>24</sup> enlargement of the European Union to the East could increase the danger of economic marginalization of some former Soviet countries. In his opinion, this danger could aggravate the economic situation and worsen even more the relatively low level of economic development of these states apparent today due to insufficient attraction of direct foreign investments and few opportunities for legal migration of the population.<sup>25</sup> Apparently, it is no accident that certain CIS countries are expressing displeasure about the EU's enlargement. In particular, Moscow is making political and economic complaints to Brussels.<sup>26</sup> It is trying to postpone the introduction of restrictions on export of several strategically important Russian goods, for example steel, to Europe. What is more, if the European Union is enlarged as far as the Russian borders, Russia will have extremely urgent problems with respect to visa regulations, and so on.

The experts of several CIS countries also have a negative view of the likely activation of the EU in promoting their producers on the markets of third countries. This opinion suggests there will be a rapid increase in European pressure with respect to opening markets in the Commonwealth countries, in particular in the Central Asian republics. What is more, the European Union is becoming a dominant trade partner of such countries as Russia and Iran, which are playing an important role in the international relations of our region's states. For example, whereas today the EU accounts for 36% of Russia's trade turnover with the outside world, according to some sources, after EU enlargement this index will increase to 51%. As for the European Union's share in Iran's foreign trade turnover, according to official sources, it accounted for approximately 40% of import and 36% of the IRI's export in 2001.<sup>27</sup> In so doing, Russia and Iran are the biggest rivals of the Central Asian countries on the European market, particularly in raw hydrocarbon, grain, and steel deliveries.

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

The following conclusions can be drawn on the basis of the above. First, enlargement of the EU will have a perceptible influence on the development of trade and economic relations of the Central Asian countries, both with the European Union itself, and with its new member states. Second, this process will have an effect on our region's trade and economic relations with other European EU non-member states, including with certain members of the CIS, particularly Russia, Ukraine, and Belarus. Third, indeterminate legal difficulties and other problems capable of having a negative effect on the dynamics of economic trade relations between the Central Asian countries and the new states of the European Union may arise. This problem will be urgent, at least in the short term, until the legal principles of this cooperation are reconsidered under current conditions.

In this respect, measures must be envisaged for minimizing the possible negative effects and optimizing the anticipated positive results of the EU's enlargement regarding the economy of the Central Asian

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<sup>22</sup> *Transition Process Report. EBRD*, November 2003.

<sup>23</sup> *Ibidem*.

<sup>24</sup> See: S. Wagstyl, "EBRD Sees Danger in EU Eastern Enlargement," *The Financial Times*, 17 November, 2003 [<http://new.ft.com/servlet/ContentServers?pagename=FT.com/StoryFT/FullStory&c= StoryFT&cid=106656594506>].

<sup>25</sup> *Ibidem*.

<sup>26</sup> See: J. Chalmers, "Russia Makes Trade Demands Ahead of EU Enlargement," *Reuters*, 2 February, 2004.

<sup>27</sup> See: A. İoayeri, "Relations between the Islamic Republic of Iran, the European Union and Belgium," *Studia Diplomatica*, Vol. LV, No. 2, 2002, p. 77.

countries. In particular, the following can be proposed: discussing joint mutually advantageous proposals with the European Union and other interested sides; more actively developing regional cooperation and integration of the Central Asian states, drawing up a common trade and economic policy for them that takes into account the likelihood of the EU's further enlargement; accelerating economic reforms and modernizing the national economies of the region's countries.

On the whole, enlargement of the European Union is helping to develop trade and economic relations between the Central Asian countries and both the EU and CIS states. This will help to strengthen interdependence between Europe and Central Asia. With the current asymmetrical (in favor of Europe) state of this interdependence, the Central Asian countries will be the ones required to adapt to the new transformations in Europe. A significant increase in European influence will require new approaches to drawing up and implementing economic policy, taking into account the development trends of the economic situation in new Europe, which is getting ready to enlarge even more.

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## EUROPE'S ENLARGEMENT AND THE SOUTHERN CAUCASUS

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There has been a lot of talk in the international community and mass media lately about a very important topic—the entry of ten Eastern European countries into the European Union. In particular, Azerbaijani political scientists, journalists, and state officials are discussing the prospects opening up for the republic in this respect, and weighing up the pros and cons of this integration.

Whereby entirely polar opinions are being expressed—from gloomy forecasts to enthused cries welcoming this opportunity.

This article is an attempt to look at what Azerbaijan's chances are of joining the EU and carry out a focused analysis of the various vectors of Europe's enlargement in the context of South Caucasian interests, primarily those of our country.

### How It Began

It is hard to imagine that the idea of unification of the Old World arose as early as the Renaissance. Later, in the 17th century, people dreamed of uniting all the states of the continent into a single European federal council. The great German philosopher, Immanuel Kant, suggested creating a "Union of Peoples," and French Prime Minister Aristide Briand advocated the idea of "pan-Europe." At different times, similar ideas were promulgated by Napoleon and Winston Churchill.

But in reality, this integration began on the day the famous Shuman Declaration and Paris Treaty were signed, which envisaged the creation of the European Coal and Steel Community (ECSC). Sub-

sequently, the final choice of strategy, which led to specific achievements, was made in Rome, where very important documents were signed, primarily the Treaty on a European Economic Community.<sup>1</sup>

In those years, Europe, which was recovering from the destruction wrought by World War II, gradually restored its rightful status and geopolitical significance in the world civilization system, joined the forces of the key players, and consistently built up its potential. Today, the countries of the continent face new problems. Ways to oppose hegemony in a coalition, notes Samuel Huntington, were defined even before the end of the Cold War: creating a European Union and introducing a single European currency. Europe's task is to create a counterbalance to U.S. domination in a multi-polar world.<sup>2</sup>

## Vector of Movement

The trends are such that, now, enlargement of the EU to the East may gradually change the world balance in favor of Europe. The European Union currently has twenty-five members. This has made the organization a more integrated structure than a confederation, and in the foreseeable future it could become a European federation.

Here we must not lose sight of the fact that the term "federalism," as Margaret Thatcher noted, has different interpretations in the U.S. and in Europe.<sup>3</sup> In America, it meant returning the rights and authorities transferred to the federal government, in spite of the provisions of the Constitution, to the individual states. In Europe, federalism means the practice of the Federative Republic of Germany, that is, of a state with the supreme power of the central government and rather broad, but clearly defined, autonomy at the local level. This kind of federalism means that the pre-eminence of central power and national interests is much more defined than in the American political system.

## The Old and New World— A Generation Gap

The leitmotif of the European trend is defined by its vehement desire "to catch up with and surpass America," which is hushed up at the official level and concealed behind a veil of diplomatic compliments, but nevertheless easy to see and very well known to us. To a significant extent, it is caused by tough economic competition, the struggle to gain control over the planet's scanty natural resources, the striving to undermine American hegemony on the world markets, and the skirmishes among overseas financial-industrial monsters and transcontinental corporations of European origin which do not wish to remain on the sidelines. What is more, opposition to American cultural values and propagation of the American mentality and "money-force approach" to resolving urgent problems has never ceased, rather it has reached an unprecedented high level as European institutions gain in significance. Aversion to global Americanization is sometimes even expressed in the rejection of the English language as a means of universal communication.

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<sup>1</sup> See: M. Arakh, *Evropeiskii soiuz*, Moscow, 1998, p. 54.

<sup>2</sup> See: S.P. Huntington, "The Lonely Superpower," *Foreign Affairs*, March-April 1999, p. 45.

<sup>3</sup> See: M. Thatcher, *Iskusstvo upravleniya gosudarstvom. Strategiya dlia meniaiushchegosia mira (Statecraft. Strategies for a Changing World)*, Moscow, 2003, p. 354.



Western Europe's striving for independence on the international arena is understandable, since it depends much more than the U.S. on the outside world. For example, the EU's trade turnover with non-member countries is approximately 25% higher than that of the U.S., and twice as high as Japan's. The export percentage in Germany's GNP is equal to 25%, whereas in France and England this index is 18%, and in Italy it is 15%.<sup>4</sup> In this way, creating a European Union, introducing a single currency that can compete with the dollar, and forming a zone of its own influence make it possible to oppose U.S. domination in a multi-polar world.

On the whole, whenever the matter concerns the European economy and whenever Europeans' interests are affected (with respect to the successful functioning of their currency, the independence of industry, the safety of investments, the world level of technology, and the security and expansion of trade flows), Europe is quick to raise national self-defense barriers and unhesitatingly go into battle against any encroachment from overseas.

## Europe and the Southern Caucasus— Who Needs This Union?

In the context of this reality, we can understand the EU's interest in expanding cooperation with the post-Soviet countries, including with the South Caucasian states, and among the latter, primarily with Azerbaijan, as the richest of these countries in natural and labor resources, as well as an important republic in terms of its geopolitical significance. The question of security is also vitally important to Europe, the desire to have, even in the distant future, a secular democratic state with all the attributes of a European legal and socioeconomic system in a rapidly developing country with a predominantly Muslim population. This is also confirmed by Europe's New Neighbors program currently being developed for potential members of the European family located in geographical proximity to Europe.

Whereas Europe's interest in us is essentially covered by what was said above, the question "why do we need Europe?" is much more complicated and cannot be given an exhaustive answer, so we will only set forth the main viewpoints here. To avoid any possible confusion (meaning, who is against), it must be stated that unfortunately there are quite a number of adversaries (latent and open) to European integration. Although at the government level there shouldn't really be any resistance, many European standards are nevertheless latently (or openly) given a hostile reception in our society. For example, we will mention the gender question, equality between men and women in the family, and ensuring equal job opportunities and wages for women, invalids, and national minorities, as well as their equal representation in the executive power structures. For the most part, all local "Europeanism" is concentrated only in the capitals of the South Caucasian states, and even then not in all aspects (in this respect the Azerbaijan regional development program adopted recently is extremely important).

Although, on the whole, European legal standards are quite well received in national legislation, there is still a long way to go before they are actually executed on a daily basis. Of course, society and the population's mentality cannot be changed in one fell swoop, but it is obvious that from above the rate at which Azerbaijan is becoming integrated into Europe is quite high, whereas at the grassroots level it is lagging far behind.

Worries are being expressed that entry into the "Christian club of Europe" will erode our national customs, force people to give up their age-old views and traditions, consign customs, approaches to upbringing-

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<sup>4</sup> See: *The World Factbook*, CIA, Wash., 1999; *The World in 2000*; *The National Interest*, Summer 2000, p. 18.

ing, and cultural-moral development to oblivion, and lead to the artificial propagation of alien moral priorities and values. But the main worry is whether entering Europe will help to settle the Nagorny Karabakh problem or, on the contrary, will stop us from restoring territorial integrity by force. In our opinion, these worries are often justified. But the advantages of European integration outweigh the possible risks, which can be avoided if a balanced and well-thought-out policy is pursued, taking into account national traits and the specific situation in the region.

I would like to give a brief description of these advantages, particularly keeping in mind the following: Azerbaijan's access to the world markets, promoting our goods in Europe, gaining access to the latest technology, in particular revamping industrial production and agriculture, attracting investments, creating new jobs, and establishing military-technical cooperation, including with NATO. I will also add to the above the opportunities opening up for more active participation by our republic in the European and world economy, occupying our proper place in world integration and the globalization processes, and maintaining our influence on international relations. What is more, cultivating Azerbaijan's aggregate potential and might will also allow us to settle the Nagorny Karabakh conflict and liberate the occupied land in a peaceful way.

## Integration and Regional Conflicts

I do not think that Europe, or the world leaders, or the South Caucasian countries themselves have anything to gain from regional conflicts in areas where the global oil pipeline is being built, where trans-continental transportation routes are being created, and where other immense opportunities are opening up for mutual advantageous economic cooperation. The world is becoming ever more open and interdependent, and leaving the settlement of regional conflicts hanging in the air or putting it off until later is no longer an option either for us, or for the planet as a whole.

According to the author of this article, adequate settlement of the Nagorny-Karabakh and other regional conflicts is one of the prerequisites for the Southern Caucasian countries being accepted into Europe. Our position is based on international law and corresponds to its principal criteria. But Armenia, which is refuting Azerbaijan's territorial integrity, cannot join the EU the way things stand at present, and due to the threat of remaining on the sidelines of world integration processes and the danger of losing the obvious prospects for regional and continental cooperation, it will be forced to give up its cherished dream of retaining militaristic control over part of our republic, a member of the world and European community. (Foreseeing possible analogies with the Cypress question, I will not discuss it in this article, since these are entirely different conflicts in terms of genesis, development, and status.)

What is more, the world trends aimed at joining forces to combat international terrorism, separatism, organized crime, and revision of the current geopolitical structure must be kept in mind. What is more, the efforts to establish a world order and step up control over the safety of human civilizational development can clearly be seen in all spheres: politics, the environment, the economy, and so on. In this respect, the recent speech by Antonio Mario Costa, deputy U.N. Secretary General and head of the U.N. Vienna Office for Drug Control and Crime Prevention, on 30 April, 2004 in the Vatican entitled "World Threats to World Government" was no coincidence.<sup>5</sup> I believe that mankind is ripe for a focused discussion of the idea of world government.

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<sup>5</sup> [www.undc.org].

## Is There Another Way to Return Karabakh?

As for forceful methods, Azerbaijan has repeatedly voiced its opinion and been understood: if peaceful means are exhausted, the country will turn to a forceful solution. Someone, throwing quibbles aside, is calling right now for taking up arms. Let us take a brief look at what this would mean. We are opposed by well-armed invaders, with combat experience, who have been fed from the outside and have long lived in an atmosphere of military tyranny, siege psychology, and fear. I have no doubt that the Azerbaijani army is only waiting for an order from the commander-in-chief and is ready to liberate the occupied land, even if the adversary has help from its protectors. I don't see Armenia's partners under the CIS Collective Security Treaty being able to interfere in any military action as serious, since we are not going to attack Armenia's borders, but liberate land that rightly belongs to us. I even believe we "will be permitted" to fight.

Nevertheless, we will have to be ready for full-scale operations, since we have no right to take a risk. Settlement of the conflict by force will entail enormous expenses, early transfer of the economy into military channels, mobilization, limited access to information, the introduction of censorship, electricity cutoffs in the cities (for civil defense purposes), protection of the population from bomb strikes, erecting barriers for entry and exit out of the country, infringement of other human rights, and so on. It is a long process and will mean a drain in investments, essentially all foreign companies leaving the market, the above-mentioned plans to put major pipelines into operation being frozen, and additional expenses to warn of diversions at all vitally important urban and population settlement facilities. And even if we win, not only Nagorny Karabakh, but also other territories, will have to be restored, compensation will have to be paid to those who become invalids, and to the families of those killed, and so on. Such prospects graphically illustrate the difficult consequences of any military action, not only for Azerbaijan, but for Armenia as well.

## Does Europe Understand Our Position?

The very fact that recently the position of "European Union special representative for the Southern Caucasus" was instituted speaks volumes. At a meeting with Heikki Talvitie, on 22 March, 2004 in Baku, Azerbaijani President Ilkham Aliev once more stated clearly that the strategic choice of our country was integration into the European structures.<sup>6</sup> This policy is without a doubt the continuation of the only correct course, taken in 1993-1994 by Heydar Aliev, who headed the republic at that time. The past ten years have clearly shown how farsighted and wise this step was. For finding themselves at the crossroads after the empire disintegrated, several post-Soviet countries chose a different path, and are now feverishly trying to make up for lost time and build bridges to the West.

In this way, Azerbaijan is clearly declaring its "European choice," a desire to integrate into the European structures and become a member of the European Union. There is no doubt that Europe as a whole and most of its institutions have formed a clear understanding of Azerbaijan's position.

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<sup>6</sup> See: *Bakinskii rabochii*, 23 March, 2004.

## Do We Understand Europe?

But we must be realistic and understand that our desire alone is not enough, the EU must also be interested in this. Here it is important not to repeat past mistakes, not hang our heads, and not complain that our true desires are not getting the proper response from the European Union. The forthcoming relations with Europe must be treated as a kind of future “marital contract,” with a clear indication of the sides’ rights and obligations, what we are going to give, and what Europe is going to give us. What is more, we must decide what specifically remains to be done in the country itself to facilitate a smooth and painless entry into the general integration processes.

Today one of the main problems for the ideologues of a United Europe is Turkey’s entry into the EU. In the 1960s, the Europeans hastily promised that it would be a member of this structure, only to begin back peddling with all their might, motivating this by the fact that the country had still not achieved the European standards necessary for joining the EU. Incidentally, opinions in Europe itself on this question differed. Some countries believe that the refusal to accept Ankara to the EU can provoke the Turkish radical forces, and this could lead to unpredictable consequences for Europe itself. A possible development of the situation along these lines explains the fact that the EU does not want to promise acceptance of the South Caucasian countries in advance and that it launched the above-mentioned New Neighbors program, the objective of which is to encourage the new states to draw closer to Europe, but at the same time not promise some of them membership in this structure.

It is much more expedient for the EU to create a cooperation zone with an already “established” and economically and politically regionally integrated area, than with each of our countries individually. This, according to many European politicians, could be the basis for strengthening security and stability in the Southern Caucasus.

## Is Azerbaijanian Society Ready to Recognize Itself as Part of the European Space?

Consistent integration into the European structures could also be a great stride toward consolidating Azerbaijanian society as a whole. Despite all the difficulties, there are real prerequisites in our country for integration into Europe being not only government policy, as it is now, but also being objectively accepted as a national priority by all strata of society. Taking into account that the republic’s president, Ilkham Aliev, has repeatedly called on all the country’s healthy forces to do this, I think that the ideals of European integration are capable of pushing the disputes and differences splitting our society into the background.

The time has already come for this integration not only to be a clear theoretical task for Azerbaijan as a state (as noted above, the question has already been raised, a conception and strategy exist, and the correct course has been set), but to be carried out in practice based on a dramatic increase in the rate at which European standards are assimilated and made a part of everyday life. And here we can and should arm ourselves with the positive experience accumulated recently by the Eastern European and Baltic countries, which recently joined the EU, as well as by several candidate-states still making preparations for this process.

During the preparations to join, during the so-called reform period, integration ministries were created in many countries, which carried out monitoring of the domestic situation in these states and saw that it was brought into harmony with European standards. What is more, this work was done in several areas at the same time, from creating a legal and normative base to economic and political reforms.

It would also be expedient to form a Ministry of Integration, or corresponding National Commission (as it is called in Moldova), in Azerbaijan for this purpose. We will immediately clarify that this structure in no way replaces the Foreign Ministry, on the contrary, its task is to propagate and introduce, as well as monitor, European standards in all strata of society and in the power structures.

Theoretically the tasks of this structure can be formulated as follows. First, gradual integration into all initiatives and programs related to the EU. Second, active implementation of joint bilateral and regional cooperation projects with member countries which are also integrating into Europe (of course not counting the aggressor country Armenia). Third, becoming the driving force of Europeanization, and taking the necessary measures to bring the country into harmony with the EU's standards. For this purpose it is expedient to draw up a conceptual and subject-related plan of necessary measures and submit it to the Milli Mejlis, then after it has been discussed in parliament and given the status of a law, the government could draw up a program of action based on it for a specific period. Fourth, create special departments in the Foreign Ministry, Ministry of Economic Development, and other departments (where there is a need for this). Fifth, duly present the drawn up plan to the EU member countries for signing, and possibly a special European commission on this plan. Sixth, the interests of the EU and Azerbaijan should not clash with the interests of other countries. So it is important to maintain a balanced policy and make our desire to become rapidly integrated into Europe hinge on the situation in neighboring states, for example, in Turkey, Iran, and Russia. Seventh, explain to the republic's entire population in broad and scrupulous terms the advantages of European integration, and inform the people of the specific measures being taken to bring European cultural values into harmony with national traditions and customs. In other words, the people must be prepared for an interpenetration of cultures and for learning how to live in harmony. What is more, the European integration processes must not become the sphere of interests of an exclusively narrow circle of scientists and specialists. Every ordinary person must be included in these processes and conscientiously participate in them.

In this way, the matter essentially concerns creating a kind of headquarters (coordination center), which has the appropriate powers and can help all branches of government and society to correctly understand that "when in Rome do as the Romans do" and set their clocks in time with the Europeans.

World politics is full of unpredictable surprises. I do not think that even the EU ideologists themselves can foresee the current course of European integration. When the map of Common Europe was created, the world had not yet begun its struggle against international terrorism. So it is quite difficult to predict all the future problems the EU will face. But it is very important for Azerbaijan, and other South Caucasian countries I think, to be able to understand the logic and mechanisms of how the European Union functions in order to be able to move forward and lobby their own interests there in the future. And this, in turn, should urge us to use all resources (material and intellectual) to ensure that our ship does not lose its way, but arrives on time at a safe European haven.

# THE “OLD” AND “NEW” PLAYERS IN CAUCASIAN POLITICS

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## 1. The Region on the Threshold of the 21st Century: Sociopolitical Aspect

In the Soviet Union and earlier, in the Russian Empire, the region was divided into the Northern Caucasus and the Transcaucasus (now the Southern Caucasus); the same applies to its geographic, cultural, ethnoconfessional and spiritual aspects. In the early 1990s, as soon as the three Transcaucasian republics gained independence the old geopolitical division based on Russia's ideas about the region changed radically. Today, geopolitical reality presupposes that this socioeconomic expanse consists of the northern, southern, and central parts.<sup>1</sup>

Traditionally, the region includes only the post-Soviet territories (the Northern Caucasus: the autonomous republics of the RF, and the Transcaucasus—Azerbaijan, Georgia, and Armenia). Today, the northwest of Iran (Eastern and Western Azerbaijan) is regarded as the Southeastern Caucasus and the northeastern areas of Turkey (Kars, Ardahan, Artvin, Igdyr, etc.) form the Southwestern Caucasus. Indeed, during the many centuries before Russia came to the Caucasus these lands belonged to a single socioeconomic and ethnocultural expanse peopled by the Caucasian nations; today they can be described as the Southern Caucasus.

Independence has given the South Caucasian republics a chance to unite into an economic union for the sake of their common and individual advance.

As soon as Azerbaijan, Armenia, and Georgia transformed into the entities of world politics it became obvious that the true interests of the Caucasian nations had little in common with what the “old” players (Russia, Turkey, and Iran) wanted, but were very close to the strategic aims of the “new” geopolitical players in the region (the U.K., France, the U.S., and Germany).

<sup>1</sup> See: E. Ismailov, Z. Kengerli, “The Caucasus in the Globalizing World: A New Integration Model,” *Central Asia and the Caucasus*, No. 2 (20), 2003.

The political and legal status of the territories of the Northern and Southern Caucasus has remained virtually the same since the 18th century: they were part of Russia, Turkey, and Iran as autonomous or administrative units; they had no chance of arriving on the political scene as independent entities of the regional powers' policies. After acquiring independence as part of the Central Caucasus, the three Transcaucasian republics inherited ethnopolitical conflicts: this does not allow us to hope for full-scale resurrection and regional integration. Indeed, Azerbaijan and Armenia are locked in a territorial dispute caused by the Nagorny Karabakh conflict (which developed from a domestic Soviet conflict into an interstate confrontation of the post-Soviet period). Armenia is to blame for military actions and for the occupation of part of the Azerbaijanian territory. Today, Armenia is partly isolated because communication between Azerbaijan and Armenia was disrupted, and their common borders turned into a front-line, while Turkey extended support to Azerbaijan, its strategic ally. This makes any efforts to start an integration process in the Central and Southwestern Caucasus futile. Georgia, in turn, inherited three autonomous units from the Soviet Union (two republics and one region) and a patchy ethnic and confessional composition. Under these conditions, what started as a domestic political crisis developed into an open bout of hostilities between Tbilisi and Abkhazia and Tbilisi and South Ossetia, which cost the Georgian authorities their control over the rebel regions. Even though the Ajarian Autonomous Republic formally remained within Georgia, Tbilisi did not gain control over it until May 2004. The republic enjoyed real, and fairly wide, rights and freedom of action. In an effort to exploit so-called "Armenian genocide" in the Ottoman Empire in the early 20th century and because of its aggression against Azerbaijan, Armenia has practically no chance of becoming an equal partner in the Caucasian integration process in the near future.

At the beginning of the 1990s, the Southern Caucasus and its policies were still fairly stable—neither Turkey nor Iran experienced political upheavals. Its domestic and foreign policy aims were inevitably affected by the nearly 30 million-strong Azeri diaspora in Iran, Turkey's ethnic and linguistic closeness to Azerbaijan, as well as a fairly large group of people of North Caucasian, Azerbaijanian and Georgian extraction living in the Southwestern Caucasus (Turkey). Neither the Azeris of Iran, nor of Turkey remained indifferent to the bloodshed in Azerbaijan and Georgia that followed the bringing of Soviet troops to Tbilisi on 9 April, 1989 and to Baku on 20 January, 1990.

Meanwhile, Soviet Russia was building up its military potential in Armenia and encouraging deportation of the Azeris, thus turning Armenia into the only monoethnic state in the Caucasus: it is populated by Armenians and has Russian military bases on its territory.

As part of the Russian Empire, the Northern Caucasus was a troublesome area, but under Soviet power it became much calmer. Tension flared up as soon as the Soviet Union fell apart—the North Caucasian calm turned out to be fragile. Chechnia was the seat of the longest and bloodiest conflict. Started in 1991 under former Soviet general turned president Johar Dudaev, it developed into a full-scale war with no end in sight. Against this bloody background, the conflict between Ossets and Ingushes in the Prigorodniy District of Vladikavkaz (as a result of which the Ingushes were deported from the district) remained unnoticed. Tension mounted in the Krasnodar Territory: the local people objected to massive Armenian migrations from Armenia and Azerbaijan. The revived Cossack movement, which for many centuries has regarded itself as the guard of Russia's borders in the Caucasus, vehemently objected to the Armenian inflow: at first this discontent resulted in fights and quarrels; later, by the early 1990s, it developed into a large-scale phenomenon. The Program of the All-Kuban Cossack Troops drawn up on the eve of the elections to the territorial legislative assembly (October-November 1994) said in part: "The Kuban Area is home to one hundred nationalities who have been living in harmony and peace here. It has been a hospitable home, but guests should not behave like masters in it. We favor strict migration policies—all illegal migrants should be deported to their historical homeland."<sup>2</sup>

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<sup>2</sup> A. Osipova, "Krasnodarskiy kray: migratsia, natsionalizm i regionalistskaia ritorika," *Kavkazskie regional'nye issledovania*, No. 1, 1996.

The Assembly of the Mountain Peoples of the Caucasus set up in Sukhumi in 1989 (transformed into the Confederation of the Mountain Peoples of the Caucasus in 1991 and into the Confederation of the Peoples of the Caucasus in 1992) drove the tension even higher. Its founders described unity of all Caucasian peoples as their aim. Created with the active support of Johar Dudaev, it was dominated by Chechens, while its fighters fought along with Abkhazians against Georgia in Nagorny Karabakh and in the Northern Caucasus.

### The Ethnoreligious Factor

In different historical periods the Caucasus was dominated by different powers that brought their own religions to the Caucasian mountains: Zoroastrianism, Christianity, and Islam. Persian, Arabian, and Ottoman conquerors, as well as Timur's armies, are responsible for the different Islamic trends now in evidence in the region. It was from Byzantium that the local peoples received Christianity; the Georgian, Abkhazian, and Osset churches were independent organizations, while the Armenian Gregorian Church was not only independent, but also very active. It followed Armenian migrations until in 1441 its center reached the Echmiadzin on the Azeri lands. Later, in the mid-18th century, the Azeri Muslim Erevan Khanate appeared. Echmiadzin, as the center of the Armenian Church, has set up a fairly wide network of churches and controls the large Armenian diaspora; it is actively involved in the everyday life of the Armenians, and in shaping their political and spiritual environment and even foreign policy goals. It should be added that although part of the Armenian Apostolic Church, the Catholicosate of Cilicia is politically independent.

The Armenian Church played an important political role during the early stages of the Karabakh conflict when Catholicos Vazgen I was actively consolidating the nation for the war against Azerbaijan. The 1993 Law on Freedom of Conscience pointed to the importance of Echmiadzin and said in its preamble that the Armenian Apostolic Church enjoyed priority in the republic.<sup>3</sup> Its important role was confirmed by the fact that in the summer of 2001, President Bush personally received Catholicos Garegin II during his American visit—neither Ilia II, head of the Georgian Church, nor Allahshukur Pasha-zadeh, head of the Spiritual Administration of the Muslims of the Caucasus, were given this honor.

As distinct from the Armenian Church, which has been functioning as a supra-state structure, the Georgian Church was mostly involved in social and spiritual, rather than political development and issues of state importance. It has stayed in the background, in the shadow of state and political leaders. This is also true of the post-Soviet period when all nations were seeking their religious identities—a process in which the Georgians were also involved. This can be explained by its relative isolation and the absence of a rich diaspora ready to pour money into religious education. This became obvious during the 2003 parliamentary elections when politicians, rather than the Church, negotiated President Shevardnadze's resignation.

The same can be said about Azerbaijan: Soviet power gradually reduced to naught the role of religion. (Baku, a city with a two-million-strong population inherited two mosques from Soviet times.) Despite the efforts of certain Islamic states, primarily Iran, to fill in the ideological vacuum left by the Soviet Union by "bringing the Azeris back to their religion," this never happened. Today Islam has a certain role to play in the republic's spiritual life, yet it has not developed into a real political force. Russian academic A. Polonskiy has the following to say on this score: "To a certain extent religion has become desacralized. Islam has no important role to play in any of the socially important spheres. It is respected, it is practiced, but is never used for guidance."<sup>4</sup> This opinion is shared by many analysts, even if their assess-

<sup>3</sup> See: G. Avakian, "Armianskaia apostol'skaia tserkov, ee mesto v sovremennom armianskom obshchestve," *Tsentrāl'naia Azia i Kavkaz*, No. 2 (3), 1999.

<sup>4</sup> S. Polonskiy, "Islam v kontekste obshchestvennoy zhizni sovremennogo Azerbaidzhan," *Istoria*, No. 28, July 1999, pp. 10-13.



ments of all sorts of religious foundations working in the country differ. From time to time the media accuse them of spying or even terrorist activities. It is commonly believed that they are promoting radical Islamic ideas.

To a certain extent its religion shapes Azerbaijan's foreign policy. Heydar Aliiev, founder of the Azerbaijanian statehood who created geopolitical prerequisites of regional integration, never concealed his special treatment of all Muslims. President Ilkham Aliiev follows in his father's footsteps. In June 1994, during his visit to Saudi Arabia, the common Islamic foundation of the relations between Azerbaijan and one of the leaders of the Muslim world was stressed by giving the president of Azerbaijan access to Kaaba, the main Islamic sanctuary, open to the faithful once a year during the massive pilgrimage to Mecca.

Still, all analysts agree that religion has no important role to play in the republic's foreign and domestic policies.<sup>5</sup> Our leaders are dedicated to the ideas of democracy and international legal norms, which has been amply confirmed by the republic's participation in the counterterrorist campaigns in Afghanistan and Iraq, whereas the majority of the Muslim states refused to send their troops there.

Without going into details about the role of the Muslim factor in the Southern Caucasus, we can say that the Islamic Republic of Iran turned religion into its state policy, thus giving it an important role to play in the country's social and economic life. While declaring its dedication to the principles of Islamic solidarity, Iran is extending full-scale support to Christian Armenia in its aggression against Muslim Azerbaijan. In Turkey, where religion was separated from the state, supporters of Islamization are fairly strong, which was confirmed by the recent shifts in the power structures. At the same time, in its foreign policy, Ankara has been never guided by confessional affiliation: it is an ally of Israel and the United States.

In different constituencies of the Southern Federal Okrug of the RF, religion plays different roles. In the past four to five years, analysts all over the world concluded that the Northern Caucasus (Chechnia, to be more precise, and from time to time Daghestan) had developed into a center for spreading political, or "state," Islam. Early in the 1990s, Johar Dudaev introduced the Shari'a into his republic. Later events (escalation of the conflict between Ichkeria, as the Chechens prefer to call their republic, and the federal center) demonstrated that neither the Kremlin, nor the North Caucasian republics were prepared to accept the Islamic model for the Northern Caucasus. The world community proved reluctant to do this as well. We can even say that the North Caucasian religious and ethnic patchwork is ill-suited to accepting Islam as the cornerstone of the region's future.

In post-Soviet times there were practically no religious conflicts in the Caucasus, despite the fact that the Muslims are in the majority there. Religion has not developed into a politically dominant factor responsible for the region's future: it helped shape a new identity; those who supported sovereignty and favored foreign influences used Islam to channel foreign policy in the desired direction.

The post-Soviet ethnic-territorial conflicts took place along the line where the Northern and Central Caucasus met—along the state borders of Azerbaijan and Georgia with Russia and along the Azerbaijanian-Armenian border. This pushed Baku and Tbilisi onto the Caucasian political scene; for the same reason, both republics have opted for stage-by-stage integration into the world community of developed democratic states. The shared historical, sociocultural and ethnoconfessional factors that tied together the Caucasus in the past have not completely disappeared: they are still influencing the local developments, despite the fact that the Central Caucasus has already been turned into an independent regional structure. Its historic mission is to create a new political map of this vast region.

Three independent Central Caucasian republics added two new trends to the factors described above: an interest displayed by world capital in developing the Caspian hydrocarbons and the Caucasus' transportation and communication role (from time immemorial the Caucasus has been a stretch of the Great Silk Road connecting Europe and Asia). These trends created the region's new geostrategic identity.

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<sup>5</sup> See: T. Swietochowski, "Azerbaijan: The Hidden Face of Islam," *World Policy Journal*, Fall 2002, pp. 69-76.

## 2. Oil—The Main Confrontation Factor

Oil, or to be more exact the energy factor, is behind the power poles in the Caucasus. It is probably the most important element of the region's geopolitical significance.<sup>6</sup> In the 1990s, local gas and oil reserves invited the attention of not only the EU and the APR, which badly needed energy fuels, but also the Arab states, the resources of which are even larger.

The largest Central Caucasian oil and gas reserves developed by more than 15 of the world's largest oil companies belong to Azerbaijan. The potentially huge profits are leading to a clash of interests in the region. In the mid-1990s, Russian analyst Iu. Fedorov wrote: "Azerbaijan has a chance of becoming one of the largest oil exporters, comparable to Oman, for example."<sup>7</sup> Transportation of hydrocarbons to the world markets was another problem that involved the interests of neighboring states and certain geopolitical aspects and called for the diplomatic skills of President Heydar Aliiev and much effort from the Georgian leaders. Together they managed to make Georgia a transit country, through which oil would be transported from Baku to Ceyhan in Turkey. In 1994 Russia, which had started to build another pipeline across the Northern Caucasus to Novorossiisk, failed to convince world investors and Baku that it should become the main pipeline for big Caspian oil. Out of the two countries involved in the pipeline rivalry, Turkey and Iran, the former won. It should be added that the political consideration (American support for the Baku-Ceyhan line, in particular) prevailed over the economic consideration: it was the cheapest and the safest cross-Iranian route, which was pushed aside under strong outside pressure.

The Caspian status was another stumbling block for the states that tried to divide the marine oil reserves. Certain circles in Russia and Iran tried to use the issue to put pressure on Azerbaijan. Moscow first raised this question in 1994 and insisted that the status should have been determined before the coastal states started developing oil and gas reserves. On 27 April, 1994, the Russian Foreign Ministry sent a note to Brian Fall, British Ambassador to Moscow, in which it protested use of the term, "the Azerbaijanian sector of the Caspian," in the Memorandum on Cooperation in the Energy Sphere signed by Baku and London in February 1994. The note said that any project related to the development of oil resources in the Caspian and its transportation to Europe would be legally null and void if all coastal states did not give their consent, because of the Caspian's integrated ecological system and because of the absence of relevant legal acts. None of the Caspian republics received similar notes.<sup>8</sup> Later events proved, however, that Russia was more inclined to compromises than other states. Active consultations among the Caspian states carried out in 2001-2003 led to a stage-by-stage signing of bilateral agreements in 2003 on dividing the Caspian into national sectors. Today, such agreements have been already signed by Russia and Azerbaijan, Russia and Kazakhstan, and Azerbaijan and Kazakhstan.

Iran is stubbornly opposing a compromise: it wants to divide the sea into equal sectors in order to receive 20 percent, instead of the 12 percent of the sea bottom it can get today. The latter figure was determined by the median line method accepted by Astana, Moscow, and Baku. This shows that in the near future the Caspian issue may affect the situation in the Southern and Northern Caucasus to the same extent as other social-political and economic contradictions. The form of the relations among the coastal countries of the Southern, Central, and Northern Caucasus and the methods and rates of their intensification will depend on the final settlement of the Caspian problem.<sup>9</sup>

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<sup>6</sup> The region's proven oil reserves amount to 3.635 billion tons, of which 535m tons are found in the Northern Caucasus and Russia's Caspian shelf (see: Information about the reserves and development of hydrocarbons in the Russian part of the Caspian basin [www.strana.ru] dated to 23 May, 2001); in the Central Caucasus (Azerbaijan)—1 billion tons (BP-Oil section [www.bp.com] dated to 26 February, 2004); in the Southeastern Caucasus (Iran)—2.1 billion tons (possible reserves), 350m tons—proven ([http://www.petros.ru/nik/country4.asp]).

<sup>7</sup> Iu. Fedorov, "Kaspiyskiy uzul," *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 4, 1996, p. 82.

<sup>8</sup> NIA Habar service, 7 June, 1994, Bulletin No. 904, p. 1; 21 June, 1994, Special Issue, p. 2.

<sup>9</sup> There is the opinion that the agreements concluded by three out of five Caspian states on the division of the Caspian Sea into national sectors with different jurisdictions of the seabed, water and surface have already determined approaches to the issue and supplied them with legal support. This proves that bilateral agreements have priority over agreements signed by the five Caspian states.

### 3. The Caucasus— Self-Regulating West-East and North-South Crossroads

At all times the Caucasus has been part of the world communication network; as part of the Soviet Union, a “closed” society, it lost the planetary role as a transportation corridor between the West and the East and between the North and the South.

Disintegration of the Soviet Union revived this role: the Caucasus is most important for Eurasia. No wonder Europe wanted to restore this function with the help of the TRACECA project being implemented within the TACIS EU program. The project is of huge commercial, cultural, and historic importance. There are several other international projects, such as the TransAsiaEurope (TAE) fiber optic cable project designed to strengthen the role of the Caucasus as a link between the West and the East. Several international structures (the Black Sea Economic Cooperation Organization, GUUAM, and others) are already working on the project.

Since the late 1990s, Russia and Iran have been actively developing the North-South project to revive and intensify communication between the two countries via Azerbaijan. Tehran has already allocated tens of millions of dollars to restore the highway and railroad between Astara and Baku; three bridges will be built on the Azerbaijanian-Iranian border; more customs offices will be opened on the border between Azerbaijan and Russia (Daghestan); and a communication system, which in future will allow the three countries to unify energy networks, is also planned. These projects are being implemented along the Caspian coast, which is providing the opportunity to use the sea to strengthen North-South contacts. Azerbaijan has confirmed its readiness to join the projects in anticipation of large profits.<sup>10</sup>

This activity of the world centers and the desire of the South, North, and Central Caucasian republics to develop transport communications and related economic projects, as well as an awareness of their huge importance for the entire region, add attraction to the projects, which stand a great chance of being finally implemented. This is what makes them different from idle declarations of certain political leaders of regional and neighboring states.

The complicated geopolitical context in the Caucasus should be taken into account. Its new division into the Central, Northern, and Southern parts is prompted by the social-political realities and the regional balance of power. Azerbaijan's 30-million-strong population concentrated in the east of the Southern Caucasus, the Baku-Tbilisi-Ceyhan oil pipeline, and the gas pipeline going from Baku to Erzerum in Turkey via Tbilisi across the Central Caucasus and the western part of the Southern Caucasus have made the region's southern fringe an independent political unit. These units are acting within the recognized state borders of Turkey and Iran, but playing their own game, which sometimes differs from what the center is doing. In Iran, local Azeris are uniting into NGOs to defend their political, social, and cultural rights. The north of Turkey is acting independently of Ankara by establishing contacts with the border areas of Azerbaijan (the Nakhichevan Republic), Armenia, and Georgia. Contrary to the official statements coming from Ankara that the border with Armenia is closed and will remain closed until the Karabakh conflict has been settled, the northern districts of Turkey are actively trading with Armenia: in 2003 trade turnover carried out through Georgia reached \$150 million. Ajaria, an autonomous republic within Georgia, developed its relations with Turkey until May 2004 in a direction unacceptable to Tbilisi. Aslan Abashidze, the republic's leader at that time, never tired of reminding everyone that under the 1921 Moscow Treaty Turkey was appointed as a guarantor of Ajaria's territorial integrity.

The newly acquired sovereignty has allowed the three Central Caucasian republics to draw up their domestic and foreign policy priorities independently. The transport and oil and gas projects being actively implemented have already brought Georgia and Azerbaijan closer together. Armenia remains outside

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<sup>10</sup> See: *Eni Azerbaijan*, 20 February, 2004.

the integration process, yet no real integration of the Central Caucasus can be achieved without it; likewise, without Armenia this integration structure will never acquire real influence; it will never be able to pursue an independent and clear policy. In fact, Erevan's present destructive stance with respect to Baku, Ankara, and partly to Tbilisi is detrimental to the region's security.

As part of Russia, the Northern Caucasus should be treated as such: when shaping its domestic policy in the south and its foreign policy to the south of its southern borders, Moscow nearly always bears in mind the local North Caucasian specifics.

#### **4. The “Old” and “New” Geopolitical Players in the Caucasus and Their Role in its Integration into the World Community**

When looking at the situation as a whole we should bear in mind that Azerbaijan, Georgia, and Armenia (the Central Caucasus) are directly involved in local developments along with Russia, the southern part of which, between the Caspian and the Black seas, has been always called the Northern Caucasus, and the northern parts of which, along with Iran and Turkey, geographically, historically, and culturally form the Southern Caucasus. All of them, irrespective of their domestic and foreign priorities and goals, are involved (voluntarily or otherwise) in these processes, each with a role of its own.

The newly acquired sovereignty of the Caucasian republics boosted the interest displayed by the “old” players (Russia, Turkey, and Iran) and attracted “new” players (the U.S., some of the European countries, the APR, and the Middle East).

In fact, the past, filled with struggle among the “old” players for domination in the Caucasus or its parts, repeatedly demonstrated that any change in its political status attracted “new” actors. This happened early in the 20th century when the Russian Empire fell apart. The short period of independence of the Transcaucasian (Central Caucasian) republics in the 1920s pulled the leading European countries and the United States to the region; and restoration of their independence in the early 1990s showed that this interest was not dead. In fact, it became even greater—this is testified by all sorts of successfully implemented geopolitical and militarist projects. This partly explains the great number of protracted and bloody conflicts Georgia and Azerbaijan have to deal with, as a result of which parts of their territories are either occupied or uncontrolled by the legitimate authorities. Georgia and Azerbaijan are actively cooperating; they have formed the core of Caucasian integration; they are consistently harmonizing their positions on many aspects of social, economic, and political development. These efforts have been reflected in their efficient and mutually advantageous cooperation in extracting and transporting Caspian hydrocarbons, as well as in their closer contacts with NATO and gradual integration into European and other international structures. They are strengthening their democratic institutions and increasing their role on the international arena. The world community and the “new” actors (the leading European countries, the United States, and Turkey) have approved of these efforts.

Armenia was left outside the process, which was basically of its own doing, since it was and remains openly aggressive toward Azerbaijan and Turkey and less openly toward Georgia. Numerous attempts of international organizations to defuse the situation failed: Erevan does not want to de-block its borders and accept a positive solution to the Karabakh problem. Recently, the Armenian leaders refused to evacuate Armenian troops from some of the occupied Azerbaijanian districts, thus depriving Armenia of the opportunity to be involved in the TRACECA project.

Two of the “old” players (Iran and Russia) are actively supporting Armenia: they do not want another regional power pole represented by Turkey, Georgia, Azerbaijan, and the “new” players

(America and West European countries) helping the new independent Caucasian states integrate into the world community. The academic community has repeatedly stated that Russia and Iran want to preserve the local conflicts in order to develop the North-South line, as opposed to the East-West one, and to control the Eurasian communication corridors. Today, Russia, which has always claimed the role of a transit corridor between Europe and Asia, is losing the battle to the West. This is amply confirmed by the TRACECA project, as well as the Baku-Tbilisi-Ceyhan pipeline, which will bypass Russia. At the same time, Azerbaijan and Georgia need stable relations with Russia and Iran; Baku supported the North-South project designed to connect Russia and Iran. This was clearly stated in the Moscow Declaration signed by Russian President Putin and leader of Azerbaijan Ilkham Aliiev during his Moscow visit in February 2004. Russia's military bases in Armenia and Georgia, Moscow's reluctance to put pressure on Erevan and the separatist regimes in Nagorny Karabakh, Abkhazia and South Ossetia, and the Kremlin's passive position on many conflict-related issues can be interpreted as the desire to put pressure on Azerbaijan and Georgia in order to prevent integration in the Central Caucasus. Iran, in turn, is helping Armenia; it is strengthening their political and economic contacts and trying to put pressure on Azerbaijan in order to divide the Caspian Sea into national sectors according to its plan.

The "old" and "new" players are doing their best to influence the Central Caucasian countries in order to guide their foreign policies and shape their economic priorities, thus making them part of their own geopolitical and geoeconomic interests. America and Europe want the Caucasus to become a zone of peace and stability and a link between the West and the East; at the same time, they want the Caucasus to promote their interests in the Middle East and Asia. To make this possible they are actively helping the republics to strengthen their statehoods and establish regimes close to the Western ideas of democracy. For example, it was with the help of the United States that the "Revolution of Roses" became possible in Georgia in the fall of 2003 when President Shevardnadze was removed from office and the newly elected parliament disbanded. The "old" players are displeased with NATO's U.S.-encouraged efforts to open its military bases in Georgia and Azerbaijan: Russia and Iran are stubbornly opposing these plans. The visits of President of Azerbaijan to Moscow in February 2004 were very eloquent in this respect. The popular Russian-language newspaper *Ekho* published in Baku referred to an anonymous source in the U.S. State Department when it reported that the opening American military bases in Azerbaijan had been put on hold. Russia's staunch opposition was described as the main reason behind this.<sup>11</sup> At the same time, despite the official assurances that Georgia would never allow other countries to deploy their military bases on its territory, during his February visit to Washington, new Georgian President Saakashvili agreed to open a FBI bureau in Tbilisi, which could be described as another step toward closer military cooperation with Washington.

Japan, China, Pakistan, and other APR countries can be described as the "newest" players. Their attention is riveted by Azerbaijan's oil wealth; while agreeing that the Caucasus is a link between the East and the West, these states do their best not to clash with the "old" players and to avoid diplomatic and political demarches. Being very much interested in the Caucasian transportation corridor, however, they tend to increase their presence in Central Caucasian economy; in fact, the interests of the "newest" and "new" players are mainly identical, which helps to implement many joint projects, especially in the transportation sphere.

The Islamic Mid-Eastern states have certain plans in the region; they rely on Azerbaijan and try to exploit the Islamic solidarity factor: they insist that Baku should demonstrate more restraint in its relations with the United States, Europe, and Israel in the first place. The Saudi ambassador to Azerbaijan never tires of insisting that his country takes sides with Baku in the Karabakh conflict and that his country has no intention of opening its embassy in Armenia as long as part of Azerbaijanian territory remains occupied by Armenia. Between 1993 and 2003, the International Islamic Relief Organization alone, a Saudi foundation, extended humanitarian aid of over \$12.5 million to Azerbaijan.<sup>12</sup> Saudi Arabia obviously wants

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<sup>11</sup> See: *Ekho*, 17 February, 2004.

<sup>12</sup> *International Islamic Relief Organization, Azerbaijan Office*, Baku, 2004.

to acquire instruments for putting pressure on Azerbaijan, which is the key factor when it comes to extracting and transporting Caspian hydrocarbons to the world markets. Caspian oil will undoubtedly affect the Arab countries' political weight, which depends on their domination in the world's oil sector. They frown on Azerbaijan's contacts with Israel; the Arab countries are employing every means at their disposal to limit them, ranging from recognizing Armenia as an aggressor, which was done by the OIC, to fairly large humanitarian projects being implemented in Azerbaijan. At the same time, contrary to what they are preaching, certain Arab countries (Syria, Lebanon, and Palestine) maintain contacts with Armenia. This fact puzzled the Azerbaijanian public and caused disillusionment.

By way of a summary it should be said that integration is going ahead in the region as a whole and mainly in the Central Caucasus (Azerbaijan and Georgia) and Southwestern Caucasus (Turkey). Integration outside the political sphere, in the transportation sphere to be more exact, already involves the Northern (Russia), Central (Azerbaijan) and Southeastern (Iran) Caucasus within the North-South project, which is taking clear shape. Armenia is the only Central Caucasian country poorly represented in these integration projects. Significantly, Azerbaijan and Georgia, burdened with unsettled territorial conflicts, fully realize the importance of joining the world community. The Central Caucasus is a key link in the Eurasian integration expanse—in fact, this integration cannot succeed without it. The Caucasus will traditionally remain a bridge between the East and the West; and as such it has its own role to play in globalization and has the opportunity to become a planetary player. To reach these aims some of the regional countries must shift their positions, establish good relations with their neighbors, and achieve peace in the region. In other words, confrontation must give way to cooperation.

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## RUSSIA IN THE CASPIAN

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### Contraction of Russia's Geopolitical Expanse

For centuries Russia has been the center of power in the Caspian; for centuries it has conducted an active policy there. Today, it can rely on its experience of multisided and bilateral cooperation in the region. In December 1991, however, it revealed to the world an image that dramatically differed from all previous historical forms of its statehood. This is true of Russia's political system, its borders, and its geopolitical neighbors.<sup>1</sup> Azerbaijan, Turkmenistan, and Kazakhstan joined Iran and Russia as independent states. Their fuel reserves added weight to their international prestige. D. Yergin, one of the

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<sup>1</sup> See: I.S. Ivanov, "Vneshniaia politika Rossii na rubezhe XXI veka: problema formirovaniia, evoliutsii i preemstvennosti," *Vneshniaia politika i bezopasnost' sovremennoy Rossii 1991-2002*. Anthology in four volumes, Vol. 1, ROSSPEN Publishers, Moscow, 2002, pp. 204-232.

leading experts in oil-related issues, has said: "We should expect an 'unexpected surprise,' which will become obvious post factum. Everything that might affect our access to the sources of oil—violence, wars, technogenic threats, political collisions, economic imperatives, ethnic, religious, ideological, or social conflicts—could strike out of the blue."<sup>2</sup>

In post-Soviet times the Caspian became a knot of contradictory regional and extra-regional interests, a place where geopolitical aims and strategies clashed. In these conditions, Russia had to formulate new geopolitical aims, while bearing in mind the geopolitical interests of its neighbors and certain other states, the political aims of which often had nothing in common with what Moscow wanted. The local oil and gas reserves are important for their owners. More than that, they are important for Western countries, which has created new serious problems for Kazakhstan, Azerbaijan, and Turkmenistan. Here I have in mind their complete dependence on Russia in the transport and communication sphere. It was the Russian Federation's main intention to force Azerbaijan and Kazakhstan to transport their oil across Russian territory to Novorossiisk<sup>3</sup> in order to be able to influence the situation in the region as a whole and in individual countries.

Russia's foreign policy was unfolding under geopolitical conditions that differed greatly from Soviet times. The territory of its geopolitical, military, political, economic, and cultural influence shrank. In fact, it lost everything it had been fighting for during the past two centuries: in the Caucasus it retreated to the borders of the early 19th century; in Central Asia, to the borders of the mid-19th century, and in the west, to the borders of the early 17th century. In just a few days, Russia lost everything it had possessed for several hundred years, everything for which it had fought numerous wars and for which it had sacrificed millions of lives.<sup>4</sup> As a result, the Caspian, which for 250 years had been the zone of Russian-Iranian political and economic interests, developed into a zone where the interests of five coastal states meet. In addition, it has attracted many extra-regional states and transnational companies, each with aims and interests of their own.

The Caspian zone is unique because of the wide range of varied regional and related problems, their intertwining, and a multitude of domestic and international aspects that affect the national security of all the coastal states. The region is conflict-prone, any unfavorable development, especially in its post-Soviet part, could cripple the prospects for multisided cooperation. This is typical of the world at the beginning of the 21st century in general. On the one hand, these geopolitical changes caused new problems which sapped Russia's influence; on the other, they again forced it, as always happened at the turning points in its history in the 18th-20th centuries, to reassess its role and identify ways and means to realize its interests in the region.

Russia's role as the main geopolitical center in the Caspian diminished when new states appeared on the Caspian shores. The same can be said of Iran, which for many centuries was one of the key actors in international relations. The international legal status of the Caspian Sea changed and had to be negotiated anew. In the legal sphere, Moscow relied on the principle of the continuity of Russian statehood, according to which the Russian Empire, the R.S.F.S.R., the U.S.S.R., and the Russian Federation were the same participant in interstate relations, the same entity of international law, which continued exercising the rights and fulfilling the obligations stemming from its international agreements.

Life proved to be much more complicated than this. Russia was not active enough when formulating its Caspian priorities, even though the appearance of the new independent states called for new political relations among the post-Soviet republics. The Russian leaders repeatedly emphasized that Russia's Caspian coastal zone was of special geopolitical and economic importance, and did practically nothing to strengthen Russian's foothold there. Moscow failed to fully employ its geopolitical instruments to make

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<sup>2</sup> D. Yergin, *Dobycha. Vsemirnaia istoria bor'by za neft, den'gi i vlast* (D. Yergin, *The Prize: The Epic Quest for Oil, Money & Power*), Russian translation, DeNovo Publishers, Moscow, 1999, p. 826.

<sup>3</sup> See: I.S. Zonn, *Kaspiy: illiuzii i real'nost*, TOO Korkis Publishers, Moscow, 1999, 467 pp.

<sup>4</sup> See: Z. Brzezinski, *The Grand Chessboard. American Primacy and its Geostrategic Imperatives*, New York, Basic Books, 1997, pp. 99-100.

its regional policy more effective: while controlling the export oil and gas pipelines the Caspian countries used to reach foreign markets and having complete information about their oil and gas fields, Russia was retreating under pressure from the Western countries which had just arrived in the Caspian. The United States, guided by long-term priorities, was stepping up its diplomatic involvement there. Washington correctly assessed the degree to which Russia's influence in the region declined during Kozyrev's "orientation toward the West" course and skillfully used it.

Meanwhile, the geopolitical and economic situation deprived Russia of the potential that might have helped it keep its foothold in the Caspian, for the simple reason that it was the legal heir to the Soviet Union. The speed with which the geopolitical situation around the country was changing left no time for its leaders to clearly formulate Russia's foreign policy priorities. For this reason, early in the 1990s, Moscow no longer had a decisive say in the key issue—the international legal status of the Caspian. The very approaches to this problem were changing together with the changing situation.

## Beating a Retreat

The "contract of the century" Azerbaijan signed in 1994 and restoration of the Baku-Tbilisi-Batumi oil pipeline dramatically changed the geopolitical situation: Russia was forced to face further weakening of its geopolitical influence in the Caspian and the danger of losing Azerbaijan's oil transit fees. Moscow's foothold was further eroded by the situation in Chechnia no longer controlled by the federal center. Chechnia, a landlocked republic, attracted attention as an important oil transportation link: it was on its territory that the oil pipelines from Azerbaijan and Kazakhstan met. In addition, the Chechen crisis undermined Russia's southern transportation infrastructure. The war that started in Chechnia in December 1994 did not cut the knot: it stopped oil transportation through its territory for a long time and discontinued railway traffic between Dagestan and Russia. No matter what is said about it, this war was directly connected with the rivalry among many countries and companies over Caspian oil and export routes. Umar Avtorkhanov, head of the National Salvation Committee at that time, said: "There would have been no war in Chechnia had there been no pipeline in our republic, had there been no Caspian oil, and no contradicting business interests."<sup>5</sup>

In this way, by the mid-1990s Russia's foothold in the Caspian region and its ability to influence its neighbors and extra-regional states had considerably weakened. Moscow was still a regional center to be reckoned with, yet its policy was contradictory; it showed no intention of restoring its geopolitical and economic preeminence there. It was becoming increasingly clear that its economy-related influence upon the Caspian countries should not be overestimated. The Russian Federation proved unable to offer efficient cooperation mechanisms; the state and private structures refused to work together, while the regional states had reoriented themselves toward foreign markets because of the ruptured economic ties inherited from the Soviet Union. I have already written that the West, the U.S. in the first place, was displaying hectic activity in the Caspian region.

The geopolitical situation was changing too rapidly for the official structures in Moscow. They failed to respond with re-adjusted approaches. A Russian expert wrote the following on this account: "Russia continued its quest for a solution to the problem of the Caspian Sea's legal status as if it failed to detect the serious changes that had occurred in the region and made a compromise even harder to achieve. From the legal point of view, the Foreign Ministry of Russia was inconsistent, while the country itself lacked a coordinated national Caspian policy designed to serve future aims."<sup>6</sup>

Russia lost its leading position in the region for several reasons. On the one hand, it remained undecided about its interests in this part of the post-Soviet world and could not find any adequate instruments

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<sup>5</sup> Quoted from: S.V. Zonn, I.S. Zonn, *Priroda i obshchestvo Chechenskoy Respubliki*, Moscow, 2001, p. 159.

<sup>6</sup> Iu.G. Barsegov, *Kaspiy v mezhdunarodnom prave i mirovoy politike*, Institute of World Economy and International Relations, RAS, Moscow, 1998, p. 64.



to translate its interests into reality. In this way it allowed the West to enter the region and become entrenched there. On the other hand, the reforms largely undermined its economic and political potential and made it much harder for it to defend its interests. Still, its long history and permanent long-term interests in the region helped Moscow create a new policy perfectly adjusted to the geopolitical developments.

In the latter half of the 1990s Russia was confronted with entirely new problems that forced it to shift the emphasis of its policy in the region (where the problem of drug trafficking had already come to the fore). The Caspian states were busy developing their armies; the Western countries were building up their influence to the detriment of Russia's position. Together with the United States, the local republics started actively discussing possible alternative oil and gas routes bypassing Russia; geopolitical tension and contradictions among the coastal states became obvious. At the same time, the Chechen problem and the terrorist threat were still having a detrimental effect on Moscow's position.

The transit hydrocarbon routes and the Baku-Novorossiisk oil pipeline were Russia's main geopolitical instruments. Before the first Chechen war it was a safe route for transporting oil from Azerbaijan. Because of the war Russia had to build a branch of the same main pipeline outside Chechnia: the Novorossiisk outlet earned too much money and was too effective as an instrument of geopolitical pressure on Baku and the region as a whole to be abandoned.

Meanwhile Moscow was very slow to readjust its Caspian policies: disagreements between the federal structures and the regional leaders had been obvious for some time. The policy itself was inconsistent and, to a great extent, a product of the conflict of interests between the state and private big business, as well as among state structures. This policy has been, and remains, influenced by several interest groups in the state structures and "elites" of the coastal regions of the Russian Federation. The interests of the Defense Ministry, Foreign Ministry, the Ministry of Energy, and the Ministry of Natural Resources clashed there.

At different stages, the state structures expressed the interests of big business to varying degrees (the oil lobby in the first place and the fishing lobby in the second). Under their pressure and because of the general geopolitical situation in the region, the official policy in the Caspian was gradually moving away from the hard-line (which strongly relied on military-political elements) to pragmatic approaches, which took into account the new political and economic realities in Russia and the Caspian region.

## **New Partnership— A Road to Revival**

After putting an alternative on the negotiation table, according to which the Caspian seabed should be divided among the coastal states for further exploitation while the larger part of the water mass and the surface should remain in their common use, Moscow started rebuilding its geopolitical influence in the Caspian. By signing an agreement in 1998 based on these principles with Kazakhstan, Russia accepted the fact that the old status of the Caspian (which reliably protected its interests throughout the 19th and 20th centuries) would be revised. On the other hand, bringing relations into order with the Caspian states allowed Russia to successfully address one of the most challenging regional problems and to strengthen its own position. The new approaches shared by Russia and Kazakhstan reflected the huge geopolitical shifts in the region: one-sided orientation toward the old Soviet-Iranian treaties was fraught with Russia's isolation and its exclusion from many regional processes. By initiating the revision of the Caspian's legal status, the Kremlin aimed at compromises with the coastal states.

"The pipeline architecture" developed into a key geopolitical problem. Russia entered the post-Soviet period as a monopolist in this sphere. Throughout the 1990s, it managed to preserve its domination where the transit of hydrocarbons across its territory was concerned, despite the coastal states' frantic efforts to

reach external markets by going around Russia. This started geopolitical rivalry over oil and gas export routes. The countries involved concentrated on finding alternative routes, the need for which was caused by the development of new oil and gas fields. At the first stage, Russia remained the monopolist for the simple reason that it controlled the old pipeline system. The new Tengiz-Novorossiisk pipeline was its diplomatic victory: Russia had won the right to transport Kazakh oil. The project realized by the Caspian Pipeline Consortium (CPC) brought money, made it possible to add another oil terminal to the already existing ones on the Black Sea coast, and strengthened Russia's influence in the region by devaluing the alternative oil export routes (or at least postponing their realization).

While exploiting the pipeline as a foreign policy instrument, Moscow never closed it to the oil coming from the other Caspian states, yet, at the same time, it did not want them to become its rivals on the fuel markets (Azerbaijan and Kazakhstan on the oil markets and Turkmenistan on the natural gas market). I have to admit that the cheapest export routes of Azerbaijanian and Central Asian oil run across Russia; this could have been said about cross-Iranian routes had the United States not blocked this channel for political considerations.

By the late 1990s, the geopolitical situation in the region had changed considerably: Azerbaijan signed contracts on developing its marine oil fields; and Kazakhstan and Turkmenistan were working on attracting foreign investments to their marine sectors. It had become obvious that all of them wanted to wipe away Russia's fuel transportation monopoly. They were moving into the ranks of Russia's rivals on the oil and gas markets—the long-term threat was obvious, yet Moscow was often trailing behind the events and failed to respond to the new trends.

I can agree with those Russian experts who were skeptical of Russia's success during that period and who pointed out that the state, and private for that matter, structures could not agree among themselves and that there was no consistency when it came to protecting state interests. Throughout the 1990s the Foreign Ministry and private oil business were competing over the right to shape Russia's policies in the Caspian. On the other hand, throughout previous decades (or centuries, to be more exact) Russia had created and learned how to efficiently protect its interests; it also had new cooperation instruments at its disposal and was aware of the key parameters (geopolitical codes) of its permanent interests in the Caspian.

## **Vladimir Putin: Russia is Coming Back to the Caspian**

Boris Yeltsin left Russia's political scene on the last day of 1999, before his term expired; Vladimir Putin was elected new president in March 2000. This was the beginning of a new stage in Russia's foreign policy and its much stronger influence in the region. Its role and place in the region became clearer; the cooperation principles and the landmarks of its future policy were outlined. As early as April 2000, the Security Council of Russia discussed its Caspian policy and the wide range of regional problems, which included ecological and military issues. The very fact of their discussion at the top level spoke volumes: the new leaders were obviously aware of the region's importance. The Security Council pointed out that at all times the Caspian had been and remained the "traditional sphere of Russia's national interests," important for the country's security. At the same time, the Security Council had to admit that Russia's economic resources and military-political influence did not allow it to claim a leading role.

This region's new geopolitical status was further confirmed by appointment of a special representative of the President of the Russian Federation (in the rank of the deputy foreign minister) for settling the legal status of the Caspian Sea. This post was analogous to the posts of special representatives of the U.S. President and State Secretary actively involved in developing national policy. This appointment was

described as a response to the efforts of certain foreign forces to weaken Russia's position in the Caspian, drive a wedge between it and other coastal states, strengthen their own position, and establish their own control over the mineral riches to the accompaniment of talks about the need to prevent revival of Russia's "imperial ambitions."

The RF Foreign Policy Conception adopted in the summer of 2000, a key document registering the importance of the Caspian for Russia, says in particular: "Russia will insist on determining the status of the Caspian Sea to allow the coastal states to unfold mutually advantageous cooperation in using the local riches on a just basis that takes into account their legal interests."

The Marine Doctrine of Russia reflected the main provisions of Russia's new Caspian policy.<sup>7</sup> It says in particular that the region possesses unique amounts of high quality mineral and biological resources and that the following long-term tasks should be treated as priorities: "identification of the international legal status of the Caspian best suited to the Russian Federation; the way its fish resources and oil and gas fields should be used; protection of the marine environment jointly with the other coastal states; creation of conditions conducive to deployment and use of all components of the country's marine potential (the RF constituencies should also be involved in fulfilling this task); renewal of the trade fleet of sea and river-sea vessels and of the fishing fleet; curtailing the efforts to oust the Russian fleet from the market of marine transportation service; opening ferry lines as part of inter-modal transportation reaching the Mediterranean and the Baltic Sea; and development, reconstruction, and specialization of the existing ports."

This doctrine, and the list of problems it contained, demonstrated that the Russian leaders had acquired a more adequate view of the regional processes. This explains why special representative of the RF President for the Caspian Viktor Kaliuzhnyi said that Caspian stability was relative. He also said that it could be protected only if the sea's legal status was promptly identified. Each of the coastal states was trying to grasp as much of the sea's riches as possible, which was destabilizing the situation.

The military components of Russia's regional policy acquired more importance after 2000. This confirmed that the idea about military might being replaced by the state's economic, financial, technological, and cultural elements was wrong. (It should be added that the developments of the early 21st century have refuted this idea for everybody to see.) At the same time, military build-up in the region has been reaching a dangerous level under the pretext of defending hydrocarbon reserves. On the other hand, this is inevitable in a region where instability, extremism, and terrorism are increasing, while the coastal states are busy creating their navies.

Russia changed its approach to the legal status of the Caspian at a time when transportation policy in a region where Moscow had scored certain points also changed. In fact, the discovery of large oil and gas fields added urgency to the legal status issue since fuel export made it possible to revive trade and economic cooperation and increase freight turnover.

Russia launched several projects designed to meet its domestic and export requirements: one of them was the North-South international transportation corridor, the political foundation of which was created by the intergovernmental agreement Russia, Iran, and India signed in September 2000 during the Second Eurasian Transport Conference. The agreement envisaged a standing structure, the Coordinating Council, to look after the general issues (tariff policies, customs procedures, visas, etc.), as well as the corridor's everyday functioning.

The events of 9/11 graphically demonstrated that the recent geopolitical changes were not entirely positive and that they had already increased tension in the world. The world has to deal with absolutely new phenomena created by terrorism, drug trafficking, and other criminal activities, as well as the growing role of transnational companies, the interests of which sometimes contradict what the states need.

By late 2001 new trends in Russia's Caspian policy had become clear: Moscow wanted a system of geopolitical mechanisms designed to resolve the region's main problems, such as the legal status of the

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<sup>7</sup> See: Regulation of the Government of the Russian Federation of 31 July, 2001, No. 566.

Caspian, the military component, struggle with terrorism and poaching, ecological and transportation issues, the social and economic development of the RF's coastal region, and bilateral cooperation with the coastal states.

Because of its geostrategic situation, and political, economic, ecological, humanitarian, and other factors, the region's importance for the Russian Federation is mounting, including in the sphere of its national security. Russia is very much concerned with the worsening ecological situation caused by uncontrolled discharges of untreated wastes of oil processing, drilling, and transportation. Environmental depletion in the protected areas and wide-scale poaching are decreasing the population of sturgeon and other valuable fish species. (Not all countries are observing the "zero discharge" principle.) It should be added that the coastal states have already taken serious measures to improve the situation: in November 2003 they signed a framework convention on protecting the marine environment.

One of the key diplomatic tasks—mutually advantageous cooperation with Iran, a country whose geopolitical clout in the region has made it a potential strategically important partner—remained unsolved. Closer bilateral economic and political ties with this country will add weight to the RF's geopolitical influence in the region as a whole and decrease American influence there.

The Kremlin is actively exploiting Russia's status as a large exporter of hydrocarbons and a large transit territory to strengthen its security and defense capability. It is actively using this foreign policy instrument; it seems that in future, too, Moscow will preserve its geopolitical influence. Foreign experts think the same: according to Ariel Cohen, an analyst with the Heritage Foundation, "Moscow is using the energy fuel card more and more actively in the Caucasus and the Caspian region since many of the post-Soviet states still depend on Russian fuel."<sup>8</sup>

### *B y W a y o f a S u m m a r y*

Early in the new century Russia not only finally recognized its geopolitical interests in the region rooted in its past, but also managed to successfully exploit the advantages inherited from the Soviet Union. The measures that President Putin is taking in the economic, political, and military spheres have added vigor to Russia's policy in the Caspian and increased its geopolitical potential.

The rules of the new geopolitical game should add to collective security, and prevent interference of external forces and Balkanization of the area. The local countries should recognize their mutual responsibility for their common security and for strengthening their regimes. Russia should bear in mind that the previously non-traditional participants in international relations (transnational capital represented by trade groups, large banks, and production associations, as well as criminal syndicates) are acquiring more importance and are acting on a par with state structures. These new participants are diminishing the role of the state in economy, defense, security, and communications.

It should be added that it takes time to change the balance of forces in the Caspian and strengthen Russia's influence there. Security of Russia's southern borders largely depends on the situation in the neighboring countries, especially if ethnic and regional conflicts develop there or if there is danger of their disintegration. This threatens Russia (and will threaten it in the future) and forces it to constantly readjust its regional policy. It seems that the region's conflict potential is increasing in response to the diminishing efficiency of diplomatic measures while economic, mainly financial, stimuli have moved to the fore. They too may fail. The coastal states are very vulnerable, therefore they are seeking support both inside and outside the region by constantly increasing the number of their partners.

The geopolitical situation is new, not only because the positions of countries and blocs of countries have changed—they have armed themselves with instruments of influence that ten years ago were dis-

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<sup>8</sup> *Svobodnaia Gruzia*, 16 January, 2001.

cussed as a vague possibility. The global transformations have affected many countries, while the eagerly awaited international stability did not come; more than that, it developed into an abstract idea in a world living amidst the terrorist threat.

Despite its numerous problems, Russia has remained an important participant in international relations in the Caspian and a center of important decision-making. It can retain this role and continue influencing the local situation.

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## CENTRAL ASIAN STATES AND CHINA: COOPERATION TODAY AND PROSPECTS FOR TOMORROW

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Relations with the PRC are a high foreign policy priority for the states of Central Asia. The contiguity of territory and the vast economic potential of their eastern neighbor plus its weight on the international arena, including in Asia, are a key factor in the interest that the region's sovereign republics have in a durable and friendly relationship with China, based on principles of equality, mutual consideration for the sides' interests, and non-interference in each other's internal affairs. The newly independent states of Central Asia see good neighborliness and all-round cooperation with the PRC as a key to accomplishing, above all, such tasks as ensuring their territorial integrity and security and providing a favorable external environment for economic advancement and internal political stability.

For its part, Central Asia is part of China's vital interests. Strengthening contacts with its republics is one of the PRC's foreign policy priorities. Today, amid the U.S. presence in close proximity to the PRC's western borders, the importance of the Central Asian sector in Beijing's foreign policy priorities has increased considerably.

Another significant factor in Beijing's course in Central Asia is its contiguity to the Xinjiang-Uighur Autonomous Region, China's restive province. Either side of the border between the PRC and three Central Asian states—Kazakhstan, Kyrgyzstan, and Tajikistan—which runs for 3,300 kilometers is populated by representatives of the same ethnic groups practicing Islam: Uighurs, Kazakhs, Dungans, Tajiks, and Uzbeks. Beijing feared a “demonstration,” knock-on effect that the sovereignization of the Central Asian republics and Kazakhstan could have on Xinjiang's indigenous population. Those concerns were caused by the fact that leaders of the Movement for the Independence of Eastern Turkestan (this is what the Uighurs call the Xinjiang-Uighur Autonomous Region) had banked on support from the newly independent states in the neighboring region, which, however, did not materialize. Amid an invigoration of radical Islamic forces in an area spanning North Africa to Xinjiang, China regards the Central Asian states as allies in the fight against religious extremism, especially given that Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan are members of the Shanghai Cooperation Organization that on

15 June, 2001 adopted a convention on combating terrorism, separatism, and extremism.

In addition, China has weighty economic interests in Central Asia. When the relations with the sovereign republics in the region were still in the formative stages, Chinese diplomacy saw a consolidation of the PRC's positions on their markets as one of its top priorities, while PRC trade missions in these newly independent states were opened even before the embassies were.<sup>1</sup> A drop in the industrial output of the Central Asian states, a considerable decline in supplies from Russia, and the population's low effective demand created a favorable environment for an influx of cheap Chinese consumer goods to the republics' markets. As its economic advancement accelerates, the PRC gives higher priority to the region's raw materials, especially energy resources.

The PRC was among the world's first states to recognize the sovereignty of the Central Asian republics and Kazakhstan in the wake of the breakup of the Soviet Union. Thus, already on 3 January, 1992, the Chinese government announced the establishment of diplomatic relations with Kazakhstan and then, literally on the following day, and thus until 7 January, with Uzbekistan, Tajikistan, Kirghizia, and Turkmenistan, respectively.

Resolution of the border problem was a key to strengthening their contacts. In its time, the PRC had serious territorial claims to the Soviet Union, directly affecting its three Central Asian republics bordering the PRC. That issue was mainly settled in the course of negotiations between a joint delegation of Russia and what are now three independent states in the region bordering China (Kazakhstan, Kyrgyzstan, and Tajikistan), on the one hand, and a PRC delegation, on the other (the early and mid-1990s).

<sup>1</sup> See: V.S. Miasnikov, "Aziatskiye gosudarstva SNG v politike Kitaia i Yaponii", in: *Rossia i strany blizhnego zarubezhya. Vneshnepoliticheskiye orientiry*, Moscow, 1997, p. 160.

Among other Central Asian states Kazakhstan has the most advanced and diversified relations with the PRC. Contacts between top level statesmen have become regular practice in relations between the two countries. The Declaration on the Basic Principles of Friendly Relations between the Republic of Kazakhstan and the People's Republic of China, adopted in the course of N. Nazarbaev's official visit to China (October 1993), records Almaty and Beijing's aspiration to strengthen cooperation in the interest of ensuring peace and security in Central Asia. The sides' adherence to the generally recognized principles of interstate relations, including non-interference in each other's internal affairs, has been repeatedly reaffirmed by the countries' leaders; it is enshrined in the Treaty of Friendship and Cooperation between the Republic of Kazakhstan and the People's Republic of China, which was signed in December 2002.<sup>2</sup> Kazakhstan's top state and government officials have often said that they regard the island of Taiwan as an inalienable part of the PRC territory, while China supports the efforts by Kazakh diplomacy to carry out N. Nazarbaev's plan to hold a Conference for Cooperation and Confidence-Building Measures in Asia (CCCBMA). This position was reiterated, in particular, by PRC Chairman Jiang Zemin in the course of a meeting of CCCBMA heads of state in Almaty (June 2002) and then repeatedly reaffirmed by Chinese statesmen.

The relations of Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan with China also are based on mutual interest in good neighborliness and cooperation. Each of these states has a weighty package of agreements and other documents with the PRC, regulating the most important spheres of relations between the sides.

<sup>2</sup> The legal framework of Kazakh-Chinese relations comprises a total of 105 bilateral treaties, agreements, and other documents (see: *Kazakhstanskaia pravda*, 23 September, 2003).

## Economic Contacts: Cooperation and Contradictions

Kazakhstan is China's principal economic partner in the region: In particular, it supplies raw materials for the ferrous and non-ferrous metal industry and some other branches of China's economy<sup>3</sup> as well

<sup>3</sup> Thus, Kazakhstan, which has major bauxite reserves, ships a substantial part of ore to China. Thanks to their high quality and the relatively low freight costs, chromium ores extracted in Kazakhstan are in great demand with Chinese consumers. The

as oil and chemical products. Non-capital goods account for the bulk of Kazakhstan's import from the PRC.

The Chinese side shows a particular interest in Kazakhstan's oil and gas industry. Given the country's growing economic needs for energy resources, PRC state controlled oil companies are seeking control not only over Kazakhstan's hydrocarbon deposits that are being developed at present but also over reserve sources, hoping to use them in the future. Thus, in the summer of 1997, the China National Petroleum Corporation (CNPC) won international tenders organized by the Kazakhstan government, buying from the state controlling stakes in three oil fields in the Aktiubinsk Region and the Uzen field, on the Mangistau (Mangyshlak) peninsula. One important factor in the CNPC's successful bidding was that the company pledged to participate in building an oil pipeline from Kazakhstan to China (projected capacity, 20 million tonnes of oil a year).

As it became the principal shareholder in AktobeMunayGaz, the CNPC started shipping some raw materials in tanks by rail to oil refineries in the Xinjiang-Uighur Autonomous Region. At the same time, the company proved unable to implement the entire investment program, which was a precondition for the acquisition of a controlling stake in AO AktobeMunayGaz that owns the aforementioned deposits in the Aktiubinsk Region. The building of an oil pipeline from Western Kazakhstan to China has also been marking time. In the course of negotiations between the state owned company KazakhMunayGaz and the CNPC, in October 2003, the parties agreed that the Chinese side would begin building the second, and final, stage of the oil pipeline in mid-2004. Should this deadline be met, oil shipments could start in 2006.

In 2003, the CNPC bought from Chevron Texaco Overseas Company a company, Texaco Northern Buzachi, which accounted for 65 percent of proven reserves at the Severnyye Buzachi oil and gas deposit (the Mangistau Region).<sup>4</sup> Furthermore, Chinese companies took part in building the Zhanazhol gas processing plant, in the Aktiubinsk Region, which was put into operation in the fall of 2003. (In particular, the China Petroleum Engineering and Construction Corporation was the project's general contractor.<sup>5</sup>)

One distinguishing feature of Kazakhstan's trade and economic relations with the PRC (which also applies to other republics of Central Asia) is the intense activity by Chinese small and medium sized businesses that started penetrating the region in the 1980s-1990s. Thus, already in late 1992, there were more than 30 joint ventures with a share of Chinese capital in Kazakhstan, most of them operating in the non-production sector (commerce, trade, etc.). The number of such enterprises has since increased more than tenfold.

The smuggling of Chinese goods to Kazakhstan and the illegal export of raw materials from the republic (which is characteristic, in particular, also of Kyrgyzstan) has reached serious proportions.<sup>6</sup> Astana is now also concerned by the fact that some of the trade turnover with Beijing is based on barter and "shuttle" operations, while profits made by Chinese business as a result are used mainly to buy raw materials, especially scrap metal.

The Kazakhstan authorities, public circles and the population as a whole are seriously worried by illegal Chinese migration to the republic, which affects its economic interests and is a potential threat to internal political stability. Sovereign Kazakhstan is not in a position to ensure an effective protection of its fairly lengthy border with the eastern neighbor either from illegal migration or from rampant smuggling. The Kazakhstan leadership hoped that resolution of the border delimitation and demarcation problem would put an end to the "creeping" settlement of Chinese migrants on the republic's territory. Yet

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PRC is the third largest buyer of Kazakh copper. Kazakhstan exports up to 2.5 million tones of scrap ferrous metals to China a year through legal channels alone (see: *Kazakhstanskaia pravda*, 17 September, 2002).

<sup>4</sup> See: *Kazakhstanskaia pravda*, 22 October, 2003.

<sup>5</sup> See: *Kazakhstanskaia pravda*, 17 September, 2003.

<sup>6</sup> Thus, according to Chinese customs, the volume of trade between the two countries in 1999 was worth more than \$1 billion. These data, which were presented by the PRC ambassador to Kazakhstan at a news conference in April 2000, are substantially higher than Kazakhstan official statistics.

neither a tightening of the border regime<sup>7</sup> nor the deportation of persons without residence permit by law enforcement agencies can stem the tide of illegal migrants. Industry, enterprise, and mutual support help them to obtain legal status (including through bogus marriage). No statistics are available on the issue, but experts believe that the number of Chinese migrants to Kazakhstan is now in terms of hundreds of thousands.

Astana is also concerned by Beijing's plan to build a canal that will divert water from the upper reaches of the Irtysh River to the city of Karamay (in the Xinjiang-Uighur Autonomous Region), where it is going to be used for pumping into oil wells. Kazakhstan specialists have repeatedly stated that implementation of this project could cause serious environmental problems in the basin of what is one of the republic's main water arteries. In connection with an increased intake of water by the Chinese side, Astana has a legitimate cause for concern about a shrinking outflow of the trans-border Ili River that originates in Xinjiang.

As far as Bishkek's trade relations with Beijing are concerned, they have basically the same characteristics as Kazakh-Chinese cooperation in this sphere. The PRC imports industrial semi-finished goods and raw materials from Kyrgyzstan, including rolled metal, non-ferrous metals, and mineral fertilizer. The Xinjiang-Uighur Autonomous Region experiences a substantial shortage of hydro energy resources and is interested in the import of electricity from the republic. As of the mid-1990s, China has been among the top three countries in the number of joint ventures set up in Kyrgyzstan (mainly in the non-production sphere).

Giving a high priority to ensuring direct communication with China, back in the mid-1990s, the Kyrgyz authorities began modernization of a highway linking the country's capital with the city of Kashgar, the economic center of the southern Xinjiang-Uighur Autonomous Region: Bishkek-Naryn-Torugart mountain pass (on the Kyrgyz-Chinese border)-Kashgar. Then the project was joined by Uzbekistan. In the fall of 2000, the Tashkent-Osh-Kashgar international highway went into operation (true, the intensity of traffic along it is still rather low).

According to Kyrgyz expert estimates, modernization of the Bishkek-Naryn-Torugart mountain pass-Kashgar and the Osh-Sary-Tash-Irkeshtam-Kashgar highways will enable the republic in future to become a key link in export and import shipments from Siberia, Kazakhstan, Uzbekistan, the Caucasus, and Tajikistan to China, Pakistan (along the Karakorum highway), and India. China and Pakistan, for their part, are also deploying a lot of effort to intensify the use of the Karakorum highway. Back in March 1995, Kazakhstan, Kyrgyzstan, China, and Pakistan signed a mutual transit agreement. Nonetheless, it has not as yet been fully implemented, among other things because of an unsatisfactory condition of the Karakorum highway, which was closed in winter. In September 2003, representatives of the aforementioned four states agreed on measures to reanimate the agreement.

Despite the contiguity of the countries' territories, at the initial stage of Tajikistan's independence, China, separated from it by high mountain ridges, was in the periphery of the economic interests of this newly independent state which, owing to internecine wars, did not particularly interest Chinese businessmen either. Today, in a bid to considerably expand bilateral economic relations, Dushanbe and Beijing are deploying a lot of effort to put in place reliable communication lines between the two countries (along the territory of the Gorno-Badakhshan Autonomous Region and the Xinjiang-Uighur Autonomous Region). To carry out this project, the Tajik side had to build several sections of a highway (including along the 260-kilometer Kulob-Kalay-Khumb route and the Tokhtamysh-Kulma mountain pass route) and to repair and modernize the Khorog-Murgab highway. In the fall of 2001, the Khorog-Murgab (the Gorno-Badakhshan Autonomous Region)-Kulma mountain pass (on the Tajik-Chinese border) highway was put into operation. In the Xinjiang-Uighur Autonomous Region, the highway is linked with the city of Tashkurgan that is turn linked to the Karakorum highway.

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<sup>7</sup> In the 2001-2003 period alone, Kazakh border guards detained 70 times as many illegal migrants from China as in the entire Soviet period. Nonetheless, the illegal migration flow is not declining (see: "Chaynataun v Almaty," *Kazakhstanskaia pravda*, 12 October, 2003).



Uzbekistan also shows interest in the trans-Pamir transportation corridor linking it to China. Yet because Tashkent gives priority to promoting contacts with the most advanced Western countries, China's share of trade with the republic declined from 6 percent (\$110 million) in 1992 to 1 percent today.

The generally low level of relations between Turkmenistan and China also affects their trade and economic contacts. Since Turkmenistan gained independence, President S. Niyazov has only twice been to the PRC on official visits (in 1992 and in 1998). In July 2000, S. Niyazov and PRC President Jiang Zemin signed, in Ashgabad, a memorandum on building a Turkmenistan-China gas pipeline (with a possible extension to Japan). The sides reaffirmed their interest in the project's implementation in the course of negotiations that Jiang Zemin and S. Niyazov had in Ashgabad in June 2002. (The PRC president visited Turkmenistan immediately after the CCCBMA summit in Almaty.) At the same time, preparation of this costly and technically challenging construction project is still far from completion.

## Regional Stability and Security

Contacts with China in the political sphere, above all cooperation in combating international terrorism and religious extremism, acquired a special topicality for the Central Asian states in the late 1990s, following a rise in Islamic activity in the region. The raids by militants from the Islamic Movement of Uzbekistan (IMU) into Kyrgyzstan and Uzbekistan in the fall of 1999 and the summer of 2000 aroused serious concern also in other republics of Central Asia. Kazakhstan's defense minister was the first defense minister in Central Asia who held negotiations in Beijing on ways of countering the growing threat to regional stability (April 2000). At the end of the negotiations, an agreement was signed on 11 million yuan (approx. \$1.4 million) worth of gratuitous financial aid to Kazakhstan's armed forces from the PRC government. Implementation of the agreement was to begin immediately. Subsequently, Beijing's military-technical assistance to Astana increased to 30 million yuan.

Problems related to Kazakh-Chinese cooperation in combating terrorism and religious extremism were also addressed in the course of a visit to Kazakhstan by Col. Gen. Xiong Guangkai, deputy chief of the General Staff of the People's Liberation Army of China, in March 2002. Judging by the rather scanty official information, along with the situation in Afghanistan, the sides also discussed the U.S. military presence in Central Asian countries.<sup>8</sup> All the indications are that this was one of the key objectives of Gen. Xiong Guangkai's visit to Astana. The fact is that by that time the PRC was seriously concerned by the prospect of enlarged U.S. military presence in the region. (The PRC's high-ranking military representative was received by President N. Nazarbaev.)

In August 2002, Washington and Astana signed a memorandum to the effect that in the event of an emergency situation, military aircraft of antiterrorist coalition member countries, above all of the United States, would get permission to land at the Almaty international airport. Soon after that a PRC Defense Ministry delegation visited Kazakhstan. Along with other issues, topical for both sides, including the situation in Afghanistan, the Astana negotiators, on the initiative of the Chinese delegation, discussed the aforementioned memorandum.

Cooperation in ensuring regional stability and security is one of the high priorities in China's relations with Kyrgyzstan. To Bishkek, this problem has been especially topical since the fall of 1999, when IMU militants made an incursion into the republic's territory, then planning to break through into the Ferghana Valley. By the time Kyrgyzstan had abandoned its original intention not to create its own army and so its armed forces, raised with Russian assistance, already had a numerical strength of

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<sup>8</sup> See: *Kazakhstanskaia pravda*, 13 March, 2002.

about 9,000 servicemen. In late 1999 and in subsequent years, Bishkek received additional weapon systems, ammunition, night vision devices, and other military equipment from Moscow. In addition, dozens of Kyrgyz army officers were sent to military training establishments in Russia to upgrade their skills and proficiency. Russian assistance in strengthening the republic's armed forces is a major contribution to the security system that member states of the Collective Security Treaty Organization are putting in place, including in Central Asia.

At the same time, Kyrgyzstan is interested in material and technical assistance to its armed forces from other states, including China. Shortly after the incursion by Islamic militants into the republic's territory (1999), Beijing decided to help Bishkek in reinforcing its border checkpoints and outposts. In the course of Kyrgyzstan defense minister's visit to the PRC, in 2000, Beijing signed an agreement on granting military aid to Bishkek.

In October 2002, first joint Kyrgyz-Chinese military training exercises were held in Kyrgyzstan to practice interaction in combating terrorism. They became part of an array of measures implemented by both countries to counter the threat to the stability of Kyrgyzstan and the region as a whole. This initiative of the PRC, concerned by the deployment of U.S. air bases in Central Asia, pointed to an aspiration to assert its geopolitical interests in the region. In the course of Kyrgyz Foreign Minister A. Aytmatov's visit to Beijing, in December 2002, a bilateral agreement on cooperation in combating terrorism, extremism, and separatism was signed whereby China is to continue to render assistance to the republic's armed forces.

In the late 1990s, China began establishing contacts with Tajikistan on the issue of regional stability and security. According to some sources, in 1999 through 2002, the volume of military technical assistance to Dushanbe from Beijing was worth approximately \$3 million. Cooperation between the two countries' defense ministries also includes information sharing in combating international terrorism and extremism and as well as PRC assistance in training Tajik military personnel.

To Tashkent, cooperation with Beijing in combating the forces of religious extremism, which, according to Uzbek President I. Karimov, is an ideological cover for international terrorism, is highly topical owing to the ongoing rise in Islamic radicalism in the Ferghana Valley and some other parts of the republic. The problems of countering the threat of religious extremism, as embodied by the IMU, were in the focus of the sides' attention in the course of I. Karimov's visit to Beijing in November 1999, soon after the incursion by groups of armed militants into Uzbek territory. Following yet another IMU incursion—in the south of the republic, in the summer of 2000—the country's authorities appealed to the governments of a number of states for military-technical assistance. The PRC leadership promptly responded to the appeal. Already by late August, the Uzbek defense minister made an official visit to Beijing in the course of which an agreement on cooperation in the military and military-technical sphere was signed and immediately went into effect.<sup>9</sup> On the whole, however, their interaction in the military-political field did not make much progress (although the PRC was greatly interested in it), mainly because of Tashkent's orientation toward advancing its cooperation with Washington.

The growing threat to political stability in Uzbekistan (as well as in the region as a whole) on the part of religious extremism compelled Tashkent to join the Shanghai Group of Five.<sup>10</sup> In July 2000, I. Karimov, as head of an observer state, took part in the Dushanbe meeting of leaders of Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan, and in June 2001, together with those states, Uzbekistan became co-founder of the Shanghai Cooperation Organization (SCO), built on the Shanghai Group of Five. The problem of countering the threats to global and regional security on the part of international terror-

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<sup>9</sup> The first shipment of sniper's rifles, bullet proof vests and other military equipment was delivered to Uzbekistan by air, which helped to quickly complete an operation to destroy the gunmen in the Surkhan Darya region. Subsequently, Uzbekistan received new shipments of Chinese made small arms and light weapons and spare parts for ground based and air weapon systems.

<sup>10</sup> The Uzbek leadership did not rule out the possibility of new armed raids by IMU militants, funded by international terrorist centers and supported by the Taliban regime.

ism, religious extremism, aggressive separatism, and drug trafficking was a key note in I. Karimov's presentation at the summit.<sup>11</sup>

At the same time, the Uzbek leadership opposed Chinese attempts to get the SCO involved in activities designed to thwart the deployment of a U.S. missile defense system. Quite obviously, any attempts in future to give the SCO an anti-U.S. thrust will meet with opposition from Tashkent that is pursuing a course toward strengthening all-round cooperation with the United States. Creation of an international antiterrorism coalition with the U.S. leadership role, especially the strengthening of Uzbek-U.S. contacts in light of an antiterrorist operation in Afghanistan, including cooperation between the two states in the military-political sphere, backed up by substantial U.S. assistance, moderated Tashkent's interest in the SCO. That said, the establishment in Tashkent of a SCO regional antiterrorism structure, designed, among other things, to combat international terrorism and organized crime, could help to invigorate Uzbekistan's efforts within the SCO framework.<sup>12</sup>

Kazakhstan and Kyrgyzstan attach much greater importance to their participation in the SCO, which is to a very large extent predicated on the high level of their relations with China. At the same time, these countries' relations with the PRC, both on the bilateral level and within the SCO framework, are affected by the complex political situation in the Xinjiang-Uighur Autonomous Region, nearly one-half of whose 15-million population is constituted by ethnic Uighurs. There are ethnic Uighur communities also in Central Asian countries, the largest (more than 220,000 people) in Kazakhstan; in Kyrgyzstan, up to 30,000 and in Uzbekistan, approximately 40,000. Uighurs living in Central Asia are linked to their fellow tribesmen in the Xinjiang-Uighur Autonomous Region by common historical and cultural roots and sometimes by ties of blood. Furthermore, the ongoing developments on the other side of the border evoke a big response among them. There are also plenty of emigrants from Xinjiang who have now settled in Central Asian republics, mainly in Kazakhstan and Kyrgyzstan.<sup>13</sup>

Regarding the situation in the Xinjiang-Uighur Autonomous Region as China's internal affair, Kazakhstan's leadership does not support the Uighur opposition but neither does it obstruct its presence in the country. At the same time, political organizations affiliated with the Uighur opposition do not have license to engage in activities in the country's territory. The Justice Ministry only registered one structure operating in the sphere of culture—the United Uighur Association.<sup>14</sup>

Meanwhile, in Kyrgyzstan, the ethnic Uighur community plays an active role in the country's public and political life and was once even represented in parliament. Compared to the policy of neighboring Central Asian countries (especially Uzbekistan), the republic's authorities traditionally took a more liberal view toward Uighur migrants, which aroused Beijing's discontent. Taking into account China's heightened sensitivity on the issue at hand, in late April 1997, shortly after a regular Shanghai Group of Five summit, Bishkek officialdom slapped restraints on the activity of the Uighur organization Ittipak (Unity) which was strongly influenced by Chinese emigrants. In the late 1990s, the republic's authorities cracked down on Uighur émigré groups purportedly linked to international terrorist centers. The shift in Bishkek's policy toward this part of the Uighur emigration was caused above all by pressure from Beijing. At the same time, the activity of extremist Uighur groups on Kyrgyzstan's territory (terrorist acts against Chinese citizens and their own fellow tribesmen, including local ethnic Uighurs who refused to render finan-

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<sup>11</sup> See: I. Karimov, *Za protsvetaniye Rodiny—kazhdyy iz nas v otvete*, Tashkent, 2001, pp. 340-347.

<sup>12</sup> In 2004, the rotating SCO presidency is held by Uzbekistan.

<sup>13</sup> For more detail, see: K. Khafizova, "Separatism in China's Xinjiang-Uighur Autonomous Region: Dynamics and Potential Impact on Central Asia," *Central Asia and the Caucasus*, No. 1 (19), 2003.

<sup>14</sup> "Neither in Almaty nor in any other place in Kazakhstan has a single separatist organization claiming to represent the interests of supposedly oppressed minorities in the Xinjiang province been registered or is lawfully operating," a spokesman for the Kazakhstan embassy in the PRC said as the situation around the problem aggravated once again (see: *Izvestia*, 19 February, 1997). Only minor separatist leaders have found refuge in Kazakhstan: The movement for the independence of Eastern Turkestan is headquartered in Turkey. Some Western experts believe that problems of Islamic extremism in Central Asia, terrorist attacks in the Xinjiang-Uighur Autonomous Region, and actions under the slogan of creating an Islamic state in Xinjiang were little if at all related to the activity of Uighur emigration in Kazakhstan or in Kyrgyzstan (see: D. Reetz, "Islamic Activism in Central Asia and Middle Eastern Studies," *Villanova*, USA, Vol. XXIII, No. 1, Fall 1999, p. 7). According to Amnesty International, on some occasions, Kazakh authorities turned over Xinjiang Uighurs seeking asylum at the demand of the Chinese side (see: *Financial Times Survey*, Kazakhstan, 1 July, 1999, p. 4).

cial assistance and support to the armed underground movement, internecine struggles within the extremist ranks, and so on) undermines political stability in the republic. Kyrgyzstan leadership has signed all documents on combating terrorism, extremism, and separatism that were adopted within the framework of the Shanghai Group of Five—the SCO.

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

The relations of good neighborliness and cooperation between the regional states and the PRC that have evolved over the past decade are a key factor in ensuring stability in the southeast of Central Asia.

As their contacts advanced, a multilateral interaction mechanism, designed to counter challenges and threats to national and regional security, was put in place and is being constantly upgraded. One such mechanism is the Shanghai Cooperation Organization that is at present comprised of four Central Asian states. The key aspects of trade and economic contacts with China were also identified. All five republics in the region are interested in them, albeit to different degrees.

At the same time, the evolution of relations with the PRC, based on the principles of equality and mutual respect for the sides' interests, proved to be a difficult task for the newly independent states of Central Asia. Seeing these friendly relations as an important factor in strengthening national and regional security that, furthermore, facilitates their integration into the world economy, these republics, nonetheless, are afraid of getting drawn into the Chinese zone of influence as the PRC is rapidly gaining weight on the international arena. For some historical reasons, these concerns are especially strong in the public and political circles in Kazakhstan and Kyrgyzstan. The ruling elites of the newly independent states are especially sensitive to problems of ensuring the sides' sovereign equality. Just as in the course of negotiations on the settlement of the border problem with China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan acted as part of a single delegation, at the present stage close interaction with Russia within the framework of the Shanghai Cooperation Organization has become for the Central Asian republics a factor limiting the PRC's domination in the region, in particular also within this structure.

China is given a different level of foreign policy priority by individual states of Central Asia. Kazakhstan and Kyrgyzstan have the closest contacts with their eastern neighbor. The PRC to them is a leading trading partner with Chinese business being very active in both republics. Peace on Kazakhstan's and Kyrgyzstan's southeastern borders as well as resolution of other complex bilateral problems (say, illegal Chinese migration, the use of the water resources of transborder rivers, and so forth) directly hinges on the development of relations with their powerful neighbor.

Astana, Bishkek, and Beijing have accumulated extensive experience in cooperation on topical problems of regional security. The good neighborly relations and cooperation with Kazakhstan and Kyrgyzstan enabled the PRC to address what it saw as one of the most urgent problems in Central Asia—i.e., stopping support for the forces favoring the independence of "Eastern Turkestan" given by the ethnic Uighur communities based in regional states. Even so, the understanding that Astana and Bishkek show for Beijing's interests is not always matched by a similar response of the Chinese side that firmly upholds its positions on contentious issues. Say, one form in which it exerts pressure on its Central Asian partners is dragging its feet on the resolution of "local" problems affecting the interests of states in the region.<sup>15</sup>

As mentioned earlier, Kazakhstan's political leadership and sociopolitical circles are greatly concerned by the proportions of illegal Chinese migration, especially considering the PRC's huge migration

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<sup>15</sup> Indicative in this respect is Beijing's position on the plan to divert some water resources from the Irtysh and the Ili rivers to oil fields in the Karamay region. Thus the Chinese rejected Astana's attempts to invite Russian representatives for consultations on the issue as Russian interests are affected by the project's implementation (see: D. Trofimov, "Shanghai Process: From the "Five" to the Cooperation Organization. Summing Up the 1990s and Looking Ahead," *Central Asian and the Caucasus*, No. 2 (14), 2002, pp. 91-92.) Discussion of this problem was entrusted to a joint Chinese-Kazakh working group of experts whose conclusions radically differed from those made by independent experts.

potential, estimated by some Kazakh experts at tens of millions of people. Of course, Astana is trying to stem this uncontrolled tide, but its efforts are not bringing the desired results, especially with a visa-free entry and exit regime that exists between the two countries. For its part, Beijing is concerned by the fact that Kazakhstan sees China as a source of threat to its national security.

As for Uzbekistan, it is clearly reluctant to advance its relations with China. In addition, in so far as concerns the struggle against international terrorism and separatism, Tashkent prefers to orient itself toward Washington. Nonetheless, neither Uzbekistan nor China is interested to aggravate their bilateral relations.

The protracted internal political conflict in Tajikistan impeded the republic's contacts with China. At the same time, today there are some opportunities for an invigoration of their trade and economic relations. Thus, huge funds are needed to develop the rich mineral resources of Gorny Badakhshan that is effectively cut off from the country's "mainland" territory by mountains—something that the republic does not have. Setting up a direct road link between Tajikistan and China across the territory of the Gorno-Badakhshan Autonomous Region would, according to Dushanbe (and the Gorno-Badakhshan Autonomous Region authorities agree with it), help to attract foreign, including Chinese, investment in the region's economy and facilitate the advancement of trade relations between the two countries. Yet this is not going to happen in the foreseeable future.

Talking about Turkmenistan, it should be noted that Beijing is in the periphery of Ashghabad's geopolitical and geo-economic interests and so the realization of plans to build a pipeline from Turkmenistan (via Kazakhstan and Uzbekistan) to the PRC is also, rather, a remote prospect. In this case, just as in its relations with Astana, Beijing employs the tactics of setting aside hydrocarbon sources for their subsequent use in the future. This also benefits Ashghabad. Because under the existing agreements, it ships natural gas to Russia and Iran, the arrangement with Beijing on building yet another high capacity pipeline reaffirms Turkmenistan's official statements about the vast natural gas reserves in the country.

Thus, based on the aforementioned, the following conclusions can be made.

1. The course by the Central Asian republics toward developing long-term good-neighborly relations and all-round contacts with China responds to the interests of all of these countries. The PRC is the only state bordering the Central Asian republics (outside the CIS) cooperation with which can make a real contribution to their struggle against religious extremist forces relying on the assistance and support of international terrorist centers. These states give high priority to interaction with China in this sphere both on a bilateral and a multilateral basis (within the SCO framework). Without underestimating the importance of the long-term program of strengthening multilateral trade and economic relations spanning a period until 2020, which was adopted in September 2003 by the SCO heads of government, it should be noted that the core element of SCO activity is cooperation in strengthening regional security. That said, the efforts by the SCO member states will presumably be focused on the Central Asian region.
2. The potential for deepening economic cooperation between the regional states and the PRC is relatively small since the opportunities for expanding trade contacts have to a very large extent already been used up, while China's investment resources, in which its Central Asian partners are greatly interested, are rather limited. As a result, implementation of already approved projects, in particular in the telecoms sphere, is being delayed. At the same time, considering China's growing needs for raw materials and energy resources, it is quite possible that the PRC's state controlled companies will increase their investment activity in Kazakhstan's oil and gas sector, and also participate in developing Kyrgyzstan's hydroelectric power engineering (to supply electricity above all to the Xinjiang-Uighur Autonomous Region). As far as Uzbekistan, Tajikistan, and Turkmenistan are concerned, apparently they will stay in the fringe of China's economic interests.
3. The regional states' cooperation with the PRC is not aimed against Russian interests: Quite the contrary, they are interested in long-term and close interaction with Russia within the framework of the Shanghai Cooperation Organization.

4. Beijing officialdom sees the U.S. military presence in Central Asia, which is, in effect, the PRC's "hinterland," as a serious threat to China's security. Yet it is not in a position to impede cooperation between the regional states and the United States or other NATO member countries in the military-political sphere, including their military presence. In this context, one important task for the PRC is to prevent the drawing of Central Asian states into the orbit of U.S.-Chinese confrontation (preventing their participation in possible anti-Chinese coalitions and so forth).<sup>16</sup>
5. As far as the Central Asian republics are concerned, a scaling down of their relations with China under U.S. pressure would be in conflict with their national interests. Regional leaders are very well aware of this.

<sup>16</sup> See: A. Klimenko, "K voprosu ob evoliutsii voennoy politiki i strategii Kitaia," *Problemy Dalnego Vostoka*, No. 2, 2004, p. 64.

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## THE IMPACT OF ISRAELI FOREIGN POLICY IN CENTRAL ASIA: THE CASE OF UZBEKISTAN

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The demise of the Soviet Union, and the emancipation of its Central Asian republics, has led numerous authors and pundits to herald the arrival of a revived "Great Game;" a now global competition for influence and strategic access. The relative merits and advantages of a wide range of actors has heretofore been chronicled: the United States, Russian Federation, People's Republic of China, Turkey, Islamic Republic of Iran, and even Saudi Arabia, Pakistan, and India. To date, however, there has been little attention focused on the role of the State of Israel in the former Soviet South. Curiously, it is the State of Israel that has quietly developed the closest and greatest relations

with the Muslim republics of Central Asia and the Caucasus.

Within the last decade, the State of Israel has established extremely close relations with the newly independent nations of the region. By following Israel's traditional foreign policy objectives, Tel Aviv has succeeded where other nations have floundered. In a relatively short time, it has achieved very close diplomatic, economic, and security ties with Central Asia, virtually unnoticed by the outside world.

Israel has become a very successful player in Central Asia, influencing everything from pipeline construction to defense spending. Therefore, un-

derstanding the actions and intentions of this little studied actor is rapidly growing in importance as the region continues to evolve. It is the aim of this article to analyze and evaluate the role of Israeli foreign policy in Uzbekistan, and its impact on the region with a special emphasis on regional stability.

In order to deal with the new realities quickly being created on the ground in Central Asia, Israel first needed to create a framework with which to engage the republics. This strategy was primarily to ensure that the republics did not align themselves against Tel Aviv, and to prevent the perceived specter of Khomeinism from taking hold. Broadly speaking, there are nine identifiable Israeli foreign policy objectives in Central Asia. These nine interdependent objectives are as follows:

- To prevent the spread of Iranian influence among the states of the former Soviet Union;
- To remove the emphasis on the Arab world within the Greater Middle East;
- To avert the focus from the Middle East Peace Process;
- To maintain and expand the strategic relationship with the United States;
- To curb the development of hostile regimes, and the spread of weapons of mass destruction (WMD);
- To foster the creation of “moderate” Muslim states;
- To encourage the development of an economic hinterland;
- To expand and support domestic military preparedness and technologies through the sale of military hardware to foreign states;
- To ensure the protection of local Jewish communities and cultural sites.

For the purposes of this article, these nine Israeli policy objectives have been divided into three components: diplomatic efforts, economic and commercial relations, and military and security cooperation.

## Israeli Perceptions of Central Asia

Fresh in the minds of Israel’s leaders were several notions that greatly influenced their perception vis-à-vis the new republics. Primary was the memory of the Soviet Union supporting the Arab and Palestinian cause through both words and deeds; therefore, as successor states to the Soviet Union, the republics of Central Asia were to be viewed with much skepticism by Tel Aviv.<sup>1</sup> As a result, ensuring that these new republics did not follow in the tradition of the Soviet Union became a prime goal for the government in Tel Aviv.

Secondly, the Israeli media was filled with many stories—composed of few facts however—of how the Muslims of Central Asia had been supportive of Saddam Hussein against the allied coalition in the 1991 Gulf War, and therefore against Israel.<sup>2</sup> A third factor was that at the time Israel did not have much success in dealing with Muslim nations. Fourth and finally, just as Central Asia represented an unknown quantity for many in the West, the consensus in Israel was no exception.

These four pre-existing popular interpretations of Central Asia, when coupled with the black and white terms in which policy is generally created in Israel did not greatly add to the spirit in Tel Aviv. That is to say, Israeli policy makers have tended to view issues relating to national security *as* questions of national survival, and therefore as a zero sum game in which the State of Israel either wins, or it loses. As losing in this sense means the destruction of the State, Israel must never lose. The formation of its rela-

<sup>1</sup> In his memoirs (*Envoy to Moscow: Memoirs of an Israeli Ambassador 1988-1992*, The Cummings Center Series, Frank Cass & Co. Ltd., London, 1996), former Israeli Ambassador to Moscow Aryeh Levin relates an exchange with Deputy Foreign Minister Boris Kolokolov that took place in late March 1992 on the subject of continued arms sales to states hostile to Tel Aviv, in particular, a US\$2 billion sale to Tehran alone. Kolokolov, responsible for the Middle East at the Foreign Ministry, remained quiet according to Levin. Kolokolov’s wife, however, injected that as long as Russians wanted to live, they would need money. This episode indicates that Israeli concerns were not without basis in fact.

<sup>2</sup> See either *The Jerusalem Post* or *Ha’aretz* for such stories. Also based on private conversations with the author.

tionship with Central Asia was no different. Current thinking at the time held that developing positive relations with the new republics was paramount to the survival of the state. Then Army Chief of Staff General Ehud Barak stated at the time that the “new Muslim republics in Asia don’t seem ... something that will add to our health, at least in the long term.”<sup>3</sup>

### **Fear of Iranian Influence: The Specter of Khomeinism**

The collapse of the Soviet Union in 1991 dramatically altered the geopolitical landscape throughout the world. In Tel Aviv, the unfolding events in Central Asia were being watched with particular interest. Israel’s greatest fear at the time was that the new republics would fall under the sway of Iran’s fiery brand of revolutionary Islam and adopt Tehran’s fierce opposition to the very existence of the Jewish State. The fact that Kazakhstan gained independence as a virtual nuclear power certainly raised additional concerns throughout Israel’s foreign policy community.

Just how predominantly Shi’a, Persian-speaking Iran was to make inroads in Sunni, predominantly Turkic-speaking Central Asia—with Tajikistan being the notable exception—was evidently not much examined at the time in Tel Aviv, nor in London or Washington for that matter. However, both Tel Aviv and Washington had deemed Iran a threat to the security of Central Asia,<sup>4</sup> and by extension a threat to Israel itself. Rather, if Tehran was given free reign in Central Asia, the security of the State of Israel would suffer.

## **Diplomatic Efforts**

Since the creation of the State of Israel in 1948, one of its primary goals has been to guarantee its survival through the achievement of legitimacy in the eyes of its detractors. Tel Aviv has pursued a variety of strategies in order to accomplish this goal, most notably its famed “periphery policy” and the Middle East Peace Process. Both of these have held that normalizing relations with potential adversaries is essential to survival of the state.

### **Diplomatic precedents**

In its periphery policy, Israel sought to create close relations with those non-Arab states at the “peripheries” of the Middle East “that, as David Ben-Gurion put it, lay beyond the ‘Arab fence.’”<sup>5</sup> Most notably, these states included pre-Revolutionary Iran and secular Turkey. By anchoring itself to these strong states which also viewed the Arab world with some suspicion, Tel Aviv attempted to protect itself by aligning with similarly minded nations. For some Israeli leaders, this relatively short-lived policy provided an important benefit which they saw as being of help in gaining recognition for their state. That is, the shifting of the focus of the Middle East from being simply Arab, but to also include Persian, Turkish, Berber, and Israeli. The logic held that if the focus was removed from the Arab-Israeli conflict, more nations would seek to establish relations with Tel Aviv.

<sup>3</sup> D. Pipes, “The Event of Our Era: Former Soviet Muslim Republics Change the Middle East,” in: *Central Asia and the World: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan*, ed. by M. Mandelbaum, New York, 1994, p. 48. Quoted from: Israeli Television, 11 September, 1991.

<sup>4</sup> See: A. O’Sullivan, “US, Israel Conclude Strategic Dialogue,” *The Jerusalem Post*, 6 June, 1997, p. 3.

<sup>5</sup> Ph. Robins, “The Middle East and Central Asia,” in: *The New Central Asia and Its Neighbors*, ed. by P. Ferdinand, London, 1994, p. 66.



The current Middle East Peace Process can also be interpreted as a means to solidify the State of Israel. Through negotiating peace with its primarily Arab neighbors, Israel stands to not only secure the safety of its citizens, but also gain the international recognition that it has long sought. For example, Israel's position in the United Nations would be finally established as either an Asian, Middle Eastern, or even European member.

Therefore, it is not surprising that during the previous lull in the peace talks, Israel's relationship with the Central Asian republics truly began to emerge. At the time, this fact was widely written about in the Arab and Persian press. Many Arab commentators saw linkages between the Netanyahu government's intransigence in negotiations and the development of ties with Central Asia. Israel and Netanyahu were charged with avoiding the "consequences of economic cooperation"<sup>6</sup> and "sidestepping the Arab world."<sup>7</sup> Likewise, for engaging Israel while the peace process withered the republics also were subjected to a wide range of criticisms, ranging from authoritarianism to renouncing Islam.<sup>8</sup> When looking back at the recent history of the Arab-Israeli Peace Process, one can now discern trends regarding the status of Israeli-Central Asian relations in which during "lulls" in the negotiating process, Tel Aviv would ramp up its engagement with the former Soviet republics.

### ***Diplomatic Overtures: Relations with the Muslim World***

It is important to note that at the time of the independence of the Central Asian republics, the State of Israel had only secured a peace treaty with Egypt, the Camp David Accords of 1978.<sup>9</sup> Israel was still technically in a state of war with the remainder of the Arab world, originating from the 1948 War of Independence. The peace with Cairo was at best a cold peace, ambassadors had been exchanged, and relations normalized, but there was little more. Relations with Turkey were still several years away from blossoming into their current state. At the collapse of the Soviet Union, Turkey was the only other Muslim nation to recognize Israel, a precondition for Ankara's admission to NATO.<sup>10</sup> Likewise, other peace deals were still yet to come. The Oslo Accords with the Palestine Liberation Organization (September 1993) and the Jordanian-Israeli Peace Treaty (26 October, 1994) were still approximately two, and three, years away, respectively.<sup>11</sup> For this reason, Tel Aviv was quick to act; "In addition to the usual reasons for seeking good relations, they [the Israelis] particularly welcomed warm ties with predominantly Muslim states."<sup>12</sup> This was essential to undercut Israel's so-called "anti-Muslim" image, as well as the *perception* of Israel abroad as being anti-Muslim.

### ***Relations with the Republics***

According to the Ministry of Foreign Affairs, Israel officially established its embassies in Uzbekistan in February 1992, Kyrgyzstan in March 1992, Kazakhstan and Tajikistan in April of 1992, and over a

<sup>6</sup> "Netanyahu Seen Trying to Sidestep the Arabs by Forging Ties with Central Asian States," *Mideast Mirror*, 1 July, 1998, p. 19. Quoted from: Atef al-Gomhari, *al-Ahram* (Cairo), 1 July, 1998.

<sup>7</sup> Ibidem. For similar articles in the Persian press, see either the *Salam*, *Hamshahri*, or *Ettela'at* newspapers (all Tehran).

<sup>8</sup> See, for example: "Uzbekistan's 'Unholy Alliance' with Israel," *Mideast Mirror*, 21 October, 1998, p. 12. Quoted from: Mohammad al-Sammak, *al-Ahram* (Cairo), 21 October, 1998.

<sup>9</sup> See: Dr. David Menashri, conversation with the author, 7 July, 1999.

<sup>10</sup> Based on private conversations with the author, in London and Israel.

<sup>11</sup> See: Sh. Hunter, "Central Asia Since Independence," *The Washington Papers*, ed. by Walter Laqueur, No. 168, London, 1996, p. 143.

<sup>12</sup> D. Pipes, op. cit., p. 83.

year later in Turkmenistan in October 1993.<sup>13</sup> For the leadership of the republics, “ties with Israel symbolized an antifundamentalist orientation. A pro-Israel outlook was understood to enhance one’s standing in the West.”<sup>14</sup> Relations with Tel Aviv were also being sought because Israel was also seen as a conduit to Western aid dollars. This notion should not be overlooked. With little advance warning, the Central Asian republics were transformed from subsidized and protected components of a global superpower to third world states with no experience of independent governance.

Israel was also viewed by the republics as very much an example to emulate. It is only one of a handful of states that has both successfully industrialized and been able to maintain a strong defense posture.<sup>15</sup> “Israel’s powerful image promises much to these countries, which perceive it as a model state: small but politically and economically strong, and both democratic and secular.”<sup>16</sup> As Raphael Israeli has written, Israel demonstrated that through modern technology, scientific means, and “certain sociopolitical” values, small nations can be powerful and advanced countries.<sup>17</sup> Therefore, it is important to keep in mind that the relations between Israel and the republics were not purely a one-way avenue of exchange: simply put, Israel was—and is—a very attractive partner for these new states.

The Russian newspaper *Rossiyskaya gazeta* ran a noteworthy article on 20 January, 1992. Entitled “U.S.A. Encourages Muslim Republics to Follow Turkey: Israel Makes Inroads,” it stated that officials of Israel’s Ministry of Foreign Affairs “recommended that diplomatic missions be opened”<sup>18</sup> in the republics “and that they be offered the services of experts in all spheres – from agriculture to defense.”<sup>19</sup> This article appeared several weeks before Tel Aviv actually began its diplomatic efforts in the region, and demonstrates very clearly that the State of Israel had a well-defined plan of action to secure its influence in the republics. The article concludes by quoting “a high-ranking Israeli spokesman”<sup>20</sup> as stating that “until they have decided what route to follow, we have an opportunity to penetrate them and influence events.”<sup>21</sup> As this chapter shall illustrate, this goal was very successfully accomplished.

### **Central Asia and the Peace Process**

Most of the states in the Middle East sought relations with the Central Asian republics. A host of actors in the region attempted to recruit the new states to their perspective of Middle Eastern issues, such as the status of Jerusalem, the state of the Peace Process, as well as general questions of the role of religion in society.

Israel was particularly concerned that the republics would side with the PLO. The potential entry of five more Muslim nations into the “rejectionist front” of nations opposed to the State of Israel drew the attention of both the Israelis and the PLO, however none more so than a nuclear-armed Kazakhstan. For Tel Aviv this issue raised serious concern, and diplomatic activity by both the Israelis and the Palestinians quickly followed.

<sup>13</sup> See: Ministry of Foreign Affairs, “Israel’s Diplomatic Missions Abroad.” Available at [<http://www.israel-mfa.gov.il>].

<sup>14</sup> D. Pipes, op. cit.

<sup>15</sup> See: J.R. Adelman, *Torrents of Spring: Soviet and Post-Soviet Politics*, London, 1995, pp. 64-65.

<sup>16</sup> B. Aras, “Post-Cold War Realities: Israel’s Strategy in Azerbaijan and Central Asia,” *Middle East Policy*, Vol. 5, No. 4, January 1998, p. 69.

<sup>17</sup> See: R. Israeli, “Return to the Source: The Republics of Central Asia and the Middle East,” *Central Asian Survey*, No. 13 (1), 1994, p. 29.

<sup>18</sup> “U.S.A. Encourages Muslim Republics to Follow Turkey: Israel Makes Inroads” (excerpts), Moscow *Rossiyskaya gazeta* in Russian (20 January, 1992). Translation by *British Broadcasting Corporation, Summary of World Broadcast*, 23 January, 1992, SU/1285 A4/2[3].

<sup>19</sup> *Ibidem*.

<sup>20</sup> *Ibidem*.

<sup>21</sup> *Ibidem*.

This race for the republics was not between Israel and the Palestinians alone. Shortly after Israel began its diplomatic blitz in Central Asia, Syria also made the rounds in the region, "the ensuing competition had political, strategic, economic, ideological, and cultural dimensions."<sup>22</sup> Within this same time, other states, most notably Iran, also joined the fray.

### ***Diplomatic Ties with Uzbekistan***

Tashkent was first to officially establish diplomatic relations with the State of Israel, and "in its first year of independence, Uzbekistan cooperated closely with Israel."<sup>23</sup> At the time, the state-owned media trumpeted this development as an event "not only in the interests of Uzbekistan and Israel, but ... of great importance to the countries of Central Asia and also Kazakhstan."<sup>24</sup> On 24 February, 1992, the Israeli Ambassador to Moscow, Aryeh Levin, was in Tashkent to mark the occasion.<sup>25</sup> Aside from allocating a building for the embassy, Ambassador Levin met with the "leadership of the republic"<sup>26</sup> and also held talks with Foreign Minister Ubaidullah Abdurazzakov. According to Uzbek Radio, which reported the meeting, "discussions also took place on the development of direct contacts in the economic, scientific and cultural spheres, and in activities serving the interests of both countries."<sup>27</sup> The report added, "Currently this type of cooperation in agriculture, public health, and ecology has illustrated results,"<sup>28</sup> indicating Israeli involvement prior to the establishment of relations.

Ambassador Levin adds in his memoirs the concerns that both he and his government had over the position of Islam in newly independent Uzbekistan, and its relation to the security of the State of Israel. In the conversation with Foreign Minister Abdurazzakov mentioned above, the minister indicated that "the government had not yet decided if the country would go over to the Arabic script."<sup>29</sup> This was a response to the Ambassador's direct question. As Levin states, usage of the Arabic script "was seen as a very strong vehicle for Muslim fundamentalism."<sup>30</sup> The very fact that these remarks took place during Israel's first diplomatic conversation with Tashkent illustrates the primacy that Islamic fundamentalism held for Tel Aviv. Coupled with the perception of events in the Ferghana valley (Levin makes mention of these concerns in his memoirs<sup>31</sup>), this again demonstrates Israel's early concerns over the fate of Islam in Uzbekistan. For Tel Aviv, the role and position of Islam in Uzbekistan was an immediate concern, and one that could adversely affect Israeli national security. Therefore, Israel would need to do all it could to ensure that political Islam would not have a role in Uzbekistan.

In July of 1994, both *Tehran Radio* and the *Tehran Times* were highly critical of then Foreign Minister Shimon Peres' visit to Tashkent. As the *Central Asia Monitor* reported, "Remarkably, the criticism focused as much on Uzbekistan's leadership as on Peres; the *Tehran Times* said that Uzbek President Islam Karimov had been reinforcing dictatorial rule through a 'brutal repression of democratic and Islamic forces.' The Iranian comments apparently mark a rapid deterioration of relations between the two countries, which

<sup>22</sup> D Pipes, op. cit., p. 48.

<sup>23</sup> H. Hale, "Islam, State-building and Uzbekistan's Foreign Policy," in: *The New Geopolitics of Central Asia and its Borderlands*, ed. by Ali Banuazizi and Myron Weiner, Bloomington, 1994, p. 136.

<sup>24</sup> "Israel Establishes Diplomatic Relations with Uzbekistan" (excerpt). Tashkent *Uzbek Radio* in Uzbek (03:00GMT, 24 February, 1992). Translation by *British Broadcasting Corporation, Summary of World Broadcast*, 26 February, 1992, SU/1314 A4/1[2].

<sup>25</sup> *Ibidem*.

<sup>26</sup> *Ibidem*.

<sup>27</sup> *Ibidem*.

<sup>28</sup> *Ibidem*.

<sup>29</sup> *Levin A. op. cit.*, p. 351.

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

<sup>31</sup> *Ibid.*, p. 352.

had seemed close to a rapprochement when Iranian president Ali Akbar Rafsanjani visited Tashkent in October 1993.<sup>32</sup>

This shift is perhaps one of the greatest indicators that Tel Aviv was succeeding in its aims to prevent Iran from gaining influence in Central Asia.

A final note about Uzbek-Israeli relations vis-à-vis Iran occurred in May 1996. President Karimov threatened to “withdraw” from the Economic Cooperation Organization for “Iran’s ‘politicization’ of the ECO by criticism of Israel.”<sup>33</sup> Kazakhstan, Kyrgyzstan, and Tajikistan all supported the move by Karimov, which further serves to demonstrate the victories Tel Aviv was achieving in Central Asia.

## Economic and Commercial Relations

Israel has fared better than any other nation when it comes to doing business in Central Asia. In this regard, “Israel has been more successful in developing economic ties than have Saudi Arabia, Kuwait, and other rich Muslim Gulf states,”<sup>34</sup> and, in fact, it is the “Middle Eastern state with the largest number of joint ventures”<sup>35</sup> in Central Asia.

Joint ventures and business investments are a means by which Tel Aviv can influence events in Central Asia, as well as bolster its own domestic economy. The development of an “economic hinterland,” as it has been called, has long been a goal of Israeli policy makers. Deals with Israeli businesses, especially arms and technology firms, may also be viewed as a form of state subsidy. An example of which can be seen in Israel’s state-owned aircraft industries; for years a failing business, it has been kept alive in part through foreign deals.<sup>36</sup> In short, “Israel sees in Central Asia a potentially vast export market”<sup>37</sup> with which to fuel its economy.

Private sector commercial relations between Israeli businesses and Central Asia are included in this study for several reasons. First, because of the government’s active participation in promoting trade and economic cooperation. The second reason is because Israeli policy has been to gain influence in Central Asia in large part through technology transfers and investment, much the same way it has utilized development assistance.

In terms of commercial relations with Central Asia, several Israeli firms and individuals have done quite well in the republics; these include the Merhav Group, businessman Saul Eisenberg, Netafim, Beta Shita, and Ben Shanar Associates, to name a few.

Generally speaking, there have been several reasons why Israeli firms have done so well in Central Asia. First among these has been the active participation of the Israeli government. Tel Aviv has lobbied the governments of the republics on behalf of industry sectors, as well as specific firms. Commercial relations have also benefited from the state’s decision to extend export credits and insurance vis-à-vis Central Asia. An important second point has been the perception of Israeli firms in the republics. The reputation of the technology that has made the kibbutzim bloom has preceded itself.

A third factor has been the number of Russian-speaking Israelis, the largest Russian-speaking population outside the former Soviet Union. Furthermore, many immigrants from the former Soviet Union also speak a region language<sup>38</sup> such as Uzbek. This factor should not be overlooked because it greatly

<sup>32</sup> *Central Asia Monitor*, No. 4, 1994, p. 3.

<sup>33</sup> *Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan: Country Studies*, ed. by G.E. Curtis, Washington, DC, 1997, p. xxv.

<sup>34</sup> Sh. Islam, “Capitalism on the Silk Route?” in: *Central Asia and the World: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan*, p. 174.

<sup>35</sup> Ph. Robins, op. cit., p. 72.

<sup>36</sup> Based on private conversations with the author, in London and Israel.

<sup>37</sup> G. Yuldasheva, “Modern Uzbekistan: Problems of Development,” *Labyrinth: Central Asia Quarterly*, Vol. 3, No. 4, 1996, p. 40.

<sup>38</sup> Personal observation of the author.

facilitates business transactions. Also those Israelis that can trace their roots back to Central Asia have for the most part been actively doing business in the republics. From a Central Asian standpoint, this was a commonly held belief: "Jewish immigrants from the Southern Tier were expected to invest in their countries of origin."<sup>39</sup>

Natan Sharansky, Minister of Industry and Trade under the Netanyahu government, is a very interesting combination of these factors. During his tenure, Sharansky made many visits to the region, and served as the de facto "Netanyahu government coordinator in dealing with Russia."<sup>40</sup> It is also believed that the former Soviet dissident and native Russian speaker was active in promoting Israeli business in Central Asia due to personal interest.<sup>41</sup>

### **Economic Ties with Uzbekistan**

Shortly after independence, Uzbekistan had been granted Most Favored Nation status with Israel.<sup>42</sup> Irrigation and soil conservation technology continue to be one of the main fields of commercial business between Israel and Uzbekistan. "Uzbekistan is also pursuing close economic cooperation with Israel, and is particularly interested in its irrigation technology."<sup>43</sup>

Uzbekistan's *Organization for Maintenance of Agricultural Equipment* utilizes sprinklers produced by the Israeli firm Netafim.<sup>44</sup> Originally supplied in 1992, Netafim's technology was developed on kibbutzim, and has found a similar environment on the Malek state farm in Syr Darya province.<sup>45</sup> Netafim's sprinklers have allowed water consumption rates in cotton production to be reduced by over 50%.<sup>46</sup>

This cooperation has been very successful so far for both Israel and Uzbekistan. While "Israel has assisted Uzbekistan in improving its irrigation system,"<sup>47</sup> it has also slowed the rate of environmental damage that cotton production has traditionally generated. Another investor in the agricultural sector has been Israeli entrepreneur Saul Eisenberg, who has also simultaneously cutting irrigation rates and boosting productivity.<sup>48</sup>

Israel has also been active in establishing dairy farms in Uzbekistan.<sup>49</sup> The firm Einav has supplied 800 Holstein dairy cows to the Lenin Mining and Metal Combine in Almalyk.<sup>50</sup> Einav was also reported to have begun establishing a second dairy farm at Karshi.<sup>51</sup> Israeli businesses have also been involved in the process of creating chicken farms in Uzbekistan.<sup>52</sup>

While in Israel, speaking to over 100 Israeli businessmen, Karimov has stated that "the most important part of our cooperation is economic. We are very impressed by the Israeli technologies we have seen."<sup>53</sup> Karimov also "signed a series of agreements on expanding bilateral trade and cooperation in agriculture"<sup>54</sup> during his visit to Israel. He added that "the trade agreements would pave the way to scientific and technological cooperation particularly in the field of agriculture."<sup>55</sup>

<sup>39</sup> D. Pipes, op. cit., p. 83.

<sup>40</sup> D. Makovsky, "Uzbekistan May Buy Arms from Israel," *Ha'aretz* (English Edition), 2 July, 1998.

<sup>41</sup> Based on conversations held with the author in Israel, summer 1999.

<sup>42</sup> See: R. Boris, S. Zhukov, *Central Asia: The Challenges of Independence*, M.E. Sharpe, London, 1998, p. 228.

<sup>43</sup> H. Hale, op. cit., p. 163.

<sup>44</sup> See: "Sprinklers Catch On," *Labyrinth: Central Asia Quarterly*, Winter 1995, pp. 30-31.

<sup>45</sup> Ibidem.

<sup>46</sup> Ibidem.

<sup>47</sup> Sh. Islam, op. cit., p. 174.

<sup>48</sup> See: "Israel: Entrepreneur Seeks Cooperation on Tajik Cotton" (text). *TASS World Service in English* (12:15GMT, 9 January, 1992). *British Broadcasting Corporation, Summary of World Broadcast*, 17 January, 1992, SU/W0213 A/3[13].

<sup>49</sup> See: Y. Hadar, Israeli Ministry of Industry and Trade, conversation with the author, 30 June, 1999.

<sup>50</sup> See: "Israeli Know-how," *Labyrinth: Central Asia Quarterly*, Summer 1994, p. 35.

<sup>51</sup> Ibidem.

<sup>52</sup> See: Y. Hadar, Israeli Ministry of Industry and Trade, conversation with the author, 30 June, 1999.

<sup>53</sup> D. Makovsky, "Israel, Uzbekistan to Join Forces on Iran," *Ha'aretz*, 16 September, 1998.

<sup>54</sup> "Uzbek President in Israel," *Central Asia Monitor*, No. 5, 1998, p. 35.

<sup>55</sup> D. Makovsky, "Israel, Uzbekistan to Join Forces on Iran."

As business ties have flourished, Israel and the republics have been drawn closer and closer together. By providing much needed capital investments and technology transfers, Israel has insured that the republics become firmly attached to Israel and its concerns.

## Military-Security Cooperation

Of nearly all of the types of relations that the State of Israel can engage in with the Central Asian republics, perhaps it is in the area of military and security cooperation that it has the most cachet. Israel has both earned *and cultivated* a powerful reputation of a small strong and secure state. It is known the world over as a state that has the capability and proven track record to defend itself, often against overwhelming odds, across the globe. There is little doubt then, given Israel's reputation in military-security matters, that the republics would view Tel Aviv as a potential benefactor in this regard. When the perceptions of the Israeli state to exert its will through the use of force—both overt *and covert*—are held to be among the world's best, it stands to reason that Israeli assistance would be welcomed and sought after.

### Military and Security Ties with Uzbekistan

Uzbekistan enjoys perhaps the greatest cooperation with Israel of all the Central Asian republics when it comes to military and security matters. It has also been called the “most strategic state in the region”<sup>56</sup> for Israel. During Minister of Industry and Trade Sharansky's visit to Tashkent in July of 1998, President Karimov informed him that “Uzbekistan is willing to purchase military technology from Israel.”<sup>57</sup> Karimov has also claimed that Uzbekistan faces similar threats to those that Israel confronts. Leaders in Israel and Uzbekistan agree they both face terrorism and Islamic fundamentalism, stemming from Iran and Afghanistan. Certainly both Israel and Uzbekistan have been fiercely anti-fundamentalist, a point which helps account for the closeness and coziness between Tel Aviv and Tashkent. On numerous occasions both Israeli and Uzbek leaders have claimed that they “were united by the need to combat Islamic fundamentalism.”<sup>58</sup>

In the late summer of 1998, Israeli Defense Minister Yitzhak Mordechai stopped briefly in Tashkent. President Karimov has said that it was during Mordechai's visit to Uzbekistan that defense cooperation was agreed.<sup>59</sup> Only a few weeks later, during September of 1998, President Karimov paid a visit to Israel. While in Israel, Karimov “agreed on the need to exchange information about the common threat perceived to be emerging from Iran.”<sup>60</sup> While President Karimov denied that Israel and Uzbekistan had signed a “security protocol,”<sup>61</sup> both Karimov and then Prime Minister Netanyahu “discussed the possibility of cooperating in fighting regional security threats.”<sup>62</sup> The two also affirmed that “they intend to work together to fight growing fundamentalism and arms proliferation in the region.”<sup>63</sup> Vividly illustrating his point, Karimov spoke about his country's relations with Israel at a reception held in his honor; he stated

<sup>56</sup> D. Hiro, “Uzbekistan: Karimov's Visit to Israel Cements Ties,” *IPS News Reports*, s. 1., s. a.

<sup>57</sup> D. Makovsky, “Uzbekistan May Buy Arms from Israel.”

<sup>58</sup> “Simon Peres in Tashkent and Ashgabat,” *Labyrinth: Central Asia Quarterly*, Fall 1994, p. 13.

<sup>59</sup> See: S. Rodan, “Uzbekistan Sees Israel as Defense Partner,” *The Jerusalem Post*, 17 September, 1998, p. 5.

<sup>60</sup> D. Makovsky, “Israel, Uzbekistan to Join Forces on Iran.”

<sup>61</sup> *Ibidem*.

<sup>62</sup> *Ibidem*.

<sup>63</sup> D. Hartman, “Uzbek Leader, Netanyahu Pledge to Fight Fundamentalism,” *The Jerusalem Post*, 16 September, 1998, p. 3.

that “Islamists deserve to have their heads cut off, and I am prepared personally to do that,”<sup>64</sup> to very warm applause.

During his September visit to Israel, Karimov “pledged” to bring Israel and Uzbekistan closer in a “wide-ranging defense relationship,”<sup>65</sup> and praised the reputation of Israel’s defense industry. At a visit to Israel Aircraft Industries, Ltd., Karimov expressed his interest in “cooperation with IAI in a variety of fields.”<sup>66</sup> Among the weapons systems at IAI in which Karimov expressed interest were the Hunter unmanned aerial vehicle (UAV), the Arrow antimissile missile, ground and control systems, as well as satellites.<sup>67</sup>

## Hezbollah and Uzbekistan: A Request for Assistance

After the February 1999 bomb attacks in Tashkent, there were unsubstantiated rumors that Israeli government agencies had informed the Uzbeks that the Lebanese organization *Hezbollah* were responsible. *The Jerusalem Post* reported two days after the bombing that Uzbekistan had asked for “Israel’s help against Hezbollah.”<sup>68</sup> According to the report, Karimov requested the assistance in the form of a telephone conversation with Natan Sharansky, the Netanyahu government’s point man on Central Asia.<sup>69</sup> While the fact that Hezbollah would attempt to target the Uzbek president seems dubious at best, the rumor is noteworthy only because it nearly takes for granted that Tel Aviv and Tashkent cooperate in areas of intelligence and security. If there was not any cooperation between the two states prior to the bombing attack, then most likely the situation has changed following the “attempted assassination.” It seems quite unlikely that Israel would turn down an offer of this sort, whether Hezbollah was active in Uzbekistan or not.

The cooperation between Israel and the republics of Central Asia has been quite close. As a result, Tel Aviv has been able to influence the republics’ perception of security threats, as well as the appropriate steps to counter those threats. Additionally, this cooperation has allowed Israel virtually unimpeded access to the republics in order to guarantee what Tel Aviv views as *its own* security.

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

This article has demonstrated the extent of Israeli penetration and influence in Uzbekistan. Through diplomatic, economic, and military cooperation in the region, Israel has been able to achieve its main foreign policy objectives. First and foremost, Tel Aviv has eliminated Iran from being a competing power in the region. The governments of the republics have not fallen under the sway of the mullahs in Tehran, and anti-Israeli Islamic fundamentalism has not taken root among the populace.

Tel Aviv has also succeeded in maintaining the status quo vis-à-vis the Middle East Peace Process. The collapse of the Soviet Union did not herald the entrance of its successor states into the rejectionist front. Nor has the Palestinian or Arab negotiating position—primarily Syrian and Lebanese tracks, and most recently with respect to the Palestinian Authority—been strengthened as a result of the creation of five more Muslim nations.

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<sup>64</sup> “Uzbekistan’s ‘Unholy Alliance’ with Israel.”

<sup>65</sup> S. Rodan, *op. cit.*

<sup>66</sup> *Ibidem.*

<sup>67</sup> *Ibidem.*

<sup>68</sup> D. Hartman, “Uzbekistan Asks Israel’s Help against Hezbollah,” *The Jerusalem Post*, 18 February, 1998, p. 2.

<sup>69</sup> *Ibidem.*

An equally notable fact is that the event that precipitated the independence of the Central Asian republics, the end of the Cold War, did not result in Israel being made redundant to its primary sponsor, the United States. Through a very well orchestrated campaign, Israel has been able to redefine itself as a bulwark against fundamentalism, Iranian Shi'a extremism, now that the war against communism has been won. By replacing the Green peril with the Red menace, Israel has played to the concerns of its benefactors, and will continue to receive the nearly \$5 billion in combined annual assistance from Washington. This is not to say that Israel is not in a dangerous neighborhood, it is faced daily with very real threats of its own. The violent al-Aqsa Intifadah, now in its third year, is proof positive of Israel's very precarious security situation. However, the threats that Tel Aviv confronts do not originate in Central Asia. Nonetheless, the threat of a resurgent Central Asian Islam in large part continues to allow Israel to maintain its qualitative military edge courtesy of the United States.

By developing relations with the republics of Central Asia, Israel has also succeeded in establishing working relations with Muslim nations. As mentioned above, Tel Aviv has achieved its goal of preventing any hostile regimes from seizing power in the region. This has simultaneously resulted in Israel effectively undercutting its anti-Muslim reputation. This fact has been immensely important for Tel Aviv's quest to gain recognition amongst both Arab and non-Arab states alike.

The development of further economic areas has been the last of Israel's policy objectives explored in this study. Israel businesses and industry have found a vast new market in the republics of Central Asia. However, serious questions remain over how well these contracts will develop. True, billions of dollars have been done *on the books*, yet it seems as though little money has changed hands. Important questions remain unanswered, and the very fact that no one seems to be addressing them raises even further concern. For instance, where will these nations come up with the millions of dollars owed Israeli firms? What if the great hydrocarbon resource boom doesn't materialize, what then for Israeli businesses? And perhaps most troubling of all, how will any future instability translate for the republics, and their Israeli business partners?

### Impact on Regional Security

The role of Israel in Central Asia raises some very serious concerns for questions of regional security. First and foremost one wonders how the other regional powers—Russia, Iran, and China—will perceive Israel's increasing activity in an area that each views as strategically their own? That is to say, Israel has identified certain policy objectives that it has deemed vital to its security, while at the same time Moscow, Tehran, and Beijing have also done the same. The potential for Iran in this case to feel threatened by Israeli activity so close to its borders seems especially high. One wonders, then, in the long term, is Tel Aviv's continued and increasing involvement in Central Asia improving its security situation, or increasing the likelihood of conflict?

A related issue of concern is based upon the relations between the State of Israel and current ruling elites in the republics. Nearly all of Israel's inroads in Central Asia are guaranteed through the continued existence of those elites. Just as relations with Israel signify a regime's anti-extremist stance and pro-Western orientation, it also has the potential to develop into a lightning rod of discontent. While currently the opposition groups in the region have very limited room to maneuver, if any organization wanted to express its discontent with the ruling power's orientation, all it would need to do is strike against any of the regime's Israeli friends operating in the country. This last fact should be of particular concern to the regime in Tashkent, which seems to be battling its own home-grown opposition.

The scenario illustrated above becomes even darker when one considers the possibility that any of the region's Islamic groups might choose Central Asia as the venue for an attack against Israeli in-



terests. The permutations of possibilities become nearly mind-boggling when one considers that such a strike could come from nearly anywhere: disenfranchised Uzbek groups, Afghan-based  *jihadis* , or Iranian supported groups, not to mention Israel's longtime enemies, such as Hezbollah and Hamas. Palestinian groups have struck at Israeli targets outside of Israel and the Territories before (Buenos Aires, London, and South East Asia). In light of the ongoing Global War on Terror and the continuing al-Aqsa Intifadah, the wellspring of new Israeli targets, less guarded than those in Jerusalem or Tel Aviv, may be too tempting for some to resist. The November 2002 attacks in Mombasa, Kenya may be indicative of future attacks to come.

A third and final consequence to regional security as a result of Israeli involvement in Central Asia, is that of altering regional balances. Rather what has Israeli interest in the region done to the pre-existing, or natural balance in the region? Anytime a foreign actor becomes extremely active in a specific region, consequences are bound to arise. In the case of Central Asia, the consequences have the potential to effect the development of the region. For example, to deny either Russia or China a strong role in the region is to court conflict, as these nations are natural powers in the region. Israel, thousands of miles away, is not.

As the region has been independent for just over a decade, it has already attracted significant foreign attention. For regional security to become a reality,  *regional stability*  will have to first take hold. The ongoing U.S.-led campaign in Afghanistan and the American military occupation of Iraq does not bode well for the emergence of regional stability. For that to occur, the region will need real sustainable development, not business that leads to resource flight. Instead of over-ambitious pipeline plans and arms to fight unseen enemies, the region needs investments that will lower defense spending, and raise the education, income, and standard of living of the population. That would do more to prevent the growth of the Islamist opposition that Tel Aviv fears than all of the security arrangements it currently has in place. In real terms, for example, this means that as Uzbekistan continues to build its arsenal, the likelihood of conflict becomes greater, as this raises the question, who is Uzbekistan arming itself against?

In the political arena, this means that the governments in power need to liberalize their media, and involve more political actors. Democracy and institution building need to come first to avert future crises. Rather than pointing the finger at hidden conspiracies, as Israel has been alleged to have done by implicating Hezbollah in the 1999 Tashkent bombings, Israel would further its own security by educating those in power about Tel Aviv's own democracy.

These criticisms are not directed at Israel alone. All foreign actors in Central Asia are responsible for altering the regional balance. However, as Israel is leading the outside involvement, it bears the brunt of these criticisms.

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Israel is a very unique actor when it comes to Central Asia. At first glance, it would not seem to share anything with the region, nor does it seem that it could be able to influence the republics. As this article has sought to demonstrate, this is by far the truth. Israel has developed the closest relations with the states of the region, much of it seemingly unnoticed by the outside world.

It is exactly because of these reasons that Israel's involvement in Central Asia needs to be highlighted. As the region's geopolitical importance continues to increase, so does the need to fully assess Israel's impact on questions of security and stability. Likewise, as long as Israeli involvement continues to develop and expand, so will the potential for conflict.

## KAZAKHSTAN'S POLITICO-ECONOMIC RELATIONS WITH IRAN

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Iran is called upon to play the role as a strategic partner of the Central Asian republics; also, it is their gateway to the Middle and Near East and South Asia—that is to say, regions where the majority of the world's Muslim population traditionally lives. The starting point in the evolution of relations between Kazakhstan (the Republic of Kazakhstan) and Iran (the Islamic Republic of Iran) was 1992, when the country's president, N. Nazarbaev, went to the Islamic Republic of Iran on an official visit (October 28 through November 3). Then, on 24 through 26 October, 1993, President A. Hashemi Rafsanjani of Iran returned the visit. In the course of those meetings, treaties were signed, laying the groundwork for the development of cooperation between the two states.<sup>1</sup>

More than 40 documents regulating bilateral relations in the trade and economic, industrial, scientific and technical, transport, transit, and customs sphere have since been drafted and signed.<sup>2</sup> These contacts are constantly being advanced.<sup>3</sup>

There are a number of factors in Kazakhstan's special interest in developing mutually beneficial politico-economic relations between our two states.

- First, Iran's political course is marked by independence and predictability, including both in the medium and long term—that is to say, it is oriented toward consistent integration into the world economic system while retaining its

national specifics. Although Iran's economy greatly depends on the export of manufactured goods and technology, it is visibly picking up pace as the country implements large-scale industrial modernization programs and develops transportation infrastructure, combining planned economy elements with market mechanisms and coordinating the operation of state owned and private enterprises, which ensures steady growth of GDP (on average, 4 percent a year).

- Second, Iran basically differs from many other Islamic countries in its human resource potential (according to the 1996 census, Iran had a population of 60,055 million people; today it is more than 70 million), the high education level of the people, and as of recently, the growing proportion of young people in the country's population. Thus, whereas in the 1991-1996 period, the total population growth rate was 1.46 percent, in the 15-34 age group it was 2 percent to 2.5 percent and higher. At the same time, the proportion of students in this age group is fairly high<sup>4</sup>: In other words, this points to the positive dynamics of the state's social development.
- Third, the national transport development strategy is geared to make the most of the country's geopolitical situation. A modern network of railways and highways links the southern coast of the Caspian Sea with ports in the Persian Gulf, the country's western border areas with Turkey, its southern border with Pakistan, and

<sup>1</sup> See: K. Tokaev, *Vneshniaia politika Kazakhstana v usloviakh globalizatsii*, Almaty, 2000, p. 391.

<sup>2</sup> See: *Kazakhstansko-iranskiye otoshenia v dokumentakh 1992-1998 gg.* A publication of the Iranian Foreign Ministry publishing and printing center with assistance from the Embassy of the Republic of Kazakhstan in Tehran.

<sup>3</sup> See: K. Tokaev, op. cit., p. 390.

<sup>4</sup> See: A.Z. Arabadzian, *Islamskaia Respublika Iran. Ekonomicheskii potentsial*, Moscow, 2002, pp. 20-21.

its eastern border with the Central Asian republics. Also, a lot of effort is being deployed to put in place a pipeline transport system and to modernize the sea ports and oil refineries in the north of the country. Transit-wise, Iran remains a main gateway for the newly independent

states of Central Asia, providing them an outlet to world markets.

Thus, in light of the aforementioned, in the extent of its political and economic influence on Central Asia, Iran can well be put on a par with Russia and China.

## Cooperation in the Oil and Gas Sector

Kazakhstan's intention to sell oil to Iran was first brought up in the course of drafting a protocol on development of cooperation in the transport sphere (November 1992). Under the document, which was signed by the transport ministers of the two countries, Kazakhstan was going to sell up to 2 million tonnes of oil a year (Part 5.2). In 1996, following a summit meeting in Tehran, an agreement on Kazakh oil supplies on a swap basis was signed. The contract, however, was not finalized until December 2001, and in February 2002, the first tanker of the national shipping company KazMorTransFlot with oil for Tehran and North Iranian oil refineries set out from the port of Aktau to the Iranian port of Neka. An equivalent volume of Iranian oil was shipped to Kazakh importers to Khark Island (a port in the south of Iran). In 2003, Kazakhstan exported approximately 1 million tonnes of oil on a swap basis. In 2004, the volume is expected to double.<sup>5</sup>

Oil export is the main source of revenue for both countries; it is also extremely important not only for their development but also for their integration into the world economy with oil swap operations considerably expediting the process. Under the Saup Project, signed in 1998, Iran is modernizing the Tehran, Tabriz, Isfahan, and Arak oil refineries since they did not meet the technology standards required for refining Kazakh oil. In addition, the Rey terminal, located next to the Tehran oil refinery, is being modified and Neka-Tehran and Sari-Nimrud pipeline construction projects are underway.

For its part, Kazakhstan is building up infrastructure on the Caspian coast. Development of relations with Iran stimulates modernization of the port of Aktau that can today handle up to 8 million tonnes of oil and oil products a year. In 2001, an oil loading rack was modernized here, making it possible to ship oil from the Kumkol oil fields in the winter period; it is also planned to modernize the port of Bautino as an oil loading terminal. Furthermore, a Tengiz-Uzen-Belek-Tehran-Qom-Isfahan-Khark pipeline project is in the works. It has a length of 1,440 kilometers, about 500 kilometers of it running across Iranian territory.<sup>6</sup> Another project, which is being developed by Transneft and KazTransOil companies, envisions the use of the existing Omsk-Pavlodar-Shymkent-Chardzhou oil pipeline with an extension to the north of Iran.<sup>7</sup> In this case, the Iranian section of the pipeline will be joined and accessed by Russia, Kazakhstan, Uzbekistan, and Turkmenistan. Thus, an interdependent oil exchange system is becoming not only a base for Kazakhstan's integration with Iran, but will also help other countries in Central Asia and the Caspian to get involved in the process.

By developing political relations with Kazakhstan and other republics in Central Asia, Iran is strengthening its positions in international structures, in particular, the Organization of the Islamic Conference, and in future (should Kazakhstan and Turkmenistan join the organization of oil exporting countries) also in the OPEC,<sup>8</sup> while Kazakhstan gets a transit line, alternative to Russian, and becomes less dependent on the RF for energy export.

<sup>5</sup> See: *Panorama*, 19 December, 2003.

<sup>6</sup> See: A.A. Kurtov, "Iran i problemy Kaspia," in: *Iran v sovremennoy mire*, Moscow, 2003, p. 58.

<sup>7</sup> See: A. Abishev, *Kaspii: neft i politika*, Almaty, 2002, p. 303.

<sup>8</sup> See: M. Sanai, *Vzaimootnosheniia Irana i stran Tsentral'noi Azii: Istoria i sovremennost (politologicheskii analiz)*, Almaty, 1997, p. 56.

At the same time, Kazakh-Iranian experience in oil swap operations is increasingly attracting a number of national and multinational companies. Say, Turkmen exporters, represented by Drayun Oil, in 1998 signed an oil swap agreement with Iran, in April 2000 signing a new agreement (for 10 years).<sup>9</sup> Total-FinaElf's Christophe de Margerie said that almost all companies operating in the Kazakh sector of the Caspian see the Iranian oil transport route as by far the most profitable.<sup>10</sup> Canadian PetroKazakhstan Inc. is already shipping its share of oil, produced at the Kumkol oil field (Kzyl-Orda Region) to the Tehran refinery along the Tedzhen-Serakhs-Mashhad railway line, under a swap contract.<sup>11</sup> The Iranian transit route is also favored by Chinese exporters of Caspian oil.<sup>12</sup>

In addition, Iran makes a profit from oil swap operations, resulting from the difference in the price of oil bought in the north and that provided in the south, as well as from transit charges,<sup>13</sup> while to Kazakhstan, the Iranian route is the shortest and therefore more profitable than the existing Russian or prospective Chinese routes.

## An Outlook for the North-South International Transportation Corridor

The North-South international transportation corridor project envisions the creation and development of a joint transportation infrastructure of Russia, Iran, and India, as well as of some other states wishing to participate in it. After the Russian Federation adopted, in 2000, a transport systems modernization program for the period until 2010, Moscow, Delhi, and Tehran signed a framework agreement on creating a strategic corridor linking India, Pakistan, and Persian Gulf countries. It will pass across Iranian territory to Caspian Sea ports and then along the Russian inland water, rail, and road network to countries of East and Central Europe and Scandinavia. In addition, more than 20 states in the Asia Pacific region, the Middle and Near East, the Baltic region, the CIS, and East and Northern Europe have already shown interest in the project.

Astana's accession to the North-South transportation corridor project created additional opportunities for the republic in the sphere of international trade and transit, as well as for the industrial development of its western regions and the formation of a national transport network (with diversified infrastructure) as a whole. In this respect, on the one hand, Kazakhstan gets an opportunity of becoming an intermediary in the international flow of goods by offering and making available its transit services, regardless of Russia's transport capacity in the Caspian region. On the other hand, the evolution of the Caspian Sea basin as an international transport node orients a part of freight and passenger flow to the west of the country, which creates additional opportunities for a balanced development of its economy on the regional level. One important aspect of this project is the relatively large share of shipments planned for the non-oil sectors of industry, while the projected modernization of ports in Russia, Iran, and Kazakhstan provides for the shipment of a wide range of goods, which, along with the development of the fuel and energy sphere, stimulates industrial and agricultural growth in the Republic of Kazakhstan.

The Kazakhstan section of this route includes the Aktau sea port, which already now is by right considered as one of the technologically most advanced transport nodes on the coast. It links Russia's West Siberia and Ural regions, as well as Uzbekistan, Tajikistan, and Kyrgyzstan with Iranian sea ports

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<sup>9</sup> See: A. Abishev, op. cit., p. 301.

<sup>10</sup> See: Ibid., p. 303.

<sup>11</sup> See: *Panorama*, 8 August, 2003.

<sup>12</sup> See: A. Abishev, op. cit., p. 352.

<sup>13</sup> See: M. Sanai, *Otmosheniia Irana s Tsentral'noaziatskimi stranami SNG. Sotsial'no-politicheskie i ekonomicheskie aspekty*, Moscow, 2002, p. 124.

on the Caspian. The European Bank for Reconstruction and Development extended a \$54 million loan for its modernization with another \$20 million provided by the Kazakhstan government.<sup>14</sup> In 2003, the trans-shipment complex handled 1.5 million tonnes of dry cargo and 8 million tonnes of oil and oil products. Along with development of port infrastructure, pursuant to a 2003 presidential edict, a special economic zone, Aktau Sea Port, was established where it is planned to create enterprises producing steel structures, metal and fiber glass and plastic pipes, etc.<sup>15</sup>

The emerging transportation infrastructure is of key importance for the development of Kazakhstan's economic contacts with Iran and other Caspian countries. Iran, Russia, Turkmenistan, and Kazakhstan are now restructuring all of their transport and communication systems, especially railways as the most cost effective sector in the vast Eurasian expanses. This process is marked by two interconnected trends. On the one hand, modernization of this network is oriented toward global markets, including the market of transit services for neighboring states, which is especially pronounced in Iran. On the other hand, national transport systems seek autonomy: That is to say, each country builds new transport branch lines on its territory bypassing those existing in neighboring states. This is especially characteristic of the post-Soviet republics.

The modern transport and communication system of Central Asia is to a very considerable degree influenced by the history of its evolution in tsarist Russia and the Soviet Union, when the dominant vector of transport and communication routes was northern, which resulted from the policy of promoting economic relations between the state's principal administrative/territorial divisions (entities).<sup>16</sup> Following the emergence of the newly independent states, a peculiar situation has evolved in Central Asia where roads linking districts and regions in each particular republic pass along the territory of other sovereign states, while their uncoordinated tariffs, customs barriers, and other bureaucratic hurdles impede internal economic integration, which forces them to build new roads, bypassing the existing ones. This notwithstanding, Kazakhstan today has a fairly reliable and effective transportation infrastructure—thanks for the most part to the old system. Russia also is confronted with similar problems. Its land communication lines to southern seas now pass across the territory of several independent states in Central Asia and the Caucasus, as a result of which it seeks to develop the infrastructure of its Caspian ports: Astrakhan, Olia, and Makhachkala.

At the same time, states in these two regions are working to carry out integration projects, including within the framework of the North-South program. In particular, there are plans to build a rail road along the east coast of the Caspian Sea, linking Russia, Kazakhstan, Turkmenistan, and Iran, known as the Eastern Path, as well as along its western coast—that is to say, across the territory of Azerbaijan.

During the years of independence, Kazakhstan has built the Druzhba-Alashankou railway line linking it to China, in the region of Dzhungarskiye Vorota (Dzhungar Gate). In 2001, the Aksu-Konechnaia section was put into operation and in late 2003, the Khromtau-Altynsarino section was brought on line,<sup>17</sup> as a result of which the republic's eastern, northern, and western regions received access to the port of Aktau, while domestic manufacturers got a beeline to Iran. This certainly helps to further Kazakh-Iranian relations. Say, being a major grain exporter, already in 2004 Kazakhstan will be in a position to ship 1.5 million to 2 million tonnes of grain through the port of Aktau, thus saving up to 15 percent in transport costs.<sup>18</sup> It is quite likely that large quantities of this grain will be exported to Iran as well as to Saudi Arabia, Jordan, and Turkey, which will have an opportunity to use the cheaper Iranian transit route. In addition, the Khromtau-Altynsarino section will enable Russia to substantially increase the cargo flow from West Siberia and the Ural region to Iran.

Development of Kazakhstan's transport network will make the Iran-Central Asia-Ural (Russia) axis cooperation model a more viable proposition. According to Mehdi Sanai, an Iranian expert, with invest-

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<sup>14</sup> See: "Port v budushchee," *Kontinent*, No. 23, 2003, p. 12.

<sup>15</sup> See: *Panorama*, 10 January, 2003.

<sup>16</sup> See: V.I. Gubanov, "Razvitie transportnoi infrastruktury kak faktor izmeneniya geopoliticheskoi situatsii v Prikaspiyskom regione: vzgliad iz Baku," in: *Kaspiiskiy region na sovremennom etape: problemy, tendentsii, perspektivy*, Almaty, 2003, p. 118.

<sup>17</sup> See: *Panorama*, 21 November, 2003.

<sup>18</sup> See: *Kazakhstanskaia pravda*, 28 August, 2003.

ment and scientific/technical assistance from Iran, the Urals industrial capability could considerably expedite the modernization of existing and creation of new enterprises in Central Asia while the Central Asian countries would help fill the Ural and West Siberian market with agricultural products and consumer goods. On the other hand, Iran would have good prospects not only for the import of Russian raw resources but also access to new markets for its goods.<sup>19</sup>

Iran's transport network also is changing considerably. It does not have to bear the costs that the CIS republics are faced with while the country's transit strategy with regard to neighboring states is geared toward the maximum use of its geopolitical position. According to Ali Reza Bikdeli, an Iranian analyst, the Islamic Republic of Iran should get more actively involved in the regional transport structure so as to be able better to stand up to political pressures affecting the economic process, including the formation of transport and communication structures without Iranian participation.<sup>20</sup>

At present Iran's railway lines are linked with those in Turkey, Azerbaijan, Pakistan, and Turkmenistan, as well as with the port of Bandar Turkman on Iran's Caspian coast and with the ports of Khorramshahr, Bandar Imam Khomeini, and Bandar Abbas near the Persian Gulf and the Arabian Sea. There is also a rail link to the new port of Amir Abad that is being built to the north of Bandar Turkman.<sup>21</sup> In addition, the existing highways are being modernized and new ones are being built. Thus, in the 1995-1998 period alone, the length of arterial roads increased by 216 kilometers, primary four-lane roads by 1,622 kilometers, and main roads by 485 kilometers.<sup>22</sup>

Thus, there is good reason to say that cooperation between Kazakhstan and Iran in the transport and communications sphere is developing quite successfully with the North-South international transportation corridor and the Caspian region being especially promising.

## The Trans-Asian Railway as a Section of the Modern Silk Road

The Southern Corridor (in the classification of the Economic and Social Commission for Asia and the Pacific, or ESCAP) links such capitals and large cities as Beijing, Taiyuan, Xian, Lanzhou, Urumchi (China); Almaty, Taraz, Shymkent (Kazakhstan); Tashkent, Dzhizak, Navoi, Bukhara (Uzbekistan); Chardzhou, Mary (Turkmenistan); Mashhad, Tehran, Tabriz (Iran); and Van, Ankara, Istanbul (Turkey). It has a total length of 12,000 kilometers. Essentially, this road follows the Silk Road and in the case of Kazakhstan and other Central Asian republics could play a key role in developing their national economic, trade, cultural, and humanitarian relations with the rest of the world.

The corridor went into operation in the first half of the 1990s, when construction of two railway branch lines on the border of the region was completed. In September 1990, Kazakh and Chinese railway lines were linked in a place near Dzhungar Gate (between the stations of Druzhba and Alashankou), while in May 1996, construction of the Tedzhen-Serakhs-Mashhad railway line was completed on the border of Turkmenistan and Iran. It has a length of 292 kilometers, 130 kilometers passing across Turkmenistan. The construction project took four years to carry out (one year ahead of the plan). Iranian and Turkmenistani leaders decided to put it into operation in time for the Ashghabad meeting of ECO heads of state and government. There were considerable difficulties in the construction process, related to terrain relief and the route's remoteness from main transport and communication lines. A particularly difficult section was built in Iran where 29 kilometers of rail were laid on across Mahura highland terrain and 42 kilom-

<sup>19</sup> See: M. Sanai, *Otmosheniia Irana s Tsentral'noaziatskimi stranami SNG*, p. 65.

<sup>20</sup> See: Ali Reza Bikdeli, "Polozhenie tranzita Islamskoi Respubliki Iran i stran Tsentral'noi Azii," *Amu Darya*, No. 12, 2002, p. 23.

<sup>21</sup> See: M. Sanai, *Vzaimootmosheniia Irana i stran Tsentral'noi Azii*, pp. 91-92.

<sup>22</sup> See: M. Sanai, *Otmosheniia Irana s Tsentral'noaziatskimi stranami SNG*, p. 83.

eters along mountainous terrain. The section includes eight stations, a 2,700-meter bridge, and three tunnels with a total length of 4,998 meters.

As for Turkmenistan, in addition to the Tedzhen-Serakhs section, it built the Karakumy-Dashhovuz (formerly Tashauz) line, linking the city of Kazandzhik to the Iranian port of Bandar Turkman, completed construction of the Chardzhou (Turkmenabad)-Kerki branch line, a bridge across the Amu Darya river (near the station of Kerkichi)<sup>23</sup> and the Bekdash-Yeralievo section (along the east coast of the Caspian Sea).<sup>24</sup>

Development of the transportation infrastructure of these neighboring countries considerably expands the transit capacity of the Central Asian republics, Russia, and China for freight shipments to states in the Near and Middle East and South Asia via Iran, while the last mentioned gets access to the large markets of Central Asia, Russia, and China.

Nonetheless, despite the great international importance of the Southern Corridor and its established infrastructure, this railway line is not being used to capacity: The main reason for this is that the Central Asian republics and the CIS as a whole are not as yet ready to embrace global geopolitical changes. The unevenness of economic reforms conducted in the Central Asian states holds back the development of their integration, which, in the view of the present author, constitutes in fact the main impediment to full-capacity transit along this railway line. Say, in late December 2002, Tashkent unilaterally imposed severe restrictions on the crossing of the Kazakh-Uzbek border. Although he went on record as saying that the move was related to quarantine measures, the real reason was the outflow of hard currency resources from the country.<sup>25</sup> The restraints that Uzbekistan slapped on business contacts between Uzbek small and medium sized companies and entrepreneurs in neighboring countries impedes the self-organization of this market and economic reforms as a whole. Yet another problem here is an uncoordinated regional tariffs policy. Thus, today Uzbekistan and Tajikistan charge rather high transit fees, which certainly does not encourage freight forwarders to step up their operations. In addition, the Central Asian republics oftentimes fail to meet their obligations to each other—say, the agreement on a 50 percent discount on transit charges within the framework of the TRACECA Project, which partially coincides with the Southern Corridor. Turkmenistan refused to grant exemptions to Uzbek carriers: What is more, it slapped a 20 percent VAT hike on their goods, thus appreciably reducing freight traffic along this route.

Unfortunately, thus far there seems to be no solution in sight, while cargo traffic continues to decline. In this connection, A.V. Malashenko, a Russian expert, is rather skeptical about the prospects for cooperation in this area: “The relatively short section of the Silk Road—a railway line linking the Central Asian countries at the Turkmen border city of Serakhs—cannot perform its functions and is in fact little more than a costly monument to cooperation that failed to materialize.”<sup>26</sup>

Even so, the importance of the Southern Corridor for the Central Asian republics, China, and Russia should not be underestimated. Tehran sank considerable resources into the Serakhs protected customs zone and the railway infrastructure in the country’s northeast provinces. Western parts of China, especially the Xinjiang-Uighur Autonomous Region, are seeing vigorous industrial development, which will compel China to orient itself toward markets in Russia, the Central Asian states, Iran, and Pakistan, and therefore toward the existing transport communication systems. Countries in the region also are quite interested in stable economic development and transit revenues, which will become a guarantee of their integration into the world economy.

Thus, the Southern Corridor with the Tedzhen-Serakhs-Mashhad transport branch line as its “golden link” is unlikely to lose its strategic importance in the context of regional economic integration. Moreover, this railway artery could become a catalyst for economic reforms in southern parts of Kazakhstan,

<sup>23</sup> See: N. Pereverten, *Koridor vmesto tupika* [<http://www.turkmenistan.ru/index.cfm?r=4&d=1608&op=viw>].

<sup>24</sup> See: M. Sanai, *Otmosheniia Irana s Tsentral'noaziatskimi stranami SNG*, p. 92.

<sup>25</sup> See: D. Maslov, “Posledniaia liniia oborony,” *Kontinent*, No. 2, 2003, p. 14.

<sup>26</sup> A.V. Malashenko, “‘Noviy Shelkoviy put’ i problemy sotrudnichestva gosudarstv v Tsentral'noi Azii,” *Dialog tsivilizatsiy na Velikom shelkovom puti “Tsentral'naia Azia: vchera, segodnia, zavtra.” Materialy mezhdunarodnoi nauchnoi konferentsii*, Bishkek, 2002.

Uzbekistan, and Turkmenistan, also producing a positive effect on the Tajik and Kyrgyz economy. Yet, in order to revive the Silk Road, a number of difficult tasks will need to be fulfilled. First, politico-economic stability in Central Asia and the security of international transport line need to be ensured, which could in part be done within the framework of the Shanghai Cooperation Organization. Second, success of economic reforms in the Xinjiang-Uighur Autonomous Region is of key importance in this context: It will help to boost trade between Iran and China and therefore the effectiveness of transit across the territory of countries in the region, including Kazakhstan. Third, along with the trade and economic component, it is essential to develop also the tourism business whose potential is now being clearly underused. In this respect, the historical legacy of the ancient and medieval civilizations of Central Asia and Iran is especially attractive to international tourism. With an adequate transportation infrastructure in place, this legacy will become accessible to the broad sections of the population.

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## ON RELATIONS BETWEEN IRAN AND AZERBAIJAN

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**T**o a great extent, stability and security in the Caucasus, in the Caspian Sea zone, and in Russia's southern "soft underbelly" depend on the relations between Iran and Azerbaijan.

The geostrategic importance of the Islamic Republic of Iran (IRI) and the Azerbaijanian Republic (AR) cannot be overestimated.

Indeed, Iran belongs to the Caucasian, Middle Eastern, and Central Asian regions; it is situated on the Caspian shores and has access to the Persian Gulf and the Gulf of Oman. In one way or another, the state is exposed to all the most painful problems of this vast region. None of the sores—ethnic, religious, military, or economic—or any of the problems related to refugees, drug trafficking, terrorism, and separatism can be successfully resolved without Tehran's involvement. This is true even of the seemingly domestic problems plaguing individual parts of the region. It should be added that Iran has its ultimate value as a source of natural hydrocarbons and as an oil and gas transit territory. The country, with a population of 70 million, has one of the world's largest armies (about 800,000). This is a decisive factor in West Asian regional politics, irrespective of either the domestic or foreign policy situation.

In the Western Asian context, Azerbaijan is a key strategic factor because of its oil reserves and its bioresources. It is one of the region's most developed industrial countries, which successfully masters high technologies; on top of this it is an important international transportation center.

This explains why Iranian-Azerbaijani relations have always been of great importance in international relations, and why the numerous complications in these relationships call for a detailed and profound analysis. Here I shall outline the most important of them.



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Throughout many centuries Iran has maintained and continues to maintain close economic and cultural ties with the peoples of the Transcaucasus; its relations with Azerbaijan are of special nature.

Under the Gulistan Peace Treaty Russia and Persia signed in 1813, the Azeris were divided between these two states; the majority of ethnic Azeris live in Iran (there are different estimates of their numbers—from 17 to 18 million, or 20-25 percent of the total population; or from 16 to 35 million). About eight million Azeris live in Azerbaijan.

The Persians and Azeris are not merely neighbors—they share the same religion. Both nations are Shi'a Muslims and, therefore, they have similar customs and habits.

At the same time, the Azeri mentality is a combination of Shi'a Islam and Turkic ethnicity, the latter being a stumbling block in the relations between the two countries. For two centuries, some of the Azeris were subjects of the Persian Empire, while the others lived within the Russian Empire. This could not but deeply affect national awareness of the "southern" and "northern" parts of the same ethnos: they were developing within different systems of coordinates. In Iran, the Azeris were gradually assimilated, sometimes by force, with the titular nation (the Persians). After the Islamic 1979 revolution the two ethnic groups were driven together on the basis of Khomeinism, which concentrated on Islamic unity. In Russia they preserved their national autonomy and were secularized and Europeanized. This was especially obvious under Soviet power when communist ideologists and politicians were working hard to uproot "the remnants of religion" from people's minds to shape them into a "new nation."

The Soviet Union, which disappeared from political maps in the early 1990s, left a wide gap between the national awareness of the southern and the northern Azeris. Recently, Heydar Jemal who heads the Islamic Committee of Russia said that the Iranian Azeris treated the northern Azeris with a great degree of arrogance. They look at their northern neighbors from imperial positions as a psychologically and morally degraded part of the Azeri nation, which needed a jolt in order to be able to rise again. This means that the southern Azeris think of themselves as a strong, enterprising, and highly organized part of the ethnos with firm principles and ideals. By contrast they are convinced that their northern relatives were weak and have lost their drive and ability to control their lives, support themselves, and observe traditions. The southern Azeris explain the loss of part of the national northern territory by these obvious failures and faults of the northern character.

Despite this, both sides have demonstrated a desire to re-unite—an intention which naturally bothered official Tehran quite a lot. In anticipation of the mounting separatism in their multinational country, spurred on by the social and political processes in the U.S.S.R., the Iranian leaders did not rejoice at the Soviet Union's disintegration.

Independence of Azerbaijan ushered in a new era in the history of both countries: they established contacts, yet the old ethnic and religious problems remained and even worsened under the burden of newly acquired political content.

Many of the aspects of regional relationships can be described by Hegel's dialectics: while the Persians and Azeris share identical confessions and the Azeris of both countries have common ethnic roots, the elites of both countries cannot agree on state and national priorities.

In the late 1980s and early 1990s, Iran, which had just emerged from an eight-year-long war with Iraq, revised the doctrines formulated by Ayatollah Khomeini, the then late leader of the Islamic revolution. Tehran did not intend to abandon the teaching—it wanted to adjust it to the changing world. The Iranian clerics preserved the idea of "export of the Islamic revolution" as the linchpin of their military-political doctrine; they merely shifted the accents from the use of force to the ideological and cultural aspects. Since Khomeinism does not distinguish between religion, ideology, and policy, Iranian propaganda abroad has been and remains religious.

The Iranians launched ideological attacks on all Muslim-populated regions of the former Soviet Union to capture the hearts and minds of their co-religionists. They aimed at raising the level of religious awareness among the "Soviet Muslims" and at creating the positive image of an Islamic republic living according to the *velayat-e faqih* principle—religious spirituality expressed in political terms—institutionaliza-

tion of the Islamic canon represented by a generally respected and just cleric and theologian holding power and acting as the supreme instance of spiritual Shi'a authority (*Marja-e Taglid*).

The Iranian ideological machine reached many countries; there are about 70 cultural centers of the IRI functioning in Europe, Asia, and America. They were set up by the Ministry of Culture and Islamic Orientation and are actively functioning under its guidance. It is their task to coordinate Iran's propaganda efforts and adjust them to local specifics. As a rule, the state and ideological institutions of Iran use several channels: they disseminate the Koran and religious books, leaflets, and other propaganda materials abroad; build mosques and organize religious centers (madrasahs, cultural centers, libraries, etc.); support numerous Muslim communities abroad, including Shi'a communities, and rely on them in their propaganda activities. Official Iranian representatives are acting within their diplomatic status to promote the same ideas. Numerous Shi'a missionaries are trained for work abroad; pilgrimages to holy places, mainly to the Shi'a sanctuaries in Iran, are organized; there are international Islamic foundations set up in Iran; Iranian youths, including Iranian students studying abroad, are involved in this wide-scale propaganda effort. Brainwashing is applied to foreign students studying in Iran in order to turn them into vehicles of the ideas of Iranian revolution in their countries; the Iranian diaspora abroad is being used to promote the interests of Shi'a propaganda; there are efforts to plant Islamic ideas in the minds of those living in Central Asia and the Caucasus, keeping in mind the local ethnic and religious specifics and the people's willingness to embrace the ideas of the Islamic revolution.

Azerbaijan is obviously the primary and main target of these efforts.

Nina Mamedova, Russian Orientalist, is convinced that the evolution of the Islamic regime, which has become obvious over the last 25 years, suggests that the forecasts of the early 1990s about the threat of Islamic fundamentalism spreading far and wide in the region was never realized.<sup>1</sup> This is partly true: the threat of Shi'a fundamentalism is hypothetical rather than real. Tehran has not abandoned its efforts to spread its religious influence: this is amply confirmed by what the Imam Khomeini Committee is doing. For several years now it has been involved in charities in the Nakhichevan Autonomous Republic of Azerbaijan.

As I have pointed out above, contrary to Tehran's expectations no upsurge of Islamic fundamentalism occurred in Azerbaijan. This is explained by several factors.<sup>2</sup> First, Azerbaijan is a highly urbanized country, while its capital is a multinational city and the larger part of the country's intellectual elite is Europeanized. Second, the public (and practicing Shi'a) regarded any degree of Tehran's stronger influence on Baku as potentially threatening. This alone limits the prospects of Shi'a fundamentalism in this post-Soviet republic. We can say that the local population is virtually unprepared to embrace the ideas of an Islamic Shi'a revolution.

The Turkic-ethnic scenario unfolded in the republic alongside the Shi'a factor.

The Azerbaijanian question is causing tension between Tehran and Baku. At the very dawn of independence, then President of the AR Abulfaz Elchibey said that the Azeris should unite into a single state to create Greater Azerbaijan. The IRI government interpreted this as an attempt to split the Iranian state. Heydar Aliiev, who came after Elchibey, did a lot to ease the tension, yet the problem is still alive. The Za Ediny Azerbaijan (For United Azerbaijan) alliance set up by President Elchibey is fervently discussing all the possible alternatives of Azerbaijanian unity. This breeds anti-Iranian sentiments heated up by spy scandals. There is a secret separatist organization of Iranian Azeris called the National Liberation Movement of Southern Azerbaijan.

The situation in Iranian Azerbaijan is relatively calm: back in 1945-1946 an attempt to set up an independent state of the Iranian Azeris was cruelly suppressed by the Shah troops. Since that time Tehran has been closely following the developments in the country's ethnic fringes, of which Iranian Azerbaijan is one.

<sup>1</sup> See: N.M. Mamedova, *Ekonomicheskie svyazi Irana i stran SNG. Sbornik nauchnyh statey "Iran i SNG,"* Institute of Oriental Studies, RAS and Institute of Israel and Middle East Studies, Moscow, 2003.

<sup>2</sup> See: A.V. Malashenko, *Islam i islamovedenie v SNG v 90-e gody,* Institute of Oriental Studies, RAS, Moscow, 1998.

It should be added that Khomeinism as the IRI official ideology rejects the possibility of a national question in the “united Islamic community—the Ummah.” Ethnic affiliation is unimportant—the main thing is to follow the teaching of Muhammad, the Muslim laws, and the Shari‘a canons.

It is hard to say how strong the feeling of national identity is in the Azeri-populated area of Iran: many of the local people have already assimilated with the Persian milieu and no longer regard themselves as Azeris. A large number of those who are still aware of their Azeri roots have successfully integrated into Iranian society and the ruling elite. They regard themselves as Iranians in the first place. This can be said about Ayatollah Khamenei, former foreign minister Dr. Velayati, members of parliament, officials of local administrative structures, heads of large companies, businessmen, etc. There is the common opinion that at least half of the Iranian army is made up of Azeris. The larger part of the local Azeri community, however, lives in the countryside, is not interested in politics made in large cities or in problems of national self-determination.

According to the Marxian formula “life determines consciousness,” the range of opinions about the Azerbaijanian question in the IRI is very broad: some people favor complete separation of Iranian Azerbaijan from Iran in order to set up an independent state (the ideas about it are likewise varied: some believe that Iranian Azerbaijan should unite with former Soviet Azerbaijan into Greater Azerbaijan; others prefer to see two independent Azerbaijanian states); still others would like to grant basic cultural and national rights to the compact groups of Azeris. It has been noted that recently ethnic tension was relieved to an extent, though some of the highly politically committed Azeris disagree with this. Makhmudali Chekhragani, former professor of Tabriz University, an active defender of the national and cultural rights of the Iranian Azeris, and a prominent political dissident who served a term in an Iranian prison now living in the United States, recently stated that nationalist sentiments are rising among the Iranian Azeris, and if the government failed to satisfy the demands of this “movement” it would have to cope with disturbances. He forecasted changes in the next three to five years caused by unrest stirred up by numerous local Azerbaijanians.

His supporters in Turkey and Azerbaijan believe that the Iranian Azeri community should unite with Azerbaijan and never hesitate to make their views public. The community itself is not tempted—most observers agree about this lack of enthusiasm. This forced Chekhragani to publicly denounce the unification idea and insist on a more resolute protection of the national and cultural rights of the local Azeris, who should fight for a federal Iranian state organized according to the U.S. pattern in which the Azeris would acquire their own flag and a parliament.

While insisting on broader national and cultural rights, the Iranian Azeris have betrayed no separatist intentions and do not believe, contrary to what Chekhragani says, that ethnic unrest is possible. The idea of separation from Iran or unification with Azerbaijan is not popular; few people do betray their dissatisfaction with the political, social, and economic situation (shared by the majority), which takes the form of ethnic disturbances.

According to Dr. Hasan Javadi, a native of Tabriz educated in Cambridge, now professor of Persian, Azerbaijanian, and English literature at George Washington University, the Iranian Azeris have enough trouble without piling national-cultural issues on their plate. He says time and again that together with the rest of the country, Iranian Azerbaijanians are involved in the movement for reform and democracy. He is convinced that separatist organizations are not popular among the broad masses and remain at the periphery of “public conscience.” He also says that he does not believe that the problems of any individual ethnic culture are more important than the common national culture; he does not believe that the separation issue is widely discussed.

In fact, the Iranian Azeris, as well as Persians, Kurds, Baluchi, and other ethnic groups for that matter, are displeased with the Shi‘a Ayatollahs, irrespective of their ethnic origins, who have led the country into a political impasse. The Iranian Azeris are displeased with Iran’s economic weakness and the absence of political rights, and throughout the 20th century they played a key role in the political and economic movements in the country. Like Tehran, Tabriz, an Azerbaijanian city, is widely known as a bulwark of the most active and progressive student democratic movement, which continues the traditions of the Tabriz-Tehran national-democratic opposition rooted in the constitutional revolution of 1905-1911.

The relations between Azerbaijan and Iran are affected by ethnic and religious factors, yet the scope of political, economic, and military problems relegates these factors to the background. Baku and Tehran are playing their own roles in the region and are pursuing their own interests. The Caucasus is a place where the interests of many countries, primarily Russia, Turkey, and the U.S., clash.

Each of these three states shapes its policy according to numerous factors caused by the specifics of bilateral and multilateral relations within the so-called "Caucasian heptagon": Azerbaijan-Iran-Russia-the U.S.-Turkey-Armenia-Georgia. An analysis of the relations between any two of them requires taking into account all their contacts in the region.

Two events have affected the relations between Iran and Azerbaijan the most: the Islamic revolution of 1979 in Iran and the independence of the Azerbaijanian Republic proclaimed in August 1991.

There are four key problems that stand aside from all other spheres of interstate relationships: the legal status of the Caspian; the transportation of energy fuels and the North-South transportation corridor; the Karabakh issue; and the role of the United States and Israel in the region.

For over ten years now, the coastal states have been grappling with the Caspian legal status issue; no consensus has been yet reached. In the past twelve months Azerbaijan, Russia, and Kazakhstan have brought their positions on the northern part of the Caspian much closer, while in the south there is no agreement among Azerbaijan, Iran, and Turkmenistan. In the summer of 2001, Iran and Azerbaijan failed to agree on the status of oil fields in the open sea. As a result, Iranian warships blocked the Azerbaijanian ships prospecting for oil for BP.

Iran insists that the treaties it signed with the Soviet Union should be revised: it seeks control over 20 rather than 12 percent of the Caspian, which includes the Alov, Sharg and Araz oilfields (Azerbaijan considers them its own). In other words, Iran wants to divide the sea into five equal parts. There is some progress in this respect, too: very soon Iran and Azerbaijan will meet for consultations after which the foreign ministers of five coastal states will meet in Moscow.

They all agree that the sea should become a sea of peace and consent. When commenting on Azerbaijan President Ilkham Aliev's words about desirable demilitarization of the Caspian, the IRI Ambassador to Baku Akhad Gazai said that Tehran wholeheartedly supported this idea, and that all coastal states should have access to the sea's riches. Once achieved, the five-sided agreement on the Caspian will favorably affect the relations between Iran and Azerbaijan.

The oil routes leading from Baku to the open sea caused tension between the two countries. Iran expected that one of the routes, the shortest, would cross its territory to reach the Gulf terminal; the route leading to Ceyhan via Turkey and Iran was expected to be the second best option. Instead, under American pressure, the State Oil Company of Azerbaijan rejected both; as a result Iran was kept away not only from extracting, but also from transporting Baku oil. The Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline now under construction did not make Tehran happy either.

On the other hand, Azerbaijan has not yet joined another huge project—the North-South transportation corridor co-founded by Russia, Iran, and India. The prospects are extremely tempting (gradually it will attract all cargos now shipped through the Suez Canal to reach a fantastic figure of 100m tons a year). Today, the states of the Indian Ocean, the Gulf, Southeast Asia, Middle East, Northern Europe and, naturally, the Caucasus have already announced that they would like to join it. One glance at a map shows that Azerbaijan, Russia, and Iran will be the key states.

Baku and Tehran do cooperate in the transportation sphere. On 16 February, 2004, transport specialists of the two countries met in Azerbaijan to discuss the sites for two cross-border bridges over the Astara River (a railway bridge and one for cars), their designing, funding and construction. They also discussed certain aspects of another important project—an Aliat-Astara highway, in which Tehran is prepared to invest \$40m. As soon as discussions are completed they will be submitted for approval at the highest level.

The Karabakh issue is the greatest stumbling block in the Caucasus. At first Iran helped Azerbaijan in many ways: loans, arms, and ammunition; and it offered to act as an intermediary several times. Little by little political pragmatism prevailed over ideological considerations. Iran not only refused to unques-

tioningly support the co-religionists, to export the ideas of the Islamic revolution by force, and to too obviously promote Islamic fundamentalism, but also shifted its stance on the Karabakh issue.

It moved to the Armenian side: Iran opened a transit corridor (closed on the Turkish side) to help Erevan extend its foreign trade. It came to the Armenian market, invested in it, and offered loans. To a certain extent both countries equally profited from this: they could finally end their isolation. The Iranian political leaders are convinced that since Armenia officially has no troops stationed in Karabakh Tehran's support extended to this country cannot be regarded as siding with an aggressor, while their political, economic and military-technical cooperation allows Erevan to preserve its economic potential. At the same time, according to the recent statement of Iranian Ambassador to Baku Akhad Gazai, Tehran will support any decision on Karabakh that will preserve Azerbaijan's territorial integrity. He pointed out that his country favored the liberation of occupied Azerbaijanian territory and a peaceful settlement of the conflict. He went even further by saying that the settlement would promote the interests not only of Baku, but also of Tehran.

Washington is another important factor in the relations between the two countries. For nearly 25 years now, America has been considered the Great Satan in the IRI, while the United States responded by calling Iran part of the "axis of evil." Experts believe that there is the possibility of American anti-Iranian actions; it became even more real after the February elections, which brought more conservatives to the parliament.

Even if the United States has anti-Tehran designs, they are mainly concentrated on weakening the regime from the inside. There is an opinion, widely shared by the expert community, that the Azerbaijani factor is one of the real instruments for weakening the country before force is used against it. There are signs of more active involvement by the U.S. State Department in stirring up Azerbaijanian separatism. In any case, annual human rights reports compiled by this structure concentrate on human rights violations with respect to this ethnic group. Makhmudali Chekhragani, who has American support and who is viewed in the West as an unofficial leader of the national liberation movement of the Iranian Azeris, never tires of saying that the movement is gaining momentum and that to win it must receive support from "all progressive international forces."

Azerbaijani separatism in Iran has supplied the United States with one of the possible options of American policy around Iran. Tehran is worried; it is also concerned with the possibility of American military bases in Azerbaijan and with possible deployment of American troops there. In May 2004, the House of Representatives of the U.S. Congress allowed the military to deliver preemptive strikes on Iran. It has become known that according to the plan drawn up in 2003, America can launch missile attacks against the nuclear sites in Arak, Natanza, Isfahan, and Bushehr in Iran using the territories of Azerbaijan and certain other IRI's neighbors. Javad Ismaylyly, Director of the Ediny Azerbaijan information-analytical center, does not exclude the possibility that the territory of his country could be used to deliver missile blows at Iran. "This is confirmed by the frequent visits of Washington representatives to Baku," said he.

It should be said in all justice that on 19 May, 2004, Reno Harnish, U.S. ambassador to Baku, denied all rumors about American plans to attack Iran from Azerbaijanian territory. He even added that he personally found the source of this information—it was an American newspaper.

Yet there is no smoke without fire. Javad Ismaylyly insists that this threat stirred up the Iranian special services, which stepped up their activities in Azerbaijan, and means that Tehran is concerned about Washington's plans regarding Baku. He pointed out that, along with other things, the United States planned to use Azerbaijanian separatists, members of the National Revival Movement of Southern Azerbaijan, to topple the Iranian regime.

This explains why the Iranian special services are now actively involved in anti-separatist activities. According to the Associated Press agency reporting from Tehran, the Iranian security services prevented a wave of terrorist attacks. It turned out that between 20 March and 20 April, the special services arrested about 55 people on various charges, ranging from threats to national security to insults of the leading clerics. The Iranian media mentioned members of Baku-based "Azerbaijani nationalist organizations" in this connection. Six of them, who had contacts in Baku, were accused of stirring up unrest in

the cities of Khvoy and Orumiyeh in an Iranian province in Western Azerbaijan. "They planned to organize a revolt on 24 April and were promoting ideas of separatism," says AP.

The IRI's foreign policy doctrine does not approve of, and prevents, non-regional states from increasing their influence in the Caspian and in Western Asia as whole. Meanwhile Baku is busy developing friendly relations with Washington and even with Tel Aviv, which is second on the Iranian list of foes after Washington. It is called the Smaller Satan, as well as the Zionist regime, and the regime that occupied Palestinian territories. This foreign policy orientation of Azerbaijan irritates Iran a great deal. Although negative factors are obvious in their bilateral relations, there are positive shifts as well: their mutual accusations never go beyond the limits prescribed by diplomacy.

Recently the foreign ministers of the two countries were much more active; officials on both sides of the border are making promising statements. Iranian ambassador to Azerbaijan, Akhad Gazai, announced not so long ago that his country was prepared to cooperate with Azerbaijan in the military sphere. (In fact, this is the first statement of this sort coming from Tehran's official representative.) Prominent Azerbaijanian political scientist, Zardusht Alizadeh, recently said, however, that even if this cooperation does take place it will be formal—no military alliance should be expected. He continued: first, the Azerbaijanian army is equipped with Russian weapons, while Iran relies on American armaments. At best, this hypothetical military cooperation will be limited to "exchanging patriotic experience." Zardusht Alizadeh has pointed out that his country will profit most from relations with NATO in the sphere of weapon deliveries and successful military actions. He added: "The talks between Iran and Azerbaijan regarding military cooperation are nothing more than political games. Both sides are doing their best to present their relations as broad, including their contacts in the military sphere."

He confirmed that Baku is looking toward the West and added that probable military cooperation between Azerbaijan and Iran would not cause irritation in the West—the ties between his country and the U.S. are strong. Said Zardusht Alizadeh: "Oil transportation to the West and the pro-American course of official Baku are the centerpiece of these relations. More than that: Iran is no rival to the United States in the military sphere."

This is true but...

Recently IRI and AR signed about 20 joint documents, the Treaty on the Principles of Friendly Relations and Cooperation being one of them, together with agreements in the transportation and economic spheres. The Memorandum on Mutual Understanding in Controlling Illicit Drug Trafficking, as well as on Money Laundering between the Azerbaijanian Republic, the Republic of Georgia, the Islamic Republic of Iran, and the U.N. Program of International Drug Control are extremely important. The two countries find contacts between their ministries of internal affairs and justice very useful. Deputy Minister of Justice of Azerbaijan Aydin Kasymov described the contacts between the judicial and law enforcement structures of both countries in very positive terms. He said that the relevant agreements, in particular on the surrender of fugitives and extradition of criminals, had created a solid basis for better and deeper cooperation between Baku and Tehran. He described cooperation on extradition as quite successful and said that the contacts in this sphere were going on uninterrupted. According to what he said, the courts of Azerbaijan officially recognized verdicts and decisions passed by Iranian courts in relation to Azerbaijanian citizens and apply them to the extradited criminals upon their arrival in Azerbaijan.

Summits are expected to strengthen bilateral relations still further. Visits by President of Azerbaijan Ilkham Aliev to Tehran and of IRI President Mohammad Khatami to Baku are being prepared: it is expected that both visits will take place in 2004. They will certainly help the two countries to take more toward each other.

President of Azerbaijan Ilkham Aliev has described closer cooperation with Iran as one of the key strategic goals of his country's foreign policy; he never tires of repeating that both countries are interested in developing cooperation in the sphere of energy, transport, culture, etc. He is convinced that projects related to the construction of high-voltage power lines, gas pipelines to bring Iranian gas to Nakhichevan, and the Astara-Baku highway are very promising. Transborder cooperation is actively developing.

By way of a summary, I would like to say that Tehran and Baku can overcome all problems and strengthen their mutual understanding. Friendly relations between them are important not only for the two nations, but also for the region as a whole and for Russia, which has good relations both with the Islamic Republic of Iran and with the Azerbaijanian Republic.

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## GEORGIAN-IRANIAN RELATIONS IN THE POST-SOVIET PERIOD

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From time immemorial, the diversity of Georgian-Iranian relations has been expressed not only in wars and victories, but also in close trade and economic relations and in cultural interaction, including in the linguistic sphere. Despite the fact that contacts between these peoples were overshadowed by the cruelty of Aga Mohammad-khan Kajar, who in May 1795, plundered and destroyed Tbilisi, the Georgians, with their characteristic tolerance, bore no malice to the Iranians as a whole.

In 1801, Georgia joined Russia, as a result of which bilateral Georgian-Iranian relations were interrupted for essentially 200 years. Only after the collapse of the Soviet Union in 1991 and the formation of an independent Georgia did the opportunity present itself to think about restoring former contacts. The initiator of this process was the Islamic Republic of Iran (IRI). It was among the first states to officially recognize Georgia's independence. (It should be noted that on the eve of the U.S.S.R.'s collapse, the Soviet press scared Georgia, Armenia, and Azerbaijan striving to achieve the national independence with the likelihood of an Iranian threat.<sup>1</sup>) Among other things, Iran recognized Georgia's territorial integrity, which laid the foundation for a constructive dialog.

At the first stage, contacts were established in the trade and economic sphere, which in the situation in which Georgia found itself was the most urgent problem. For example, in 1992, the first IRI industrial trade fair was held in Tbilisi, and Georgia took part in the traditional International Industrial Fair organized in Tehran. Then improvements were designated in the development of cultural relations, which was expressed in an increase in the number of exchange visits and in the rank of their participants. It should be noted that these states do not have any territorial claims against each other or disputed political interests, that is, even "at the outset" relations between them can be considered "cloudless,"<sup>2</sup> and there are also good prerequisites for the further development of cooperation.

A significant milestone in the history of bilateral relations was the visit by then Georgian president Eduard Shevardnadze to Iran at the beginning of 1993. The documents signed during this visit formed a legal foundation on which further development of Georgian-Iranian cooperation was based. Quite a large role in this was played by the meeting between Eduard Shevardnadze (when he was U.S.S.R. foreign minister) and leader of the Islamic revolution Ayatollah Rukholla Khomeini, which took place several years prior to this.<sup>3</sup>

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<sup>1</sup> See: *Komsomol'skaia pravda*, 25 December, 1990, p. 2.

<sup>2</sup> See: R. Khotin, *Iran kak chlen SNG*, *Zerkalo nedeli*, 3 February, 2004.

<sup>3</sup> See: *Literaturuli Sakartvelo*, 19-26 February, 1999 (in Georgian).

In 1994, after the IRI embassy opened in Tbilisi, the Georgian embassy began functioning in Tehran. And a return visit by Iranian President Ali-Akbar Hashemi Rafsanjani in April 1995 to Georgia made a significant contribution to intensifying political consultations and drawing up joint economic projects and ways to implement them. Iran showed an interest in creating a trans-Caucasian transportation corridor, investing in the Georgian economy, and further developing trade relations.<sup>4</sup>

Visits by the foreign ministers and other meetings at the highest and medium levels became a regular phenomenon, including between the regional leaders of Iran and Georgia. Intensification of diplomatic contacts made it possible to sign a trilateral agreement (Georgia, Iran, Armenia) on combating illicit drug circulation during an official visit by the Iranian foreign minister, Kamal Kharrazi, to Tbilisi in June 1999. In Georgian political circles, this document was evaluated as an important step toward developing regional cooperation.<sup>5</sup>

But despite the efforts to develop trade and economic contacts and step up the activity of the mixed Iranian-Georgian economic commission (although in 1996-1999 it did not hold a single meeting), as well as attempts to attract Iranian investments to the Georgian economy (although Georgia did not have any laws protecting foreign investments) and the creation of joint ventures, many projects could not be implemented. Among them we will note the joint production of low-tonnage cargo trucks based on the production capacities of the Kutaisi Kolkheti automobile factory and the Iranian Saipa automobile corporation, and the construction of a freight terminal at the Black Sea port of Poti. The same can be said of relations between Georgian scientific research institutes and Iranian production complexes, a cooperation project between Gruzenergo and the Iranian state Sanair company, which envisaged repair and restoration of a water supply tunnel at the Zhinvali hydropower station, and joint production of motorized units, deliveries of manganese ore from Chiatura for a metallurgical complex in Iran, import from Iran of fireproof brick, and many other plans. The interest of the Iranian side in developing contacts with enterprises of the Georgian chemical, metallurgical, and textile industry, as well as in such a field of agriculture as tea growing, did not find any practical application. An attempt to establish close trade and economic relations between individual regions of both countries also proved unproductive.<sup>6</sup> According to a statement by Iran-report, the main items of Georgian export were deliveries of ferro-manganese, chemicals, minerals, and agricultural fertilizers.<sup>7</sup> However, as became known from foreign information sources, as early as the beginning of the 1990s, right after the collapse of the U.S.S.R., Georgia sold Iran several dozen SU-25 Soviet-made fighter planes. Apparently at that time, Tehran recruited specialists from the Tbilisi aviation plant to service them.<sup>8</sup> But this was not the end of the little-known page of Georgian-Iranian relations, which was hidden from prying eyes. For example, according to a document of the Georgian state chancellery for 1997, Iran bought components of a Georgian nuclear reactor. What is more, according to an article in *Science* magazine, by taking advantage of the unclaimed potential of Georgian physicists (similar to what took place throughout the entire former U.S.S.R.), representatives of Iran's university circles were able to recruit several of them for their nuclear projects. For example, several employees of Tbilisi State University were offered a one-two-year contract with a monthly wage of \$1,000.

According to the same source, as early as July 1997, at least 30 Georgian nuclear scientists were working at the Iranian nuclear complex, which was later confirmed by academician G. Kharadze, the director of the Georgian Academy of Sciences' Institute of Physics.<sup>9</sup> What is more, several employees of the Sukhumi Institute of Physics and Technologies were working in Iran.<sup>10</sup> At the beginning of January 2003, Georgian President Eduard Shevardnadze also officially acknowledged the fact that there were Georgian scientists in Iran, including nuclear physicists, as well as aviation engineers, but even

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<sup>4</sup> See: *Rezonansi*, 10-11 March, 1995 (in Georgian).

<sup>5</sup> See: *Kavkasioni*, 15-21 December, 1999 (in Georgian).

<sup>6</sup> Ibidem.

<sup>7</sup> See: Iran-report, 1999.

<sup>8</sup> Ibidem.

<sup>9</sup> Ibidem.

<sup>10</sup> See: "Georgian Nuclear Scientists Working in Iran," *Rosbalt*, 17 February, 2003.



earlier he let the U.S. administration know about this through other channels.<sup>11</sup> (By the way, in response to this acknowledgment, the Iranian defense minister, Admiral Ali Shamhani, categorically denied the presence of Georgian scientists in Iran.<sup>12</sup>) According to Eduard Shevardnadze, his government was unable to bring any influence to bear on the Georgian specialists, since they were hired under private contracts. According to the president, this delicate situation had to be resolved in such a way as “not to spoil relations with Iran,” on the one hand, and remove “the legitimate concern of the Americans,” on the other.<sup>13</sup>

The disappearance of uranium suitable for making a nuclear bomb from the Sukhumi Institute of Physics and Technologies, as well as the disappearance in December 2002 of three containers of radioactive substances from a military base in Vasiani, which was officially confirmed by the Georgian authorities, aroused even greater alarm in the administration of U.S. President George Bush Jr. According to a report by Associated Press, these substances could also be used to make a so-called “dirty bomb.”<sup>14</sup>

Relations in the trade sphere were much less productive. For example, between 1996 and 1999, the annual trade turnover between these states did not exceed 10-12 million dollars, for several reasons. They included the unsophistication of the banking and customs systems of both countries, the political instability in the region, the absence of a legislative base for protecting foreign investments, and the lack of personal and property protection in Georgia, as well as other legal problems. But in our opinion, the main obstacle on the path to developing full-scale relations was not in the economic field, but in the political, or to be more precise, geopolitical sphere.

The thing was that Georgia paid for its desire to have complete political independence, which was manifested on the wave of provoked ultra-nationalism in the country, with the loss of two autonomous formations and increased separatism in Ajaria, as a result of which, the main transportation arteries were paralyzed. Of course, under such conditions there is no need to talk about any real prospects for developing Georgian-Iranian trade and economic cooperation. What is more, keeping in mind the coincidence of geopolitical interests between Tehran and Moscow, official Tbilisi at that time avoided being a link between Iran and Russia with all its might, seeing this as a threat to its national interests. For this very reason, the project for the trans-Caucasian pipeline being discussed at that time remained on paper. Moreover, Tehran's intention, expressed in 1996, to finance reconstruction of the Roks tunnel that joins Georgia to Russia via Ossetia, aroused the concern of the Georgian side, since it evaluated this interest as Iran's desire to establish a land connection with its strategic partner, i.e. Russia,<sup>15</sup> which could also pose a threat to Georgia's national interests.

Plans for Iran joining up with the Great Silk Road project, which proposed reviving international trade through Georgia's Black Sea ports, also remained at the declarative level. Although Eduard Shevardnadze talked about the importance of this process in his traditional weekly radio interview on 30 December, 2002,<sup>16</sup> and its significance was also noted during bilateral meetings at the supreme level.

Poti, Georgia's main cargo port, held a central place in this project. This access to the Black Sea would have given Iran a great opportunity to use this very important international transit artery. And with successful implementation of this project, not only Iran, but also the countries of the Near and Middle East, Persian Gulf, Southeast Asia, as well as East Africa, could take advantage of the Persian Gulf-Black Sea artery. What is more, by using the railroad via Tabriz-Julfa, Tehran would gain an alternative route for transit shipments to Europe. But for political reasons, this plan (despite all its appeal) was doomed from the very beginning for interregional considerations. Here there is graphic evidence of an attempt to

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<sup>11</sup> Ibidem.

<sup>12</sup> See: *Nuclear Threat Initiative*, 17 January, 2003.

<sup>13</sup> *Rosbalt*, 17 February, 2003.

<sup>14</sup> Radio Liberty, 17 February, 2003; M. Dzindzikhshvili, “Radioactive Materials Missing in Georgia,” *Associated Press*, 17 February, 2003.

<sup>15</sup> See: *Rezonansi*, 4 November, 1996.

<sup>16</sup> President Shevardnadze's Weekly Radio Interview, 30 December, 2002 (on the website: Embassy of Georgia to the USA, Canada and Mexico).

make the international trade aspect hinge on political issues, particularly the Nagorny Karabakh problem. Based on its domestic concerns relating to the loss of the two autonomies, as well as with respect to the current geopolitical situation and keeping in mind the principle of analogies, Tbilisi apparently cannot recognize Nagorny Karabakh's independence, since this also ricochets back on Georgia's interests. On the other hand, the oil transportation projects on its territory have brought Tbilisi's and Baku's geopolitical interests closer together. So it was the political situation in the Southern Caucasus that proved "guilty" of preventing Iran from joining up with the international transportation network through Armenia. It is likely that, being guided by the geopolitical situation in the region and its economic interests, Turkey, as the closest neighbor of Georgia and Iran, is also interested in this project remaining on paper. (It should not be forgotten that during the Iranian-Iraqi war of 1980-1988, Turkey permitted Iran to transport freight to Europe and back through its territory, which at that time significantly padded out its budget.)

Thus in the current geopolitical situation in the Southern Caucasus any attempts by Iran to join the Great Silk Road project are doomed to failure. In particular, Tehran and Tbilisi were unable to come to a consensus on the use of the port capacities in Poti. Georgia asked Iran to participate in a joint venture, but Iran, not wishing to burden itself with extra concerns, tried to buy (or at least rent for an extended period) part of the port grounds to build its own terminal. What is more, there was serious concern in Tbilisi's corridors of power that Tehran would use access to the Black Sea to extend its trade ties with Kiev and Moscow. And this, in the opinion of several observers, meant the possibility of smuggling Russian weapons to Iran.<sup>17</sup> Of course, Georgia's economic instability and the policy conducted by the country's leadership at that time of constant political maneuvering between the U.S. and Russia should be added to the list of negative factors hindering development of Georgian-Iranian trade and economic cooperation.

Iranian-Georgian diplomatic relations developed much more successfully. After the establishment of diplomatic and the development of bilateral relations, there was an urgent need to create consular services. The Georgian consulate opened in Tehran in 1995, which made it possible to begin and strengthen contacts in tourism. At the first stage, this vector was extremely unilateral, since it was oriented toward Iran. But such trips can only provisionally be called tourism, since they were so-called shuttle business tours, which included all the CIS countries at that time. In turn, in search of commercial happiness, small and medium businessmen and merchants began coming to Georgia. Stores were opened in Tbilisi and other regions of the country, in which Iranian goods were sold, mainly products of the light and food industry. The same goods also appeared on the flea markets.

Whereas trade and economic cooperation was based on only a few industrial trade fairs organized by the sides over a certain amount of time, relations in science and culture proved more propitious. In 1994, a Georgian-Iranian Society for Scientific-Cultural Relations and Cooperation was organized in Tbilisi, and in 1995, the Georgia-Iran Friendship Society was created. What is more, scientific contacts were established between the universities of both countries, practical courses for Georgian students and Oriental studies professors were organized in Iran's higher learning establishments, and cultural contacts were expanded. Interest in each other's cultural past is a historical tradition, which promoted a high level of development of Iranian studies as a scientific branch in Georgia.<sup>18</sup>

As already noted, bilateral relations on the whole are stable and based on compromise. In addition to the lack of common borders, several political observers believe the reason for this is the lack of economic antagonism in the Southern Caucasus between Tehran and Tbilisi. But, in our opinion, despite these important factors, in the near future, Georgian-Iranian relations will be extremely limited. This is caused not so much by the geopolitical situation in the region, as by the geopolitical opposition between the U.S. and Russia in the Caucasus, along with Tbilisi's cultural-political orientation toward the West. There is no doubt that the future of Georgian-Iranian relations entirely depends on the state and quality of American-Iranian relations, although the level of American-Russian contacts may also have a big impact on the situation.

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<sup>17</sup> See: *Rezonansi*, 4 November, 1996.

<sup>18</sup> See: D. Giunashvili, "Iranian Studies in Georgia," *Nashr-e danesh*, 1374 (1995), pp. 17-28 (in Persian).

The presence of a large contingent of military advisors from the United States in Georgia and the signing by the U.S. and this republic (as by other South Caucasian states) of a military treaty and treaty on cooperation in security, as well as Georgia's desire to become a member of NATO, are arousing Tehran's serious concern.<sup>19</sup> The tour by Iranian Foreign Minister Kamal Kharrazi in 2003 of the South Caucasian countries was essentially an attempt not to permit further strengthening of America's influence in the region. But despite the assurances expressed at the time by the sides that Georgian-Iranian economic relations must be enhanced, and Eduard Shevardnadze's call to liven up the work of the joint economic commissions and expand cooperation in all other fields, including transportation, culture and education, no major changes in bilateral contacts occurred.

Probably the change in power in Georgia, which took place at the end of 2003, will have a certain influence on the development of Georgian-Iranian relations. At a press conference held in Moscow in February 2004, the republic's new president, Mikhail Saakashvili, stated: "Georgia intends to establish closer and warmer relations with Iran." According to a report by the Novosti-Georgia Information Agency, he also noted: "We have good relations with Iran, but we would like them to be even better."<sup>20</sup> As we know, Tbilisi and Tehran have already begun reforming the bilateral intergovernmental commission on economic issues.<sup>21</sup>

But it is unlikely that Georgian-Iranian cooperation in scientific-technical and economic trade fields will develop in the near future, particularly after the so-called "Revolution of Roses." This cooperation arouses the concern of the U.S. and the West as a whole, due to Tehran's nuclear program and the American-Iranian confrontation on many problems of international policy, both regional and global. Despite all the tenseness in relations with Russia, instead of the policy of cautious balancing between Washington and Moscow previously carried out by Eduard Shevardnadze, now Georgia is unreservedly giving preference to its orientation toward the West.

<sup>19</sup> See: H. Peimani, "Iran Fights to Loosen America's Noose," *Middle East*, 1 May, 2003.

<sup>20</sup> Novosti-Georgia Information Agency, 12 February, 2004.

<sup>21</sup> Ibidem.

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## TAJIKISTAN BETWEEN RUSSIA, THE WEST, AND THE EAST

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**T**hroughout mankind's long political history, small states have been inevitably forced to join, in one way or another, the spheres of influence of one or several powers, otherwise known

as "centers of power." Some obvious disadvantages of this, the resulting provincial status, limited (or no) access to the outside world, decline in the use of the mother tongue and ethnic culture because of

forced or natural assimilation, economic dependence, and so on, went hand in hand with the obvious advantage of sustainable and peaceful development. On the contrary, changing one "traditional" patron for another was usually accompanied by social and political upheavals which sometimes deprived the small country of any future. Those which attempted to strike a balance among the interests of several power centers were rarely successful—they merely postponed for a while the need to join the sphere of influence of the geopolitical victor.

I think that Tajikistan has reached this point. In the last 150 years the Tajik nation (or rather, the part that resides in the republic) lived within the Russian center of power, first, as part of the Bukhara Emirate, then as one of the fifteen Soviet socialist republics. Starting in 1991, however, Russian influence in Central Asia has been obviously declining; therefore the republican leaders have to make important decisions, as well as a

geopolitical choice. Should the country continue to regard Moscow as the main strategic partner? A positive answer invites another question: how should relations with Russia develop in the changing conditions? A negative answer creates the problem of choosing another patron from among the centers of power acting in the region. Can Tajikistan, a small country which lived through a devastating civil war, has no influential diaspora abroad, and no considerable oil and gas reserves or industrial resources, be really independent? The choice will seal our future for many years or even decades to come in all spheres (political, economic, cultural, linguistic, social, etc.).

Russia's presence in Central Asia is shrinking because of the growing American influence; China and several Muslim countries (Turkey and Iran) have already betrayed their interest in the region. We can expect the EU to do this in the future. The choice is limited to several alternatives.

## First Alternative: Russia

I cannot agree with those who say that Russia is rapidly losing its influence in Tajikistan. Moscow is still Dushanbe's geopolitical partner, while there are several factors behind its influence in our republic.

First, the economic factor. According to official data, every year up to 300,000 Tajik citizens (or one million, according to unofficial figures) migrate to Russia in search of seasonal employment. Every year these people send hundreds of thousands of dollars back to their families, thus creating one of Tajikistan's main hard currency sources. In fact, Russia is the only country where hundreds of thousands of unemployed Tajiks can earn money to support their families. If Russia tightens the registration conditions for the Tajik migrants (about which the media of both countries have been talking for some time), the political situation in Tajikistan will be significantly affected.

Tajikistan is connected to the rest of the world by transportation means that cross Russia: the republic is exporting its key commodities (aluminum and cotton) via Russia. Until recently, a Tajik citizen wishing to leave the CIS had to go to Moscow, the only city (except Bishkek and Almaty) connected by regular flights to the capital of the Tajik republic. So far, Russia still is the only source of fuel and lubricants (Tajikistan has no gas and oil reserves) for our republic; Tajik industrial enterprises (mainly dating from Soviet times) depend on Russian raw materials, Russian equipment, and Russian spare parts.

Second, the military-political factor. The above suggests that the economic levers are in Moscow, which can easily turn them into political instruments. The 201st Russian division is permanently deployed in Tajikistan together with Russian border guard units. Despite their neutral status, their presence in Tajikistan makes Russia's influence quite tangible. In addition, Dushanbe and Moscow are connected by several international agreements, the key one being the Collective Security Treaty of some of the CIS countries.

There is another, frequently ignored, factor, which can be described as cultural-psychological. There is no other post-Soviet state, the political and intellectual elite of which is as pro-Russian as it is in Tajikistan.

This is largely caused by the fact that the absolute majority of the Tajik political and public figures were educated in the Russian Federation or in other Union republics. There is essentially no one in top positions in the government, the presidential administration, the parliament, or even in the foreign ministry, who was educated in the West or has good command of English. Ideas about the West and the mentality and world outlook of the bureaucrats and intellectuals are mainly formed by the Russian media, which are still essentially the only source of information about the world for the majority of our population.

No wonder that independence was acquired in 1991 on the initiative of the Russian leaders rather than because the republic wanted it. At that time Tajikistan, as well as the majority of the Soviet republics, wanted to preserve the slightly readjusted Soviet Union according to the plan suggested by Mikhail Gorbachev. But the Russian leaders headed by Boris Yeltsin followed a logic of their own. The Soviet republics differed greatly where their social and economic development levels were concerned: the republics in the European part were much more developed than the Central Asian republics. This meant that if the Soviet Union had survived, Russia would have been expected to pay for the inevitable social and economic reforms. According to what Timur Gaidar, Russia's acting premier in 1991-1993, and his closest circle thought, it would have been much wiser to concentrate the RF's material and financial resources inside the republic in order to reach the West's development standards. Having achieved this, Moscow could always come back to Central Asia on new conditions and with new potentials. At that time nobody believed that the Central Asian republics might leave the Russian zone of influence. The CIS was devised as a means of keeping the former Soviet republics within this zone without offering them any help in their economic and social development.

On the whole, the history of Russian influence in independent Tajikistan can be provisionally divided into three periods.

- The first, a very short one, can be described as a period of democratic solidarity that started when the Soviet Union disintegrated and the convinced democrats headed by Yeltsin came to power in Russia. At that time, the Russian leaders deemed it necessary to support all democratic movements in the post-Soviet expanse that opposed the local communist elites. In Tajikistan this took the form of support of the local democratic opposition (early 1991-mid 1992); in September 1992, the democratic organizations, together with the local Islamists, deposed Rakhmon Nabiev, Tajikistan's first president, and set up a coalition government.<sup>1</sup>
- During the second period, the Russian leaders demonstrated a more pragmatic approach to relations with the Central Asian republics. It was at that time that the democratic idealists were replaced by professionals who had different ideas about what Moscow needed in Central Asia. They were convinced that pro-Russian political movements should have been supported irrespective of their ideologies, while the Tajik democrats, in their opinion, were mostly nationalists who looked at the Muslim East or, at best, at the West. In practice, this meant that Russia switched its support to the pro-communist Popular Front, which by early 1993 translated it into control over nearly the entire country.

For several years Moscow dominated the Tajik political scene. The government needed Moscow to neutralize the armed opposition, to strengthen central power, and to restore the ruined economy. Russia was instrumental in signing the inter-Tajik Peace Treaty in June 1997, prompted to a great extent by the mounting threat from the Taliban. To bring the peace treaty to fruition as quickly as possible, Moscow used all the channels of its influence on the Tajik and Afghan leaders, who supported the United Tajik Opposition (UTO).<sup>2</sup>

- The third period began in 2000 when Vladimir Putin was elected president. By that time it had dawned on many in Russia and beyond that the Kremlin's economic, military, and financial

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<sup>1</sup> See: V.L. Bushkov, D.V. Mikul'skiy, *Anatomia grazhdanskoy voyny v Tadzhikistane (etnosotsial'naiia i politicheskaia bor'ba)*, Institute of Ethnology and Anthropology, RAS—Institute of Practical Research, Moscow, 1997.

<sup>2</sup> See: P. Mullojanov, "The Islamic Clergy in Tajikistan since the End of the Soviet Union," in: *Islamic Area Studies*, ed. by St. Dudoignon, K. Hissao, Kegan Paul International, London, 2001, pp. 221-252.

potential was not equal to the ambitious aims of the early 1990s. This was becoming gradually clear during Yeltsin's presidency when the country proved unable to cope with many geopolitical aims. Russia's influence in Central Asia was shrinking, not because the local elites wished so, but because Moscow proved unable, to a growing degree, to meet the region's economic needs. First, Russia could not offer large long-term investments and economic aid; second, it proved unable to protect the Central Asian republics against internal and external threats (posed by the Taliban or the local opposition movements).

There was the opinion in the Russian expert community that Russia was vague about its aims in Central Asia. This is not entirely true: Russia is aware of its interests, but does not have enough resources to pursue them. The real extent of its retreat became obvious after 9/11 when State Secretary Colin Powell asked Moscow for permission to use several aerodromes in Central Asia to support the counter-terrorist operation in Afghanistan. Moscow said, "No." The Americans turned to the local governments and got a "Yes."<sup>3</sup>

As a result, the red line of Russia's zone of influence, drawn when the Soviet Union fell apart and tacitly observed for nearly ten years, was finally crossed. However, Tajikistan is still more pro-Russian than the majority of its neighbors. At the same time, recent Russian-Tajik talks about the future of Russia's military presence in the republic have been stalling. According to the local press, Russia might remove its border guards from the border with Afghanistan; Moscow believes that Dushanbe is formulating unacceptable conditions for the continued presence of the 201st Russian division in the republic.

There may be different reasons for the unexpected stubbornness of the Tajik side: either it has an alternative to Russia's influence, or the republic has acquired a different geopolitical orientation.

## Second Alternative: The West

The United States and its allies are the second and dynamically developing pole of power in Central Asia, which made its appearance in the region just recently. During Clinton's presidency the Americans preferred to keep away from the republics, part of the traditional zone of Russia's influence.

The situation changed when George Bush was elected president; the group of his closest advisors created a new foreign policy doctrine according to which Washington had to exploit the opportunities created by the Soviet Union's disintegration as much as possible. Put in a nutshell, this means that the United States should not merely respond to the developments worldwide, but prevent the emergence of new superpowers.<sup>4</sup>

The region's geopolitical importance looks different within the doctrine's context. When it disappeared from the map of the world, the Soviet Union left a geopolitical vacuum in Central Asia to be filled by either Russia or China (the latter being a rapidly growing power with unpredictable potential). Control over the region will, over time, make either of them the second superpower. On the other hand, strategic access to regional oil and gas reserves will impinge on OPEC's opportunity to dictate world fuel prices.

We should also bear in mind that the negative demographic and economic-social factors threaten destabilization, which could bring radical Islamic movements to power. This suggests that the current secular regimes (which leave much to be desired from the point of view of democratic standards and principles) should be supported.

Back in 2001 when Washington was preparing for the counter-terrorist operation in Afghanistan and negotiated with the Central Asian republics the possibility of using their territories for air bases, no one could have predicted just how difficult the campaign would be. The Americans, therefore, did not

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<sup>3</sup> See: A. Aleksandrov, "Amerikantsy obzhivaiut Tsentral'nuu Aziuu," *Rossia i musul'manskiy mir*, IV, RAS, Institute of Oriental Studies, RAS, Bulletin, No. 6 (120), 2002, pp. 102-112.

<sup>4</sup> See: N. Lemann, "The Next World Order," *The New Yorker*, 1 April, 2002, pp. 42-48.

grudge promises. The leaders of Uzbekistan, on the territory of which the largest of the American airbases was deployed, expected a lot from the American presence. It turned out later, though, that the United States was in no hurry to fulfill the majority of its promises.<sup>5</sup> The possibility of greater American influence in the region is becoming increasingly problematic because of the Iraqi developments and the gradually growing tension in Afghanistan (to say nothing of the U.S.'s domestic problems). Washington is unlikely to have enough resources to pay for its full-scale presence in Central Asia.

At the same time, the United States has betrayed no intention of leaving the region or curtailing its presence. It seems that it will opt for an intermediary alternative, whereby retaining its present network of American bases, or even expanding it slightly, instead of pursuing a widespread military presence. This will allow Washington to rapidly deploy its troops there in case of need.

American aid, both financial and political, will go to the local pro-American regimes.

This gives Tajikistan, its experience of cooperation with the United States being fairly limited, an opportunity to extend these contacts, possibly by cutting down Russia's presence in the country to a certain extent.

### Third Alternative: The East

There are other centers of power which, so far, have no important role to play in Central Asia. Potentially they can increase their role to different degrees. I am primarily referring to China, the dynamic economic and military progress of which is arousing increasing concern among its neighbors. China is seeking stronger influence in the region for a number of reasons. Its increasing economic and political potential will inevitably suggest that the country should work actively to boost its influence in Central Asia. Today, we can only speak about its accelerating economic expansion: Beijing is actively advancing its small and medium businesses in the region and encouraging labor migration of its citizens to the local states. This helps China alleviate unemployment back home.

This, however, may cause negative consequences for the Central Asian states. Chinese (and Indian, for that matter) industry is often described as parasitic: it is developing by saturating foreign markets with cheap and low-quality goods. Developed economies can withstand this attack (their middle class prefers local, even if more expensive, goods) while the Third World industries (the light industry especially) crumble under the pressure, causing social and political tension. On the other hand, the majority of the Chinese labor migrants move to the social niches already occupied by the local people: wholesale and retail trade, public catering and shuttle trading. As a rule, this still very weak stratum of small and medium-sized local entrepreneurs proves unable to compete with the Chinese and is going out of business. The advantages of China's economic expansion are very doubtful, especially in Tajikistan, where unemployment is high, while small and medium-sized business is just developing.

It should be said that Chinese businessmen have not yet reached our republic, yet lobbying groups are already in place, campaigning for restrictions on Chinese involvement or for privileges for Chinese businesses. In any case, if the Tajik government fails to take adequate measures to protect national businessmen, the country may have serious social problems in the future.

Early in the 1990s a lot was said about possible reorientation toward some of the Muslim states, Turkey and Iran in the first place. Ankara was looking forward to this with great anticipation: its political leaders regarded Central Asia as an element of the revived Great Ottoman Empire.<sup>6</sup> Time has shown that neither Iran nor Turkey has enough resources (at least in the near future) to gain a serious geopolitical foothold in the region. For linguistic and cultural reasons Tajikistan is close to Iran, yet the secular-minded political and intellectual Tajik elite is looking at the clerical regime with a share of prejudice.

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<sup>5</sup> As a Russian expert puts it, Americans bought Central Asia on credit.

<sup>6</sup> See: V. Egorov, "Rossia i Turtsia—linia protivorechij," *Blizhniy Vostok i sovremennost*, No. 9, 2000, pp. 320-330.

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

- In the next few years, American influence will mount in Tajikistan, while Russia's influence will remain traditionally strong, even if on the slight decline. There will be no dramatic changes in this sphere in the near future.
  - In the next decade Tajikistan will balance between the two main centers of power in Central Asia: Russia's traditional presence and America's growing influence. Much will depend on the country's leaders.
  - The situation in the country will be greatly affected by the foreign policy factor: Tajikistan's domestic situation directly depends on the situation in the region and beyond it, primarily in Russia and Afghanistan.
  - Whatever the case, our country has the unique chance of developing its statehood without becoming directly drawn into the geopolitical sphere of influence of any one power, but in so doing bearing in mind, at the same time, the interests of two or several power centers present in the region.
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# ENERGY RESOURCES AND ENERGY POLICY

## AN OIL PIPELINE TO CHINA: AN ELEMENT OF STRUGGLE FOR CASPIAN RESOURCES

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Today, attention of many countries is riveted to the oil- and gas-rich Caspian coast. According to experts, it has a good chance of coming third (after the Gulf and Siberia) oil treasure-trove: this explains why the great powers have concentrated their geopolitical and geo-economic efforts there. The world's leading countries are shaping their policies in the local states with a view to attain control over the fuel energy sources of the Central Asian and Caspian republics and possible

transportation routes. Transnational companies, including those operating in the neighboring countries, are closely following the local developments and systematically monitor the hydrocarbon production and transportation projects.

Under these conditions Kazakhstan has to meander among the great powers, which negatively affects its policies. The situation around the oil pipeline from Western Kazakhstan to China is highly illustrative in this respect.

### China's Needs for Energy Fuels and its Strategy

In everything that they do today the Chinese leaders proceed from the conviction that the 21st century will be the century of China that is working hard to catch up with the Western countries. Even though

the figures are still low China's absolute potential is amazing (in the United States, for example, gross income is close to \$10 trillion, while in China it has topped \$5 trillion). In fact, today Chinese, not Japanese, economy is the world's second. Under certain conditions China may acquire the "critical mass" necessary for further progress toward its ambitious goal of becoming a global power and one of the key political players. This requires huge energy resources, oil and gas in the first place. The country is consuming the increasing amounts of energy mainly produced by imported energy fuels.

In 2000, the country imported 70m tonnes of oil; in 2003, about 80m tonnes; the forecasts for 2005 are 85-90m tonnes; the figure might double by 2010. Domestic production will remain basically the same (in 2003, the country produced about 136m tonnes of oil). By 2030, China is expected to consume approximately 400m tonnes of oil a year.

The mounting need for energy fuels spurred on by high economic development rates is behind China's foreign policy strategy, the most obvious manifestation of which is "the onslaught" on the energy fuel fields in Central Asia and the Caspian region. According to the Chinese press, the Chinese oil companies have concentrated their efforts in Turkmenistan, Kazakhstan, Azerbaijan, Indonesia, Iran, Iraq, Russia, Sudan, the Middle East, Africa and South America. The China National Petroleum Corporation (CNPC) that is currently producing about 13,500-14,000m tonnes a year outside the country is expected to deliver the larger part of the needed amount. Nearly half of the imported oil is produced in Kazakhstan. The China Petrochemical (Sinopec), the second largest oil company, works in Russia, Asian and Mid-eastern countries. In 2003, China started reassessing its own oil and gas reserves.

China is imperceptibly moving toward its broader presence in the oil-bearing Caspian region. Back in 2001, during his official visit to Kazakhstan Premier of the State Council of the PRC Zhu Rongji announced that his country would not only continue importing ever increasing amounts of oil from Kazakhstan but would also use its territory to move hydrocarbons to China.

The trans-China pipeline strategy follows the same logic: the West-East routes will form the core of infrastructure designed to deliver oil, gas and oil products to the industrial regions in central and eastern China. The Uighur factor has a certain role to play: by developing the Xinjiang-Uighur Autonomous Region (XUAR) Beijing hopes to defuse separatism of Eastern Turkestan, to finally quench the conflict that has been smoldering from 1997, to strengthen political stability, to establish its control over the area rich in natural resources and to use it to spread its influence to western Eurasia. Political stability is the key to China's broader economic presence in Central Asia and the Caspian that can be ensured with the help of new oil and gas pipelines, new industrial enterprises, etc. In many respects this strategy will affect the future outlines of the geopolitical triangle the U.S.-Russia-China.

Inside the country the strategy took the shape of the Great Pipeline of China project, a large-scale gas transportation infrastructure stretching from the west (the XUAR) to the east of China. The task is paramount and the need for gas is great to the extent that forced Beijing to create favorable conditions for foreign investors attracted by the prospect of developing gas fields in Western China. It looks, however, that the Tarim Basin resources in the XUAR were used as an attraction. China obviously is in no hurry to develop its own gas reserves that are not enough to ensure its growing requirements; China needs this pipeline to import gas from Russia, Turkmenistan, and Kazakhstan. These and similar projects are actively studied.

By 2006 the country plans to acquire two branch lines of an oil pipeline going from the XUAR to inland China; they are needed to realize the project of oil imports from Kazakhstan and to encourage the oil companies in the XUAR by increasing its investment attractiveness. Obviously, the pipeline will be mainly used to bring in oil from China's western neighbors. These countries in turn will acquire a market for their oil for a long time to come, even if the so-called Uighur Elephant (supposed huge oil reserves) is discovered in the near future.

At the same time, at the very beginning of this century China hoped to import Siberian oil under an agreement with YUKOS about the Angarsk-Daqing oil pipeline. In the fall of 2003 Mikhail Khodorkovskiy, head of YUKOS, was arrested, after which the project was frozen. Beijing always regarded a pipeline from Kazakhstan as another possibility for moving oil from Kazakhstan, Russia and the Caspian region to China. This pipeline is supposed to reach the northwest of China, in the SUAR.

## Potentials of Kazakhstan

The local hydrocarbon fields are mostly concentrated in the Caspian oil-and-gas province, the Iuzhno-Mangyshlak, Turgay, Ustiurt-Buzashinsky and Shu-Sarysu oil-and-gas regions. It covers 1.8m sq km, including the water surface of the Caspian and Aral seas.

Over 160 oil fields were discovered in the continental part; the richest fields are concentrated in the Atyrau Region where over 80 fields are found (their explored resources of industrial category are about 3 billion tonnes of oil). There are over 45 fields (with the total reserves of about 2.9 billion tonnes) still at the preliminary stage and at the stage of industrial development; there are over 20 fields at the stage of supplementary exploration. The largest fields are: Tengiz (over 2.26 billion tonnes), Korolevskoe with the initial recoverable resources of 30.4m tonnes; Kenbay, 30.9m tonnes.

About 70 fields were discovered in the Mangistau Region; 27 are being actively developed (the largest of them being Uzen, Zhetybay, Kalamkas, Karazhanbas). The Western Kazakhstan and Aktiubinsk regions hold good promise from the point of view of oil and gas; the Caspian shelf is the country's main hope.

The republic is consistently increasing production. In 2003, it produced 51.3m tonnes of oil (with gas condensate) and 14.04 billion c m of gas. The same year Kazakhstan increased its oil and gas condensate export as compared with 2002 by 13 percent. The export reached 44.3m tonnes of which 7m tonnes were exported to CIS countries. In terms of value, in 2003, oil and gas condensate export increased by 39 percent to reach \$7 billion. In 2004, the incremental produced oil volume is expected to be provided mainly by the Tengiz, Karachaganak and Kumkol fields. According to Minister of Energy and Mineral Resources Vladimir Shkolnik, the republic expects to produce 54m tonnes of oil in 2004; over 60m tonnes in 2005; about 100m tonnes by 2010 and 150m tonnes by 2015. Under the additional document of 25 February, 2004 to the production sharing agreement (PSA for the Northern Caspian of 18 November, 1997) the Kashagan shelf oil field alone is expected to yield up to 21m tonnes of oil every year by 2010; the figure for 2013 is up to 42m tonnes; the maximum production level of 56m will be achieved by 2016. (Geologists assess Kashagan oil reserves at 4.8 billion tonnes.)

The above says that by 2007-2008 the throughput capacity of export pipelines should be increased to 1-1.2m barrels a day (50-60m tonnes a year). As the Caspian shelf fields are developed, the throughput capacity will probably be brought up to 100-140m tonnes. Today, the export oil pipelines of Kazakhstan can carry about 310m barrels a year (42.5m tonnes); the figure for the export gas pipelines being 5 billion c m; for the transit gas pipelines, 110 billion c m.

The republic's big oil is found in the Eurasian heartland, far from the main transportation lines; its export to the world markets requires assistance of the interested states. Pipelines are the main transportation means, the capacity of which is highly strained by the country's current policies of multi-variant directions of hydrocarbon exports. The country has reached a crossroads: we do hope that our oil riches will be used for further economic development. Transportation routes are determined by the geostrategic balance of forces in the region. This explains why Kazakhstan being sucked in the vortex of geopolitical interests of the world's largest countries has practically no say about transportation routes of its own hydrocarbons in conformity with its own strategic and economic interests. Economic expediency cannot be discussed outside political collisions (both domestic and foreign). The country's strategic plans of developing its oil and gas reserves are part of the general situation.

We all know that oil supplies to the Chinese and the AP markets are highly promising, the Chinese market being the first step leading the Kazakh and transit Russian oil to the markets of East and Southeast Asia. This situation makes a Kazakhstan-China oil pipeline highly possible. It will be used to bring Kazakh and Russian oil to the AP markets across the Chinese territory or by replacing this oil with Chinese oil moved to APR from China's eastern ports. In any case the Chinese market is highly promising; the West-Center pipeline and large oil refineries are being built in the XUAR to receive and refine large amounts of Kazakh oil.

China will be able to import every year up to 50m tonnes of oil from Kazakhstan; according to the latest information, it will be no problem to load the Atasu-Druzhba-Alashankou-Dushanzi pipeline with the initial amount of 20m tonnes. At the first stage the pipeline will receive Kumkol oil; oil from Aktiubinsk brought by railway to Atasu, as well as Siberian oil exported by the Russian companies along the Omsk-Pavlodar-Atasu pipeline, including oil delivered under the replacement agreement with CNPC.

By 2007 oil production in the Aktiubinsk Region may reach 10m tonnes; in view of geographic distribution of hydrocarbons in Kazakhstan and the related political context China prefers to develop the resources of Western Kazakhstan. Since 2002 CNPC has been involved in oil prospecting in the eastern block of the Caspian region (in the south of the Atyrau Region); it has increased its share in the JV CNPC-Aktobemunaygaz to 80 percent in order to own all oil produced. (The company, however, failed to join the North Caspian Kashagan project.)

Back in June 2001 first premier of Kazakhstan D. Akhmetov speaking at the parliament of the Republic of Kazakhstan said: "The Kazakhstan-China oil pipeline may become a reality in 2006-2010. The main condition of its completion by that time is an increase in oil production by the China National Petroleum Corporation up to 20m tonnes a year. We shall work toward giving this company several small licenses so as it could increase production."

The hydrocarbons of Kazakhstan's southern regions are geographically very close to China: I refer to the oil fields of the Iuzhno-Turgay depression (Kumkol). The companies working there (PetroKazakhstan, formerly HurricaneKumkolMunay of Canada, TurgayPetroleum of Russia and Canada; Kazgermunay of Germany and Kazakhstan; Kuatamlonmunay of the U.K. and Kazakhstan, and the Oil Company KOR) find it too expensive to carry their oil by railway to Atyrau in order to transport it by the CPC pipeline. They sell oil to China, Iran and Central Asian oil refineries. According to KazMunayGaz experts, enough oil is produced in Kumkol to add annually some 4 to 5m tonnes to the Chinese pipeline.

Potentially, until 2010 Russian oil (5 to 10m tonnes every year) will be needed to load the Chinese pipeline to capacity; together with 7-10m tonnes of Aktiubinsk oil and 4-5m tonnes of Kumkol oil the pipeline will be commercially efficient at the first stage.

## China Enters the Caspian Region

I have already written that it is the deficit of energy fuels that pushes Chinese companies to Caspian shores; there they are mostly interested in the projects with proven reserves. (Earlier, it was the American and Russian oil-related interests that dominated in the Caspian region. Today, China joined them with its own interests.)

It was in 1997-2002 that Chinese money came to the region, mainly to Kazakhstan and Azerbaijan. The daily output of these oil fields is about 120,000 barrels (about 6m tonnes a year); there are hopes of even larger output. The Chinese companies working in the Caspian region normally want to minimize prospecting risks: they buy more expensive shares in the already developed extraction projects with drilling-proven reserves.

Kazakhstan was the first Caspian country where Chinese oil firms appeared: in 1997 CNPC acquired 60.3 percent of shares for \$324m of Aktobemunaygaz, its present name being CNPC-Aktobemunaygaz, and pledged itself to invest \$4 billion (\$585m of which before 2002). Its main privatization commitment is building an oil pipeline from Kazakhstan to China before 2005. The feasibility study had been ready by 1999, yet actual work did not start until 2003 because, according to the Chinese side, there was not enough oil to load the pipeline. It has become clear that it was YUKOS and its interests in the Angarsk-Daqing pipeline that were behind all this.

## Chinese Enclave in Aktobe

The Chinese have been actively developing their own self-contained full-cycle enclave (extraction, production, and infrastructure) at the Aktiubinsk oil fields to meet the needs of China. In 2000, they installed in the Zhanazhol and Kenkiyak fields drilling equipment, circulation systems, pumps and other equipment made in the PRC. In 2003, they set up repair shops and production of oil producing equipment on the basis of the Munaymashremont plant. They preferred to call the new structure a JV even though 49 percent of it belongs to the CNPC-Aktobemunaygaz Company, which is practically a Chinese business; 51 percent belongs to the China Petroleum & Technology Development Corporation.

By 2002 CNPC had completed its five-year investment program by investing \$585m; in 2003 it invested \$300m more and completed reconstruction of the Zhanazhol gas processing plant (GPP) and built another GPP (that cost \$170m) ahead of schedule. There are plans to build one more GPP in 2004 to start fine gas cleaning in conformity with the international standards for main gas pipelines. The three GPPs will cope with utilizing the ever-increasing amounts of petroleum gas from the Aktiubinsk oil fields. In 2004, CNPC-Aktobemunaygaz intends to complete construction of a gas pipeline 160 km long that will connect the Zhanazhol GPP and the KS-13 gas compressor station at the main international gas pipeline Bukhara-Urals; earlier, in 1998 it laid the Zhanazhol-Aktobe gas pipeline; in March 2004 it started building a railway between Zhanazhol and Zhem, 72 km long to be used to bring workers, equipment and materials to the fields and to deliver low-density oil, liquefied gas and granulated sulphur to international markets. Before the end of 2004 the company plans to commission more wells at Zhanazhol and Kenkiyak fields. To achieve this the company will drill sideholes (for the first time in Kazakhstan) and use state-of-the-art oil producing technologies (gas lift and hydrofrac). In the near future the CNPC plans to build two plants in Aktobe to produce high-grade oils and bitumen to completely meet Kazakhstan's needs for these products.

From time to time the Kazakh authorities make attempts to "contain" the too active Chinese by clashing their interests with those of Americans by promising, in particular, to entrust management of the part (25 percent) of the state stocks of the Aktobemunaygaz Company to Access Industries, etc. As a result, however, on 29 May, 2003 Kazakhstan had to sell the state stocks of Aktobemunaygaz (20.12 percent of the authorized capital) for \$150m. It had been bought by an anonymous buyer whose name remained secret. (The Kazakhstan government planned to sell the stocks for \$320m.) Sure enough, it turned out that the shares were bought by CNPC: today, with 80.5 percent of shares, it is practically the only owner of CNPC-Aktobemunaygaz and is even more actively realizing its strategy in Kazakhstan. Its plans are very impressive: since 2001 the company has been steadily increasing production by over 1m tonnes annually. In 2004, it will produce more than 5.5m tonnes of oil; in 2005, 7m tonnes, the plan for 2006 is 10m tonnes of oil and 1.2-1.4 billion c m of gas. So far, the produced oil is delivered to China by railways (every month more than 100,000 tonnes are transported, the maximum loading capacity being about 500,000 tonnes a month).

In April 2003, President of Kazakhstan Nursultan Nazarbaev received CNPC first vice president, chairman of the board of directors of the CNPC-Aktobemunaygaz Company Wu Yaowen and expressed his satisfaction with the level of cooperation between the company and the government of Kazakhstan.

## China: Change of Tactics

In 2003, the Chinese oil and gas companies that had already betrayed their interest in the Caspian region stepped up their activities. In Kazakhstan alone they made several attempts, mostly successful ones,

to extend their business. Early in 2003 CNPC and Sinopec tried to join the international PSA in Kashagan by buying the BG Group Plc share of 16.7 percent in the North Caspian project for \$1.23 billion. This deal might have accelerated construction of a pipeline to China. The project partners, however, used their first right of refusal to buy out the BG's share. This started a conflict between China and Shell, a British-Dutch company. The Chinese government threatened to block the company's involvement in any projects on the Chinese territory.

In May 2003 CNPC bought the stocks of 20 percent of shares of Aktobemunaygaz Company and commissioned the first line of the Kenkiyak-Atyrau oil pipeline 448 km long with an annual capacity of 6m tonnes, built on the CNPC's money. The pipeline that connected the fields of the Aktiubinsk Region and the CPC (Atyrau) began a new pipeline that would be built between Kazakhstan and China. Some months later, in August, CNPC bought the shares of ChevronTexaco (65 percent) and Nimir Petroleum Ltd of Saudi Arabia (35 percent). In this way it concentrated in its hands the entire stocks of the North Buzachi field in Mangistau with the recoverable resources of 500m barrels of oil: every day the field yields about 8,400 of barrels. At the end of 2003 the company, seemingly unexpectedly, transferred half of its shares to the Canadian Nelson Resources Ltd, behind which there were two financial-industrial groups of Kazakhstan (CAIN and ELL): the deal was accomplished in two tranches. The ChevronTexaco that had been working on the project since 1998 suddenly discovered that it became much harder to deal with the governmental structures of Kazakhstan, which refused to permit it to start large-scale development of the oil field.

Canadian and American companies are developing several other oil fields in the Caspian Lowland; the Chinese have been negotiating their purchase, or at least, the stocks, since 2003. In early 2004 it became known that Sinopec bought the leading American company of the FIOC (First International Oil Corporation) group; its daughter firms are prospecting for hydrocarbons and developing several Caspian oil fields: the Adaysky, Caspian, Sagizsky and Fedorovsky blocks and the oil fields of Chinarevskoe and Sazankurak.

In August 2003, CNPC paid \$25m for a retail network dealing in oil products in Almaty: gasoline stations, reservoirs, etc. This is strengthening the PRC's positions in its expansion in the Caspian.

## The Situation Around the Pipeline

### Political Platform

In September 1997 the government of Kazakhstan and the People's Republic of China signed an Agreement on Cooperation in the Oil and Gas Sphere. It was at that time that the Ministry of Energy and Natural Resources of Kazakhstan and CNPC signed a general agreement on developing oil fields in the Republic of Kazakhstan and on building a pipeline to China.

During the official visit to Kazakhstan on 27 July, 2000 of Deputy Chairman of the PRC Hu Jintao President of Kazakhstan Nazarbaev confirmed his intention to extend political support to this route. The expert community immediately called this oil route not only the most expensive but also the most promising for Kazakhstan. A workgroup was set up on the instructions of the premier of Kazakhstan to prepare technical documentation; there were plans to launch construction of the pipeline with an annual through-put capacity of 20m tonnes of oil in 2001.

In November China declared that it was prepared to build the pipeline; it explained its readiness by the war in Afghanistan. Earlier, despite all interstate decisions, China had been in no hurry to start building the pipeline to Xinjiang under the pretext that there was not enough oil in Kazakhstan to fill the project.

In April 2002 the heads of the CNPC-Aktobemunaygaz Company reported that it had completed the project's feasibility study and that China was resolved to continue it since it received confirmation of

the Caspian oil reserves. A month later during the visit of Kazakhstani Foreign Minister K. Tokaev to China Kazakhstan confirmed its interest in delivering its oil to the PRC; the minister discussed the pipeline's prospects.

On 4, June 2003 when President Nazarbaev and Chinese leader Hu Jintao completed their negotiations the two countries signed several important documents, an agreement on cooperation in the energy sphere among them, of strategic importance for the sides: on the oil pipeline project; on developing oil fields; on the possibility of a gas pipeline from Kazakhstan to China. Astana supported Beijing in its desire to work on the Kazakhstani Caspian shelf. The Protocol on Joint Studies and Stage-by-Stage Construction of a Pipeline from Kazakhstan to the PRC and an Agreement on Further Larger Investments in the Oil and Gas Sphere of Kazakhstan were signed by corresponding departments of the two countries. Several days later the KazMunayGaz Company and CNPC signed an agreement on joint substantiation of investments needed for the stage-by-stage construction of the Atasu-Alashankou oil pipeline, including corrected feasibility studies of the Western Kazakhstan-China oil pipeline project. In August in order to confirm the agreements the sides signed a memorandum on speeding up construction and the possibility of building a gas pipeline to China.

On 11 September, 2003 at his meeting with Premier of Kazakhstan D. Akhmetov Wu Yaowen, CNPC Vice President and Chairman of the CNPC-Aktobemunaygaz Board of Directors, reported that the Chinese firm was prepared to complete the design stage of the joint projects, including the oil pipeline to China, which could be completed late in 2005.

At a press conference in Astana in February 2004 President of KazMunayGaz U. Karabalin pointed out that if the government of Kazakhstan approved the project construction of the oil pipeline Atasu-Alashankou-Dushanzi (1,300 km long) would start in July-August 2004 to be completed two years later. Each of the countries would pay its half; the money would be loaned under oil deliveries. The project's cost was estimated at \$700-800m, the initial annual throughput capacity being about 10m tonnes of oil. It would be increased later.

On 1 April, 2004, President Nazarbaev received CNPC Vice President Wu Yaowen who informed him that the stage of preparing the feasibility study and prospecting the Atasu-Alashankou stretch of the Western Kazakhstan-China oil pipeline with an annual throughput capacity of up to 50m tonnes had been completed. On 13 April, 2004, at the talks in Beijing Vladimir Shkolnik, Minister of Energy and Mineral Resources of Kazakhstan, informed Ma Kai, Minister of the State Development and Reform Commission, that the design for the linear pipeline portion would be completed by 15 May, 2004. This was needed because President Nazarbaev's state visit to China had been scheduled to mid-May 2004, during which all corresponding documents were expected to be signed. Under this schedule the project should be started in 2004 to be completed by the end of 2005.

### ***Problems of Project Realization***

We should say here that at first a pipeline stretching from Western Kazakhstan to the sea ports in Eastern China was described as a Chinese pipeline. Its length of over 4,000 km (over half of it, 2,400 km in Kazakhstan); its cost of about \$4 billion; its annual throughput capacity of 20-25m tonnes (according to the 1999 feasibility study); and its scheduled commissioning in 2005 made it the most ambitious project among the functioning pipelines. Its realization, however, was postponed indefinitely because of its cost and because Kazakhstan had not enough oil (even if the Kumkol oil was to be sent there) to fill the line. The project triggered intrigues; since 2000 it was strongly affected by the progress YUKOS achieved in promoting its Angarsk-Daqing project.

It was decided to limit the efforts to the stretch inside Kazakhstan. Early in 2000 the feasibility study for the Atyrau-Kenkiyak-Kumkol-Atasu-Druzhba stretch was completed: the project would cost nearly \$2.7 billion; its length would be about 2,800 km; the pipeline would be economically efficient

if not less than 20m tonnes of oil were moved along it every year; the project was expected to be completed in 2-2.5 years. The KazTransOil immediately started engineering prospecting along the route, and while identifying the sources of its loading, on 24 July it opened a new oil service rack at the Atasu railway station to load 3m tonnes a year to transport the Kumkol oil to external markets, China in the first place.

In April 2001, however, President of the CNPC International Ltd Zhou Jiping announced that construction of the pipeline would not be started in the near future since Kazakhstan had not enough oil to load the line. In his turn, on 24 May in Astana Vice President of KazTransOil K. Kabyldin pointed out at a press conference that Kazakhstan was studying various export routes, while the pipeline to China was commercially justified and technically possible.

Under these conditions the Kazakh side revived designing the Western Kazakhstan-China project with the aim of completing engineering prospecting along the entire stretch by the end of 2003 and finishing construction by 2007. In this connection KazTransOil announced that it was prepared to invest \$70m in the first stage (Kenkiyak-Atyrau), 450 km long, and to open a tender for contractors in the fall of 2001. This readiness speeded up events: by December a JV Northwestern Pipeline Company MunayTas was set up to build this stretch of the line. The Kazakh side owned 51 percent and the Chinese side, 49 percent of shares. When specified, the project's cost turned out to be \$150m; the Chinese side, however, described this event as "historically and strategically important." Stroytransgaz, the Russian contractor, was ready with the first phase of the Kenkiyak-Atyrau pipeline by May 2003; it was 448 km long, with the annual throughput capacity of 6m tonnes of oil (to be increased if needed). The second phase is expected to be completed in 2004; it will bring the line's annual throughput capacity to 10m tonnes; the third phase scheduled for commissioning in 2006 will increase the loading capacity to 14m tonnes. CNPC pays for the entire project.

The Kenkiyak-Atyrau pipeline is currently used for oil exports to the West. It connects the oil fields in the Aktiubinsk and Atyrau regions with the export pipeline systems Atyrau-Samara and the CPC. The line can be reversed, therefore starting in 2005 it may become, according to the plans, the initial part of the transcontinental export pipeline Western Kazakhstan-Western China and be extended to China's sea ports.

Until 2003, it was KazMunayGaz that was working on several possible variants of feasibility study for the oil pipelines inside Kazakhstan, while China repeatedly stated that its companies would be ready to start construction as soon as Kazakhstan increased oil production to make the line economically justified (which means an annual loading of not less than 20m tonnes). This could have been reached in several ways: 10m tonnes of oil could be produced in the Aktiubinsk Region; 7m, in Kumkol; and up to 10m, in Kashagan and the Caspian shelf. These Caspian plans of the PRC at first alarmed the partners of the North Caspian Consortium Agip KCO unwilling to take into account the far reaching plans of another active player, China, which was building up its strength, besides the U.S. and European countries.

I have already written that in 2003 Beijing revised its mode of action: in the Memorandum signed by the KazMunayGaz and CNPC in August the Chinese side clearly stated its intention to actively build an oil pipeline from Western Kazakhstan to the Chinese border (the project's total cost being approximately \$2.5 billion). China suggested that the project would be realized gradually, stage-by-stage and that several options should be envisaged. For example, under the 1999 feasibility study the project (the line from Atyrau to the Chinese border, about 3,000 km long) would have repaid itself if carrying 20m tonnes of oil every year; the latest Chinese calculations, however, showed that 10m tonnes moved every year along the first phase of the line, between Atasu and Alashankou (1,100 km, its cost being \$730-907m), would have made this stretch economically efficient. The Chinese side planned to start construction in mid-2004 so as to complete the project by late 2005. (The experience of the Suez Canal says that the Chinese can work very fast.)

There were at least three reasons behind this sudden interest. First, the C.C. Communist Party of China decided to revive the project to ensure the country's energy safety; in addition, the project was



economically reasonable. I have already written that the Chinese side went as far as funding the first line itself. Second, the Russian-Chinese project of the Angarsk-Daqing main seemed to be suspended. Third, in 2005 the term of the CNPC obligations to build a pipeline to China was to expire—meanwhile, unfulfilled obligations were fraught with serious consequences for the investors. The results of oil prospecting in the Kazakhstani part of the Caspian shelf were also important. It seems, however, that the project was spurred on mainly by the American war on Iraq with obvious oil-related aims. This let China squeeze in the Caspian region.

Starting in 2003 the PRC stepped up its involvement in the pipeline project that envisaged its stage-by-stage loading, starting with 10 and 20m tonnes to finally reach 50m tonnes of oil a year. The oil sources had been identified: 6m tonnes a year would come from CNPC-Aktobemunaygaz that would increase its extraction to 10m tonnes by 2007; the North Buzachi field promised 2m tonnes a year; about 7m tonnes would come from Kumkol; part of the volume would come from Russia by the Omsk-Pavlodar-Atasu pipeline. The second phase that will bring the Atasu-Dushanzi stretch's annual throughput capacity to 20m tonnes will require Caspian oil as well. This was what Premier of Kazakhstan D. Akhmetov said on 2 March, 2004 at a meeting that discussed the construction plans.

The Atyrau-Kenkiyak and Kumkol-Atasu stretches are functioning. The Kenkiyak-Aralsk-Kumkol part with an annual throughput capacity of 10m tonnes of oil and a possibility of reversing is still being designed; the feasibility study for the entire pipeline, a long and technologically complicated project, has been taken into account.

Until recently, Kazakhstan was actively supporting China willing to complete the projects as promptly as possible. On 2 March, 2004 Premier D. Akhmetov invited the sides to speed up the procedures so as to start construction of the Atasu-Alashankou-Dushanzi stretch in 2004. It will be 1,320 km long, its preliminary cost is \$850m, it is expected to be commissioned by 2006. One month later, however, official statements grew vague.

## Special Position on Kumkol

Today, all Kumkol oil fields can yield up to 10m tonnes of low-density high quality oil; this is very important for loading the Kazakhstan-China pipeline. The interests of Kazakhstan, the U.S., Russia, and some European countries have become intertwined there. The fields attract CNPC as well: it plans to buy the PetroKazakhstan firm estimated at \$1.5 billion. It seems that other players have similar intentions.

From the very beginning the Canadian Hurricane Hydrocarbons Ltd (the PetroKazakhstan Kumkol Resources since 2003) occupied a special position on the oil routes from Kumkol and across it. This company came to the Kazakhstani market in 1996. At all times it was working on the routes independently and always wanted to be free to export oil and oil products to all countries, China included. This contradicted Kazakhstan's interests that obviously needed oil and oil products inside the country. The company ruled itself by the laws of the market and was convinced that Kazakhstan should act accordingly when it comes to domestic demands. The state structures thought differently.

The Canadians have always regarded China as the main market for the Kumkol oil; since 2000 they have been exporting it through the oil terminal Druzhba at the Chinese border; in 2003 they started using the oil terminal at the Atasu railway station and increased their exports to China.

In 2002, KazMunayGaz signed an agreement with Hurricane Hydrocarbons Ltd on cooperation in the pipeline sphere. Under it the Canadians pledged themselves to help and support the partner's plans connected with the Kumkol-Aralsk-Kenkiyak oil pipeline, 700 km long. Both companies committed themselves to work on feasibility studies. To speed up the project Hurricane Hydrocarbons promised to deliver export oil within the "deliver or pay" scheme. At the same time, the Canadians intended to be responsi-

ble for the project's smaller part if the funding was adjusted to this scheme. The design, funding and construction were expected to take 2 to 3 years. There were plans to build the line stage by stage; the first one being the Kumkol-Aralsk stretch. The main was planned to be a reversible one so as to move oil from Western Kazakhstan to the southern and eastern markets—a very important strategic decision.

Meanwhile Hurricane Hydrocarbons started laying "its own" oil pipelines. One of them connected the Aryskum pumping station (the Kyzylkia, Aryskum, and Maybulak fields in the Kumkol area) and the Zhusaly railway station at Kzyl-Orda. It is 104 km long with a daily loading capacity of 100,000 barrels (5m tonnes a year). The line completed in 2003 allowed Hurricane Hydrocarbons to decrease its transportation costs to \$2.5 per barrel. There is another line that connects its Kumkol fields and the Aryskum pump station (70 km long).

It was Hurricane's "independent ventures" that urged the State National Company KazTransOil to lobby amendments to the laws that banned any construction activities in the fuel transportation sphere without its participation. As soon as the amendments had been approved, the KazMunayGaz and Hurricane agreed to stop using the Aryskum-Zhusaly pipeline and reverse the Kumkol-Aryskum one to serve their main oil pipeline to China. Under the same agreement all oil extractors of the Turgay basin could continue using these oil pipelines and terminals of KazMunayGaz to deliver their oil to the Shymkent oil refinery or to export it.

Even though under the 2002 agreement between KazMunayGaz and Hurricane Hydrocarbons Ltd the latter's daughters were expected to fund construction of the Kumkol-Aralsk-Kenkiyak pipeline the Canadians obviously wanted to slow down the process until the prospects of the Chinese pipeline as a whole became obvious. The heads of the Canadian company offered no comment on the Chinese project.

At the same time, in 2003 PetroKazakhstan developed two new export routes. In October the TurgayPetroleum JV (in which Canadian PetroKazakhstan and Russian LUKoil had 50 percent of shares each) started using the CPC to export its oil through Novorossiisk (about 100,000 tonnes every month). In December PetroKazakhstan sent its first 26,800 barrels of oil by railway to the Tehran Oil Refinery; there were plans (using SWAP deals) to send there up to 1m tonnes of oil in 2004 in order to receive Iranian oil in the Gulf ports.

Early in 2004 it became known that the Canadian company had invited former Prime Minister of Canada Jean Chrétien as a foreign relations advisor and had incorporated Jan Bonde-Nielsen (Chairman and a shareholder of Greenoak Holdings) and Jean-Paul Bisnaire (one of the leading Canadian lawyers in the field of securities, mergers and acquisitions, and corporate funding) into its board of directors. There is an expert opinion that the company is readying for sale, or for a new issue of shares to raise its image.

It is interesting to note that the PetroKazakhstan and TurgayPetroleum companies were not included in the list of the raw material enterprises that pay to the National Fund (the list is part of the Kazakhstan's 2004 budget) because "the lower world oil prices have deprived them of superprofits in 2004" from which the companies are expected to pay to the fund. This argument looks as a warning to the Kazakhstan "purchasers" that no superprofits should be expected.

It seems that in 2004 we shall be able to watch how the Canadians are squeezed out of the oil and gas market of Kazakhstan.

## Problems of 2004

The fact that Astana insistently supported Beijing in its desire to realize the project leading from Western Kazakhstan to China means that by 2007 the republic will produce as much oil as it needed to load to capacity the third export oil pipeline (two such lines: Atyrau-Samara and CPC are functioning). There is no doubt that the Kazakhstan-China pipeline is cost efficient, which means that every year it will receive the needed 20m tonnes. When realized, the project will join together the oil pipeline systems of Kazakhstan, China and Russia to become a firm foundation of their mutually

advantageous partnership. It can strengthen their positions in Eurasia within the Shanghai Cooperation Organization.

There is another political aspect behind the oil pipeline to China: Astana's attitude to the Baku-Ceyhan project. The efforts to speed up construction of the Chinese pipeline probably mean that Kazakhstan has opted for the Eastern route as opposed to the Aktau-Baku line that was supposed to cross the Caspian. To put it mildly Russia is not enthusiastic about the Baku-Ceyhan line. On 9 January, 2004, however, speaking at the official ceremony that opened the Year of Russia in Kazakhstan, President Nazarbaev said that his country planned to move about 10m tonnes of oil a year by tankers across the sea to help load the Baku-Ceyhan line.

In addition to the factors described above the Chinese route will help develop the promising direction of Kazakhstan's oil export, will help realize the state strategy of uniting the domestic oil pipelines into a single multi-vector system equally accessible to all potential users. This fully conforms to the republic's strategic interests: energy security achieved by connecting the west and the east of Kazakhstan where two underloaded oil refineries are found. On the whole, this option will allow Kazakhstan to diversify hydrocarbon deliveries to the domestic and foreign markets.

At the same time, there are always certain forces behind the oil-and-gas scenes that run the show. Indeed, how will Kazakhstan's oil-and-gas "partners" respond to the rapid developments around the Chinese route? In February 2004 the newly elected president of Azerbaijan Ilkham Aliev during his official visit to Kazakhstan did his best to draw attention to the problem of loading the Baku-Ceyhan pipeline. The leaders of Kazakhstan limited themselves to common diplomatic comments at the prime minister level and sightseeing of Astana.

It is interesting to note that recently the top officials changed the tone of their comments. On 3 April, 2004 at the meeting between Premier D. Akhmetov and CNPC heads different dates for completion of the Kazakhstan-China project were mentioned: the first phase (Atasu-Alashankou) was postponed till 2006-2010; the second phase (Kenkiyak-Kumkol-Atasu) till 2011-2035. The prime minister pointed out that cooperation in the oil and gas sphere "should be mutually advantageous and stable." Astana was prepared to actively fund part of this important project and guarantee it. (It should be said that this means 51 percent; this is a lot: the project's total cost was estimated at no less than \$2 billion.) The new dates by which preliminary work should be completed contradict the dates mentioned earlier in the premier's instructions (first half of 2004).

At the talks with Ma Kai, Minister of the State Development and Reform Commission, that took place on 13 April, 2004 in Beijing Vladimir Shkolnik, Minister of Energy and Mineral Resources of Kazakhstan, concentrated on the fast rates of economic development of his country that have become obvious in the past five years. He also informed the Chinese side that Kazakhstan had in principle diversified the oil delivery channels to the world markets: it was decided to bring up the annual throughput capacity of the Atyrau-Novorossiisk pipeline to 67m tonnes of oil; an agreement with Russia on long-term oil transit across its territory was signed; the possibility of increasing the throughput capacity of the Atyrau-Samara oil pipeline is being discussed. This was how the government of Kazakhstan helped CNPC "transport the oil it produces on the Kazakhstani territory to the European market and get access to the CPC." With this aim in view the Kenkiyak-Atyrau pipeline was completed within the shortest time possible. The minister pointed out that by 2010-2011 the country will need another oil transportation route, its choice depending on its cost. Today, Kazakhstan is choosing between the Iranian variant and Baku-Tbilisi-Ceyhan so as to reach the Mediterranean. A new oil terminal on the Caspian with the handling capacity of 20m tonnes a year is being designed. During the meeting nothing was said about the details: about the fact that the terminal will appear in the port of Kuryk, 76 km to southeast of Aktau. It is expected to be completed in 2007-2008 in order to receive the first Kashagan oil. At the first stage, the Kuryk terminal will handle 7.5m tonnes of oil a year.

The Minister of the State Development and Reform Commission in turn expressed the desire of his government to start realizing the oil pipeline project from Kazakhstan to China late in the third-early fourth quarter of 2004 in order to complete the pipeline late in 2005 after all necessary documents had been signed (they were signed during President Nazarbaev's official visit to China in mid-May 2004).

On 20 April, 2004, it was pointed out at a cabinet meeting chaired by D. Akhmetov that the problem of funding of the Atasu-Alashankou stretch (988 km) had not been resolved; the government was instructed “to prepare all documents within the next 10 days and carry out all procedures in order to launch the project in 2005.”

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In this way the political fluctuations and altered dates of the Kazakhstan-China oil pipeline, which became obvious from what Kazakhstan’s officials have been saying recently, were probably caused by certain third forces that have managed to spoil the game of the project’s partners.

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## NEW REALITIES ON THE OIL MARKET AND RUSSIA’S ENERGY POLICY

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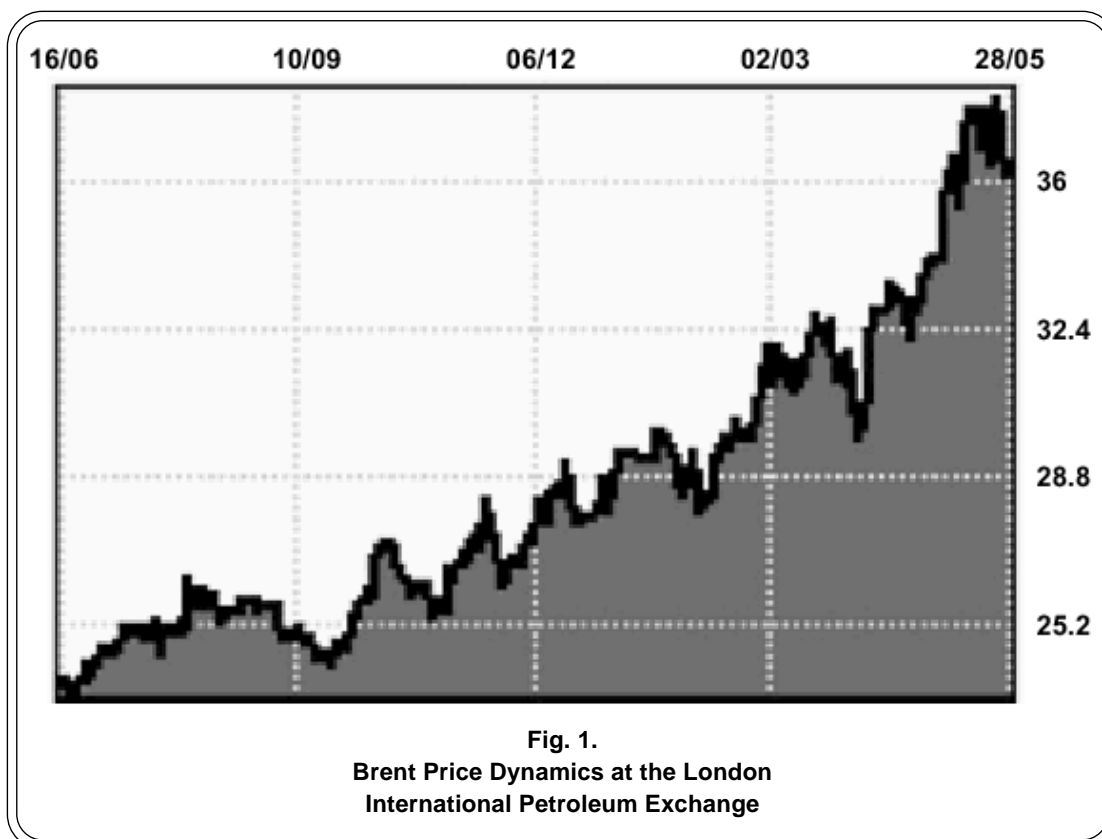
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The current developments on the oil markets are evidence of not only a radically changing price context but of a novel situation in this vitally important sphere. Regrettably, the motto of Russian officials and the media: “Strike while the iron is hot” has nothing in common with a profound and professional analysis of what is going on.

### Prices

Skyrocketing oil prices are obvious. This happened in the past, too, but the record increase of the Storm in the Desert (1990) time remained outstanding. Today, however, the records have come back, for example, on 1 June, 2004 the futures prices at NYMEX reached the \$42.38 per barrel level and came up close to the highest level in 21 years, the July Brent futures nearly reached the \$40 per barrel level (see Fig. 1).

The events in Iraq and Middle Eastern instability they triggered are behind this. Recently, the “psychological factor” caused by an upsurge of terrorism in Saudi Arabia has come to the fore: the future of the Saudi ruling dynasty is at stake. This is the political background against which the world economy is growing at a fast pace sending energy consumption higher up. Analysts agree that China is coming to the fore as one of the leading oil importers; recording levels of power consumption have been registered in India and other Asian countries.



On the other hand, the fairly high level of oil supply should cause concern: it devalues the above explanations. In the last four years the world level of oil production increased by 4.1 percent and reached the level of 3,393m tonnes. This surplus came mainly from Saudi Arabia and Russia that in the last year were alternating as oil producing leaders. The expert community tends to believe that the high oil prices were caused by the structural shifts in oil production and consumption. In his interview with the *Ekspert* journal Graham Wille of Global Insight research center has said: "The significant shifts in the oil market structure have created short-term deficits, and even though worldwide oil demand and consumption are roughly balanced *the deficits are of a regional nature: oil is not always where it is most needed.*"<sup>1</sup>

The oil fields in the North Sea, the Gulf of Mexico and Indonesia (the closest to the main oil consumption zones) have been nearly exhausted; money should be poured into the oil-rich regions of West Africa, Central Asia and Russia so as, in several years' time, to create new energy fuel sources. The regions of new development will need adequate infrastructure in order to deliver oil to the new large oil consumption centers, China and India in particular.

A new structure of the global oil market requires time and money. So far there is no clear idea about its future outlines; it is this vagueness that pushes the oil prices up. One thing has become clear, though: the prices depend on demand and supply. Manouchehr Takin, a senior petroleum upstream analyst with London's Center for Global Energy Studies has pointed out: "The fact that demand affects the prices to a greater extent than supply indicates that we are moving toward a deficit market." This has been confirmed by a decision of the OPEC oil ministers to increase daily production of oil by 2m barrels (and by 500 thousand barrels more in case of need) adopted on 3 June, 2004 in Beirut. This produced no lasting

<sup>1</sup> *Ekspert*, No. 1 (422), 24 May, 2004.

effect: price decrease was negligible, yet it became obvious that the OPEC could not control the prices to any noticeable degree.

The recent deficits are of a regional nature which forces the oil industry to close the gaps in haste; many of the mini-crises are of a *logistics* nature caused by a *physical* deficit of transportation and oil refining capacities.

The structure of demand is changing the structure of supply: in the last decade supply has become more diversified. New oil exporting centers appeared: Russia (that is exporting twice as much oil as under Soviet power), Central Asia, and West Africa. Oil production in some of the old oil centers is dwindling: the North Sea, the U.S. and Southeast Asia (Malaysia, Indonesia) passed the peak of production early in the 1990s.

Decreasing domestic supply means increasing oil import; in the last six months Indonesia, the current OPEC chairman, imported 20 percent more oil than it exported.

The rivalry between the two groups of countries is becoming more acute. On the one hand, there are Asian countries that need more oil to feed their growing economies; on the other, the U.S. and other developed countries, which have to keep oil consumption at the present level and to support reviving economies.

## Russia under the Conditions of a “Positive Oil Shock”

The unprecedented situation on the oil market affects to a great extent the nature and rates of economic growth in Russia: more than one-third of national income is supplied by oil and gas export. Recently Minister of Economic Development Gherman Gref confirmed that it was the high oil prices that were responsible for 5.4 percent increase in GDP (that is, three-quarters of its annual growth). I have no intention to analyze here the macroeconomic (monetary, in the first place) results of Russia's increased oil revenue, yet I should say that they are contradictory and fairly heterodromous. This has already caused a public discussion about the quality and model of economic growth, Russia's increasing raw material dependence and its aggravating “Dutch disease.”

So far, the economic entities, the oil producing companies in the first place, respond in an obvious and logical way: Russia's oil industry is rapidly accelerating. In 2003, the growth was 11.1 percent; in January-May 2004, production of oil and gas condensate (as compared with the same period in 2003) increased by 10.6 percent to reach 185,745m tonnes—8.9m barrels a day. So far, domestic consumption is fairly low: 110-120m tonnes (total 2003 production being 421m tonnes); there will be no considerable increase in the near future. Analysts believe that by 2010 export will double. In January-May 2004 Russia exported 73,316m tonnes (3.6 mbd) to the “far abroad”; 23 percent increase compared with the previous year.<sup>2</sup> The Russian Federation accounted for 10.97 percent of world oil production. According to the forecasts issued by the RF government, in 2004, the export of Russian oil will reach 242m tonnes; in 2005, 247m tonnes; in 2006, 253m tonnes; in 2007, 260m tonnes.<sup>3</sup> In 2003, for the first time in nearly 20 years Russia outstripped Saudi Arabia, the OPEC leader, where production and export of crude oil and petroleum products were concerned.

Table 1 shows that the shortage of export pipelines is the main stumbling block on the road toward increased oil export; all of the existing export pipelines go to the West (today 83 percent of exported Russian oil goes to Europe)—this explains why experts are insisting on diversified export flows.

<sup>2</sup> RIA “Novosti,” 2 June, 2004.

<sup>3</sup> See: *RosBusinessConsulting (RBC)*, 25 March, 2004.

Table 1

FORECAST OF THE GROWTH OF RUSSIA'S OIL EXPORT								
	2001	2002	2003	2004*	2005*	2006*	2007*	2008*
Total volume of production, m tonnes	349	379	421	457	486	514	542	568
Total volume of production, mbd	6.98	7.59	8.42	9.15	9.73	10.27	10.84	11.36
Oil export (transit included), tbd	3,161	3,489	4,259	4,862	5,331	5,673	6,182	6,648
Transneft "original" oil exporting capacities	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040
Baltic Pipeline System (BPS) (Primorsk)	—	240	300	760	1,080	1,240	1,240	1,240
Klin-Kholmogory	—	—	140	200	200	200	200	200
Druzhba-Adria	—	—	—	100	200	300	300	300
Increased carrying capacity of Druzhba's northern branch	—	—	—	100	100	100	100	100
Oil pipeline from Eastern Siberia	—	—	—	—	—	—	—	200
"Private" ports	40	40	60	150	190	260	340	460
Railway transportation (except for deliveries to "private" ports)	168	392	751	718	606	620	440	400
Transportation by rivers, etc.	76	76	118	120	163	166	169	173
Oil pipeline to Murmansk	—	—	—	—	—	—	600	1,000
Total annual volume of production, %	—	8.7	11.0	8.7	6.3	5.6	5.5	4.8
Increase in oil export from Russia, as % of previous year	0	10	22	14	10	6	9	

\* Forecast

## Diversification of Oil Deliveries

The problem of new export routes is directly related to strengthening Russia's positions as the leading oil producing power; obviously none of the oil producers can affect the market situation while pump-

ing oil in one direction only. This creates numerous risks and a possibility of losing part of the market: in Europe energy fuel consumption is growing at a slower rate than in the rest of the world. On top of this, in 2003, the EU elaborated norms of diversification of energy sources. Political risks of exporting oil across territories of third countries are high (for example, Turkey limited the number of tankers passing through the Bosphorus).

At the same time, the carrying capacity of available infrastructure is curbing energy exports in new and highly promising directions. Today, it can carry 150 to 160m tonnes a year with a potential demand for 210-240m. This is especially true of Russia's eastern regions where no infrastructure has been created so far. The quality of the available pipelines leaves much to be desired: only 7 percent of the main oil pipelines are under 10 years old; 25 percent have been in operation from 10 to 20 years; 34 percent, from 20 to 30 years; 34 percent, over 30 years. Sixty-eight percent of the oil pipelines have reached the critical age of "over 20," while the service wear of the main pipelines is over 70 percent.<sup>4</sup>

According to A. Gaydamak who heads the administration of investment analysis and relations with investors at LUKoil, in the last three years Russia has been paying 2.5 times more for oil transportation: the shortage of pipeline capacities forces the oil companies to use alternative, and more expensive, transportation means. Russia is the only country in the world that has to carry its oil from continental heartland to the nearest ports thousands of kilometers away and to ship it by tankers to consumers. In the Russian Federation the average operational cost of oil is \$2.5-2.7 per barrel as compared with Saudi Arabia's cost of under \$1. A. Gaydamak has said that according to various assessments Russia exports about 70m tonnes of oil (about one-third of its export) along alternative routes (railways, smaller tankers, etc.).<sup>5</sup>

In 2003, YUKOS sent 3m tonnes of oil to China by railways; in the future the figure will be even greater (in March 2004 it signed an agreement of annual supplies of 15m tonnes in the next seven years). According to S. Prisiazhniuk, Director of the YUKOS office in China, the cost of transporting one barrel of oil from Angarsk to Zabaikalsk is about \$7 (three times more expensive than moving oil along pipelines).

## Promises of Asian Routes

In 2003, oil demand in Asia hit the absolute maximum of 21.6 mbd; the share of import reached 64 percent, another record figure. The continent's fast growth rates and considerable power and material intensity of the local economies were behind these figures. The FACTS Inc company (the U.S.) wrote about this in its report.<sup>6</sup> Experts believe that by 2005 the continent will need 38m barrels of oil a day, while local production will hardly top 8m barrels, according to the U.S. Energy Ministry.<sup>7</sup>

The May 2004 summit of the Asia Cooperation Dialog (ACD)<sup>8</sup> decided to create a regional oil reserve to cushion the effect of price fluctuations caused by terrorism or global cataclysms.

Northeast Asia is the most promising oil market: industrial development and improved living standards will considerably increase oil demand. According to the Asia Pacific Energy Research Center in Tokyo increased oil consumption and oil imports (that increased by 2.5 times) will make the local countries nearly

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<sup>4</sup> The figures of the Institute of Strategic Development of the Fuel and Energy Complex.

<sup>5</sup> See: *RBC*, 27 February, 2004.

<sup>6</sup> Reuters, 19 April, 2004.

<sup>7</sup> See: *The Wall Street Journal*, 23 March, 2004.

<sup>8</sup> The following countries are its members: Bahrain, Bangladesh, Brunei, China, Cambodia, India, Indonesia, Japan, Kazakhstan, South Korea, Kuwait, Laos, Malaysia, Myanmar, Oman, Pakistan, the Philippines, Qatar, Singapore, Sri Lanka, Thailand, and Vietnam.



Table 2

	Production		Consumption		Import		Import dependency, %	
	1999	2020	1999	2020	1999	2020	1999	2020
<b>China</b>	<b>159.9</b>	<b>151.9</b>	<b>204.3</b>	<b>497.5</b>	<b>44.4</b>	<b>345.4</b>	<b>21.7</b>	<b>69.5</b>
<b>Hong Kong</b>	<b>0.0</b>	<b>0.0</b>	<b>11.2</b>	<b>23.9</b>	<b>11.2</b>	<b>23.9</b>	<b>100.0</b>	<b>100.0</b>
<b>Taiwan</b>	<b>0.4</b>	<b>0.0</b>	<b>38.2</b>	<b>51.1</b>	<b>38.2</b>	<b>51.1</b>	<b>99.9</b>	<b>100.0</b>
<b>Japan</b>	<b>0.7</b>	<b>0.0</b>	<b>266.4</b>	<b>288.4</b>	<b>265.7</b>	<b>288.4</b>	<b>100.0</b>	<b>100.0</b>
<b>South Korea</b>	<b>0.4</b>	<b>0.4</b>	<b>99.9</b>	<b>163.0</b>	<b>99.5</b>	<b>162.6</b>	<b>99.6</b>	<b>99.7</b>
<b>Russia</b>	<b>304.9</b>	<b>377.7</b>	<b>377.7</b>	<b>197.8</b>	<b>-177.9</b>	<b>-179.9</b>	<b>-139.5</b>	<b>-91.0</b>
<b>Total</b>	<b>466.3</b>	<b>530.0</b>	<b>997.7</b>	<b>1,221.7</b>	<b>281.1</b>	<b>691.5</b>		

*Source: APEC Energy Demand and Supply Outlook 2002, APERC, Tokyo, 2002, p. 56.*

100 percent dependent on oil exports by 2020. Table 2 shows the figures of production and consumption of oil (in ktonnes) in some of the Asian countries in 1999-2020.<sup>9</sup>

In 2003, China became the world's second largest (after the U.S.) oil consumer; it was responsible for about half of increase in oil consumption in the world (see Fig. 2). In 2004, oil demand will increase by 13%, while the GDP will grow by 8-9%. (In four months of 2004 oil import increased by 33.3% as against the same period in 2003 to reach 40.14m tonnes.) By 2020, China will have to import 75% of oil it will consume. Today, up to 40% of exported oil comes from the Gulf countries, which means that worsened relations with Taiwan will endanger China's oil supply. "Oil security" and diversification of oil supplies are one of Beijing's priorities; the country is building up a strategic oil reserve of 16m tonnes. According to Wang Tao, Chairman of the Chinese National Committee of the World Petroleum Congress, this is not enough by far: his country needs a strategic reserve of 60-day consumption (about 40m tonnes; the level of annual consumption being 240m tonnes in 2003).<sup>10</sup>

Recently, India has joined the ranks of the largest oil importers: its consumption is annually increasing by 10 percent. Today, Asia accounts for 90 percent of the world increase in oil consumption, which makes the continent the main consumer market of energy resources. Indonesia has stopped being one of the largest oil exporters—today it is a net-importer; this and the gap between demand and local supply has made the competition within the APR even fiercer.

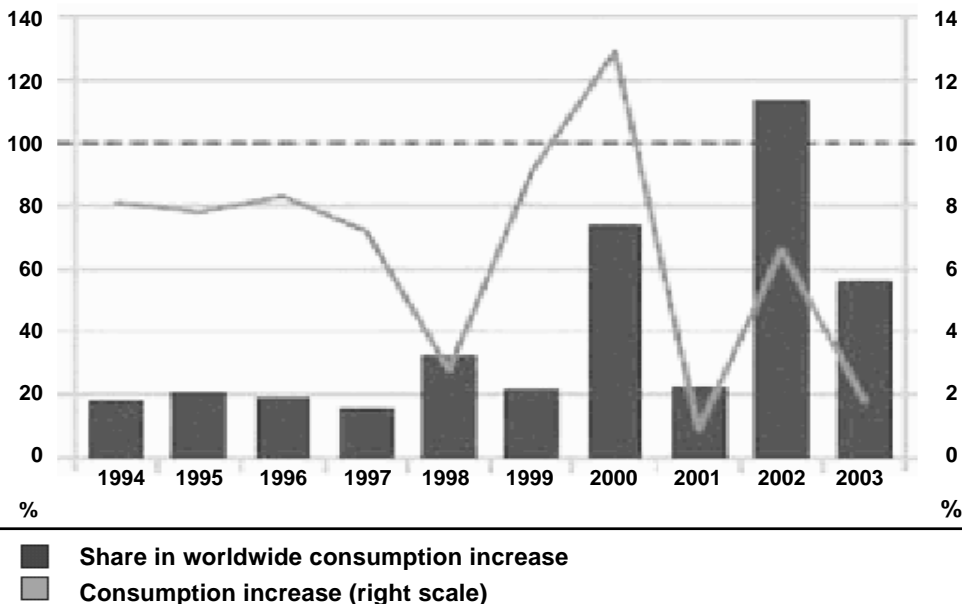
Japan has made its contribution to the race for alternative oil sources. If the prices continue climbing the country may face another grave crisis (this happened earlier, in the 1970s). This is what experts of the Institute of Power Industry of Japan think. The government is likewise convinced that expensive oil is a great hazard and intends to diversify oil sources. It seems that Russia will profit from this: in the past the Japanese limited their interest to the Tayshet-Nakhodka pipeline; in the near future we can expect a lot of interest in geological prospecting and oil and gas projects, especially in the Irkutsk Region. There

<sup>9</sup> See: V. Iakubovskiy, *Perspektivy stanovleniya mnogostoronnengo energeticheskogo sotrudnichestva v Severo-Vostochnoy Azii: rol Rossii. Publikatsii Tsentra Carnegie.*

<sup>10</sup> See: *Neft i kapital*, 11 May, 2004.

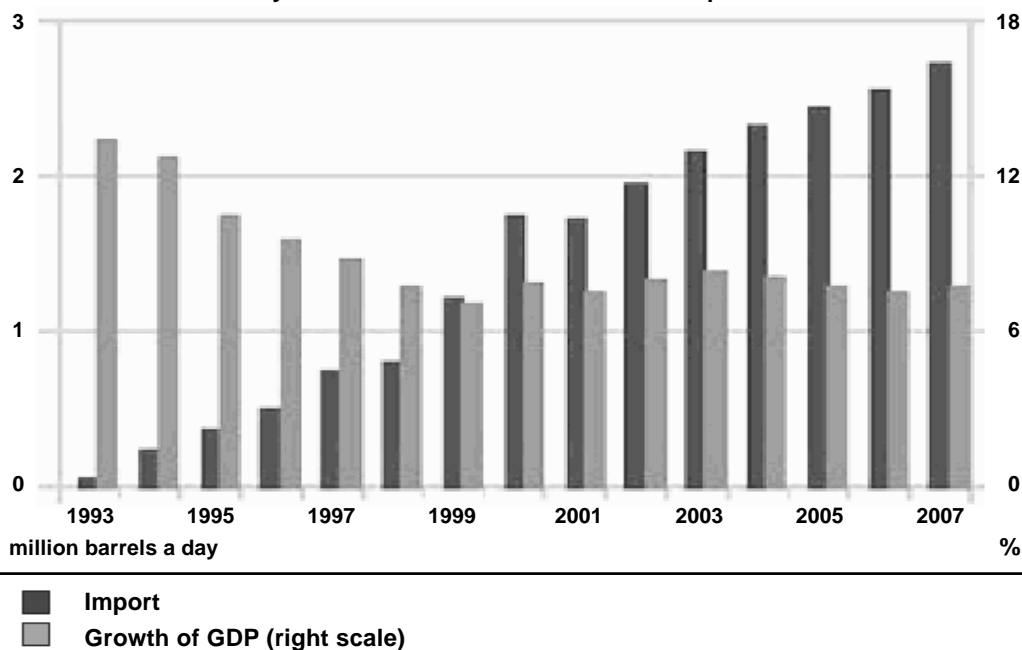
**In the near future China will account for the larger part of increase in oil import and consumption**

**An increase in oil consumption and the country's share in world increase**



Sources: BP; assessment by Brunswick UBS.

**Dynamics of Growth of GDP and Oil Import**



Sources: BP, World Bank; assessment by Brunswick UBS; Economist Intelligence Unit.

Fig. 2

is information that Tokyo is prepared to invest in a construction of a pipeline that will reach Nakhodka (the project's estimate cost is \$5 billion) and offer \$7.5 billion to develop the Verkhnechonskoe oil field in the Irkutsk Region. The money will come as direct investments, as well as government-guaranteed soft credits.<sup>11</sup>

Consumption of oil in South Korea grew from 308m barrels in 1990 to 859m in 2001—an average annual growth being 9.8 percent. Due to deliberate efforts to diversify oil supplies the country's dependence on the Middle East dropped from 98.8 percent in 1980 to 57 percent in 1985; it later increased to reach 77 percent in 2001.<sup>12</sup>

I have already written that India is another large oil consumer in the APR. According to well-informed world agencies, the rate of oil consumption growth will outstrip India's GDP increase by 1-2 percent, the figure for gas being up to 4 percent. It means that in ten-year time the country will need twice as much oil (the figure being 3.1 mbd), while its domestic reserves are poor and oil production limited (see Table 3). The production continues to contract because the largest Bombay High oil and gas field is depleting. Today the country needs 1.3 mbd (the shortage being covered by crude oil imports). According to local analysts, the rapid population growth and dynamic economic development will force the country that has already nearly exhausted its domestic energy source potential to spend over \$20 billion on imported oil and gas every year.

Table 3

<b>India's Basic Economic Indices</b>	
<b>Population</b>	<b>980 million</b>
<b>GDP</b>	<b>\$378 billion</b>
<b>GDP growth in 1997-1998</b>	<b>5%</b>
<b>External debt</b>	<b>\$100 billion</b>
<b>Inflation (1998)</b>	<b>8%</b>
<b>Oil reserves</b>	<b>5.4 billion barrels</b>
<b>Oil production</b>	<b>675 tbd</b>
<b>Oil refining capacities</b>	<b>1.35 mbd</b>
<i>Source:</i> Petroleum Argus Ltd.	

This shows that the growing AP economies may prove to be the key market for Russia's energy resources, yet it was only recently that the RF has been demonstrating more eagerness to develop oil exports in eastern direction.

<sup>11</sup> See: *Nezavisimaia gazeta*, 22 August, 2003.

<sup>12</sup> See: G. Belokurova, *Osnovnye napravleniia energeticheskoy politiki Respubliki Korea. Publikatsia Tsentra Carnegie*.

## Kazakhstan's Challenge

During the Beijing visit of President of Kazakhstan Nazarbaev that took place on 18 May, 2004 the two countries signed an agreement on building an oil pipeline from the town of Atasu (Northeastern Kazakhstan) to Alashankou in the Chinese province of Xinjiang with a design capacity of 20m tonnes of oil a year, length, 1,240 km, estimated cost, \$800m. The work will be finished in December 2005. At the meeting with Chinese leader Hu Jintao President Nazarbaev said that Russia could use the same pipeline to move more of its oil to China. He referred to the Omsk-Chardzhou (Turkmenistan) pipeline built back in the late 1980s that crossed Kazakhstan and Uzbekistan. In Kazakhstan it goes through Atasu where the future Chinese pipeline will start.

It was not his first invitation; in fact the Omsk-Chardzhou line moves only about 2.7m tonnes of oil a year (its annual capacity being about 30m tonnes), therefore Moscow will profit from this initiative. S. Grigoriev, Vice President of Transneft, a Russian company, said that his company had not yet studied the Kazakh initiative in detail. "We have not yet received official documents but we are convinced that we have no technical potential to do this," said he. It seems that he is not quite sincere: the question of Russia's eastern oil pipelines was revived as soon as China and Kazakhstan signed their agreement. On 21 May, 2004 Transneft President Semyon Vainstok said that the first 10m tonnes of oil could be sent to the Tayshet-Nakhodka pipeline in the middle of 2006.<sup>13</sup>

In his annual address to the Federal Assembly of 26 May, 2004 President Putin expressed an official point of view when he said: "It is for several years now that the government has not been able to identify the priorities—the long overdue issue. Decision-making should proceed from state priorities rather than from interests of individual companies." This can be interpreted as a direct instruction for the government to speed up the discussion of the eastern oil pipelines issue so as to reach the stage of concrete decisions.

Two days after that, on 28 May, at a press conference in Moscow Viktor Khristenko, head of the Ministry of Energy, announced that the first feasibility study for investments in the oil pipeline system in the east of the country would be completed in July; this would make it possible to start discussing concrete routes. "Everything is clear with respect to the eastern direction," said he. "The feasibility study is conducted with specific volumes in mind. If we select the Nakhodka direction then we shall be talking about 80m tonnes a year."

It has become more or less clear how much oil will be moved along the pipeline. In February 2004, at a meeting in Khabarovsk that discussed the future of transportation infrastructure of the Far East and the Trans-Baikal area President of Sakha-Iakutia V. Shtyrov announced that his republic was ready to send to the Angarsk-Nakhodka pipeline 30m tonnes of oil, to bring up the figure to 50m tonnes in a year's time and to 80m tonnes in two years.<sup>14</sup> On the eve of the meeting President Putin had instructed the government to draw up all the necessary documents related to the development of a pipeline transportation system in the east of Russia and to summarize them.

It seems that the Russian leaders have been spurred to action by Kazakhstan's decision to build an oil pipeline to China. Experts have highly assessed the invitation Russia received from Kazakhstan: it will add a new dimension to the "oil" relationships between Astana, Beijing and Moscow.<sup>15</sup> This is an answer to those who were saying that Moscow might not look favorably at a pipeline between Kazakhstan and China for economic and geopolitical reasons. President Nazarbaev, however, offered an elegant solution—one of those that could not be refused.

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<sup>13</sup> See: *Finansovye izvestia*, 21 May, 2004.

<sup>14</sup> See: *Strana.ru*, 26 February, 2004.

<sup>15</sup> See: *Opec.ru*, 19 May, 2004.

## The Eastern Oil Pipeline is Acquiring Clear Outlines

In his interview with the *Truboprovodniy transport nefi* (Oil Pipeline Transport) journal (No. 2, 2004) President of Transneft Semyon Vainstok ended prolonged silence by commenting on the prospects of an export oil pipeline from Eastern Siberia to the Far East. He clarified that a new project is under discussion according to which this line will not start at Angarsk as earlier planned but at Tayshet, some 500 km to the northwest, and will go 152 km to the north of Baikal.

His interview revealed the general outline of the oil transportation to the Pacific coast his company favors. It seems that this project will be realized. Obviously, the company being aware that the experts of the Ministry of Natural Resources buried two previous variants that ran too close to Lake Baikal cannot but be too cautious. The new route runs far from the lake and natural reserves; the very fact that it starts at Tayshet rather than at Angarsk makes the pipeline shorter and cheaper. The pipeline will reach the coast at the Privoznaia Bay in the Maritime area, not in Nakhodka as earlier planned.

In the middle of February 2004, while working on the feasibility study of the Tayshet route, the company got permission from the administration of the Amur Region to start prospecting along the part of the route that ran across the region's territory. It was at that time that the company signed a declaration of intentions with the administration of the Khabarovsk Territory on building an oil pipeline system Eastern Siberia-the Pacific; under the current project the pipeline will cross four regions of the Khabarovsk Territory. The pipeline will be 4,130 km long, of which 1,403 km will cross the Amur Region. It will take entire 2004 to specify the feasibility study; public hearings in the regions and ecological assessments are planned for later periods. Only after that the government will be ready to pass a decision on the project as a whole.

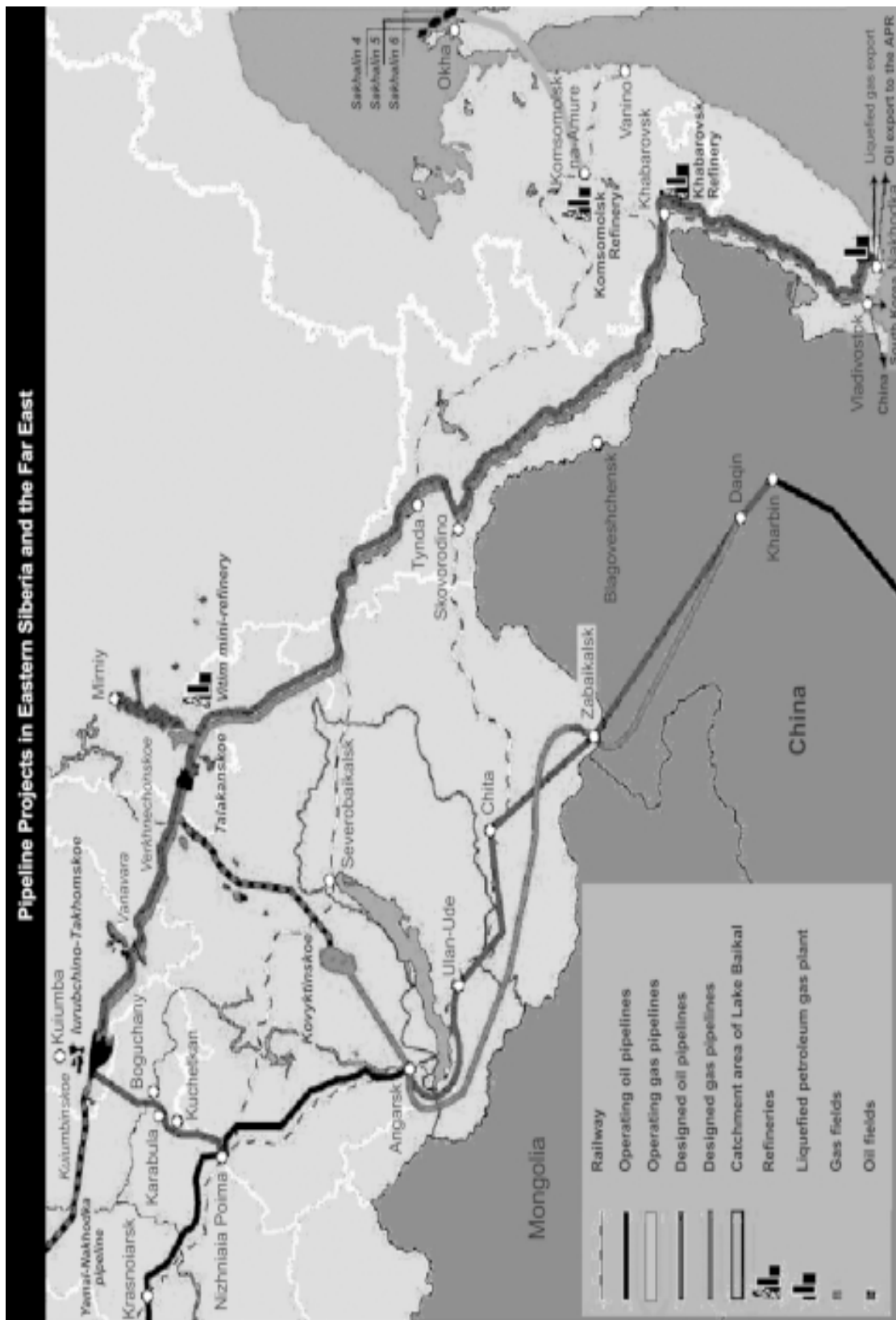
Experts are still looking for several alternatives designed to send enough oil to the pipeline.

- First, they take into account that Japan will be involved in developing the oil resources of Eastern Siberia. I have already written that recently Tokyo has been displaying a lot of interest not only in the Nakhodka pipeline—it is prepared to heavily invest in the development of Eastern Siberia and the Far East if Russia drops the Chinese variant of a pipeline.
- Second, the Sakha-Iakutia government is prepared to connect the Transneft East Siberian pipelines to the oil fields currently developed in the republic in order to reach the Pacific coast (the republic's President Shtyrov confirmed this in Khabarovsk).
- Finally, it is technically possible to send West Siberian oil along the Tayshet-Nakhodka line (see map).

The Tayshet project has become too costly—this cannot but cause doubts about its future. According to Vice President of Transneft S. Grigoriev, the price may go up to \$12 billion as against the previous estimate of \$6 billion. The *Financial Times* wrote that the Japanese government that had earlier been prepared to finance the project according to its previous cost might be unpleasantly shocked.

## There Is No Alternatives to the Emergence on the Asian Markets

So far, all expectations that Russia might become a leader on the world oil market remain groundless. I have already written that it has become a leader where the volumes of extracted and exported oil are concerned, yet even these huge volumes do not allow Moscow to influence the oil prices.



In the context of the changing world's financial order (that looks like a mere reform of the Bretton Woods financial institutions to a superficial observer) one can say that the system of price formation, especially oil prices, will be inevitably transformed. This explains, and justifies, Russia's desire to play one of the leading roles in the emerging system—yet this role cannot be obtained automatically.

While concentrating on the West European markets (highly competitive ones) it is impossible to influence the prices in other regions. In other words, the absence of energy fuel transportation facilities leading to the Asia Pacific and American markets deprives Russia of any significant role in price formation on the world market.

Russia that extracts the high grade Siberian Light oil (equal to the Arabian analogues) has to transport it through the only mainline that belongs to Transneft where it is mixed with oil from other regions into a cheaper Urals grade. The cost is not the only problem: not all oil refineries can use it without readjusting to a great extent their equipment. No wonder, the talks about the need to set up an "oil quality bank" are growing louder: the transportation companies are expected to increase their responsibility for the quality of oil they deliver to their customers.

There is one more "strange" fact directly related to the prices on Russian oil: the Russian export blend (Urals) futures are quoted at the London International Petroleum Exchange, not in Moscow. Russia has no financial infrastructure able to help the Russian oil producers and exporters to participate in price formation, at least for their own oil.

Nazarbaev's invitation to use the Kazakh pipe going to China to move Russian oil was not welcome with the Transneft heads—a natural response to the monopolists. One wonders why the RF government has not responded: even the slightest evidence of a cartel agreement among former Soviet republics will cause grave concerns on the world markets: this strengthens the positions of exporters and makes importers more flexible. It seems that the potential of economic cooperation within the CIS remains underestimated.

When talking about diversification of Russia' oil export one should say that not only the price and logistics elements are changing; the geopolitical architecture of the global oil market is being rebuilt. The main trends and new projects are being formed in the Asia Pacific countries neighboring on the Russian Far East. They will serve as the core of multilateral cooperation in the energy sphere impossible without Russia. This will help the Russian Federation join the integration fields of the Asia-Pacific Region.

For objective reasons—its geopolitical situation, the fast growing demand for energy fuels in the APR and the region's dependence on fuels delivered from the unstable Middle East—Moscow can play a structure-forming role in creating multisided energy cooperation in the Asia-Pacific area. The growing involvement in the energy sphere of certain other CIS republics (Kazakhstan, Turkmenistan and Uzbekistan) and their activity will play an important role in this process. The old Soviet ties may prove useful: I have in mind not only the infrastructure (pipelines) inherited from the Soviet Union but also the technological and historical closeness of the former Soviet states and nations.

This cannot be resolved automatically; it is necessary to identify strategies with due account of the current political, economic and energy situation in the region, the relevant global factors, as well as to demonstrate political will to translate these projects into reality.

## REGIONAL SECURITY

## THE CAUCASUS: LIMITS AND POSSIBILITIES OF REGIONAL COOPERATION IN THE SECURITY SPHERE

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An adequate level of national security requires regional cooperation; even the countries on the opposite sides of a military-political confrontation have to cooperate, at least to preserve their non-military security. One of the traditional liberal formulas, cooperation is possible in peace, as well as at the height of conflict,<sup>1</sup> puts the above in a nutshell.

<sup>1</sup> See: A.L. Ross, "The Theory and Practice of International Relations: Contending Analytical Perspectives," *Strategy and Force Planning*, Second Edition, ed. by The Strategy and Force Planning Faculty, Naval War College Press, Newport, RI, 1977, pp. 45-62.

Hence the question of whether interstate regional cooperation is unlimited, or whether it is bound by certain factors created by the structure and dynamics of security-related relationships. In other words, is the cooperation potential of the West European countries equal to that of the Caucasian states? Today the answer is "no." This raises two more questions. First, which of the specifics of the regional relations in the security sphere in the Caucasus limit the local states' ability to regulate their security-related cooperation? Second, which of the possible developments may lead to an efficient security system in the Caucasus based on cooperation?

### Why Do the States Refuse to Cooperate?

The main reason for such reluctance in the Caucasus, which is viewed as a security complex,<sup>2</sup> is rooted in the specifics of the material-resource and perceptual-behavioral interdependence of the local

<sup>2</sup> B. Buzan's conceptual model of the security complex based on the idea of interdependence of the key national security interests of a geographically distinctive group of states is used to describe the current security system in the Caucasus. Corre-



states' national security.<sup>3</sup> The states' general insecurity<sup>4</sup> and their readiness to jointly regulate the threats are limited by relational and structural factors. The specifics of interdependence of the Caucasian states' national security has generated classical dilemmas—the “security dilemma” and the “prisoner dilemma”—common to all states. They become hostages of the situation stemming from the structure of the international system and the rules of the game rather than from the specific intentions of one state in relation to another.<sup>5</sup>

Today the anarchic international system that stimulates conflicts and rivalry among the states is the main stumbling block on the road toward interstate cooperation<sup>6</sup>; it fails to offer the states the necessary guarantees against potential external threats; there is also no reasonably reliable knowledge about what the opponent intends to do in any specific case. Robert Jervis has the following to say: “Because there are no institutions or authorities that can make and enforce international law, the policies of cooperation that will bring mutual rewards if others cooperate may bring disaster if they do not.”<sup>7</sup> This means that state A's reluctance to cooperate with state B is caused by state A's fear that state B might abuse its (state A's) openness and flexibility to realize its own (state B's) interests.<sup>8</sup>

Mutual fear and mistrust of each other's intention create a “vicious circle”<sup>9</sup> in which apprehensions force the countries to opt for a burdensome arms race, which adds to the countries' general state of insecurity. The “security dilemma” was first concentrated in the sphere of military security.<sup>10</sup> At the same time, B. Buzan is convinced that a similar situation may take shape within the political sectors of one state.<sup>11</sup>

According to K.N. Waltz, the “security dilemma” is a permanent phenomenon of interstate relations, which cannot be resolved, yet can be regulated.<sup>12</sup> The international systems' current specifics suggest that this is not necessarily true. I think that today the “security dilemma,” its functioning, and the degree of its acuteness are different in different regions; they depend on the material-resource and perceptual-behavioral components of the security relations within any regional system. For example, we cannot say that these components are identical in the relations among the states of the West European and Caucasian security systems—in the same way we cannot equate the degree of acuteness of the security dilemma of the states of these regional systems. What is more while for the states of the Caucasian complex this dilemma is one of the most acute, in Western Europe it has been resolved. Bill McSweeney says: “European Union is today an example of a security dilemma transformed into a security community.”<sup>13</sup>

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spondingly, the interstate security complex there is formed on the basis of the intertwined security interests of the three South Caucasian states (Georgia, Azerbaijan and Armenia), and the powers of the traditional extra-regional triangle (Russia, Turkey and Iran), as well as on a great share of American interests (see: B. Coppieters, “Conclusions: The Caucasus as a Security Complex,” in: *Contested Borders in the Caucasus*, VUBPress, Brussels, 1996; S.E. Cornell, *Small Nations and Great Powers. A Study of Ethnopolitical Conflict in the Caucasus*, Curzon Press, 2001, and also J. Eivazov, “The Antiterrorist Campaign and New Geopolitical and Security Trends in the Regional Systems of Central Asia and the Caucasus,” *Central Asia and the Caucasus*, No. 4 (16), 2002).

<sup>3</sup> I believe that at the current stage the national security aspects of all states involved in the regional system are intertwined and have the following structure composed of three components: (1) material-resource component (territory, kindred population, and natural resources); (2) perceptual-behavioral component (the perceptions of friendship/hostility shaped by the practice of contacts and corresponding behavior: the enemy image, alliances, and counter-alliances); (3) mutual dependence generated by transnational (ecological) threats to all.

<sup>4</sup> See: B. McSweeney, *Security, Identity and Interests. A Sociology of International Relations*, Cambridge University Press, 1999, p. 90.

<sup>5</sup> See: B. Buzan, *People, States and Fear. An Agenda for International Security Studies in the Post-Cold War Era*, Second Edition, Lynne Rienner Publishers Boulder, Colorado, 1991, p. 121.

<sup>6</sup> See: J.M. Grieco, “Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism,” *International Organization*, Vol. 42, No. 3, Summer 1988, p. 485.

<sup>7</sup> R. Jervis, “Cooperation under the Security Dilemma,” *World Politics*, Vol. 30, No. 2, January 1978, p. 167.

<sup>8</sup> See: R.O. Keohane, L.L. Martin, “The Promise of Institutional Theory,” *International Security*, Vol. 20, No. 1, Summer 1995, p. 45.

<sup>9</sup> K.N. Waltz, *Theory of International Politics*, McGraw-Hill, Inc., 1979, p. 186.

<sup>10</sup> B. McSweeney, op. cit., p. 90.

<sup>11</sup> See: B. Buzan, op. cit., p. 120.

<sup>12</sup> See: K.N. Waltz, op. cit., p. 187.

<sup>13</sup> B. McSweeney, op. cit., p. 91.

## The Security Dilemma in the Region

Today, the security dilemma is most obvious in the relations between Armenia and Azerbaijan, Azerbaijan and Iran, Armenia and Turkey, Georgia and Russia, Russia and Turkey, Iran and Turkey, as well as, to a great extent, Russia and Azerbaijan, Iran and the United States, and Russia and the U.S. Correspondingly, within the framework of these duads the strengthening of one side sharpens the perception of threat by the other side, thus inviting its own more or less vigorous strengthening. Today, the dilemma is less acute within the Georgia-Armenia and Georgia-Iran duads, because there are minor contradictions in the material-resource and perceptual-behavioral aspects of their mutual security dependence. This should not be taken to mean, however, that the dilemma cannot become more acute: the region exhibits obvious trends of bloc building within which Georgia, on the one hand, and Armenia and Iran, on the other, possess opposite bloc identities.<sup>14</sup> If these trends strengthen to become even more polarized they will stimulate polarization at the bilateral level (between the members of these de facto alliances) that, finally, will aggravate the security dilemma at the bloc level and at the level of all the duads enumerated above.

The current approaches of the states of the Caucasian complex to their security correspond to the basic tenets of the theory of political realism to a much greater extent than of liberalism. Bruno Coppieters was quite right when he said: "All regional actors have tried to revise the existing forms of distribution of power through alliances with regional and non-regional powers. Military policies figured high in such an approach to regional security problems. The resulting system, although aimed at counterbalancing dominant forces, did not exclude hegemonic types of dominance."<sup>15</sup>

## Can the Security Dilemma in the Caucasus Be Resolved?

Indeed, can the current security dilemma in the relations among the states of the Caucasian complex be resolved? If yes, what type of behavior will bring this about?

According to neo-realist political analysts, this phenomenon in interstate relations stems from the anarchic nature of the international political system.<sup>16</sup> This statement can be developed further: the security dilemma can be resolved only if the anarchic system of international relations is transformed into a hierarchical one. This will deprive the states of their sovereignty, while the interstate relations will be organized according to an inner-state hierarchical and centralized pattern.<sup>17</sup> To borrow words from R. Jervis, "the fear of being exploited"<sup>18</sup> by a stronger opponent will be responsible for this arrangement. Given this pattern, the fear can be neutralized, since the central destabilizing problem of international anarchy—the absence of an efficient central structure designed to regulate the relations among actors—is resolved.

On the other hand, the neo-realists believe that the possibility of such a transformation is vague—to achieve it the states would have to abandon their sovereignties, which, they believe, is the states' main

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<sup>14</sup> Here I have in mind two vectors of bloc building: Turkey-Georgia-Azerbaijan and Russia-Armenia-Iran.

<sup>15</sup> B. Coppieters, "A Regional Security System for the Caucasus," *Caucasian Regional Studies*, Vol. 5, Issue 1&2, 2000 [[http://www.ciaonet.org/olj/crs/crs\\_2000/crs00\\_cob01.html](http://www.ciaonet.org/olj/crs/crs_2000/crs00_cob01.html)].

<sup>16</sup> See: K.N. Waltz, op. cit., p. 187.

<sup>17</sup> Ibid., p. 88.

<sup>18</sup> R. Jervis, op. cit., p. 172.

priority.<sup>19</sup> K. Waltz has the following to say on this score: "No state intends to participate in the formation of a structure by which it and others will be constrained."<sup>20</sup>

Social constructivism offers a different explanation of the anarchic nature of the international system and its consequences, the security dilemma included. Its supporters believe that the attention should be concentrated on inter-social relationships (how relations are practiced among the societies of the relevant states, the perceptions they form of each other, etc.). According to social constructivism, anarchy itself is the product of a certain social structure formed during practical social interaction, therefore it can be changed in the same way. According to Alexander Wendt, "anarchy is what states make of it."<sup>21</sup> In other words, this is not a phenomenon that essentially does not depend on the practice and nature of interstate relationships, as supporters of neo-realism believe. A. Wendt says: "A security dilemma is a social structure composed of intersubjective understandings, in which states are so distrustful that they make worst-case assumptions about each others' intentions, and as a result define their interests in self-help terms."<sup>22</sup> In comparison with this, the security community is also a social structure based on common knowledge and values, on states' mutual trust, and on their desire to resolve conflicts through non-military means.<sup>23</sup> As distinct from positivism, the constructivist perspective does not impose limits on possible cooperation between states. Interaction among societies shapes social structures either into cooperative or conflicting ones and reforms them; this, in turn, creates the identities and interests of the corresponding actors.<sup>24</sup> This conceptual perspective speaks of deepening interaction among states, which, in turn, helps them integrate. This explains how West European countries managed to resolve the acute security dilemma that was invariably present in their relations; in the mid-20th century they started erecting a broad transregional security community.

Together with this, constructivism offers enough explanations of the currently urgent security dilemma obvious within the Caucasian complex. We should admit that the negative social-perceptual ideas rooted in the past and aggravated by the socioeconomic problems typical of the transition period (which interfere with efforts to regulate the security dilemma and, consequently, to draw the Caucasian nations closer) can be removed only with the help of constantly increasing and mutually advantageous cooperation at the level of societies. Social-perceptual ideas can be changed only through evolution, therefore, as K. Deutsch has pointed out, we can hardly expect that trust, mutual respect, and a feeling of community<sup>25</sup> can result from revolutionary and, even less likely, unilateral social activity. At the same time, the civilizational compatibility of the West European societies, which is objectively higher than in the Caucasian social units, becomes blatantly obvious to the intuitive analyst. And it is the civilizational compatibility that is responsible, to a great extent, for the rate at which relations among regional societies are evolving.

## Cooperation in the Presence of the Security Dilemma

We should not think that the security dilemma rules out interstate cooperation altogether. Supporters of liberalism believe that states can cooperate, to a certain extent, within the anarchic international

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<sup>19</sup> See: L. Ross, op. cit.

<sup>20</sup> K.N. Waltz, op. cit., p. 91.

<sup>21</sup> A. Wendt, "Anarchy is What States Make of It: The Social Construction of Power Politics," *International Organization*, Vol. 46, No. 2, Spring 1992, p. 395.

<sup>22</sup> A. Wendt, "Constructing International Politics," *International Security*, Vol. 20, No. 1, Summer 1995, p. 73.

<sup>23</sup> Ibidem.

<sup>24</sup> Ibid., p. 81.

<sup>25</sup> See: K. Deutsch et al., *Political Community and the North Atlantic Area*, Greenwood Press, Princeton, 1957, p. 31.

system<sup>26</sup> and with a security dilemma as its product. In fact, two phenomena of international relations—the security dilemma and cooperation—are mutually inclusive rather than exclusive. The security dilemma, which interferes with cooperation, is pushed even further by inadequate cooperation in the military-political sphere. Correspondingly, its ultimate regulation depends on interstate cooperation, which brings us back to “the vicious circle of the security dilemma”<sup>27</sup> as a huge problem for all states.

According to Jervis the conceptual model of interstate cooperation with a security dilemma can be improved: “(1) by increasing the gains of mutual cooperation and/or decreasing the costs an actor will pay if he cooperates and the other does not; (2) by decreasing the gains of taking advantage of the other and/or increasing the costs of mutual non-cooperation, and (3) by increasing each side’s expectation that the other will cooperate.”<sup>28</sup> When applied to the Caucasian context, none of the three points totally expresses the currently functioning stimulators of interstate cooperation. The first component of the first prerequisite and the second component of the second prerequisite (“increasing the gains of mutual cooperation” and “increasing the costs of mutual non-cooperation”) look to be the most applicable. The positive role of these components in the Caucasus is determined by the mounting transnational threats which the current developments of the international system as a whole are producing.

In the Caucasus, only the third component of the interdependence of regional state security—mutual dependence generated by transnational threats to all—invites actors to cooperate in the national security sphere. As distinct from Western Europe, two components of mutual dependence mentioned earlier (the material-resource and perceptual-behavioral) interfere with regional cooperation in the Caucasus. This suggests that settlement of the regional security problems may raise cooperation to the highest level. These problems are of a transnational nature: organized crime, ecology, drug trafficking, and, viewed as less important, international terrorism and the proliferation of WMD.

The future of regional cooperation within the Caucasian security complex should not cause pessimism: cooperation in the face of transnational threats is an absolute necessity, rather than the subjective desires or ad hoc political maneuvering of an individual state. The developing international system will inevitably aggravate transnational threats and push the states toward closer cooperation. Closer contacts in this sphere will invigorate positive and mutually advantageous cooperation among the states and societies. On the one hand, this will defuse, to a certain extent, the old negative perceptual ideas feeding the security dilemma. On the other, the so-called “spill over” mechanism (that extends mutually advantageous cooperation in one sphere to other spheres) identified within the neo-functional conceptual perspective will be realized.<sup>29</sup>

## Institutionalization of Regional Cooperation in the Caucasian Security Sphere

The absence of institutions designed to bring together all members of the regional system is one of the key factors interfering with the broadest possible regional cooperation in the Caucasus. B. Coppieters has written on that score: “The lack of regional institutional arrangements [in the Caucasus] favoring associative forms of security led to attempts [by regional states] to address the security threats through balance of power policies.”<sup>30</sup> Today, the region lacks a common security complex, an integral

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<sup>26</sup> See: A.L. Ross, op. cit.

<sup>27</sup> K.N. Waltz, op. cit., p. 186.

<sup>28</sup> R. Jervis, op. cit., p. 171.

<sup>29</sup> The initial conception used the mechanism to explain how cooperation in economy, science, and technology, and the dividends it produces, promoted cooperation in the political and military spheres (see: Ph. Schmitter, “Three Neo-Functionalist Hypothesis about International Integration,” *International Organization*, Vol. 23, Issue 1, Winter 1969, pp. 162-165).

<sup>30</sup> B. Coppieters, “A Regional Security System for the Caucasus.”

institutional arrangement and a security regime approved of and accepted by all the countries. Life has shown that the CIS, the Collective Security Treaty Organization, GUUAM, and the Caucasian Four are not effective enough when addressing these key problems, either because these structures are amorphous, or because they cannot pool together and coordinate the efforts of all the interested actors. What is more, the key trends of regional institutionalization divide the regional actors rather than bring them together.

Short-term efficiency of the common regional structures in the sphere of security aside, their continued functioning in the sphere of transnational problems and as a mechanism of multilateral cooperation may in the long term be instrumental in decreasing (or even neutralizing) the structural and relational obstacles to broader regional cooperation in the security sphere. Anyone who wants to know how this can be done can easily find the answer both within the constructivist conceptual perspective and in the more general approach exercised by the liberal institutional theory. The classical "security dilemma" and "prisoner dilemma" are based on the deficit of reliable information about the opponent's real intentions. The realists' approach says: "In an uncertain anarchic world, states must assume the worst particularly about others' intentions."<sup>31</sup> According to Robert Keohane, one of the prominent representatives of liberalism, international institutions can provide their members with reliable information about an opponent's real military spending, or about the potential force of an alliance's members, thus lowering the barriers to their cooperation.<sup>32</sup> The mechanisms of military-political cooperation within NATO serve as an example of the practical value of this function; one of the key documents related to the alliance's cooperation with the Central and East European states, the Partnership for Peace program, says in its first section that the alliance should promote "facilitation of transparency in national defense planning and budgeting processes."<sup>33</sup>

At the same time, supporters of liberalism do not limit themselves to pointing to the information function of international institutions. According to R. Keohane and L. Martin, sanctions can be used to punish those member countries that try to manipulate other countries inclined to cooperative approaches,<sup>34</sup> and the function of coordination of interstate cooperation can be used for the same purpose.<sup>35</sup> Positive cooperation among all members of the Caucasian security complex can be very much promoted by common regional arrangements.

It should be said that the regional actors are growing more and more aware of the fact that they need a common Caucasian structure of cooperative security. This was what President of Azerbaijan Heydar Aliiev was talking about at the 1999 OSCE Summit in Istanbul<sup>36</sup>; similar ideas were offered by President of Armenia Robert Kocharian and President of Turkey Suleyman Demirel (Stability Pact for the Caucasus).<sup>37</sup>

There were several possible models of such a structure:

- (1) Balladur's Stability Pact under which Armenia, Azerbaijan, and Georgia were invited to settle the Nagorny Karabakh and Abkhazian conflicts in exchange for larger EU aid and a promise of EU membership;
- (2) the Stability Pact for the Balkans that invited the EU, the U.S., Russia, Armenia, Azerbaijan, Georgia, Turkey, and other Black Sea and Caspian coastal states to join a broad discussion of regional policies and cooperation prospects;
- (3) virtual EU membership, within which the European Union will be more actively involved in progressively integrating Georgia, Armenia, and Azerbaijan into its economic and security

<sup>31</sup> R.O. Keohane, L.L. Martin, op. cit., p. 43.

<sup>32</sup> See: Ibid., pp. 43, 46.

<sup>33</sup> *Partnership for Peace: Framework Document issued by the Heads of State and Government participating in the Meeting of the North Atlantic Council*, Brussels, 10 January, 1994 [<http://www.nato.int/docu/comm/49-95/c940110b.htm>].

<sup>34</sup> See: R.O. Keohane, L.L. Martin, op. cit., p. 49.

<sup>35</sup> See: Ibid., p. 45.

<sup>36</sup> See: *Nash vek*, 7 April, 2000.

<sup>37</sup> See: M. Emerson, "Approaches to the Stabilization of the Caucasus," *Caucasian Regional Studies*, Vol. 5, Issue 1&2, 2000 [[http://www.ciaonet.org/olj/crs/crs\\_2000/crs00\\_emm01.html](http://www.ciaonet.org/olj/crs/crs_2000/crs00_emm01.html)].

spheres; it also offers its constitutional packages on the settlement of ethnopolitical conflicts in the region;

- (4) the EU Caucasian dimension will be extended to include Turkey, while Russia is invited to cooperate for the sake of common goals, development, stability, and security in the region.<sup>38</sup>

Finally, there was also the fifth model supplied by CEPS in May 2000, according to which

- (a) the conflicts in Nagorny Karabakh, Abkhazia, and South Ossetia should be settled;
- (b) the region should acquire the regime of regional security under the OSCE aegis;
- (c) efforts to create a South Caucasian community should be started;
- (d) the southern “cooperation expanse” between Russia and the EU should be extended;
- (e) the Black Sea Economic Cooperation Organization should be given a more important role to play; and
- (f) the legal structure of cooperation in the oil and gas sphere should be improved.<sup>39</sup>

All these models look very attractive, yet hard to implement, because there is no unified approach to all key details (concerning the principles of settling main regional conflicts, participants in the regional structure of cooperative security,<sup>40</sup> and the foreign military presence in the region). Azerbaijan was against this military presence,<sup>41</sup> which contradicts the approaches of Armenia and Russia. In fact not only the South Caucasian states but, to a great extent, the centers of power outside the Caucasian security complex were not ready to put any of the suggested models into practice. The European Union is invited to become the external stabilizer with varied functions, ranging from large-scale economic aid to almost drawing the South Caucasian states into its political, economic, and security sphere. Is the EU prepared to play this role?

The answer requires a clear idea about certain factors. First, the European Union has no strong interests in the region—they are mainly economic and are not directly related to the security issue. The dynamics in the security sphere and structural changes in the Caucasian security complex have practically nothing to do with EU security. Second, despite its considerable progress in economics in the military-political respect, the European Union does not have the necessary internal homogeneity and coordination to be considered an individual and comparatively independent source of military-political force that can be concentrated on implementing decisions on any of the settlement scenarios in the Caucasus.<sup>42</sup> This became absolutely obvious during the efforts to settle the situation in the Balkans in the early 1990s, in particular in Bosnia. It was America that used force to help stem the armed struggle and effectively implement the 1995 Dayton Agreements. And this given that the security of most West European states depended on the situation in the Balkans to a much greater extent than it currently depends on the Caucasian developments.

None of the above models has a chance of being transformed into an effective mechanism of regional security in the short-term perspective, because the implementation of any of them in the near future will not successfully address the main task of neutralizing the negative dynamics of security relations. Theoretically, these negative aspects can be more or less promptly neutralized with the use of external force, the mechanism that B. Buzan called “overlay.”<sup>43</sup> Here the situation can be compared with that in

<sup>38</sup> See: M. Emerson, “Approaches to the Stabilization of the Caucasus,” *Caucasian Regional Studies*, Vol. 5, Issue 1&2, 2000 [[http://www.ciaonet.org/olj/crs/crs\\_2000/crs00\\_emm01.html](http://www.ciaonet.org/olj/crs/crs_2000/crs00_emm01.html)].

<sup>39</sup> See: M. Emerson, N. Tocci, E. Prochorova, “A Stability Pact for the Caucasus in Theory and Practice—A Supplementary Note,” *Southeast European and Black Sea Studies*, Vol. 1, No. 3, September 2001, p. 117.

<sup>40</sup> On the one hand, there was no agreement on whether Abkhazia, South Ossetia, Nagorny Karabakh, and Chechnia should participate in this structure along with the regional states; on the other, there were doubts about Iran’s possible involvement and its status.

<sup>41</sup> This was formulated by President Heydar Aliiev at the Istanbul OSCE Summit in 1999 (see: M. Emerson, op. cit.).

<sup>42</sup> This is precisely why the EU is not considered an independent external component of the Caucasian security complex (see: B. Coppieters, “Conclusions: The Caucasus as a Security Complex,” pp. 215-225; S.E. Cornell, op. cit., pp. 396-400.)

<sup>43</sup> B. Buzan, op. cit., pp. 219-220.

the Balkans; there is every reason to believe that without the resolute interference of the U.S. and NATO in the Balkans, the conflict dynamics of the relations among the local states and other ethnopolitical units could not have been stemmed.

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

In the long term, neutralization of the negative security dynamics in the Caucasus is rooted in the natural evolution of the relations among the local nations; and the intensity of this evolution will be determined by the scope of positive and mutually advantageous cooperation at the level of society. Even the partial implementation of the institutional structure of cooperation in the security sphere and an adequate security regime will, in the long term, create positive trends within the Caucasian security complex and will, at the same time, gradually extend the boundaries of regional cooperation in this sphere.

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## **ON TURKEY'S POSSIBLE INVOLVEMENT IN STRENGTHENING CENTRAL ASIAN SECURITY**

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**D**uring the years of independence, the relations among the Central Asian states at the regional level, as well as with other countries of the world were mostly determined by their geographic location, rich natural energy resources, the post-Soviet geopolitical situation, the changing world order, and the new threats. The Central Asian countries are especially concerned with cooperation in the security sphere, not only at the national and regional levels, but also in the context of the international counter-terrorist campaign in Afghanistan. This is explained by the fact that the 9/11 events and the coalition's military invasion in Afghanistan aroused the interest of the world community, the United States and Russia in particular, in the region,

opened a new stage in the development of cooperation in the security sphere, and increased political rivalry for regional influence.

It was early in the 1990s, immediately after the Soviet Union left the scene, that Turkey, supported by the West, started developing relations with post-Soviet republics. After encountering opposition from Moscow, which returned to the region after a short absence, Ankara failed to establish close relations with the local states. It should be added that, unlike the Southern Caucasus, Central Asia has no common borders with Turkey and cannot, therefore, affect its interests. On top of this, Turkey was too weak economically, while the Central Asian republics did not want its strong influ-

ence in the region: they wanted direct contacts with the West and did not need intermediaries. Their ties with Turkey were mainly limited to culture, education, trade, and economics, the spheres in which Ankara could compete with Moscow.<sup>1</sup> Russia dominated in the security sphere.<sup>2</sup> After the

<sup>1</sup> See: Z. Chotoev, "The Turkish Factor in the Evolution of the Central Asian Republics," *Central Asia and the Caucasus*, No. 2 (20), 2003, pp. 74-77.

<sup>2</sup> See: *Ibid.*, pp. 77-79.

series of explosions in Uzbekistan in 1999 and the Batken events in Kyrgyzstan in 1999-2000, the issue of Turkish military-technical assistance was revived together with antiterrorist cooperation between the Central Asian countries and Turkey. When American military bases appeared in the region and the counter-terrorist campaign in Afghanistan launched, it became possible to develop contacts with Turkey on other security-related issues.

## The Regional Forces and Ankara's Presence

It should be said that China as a newcomer to the geopolitical game in the region has joined the process of strengthening Central Asian security (in cooperation with Russia) within the Shanghai Cooperation Organization and its Antiterrorist Center. In addition, Beijing has been extending and continues to extend military-technical assistance to the Central Asian countries, Uzbekistan and Kyrgyzstan in particular.

Iran, another regional force, has good relations with Russia and China, but is isolated for political reasons by the United States. After suffering defeat in its Afghan policy, Pakistan, until recently an American ally with interests of its own in Central Asia, had to step aside. While developing its relations with the United States, India, a traditional ally of Russia's and a traditional rival of China's, is trying to avoid involvement. Turkey, as a supporter of the counter-terrorist operation in Afghanistan and its direct participant, is prepared to contribute to stronger regional security. The United States, while drawing its Islamic NATO ally into the counter-terrorist operation against the Islamic extremists, has been pursuing aims of its own. Washington wants to use Ankara's political support and Turkish troops in hot spots to neutralize possible conflicts with the local population.

This proved successful in Afghanistan, where Turkey deployed its peacekeeping battalion and assumed command of ISAF after Great Britain.<sup>3</sup> In Iraq, however, Turkey's presence did not completely justify American hopes. This was especially evident when it came to securing strategic aims, as well as certain aspects of Turkey's domestic and foreign policies and when events were unfolding in the direct vicinity of its state borders. Still, Ankara's desire to develop its cooperation with the Central Asian countries further and to contribute as much as it can to their security coincides with Washington's intentions in the region. Turkey can join the United States to work together in this sphere.

In December 2003, the U.S. and Uzbekistan signed a treaty on strategic partnership; soon after that Turkey's newly elected prime minister, Recep Tayyip Erdogan, arrived in Tashkent on an official visit. It can be described as a successful step and a significant contribution to the relations between the two countries, which five years earlier had worsened and been more or less repaired at the U.N. summit of September 2000 in New York attended by the presidents of both countries. In Tashkent the sides concentrated on the counter-terrorist struggle and Uzbekistan's security.<sup>4</sup>

On the other hand, Ankara is seeking stronger friendly contacts with Beijing, which were first established during an unofficial visit by Erdogan, leader of the Justice and Development Party of Turkey, to China in January 2003.<sup>5</sup> Ankara resolutely supported Beijing on the issue of Uighur separatism and China's territorial integrity.

After a short period of dispute over the war on Iraq, Washington and Ankara realized that they needed each other. On 19 November, 2003, the NATO Council, which met in Brussels, appointed former Turkish

<sup>3</sup> See: Z. Chotoev, "Turkey in the Antiterrorist Campaign," *Central Asia and the Caucasus*, No. 3 (21), 2003, p. 94.

<sup>4</sup> See: G. Kıraç, "Başbakan Erdoğan'ın Özbekistan Ziyareti," *Stratejik Analiz*, Cilt 4, Sayı 46, Şubat 2004, S. 20.

<sup>5</sup> See: *Radikal*, 14 January, 2003, p. 10.



foreign minister, Hikmet Çetin, NATO Senior Civilian Representative (SCR) on the strength of Turkey's successful performance in the mission of commander of peacekeeping forces in Afghanistan. During his visit to Turkey in December 2003, Vice Chairman of the Joint Chiefs of Staff General Peter Pace discussed with Turkey's leaders the possibility of further military-technical assistance to the peacekeeping forces in Afghanistan that had been moved to the NATO command in August 2003. There were plans in particular to increase their numerical strength from 5,500 to 10,000.<sup>6</sup> So far, Turkey has agreed to send three Black Hawk helicopters, yet there is no final decision about the numerical strength of its contingent, although its preliminary size amounts to some 1,500 people.<sup>7</sup> Still, even this number symbolizes Turkey's involvement in strengthening the region's security; it will contribute to its greater cooperation with the Central Asian countries in this sphere.

## Turkey's Impact on the Religious Situation

There is one more sphere in which Turkey and the Central Asian republics can cooperate with good results. I have in mind its help in stemming radical Islam in Central Asia. Today, madhabs and other Muslim trends of Saudi Arabia, Pakistan, Iran, and other countries (Turkey included) are mostly involved in organizing religious education in the region. Fethullah Gülen's charity, in particular, opens schools and lyceums, builds mosques, and distributes religious literature; meanwhile at home, Gülen and his followers were condemned by the authorities for their propaganda of the principles contradicting the basic tenets of a secular state.<sup>8</sup> Turkey and Central Asia are supporters of moderate Hanafi Islam. As soon as the crisis in the relations between the two countries was over, Ankara imposed restrictions on teaching religious disciplines at the Turkish educational establishments functioning in Central Asia. The Department of Religious Affairs of the Turkish Republic and the Turkish Religious Society are officially pursuing a policy aimed at proliferating knowledge through modern state and public structures. With this aim in view, they supplied literature, opened new educational establishments, and dispatched state officials, teachers and clerics to the region.<sup>9</sup>

There is another side of the problem: any impartial analysis of the sources and main reasons why radical Islam and religious extremism are spreading in Central Asia pays particular attention to the domestic situation in the regional countries. The transition period and the post-Soviet economic crisis created poverty and unemployment, as well as caused striking property differentiation. The euphoria of the first years of independence was followed by the recognition that the new states were plagued by numerous political problems as well. It was not easy to build a liberal-democratic order—therefore they slowly, or rapidly, slid toward authoritarian regimes. The communist ideology left a void behind it: neither cultural-historical values, nor Western liberal-democratic ideas could fill the ideological vacuum. People turned to religion in search of a beacon. This tilled the soil, to an extent, for the ideas of Hizb ut-Tahrir, a radical Islamic party. The success it scored in the region was made easy by local poverty and local dissatisfaction with the authorities, which made the nations think of different social programs and an alternative political regime.<sup>10</sup> These conclusions have been confirmed by other studies, which explain Hizb ut-Tahrir's success by the systemic crisis, economic problems of the transition period, and the lowered social status of the entire population, especially of the younger generation.<sup>11</sup> In addition, the fact that the authoritarian regimes are oppressing

<sup>6</sup> See: F. Burget, "Türkiye Yeniden Afganistan'da: 'NATO Kıdemli Yüksek Temsilciliği'," *Stratejik Analiz*, Cilt 4, Sayı 45, Ocak 2004, S. 12-13.

<sup>7</sup> See: "Türk Askeri Yine Kabil'e Gidiyor," *Radikal*, 22 May, 2004, S. 11.

<sup>8</sup> For more detail, see: N. Kireev, "Turkey at the Dawn of the 21st Century: Landmarks for Political Islam," *Central Asia and the Caucasus*, No. 2 (20), 2003.

<sup>9</sup> See: M. Erdem, "Orta Asya Güvenliğinde Radikal Dini Hareketler Sorunu," *Stratejik Analiz*, Cilt 4, Sayı 46, Şubat 2004, S. 81.

<sup>10</sup> See: I. Savin, "Hizb ut-Tahrir in Southern Kazakhstan: Social Makeup," *Central Asia and the Caucasus*, No. 6 (24), 2003, pp. 68-69.

<sup>11</sup> See: Ch. Chotaeva, "Islam in the Social-Political Context of Kyrgyzstan," *Central Asia and the Caucasus*, No. 6 (24), 2003, pp. 61-62.

religious activities (this is especially evident in Tajikistan and Uzbekistan) makes Islam even more radical. One can say in conclusion that the threats to local security connected with Islam are mainly caused by internal problems rather than by outside influence coming from the regional Muslim countries.<sup>12</sup>

## Participation in the Struggle Against Religious Extremism and Terrorism

There are two aspects in the U.S. policies aimed at preventing religious extremism and terrorism in Central Asia. The first is military might used to strengthen security; and the second is American support of the countries' democratic and economic reforms designed to prevent radicalization of Islam and raise the local social and economic standards. There is a fairly common opinion that if Washington acts alone, its help will hardly bring success in the struggle against religious extremism. It will probably produce the same results as those in Saudi Arabia and Iran, the countries where the U.S. is regarded as one of the dictatorial regimes and an enemy of Islam.<sup>13</sup> The present American support of the authoritarian Central Asian regimes maintained for the sake of antiterrorist struggle and trade and economic contacts cannot last indefinitely. Sooner or later the nature of these contacts will change. Some of the analysts predict that the authoritarian pressure in Uzbekistan and the anti-liberal reforms in this country may cool the relations between Washington and Tashkent.<sup>14</sup> While extending financial and technical assistance to the Central Asian countries, the Bush Administration is increasing its pressure on their leaders and demanding that they comply with international laws related to human rights and step up the democratic reforms.<sup>15</sup> So far no considerable shifts have taken place; Washington will most likely increase its pressure on the Central Asian republics as the situation in Afghanistan stabilizes. The relations between the United States and the Central Asian countries will probably change; the nature of these changes is still unclear.

In any case, Washington will continue insisting on more democratic policies and more loyal treatment of the pro-Islamic parties in Central Asia to create better conditions for coexistence between "moderate Islam" and the secular state and to prevent the spread of religious extremism.<sup>16</sup> Turkey, as an example of a secular democratic state in a Muslim country, can play an important part. Its cooperation with the Central Asian republics is especially important today when a moderate Islamic elite represented by the Justice and Development Party came to power in Turkey. It is headed by Recep Tayyip Erdogan, a charismatic leader who has done a lot to re-orientate traditional political Islam toward Western values. After winning the parliamentary elections in the fall of 2002 by wide majority, the party managed to improve its results in the municipal elections as well (from 34.4 percent in 2002 to 41.6 percent in 2004).<sup>17</sup> This is a clear evidence of popular support of the liberal-democratic reforms the government is carrying out (designed, in particular, to join the EU). The pro-Western foreign policy course and domestic changes, which arouse surprise and even doubts among the ruling elite, were approved by the West and inside the country. The current reforms and the political process have revealed the balance of forces between the progressive and conservative elements and pushed back the opposition left-center Republican People's Party. In a very short period of time, the Justice and Development Party has accomplished what previous governments failed to do in several decades.<sup>18</sup>

<sup>12</sup> See: M. Laumulin, "Islamic Players on the Central Asian Arena: What Are the Interests of the Neighboring Muslim States in the Region?" *Central Asia and the Caucasus*, No. 2 (20), 2003, p. 55.

<sup>13</sup> See: S. Atal, "Central Asian Geopolitics and U.S. Policy in the Region: The Post-11 September Era," *Mediterranean Quarterly*, Vol. 14, No. 2, Spring 2003, p.105.

<sup>14</sup> See: L. Kazemi, "Domestic Sources of Uzbekistan's Foreign Policy, 1991 to the Present," *Journal of International Affairs*, Vol. 56, No. 2, Spring 2003, p. 216.

<sup>15</sup> See: "SShA negativno otsenili rabotu po zashchite prav cheloveka v Kyrgyzstane," *Novosti Akipress* [<http://www.akipress.org>], 2 March, 2004.

<sup>16</sup> E. Ahrari, "The Strategic Future of Central Asia: A View from Washington," *Journal of International Affairs*, Vol. 56, No. 2, Spring 2003, pp. 164-165.

<sup>17</sup> See: *Radikal*, 1 April, 2004, p. 6.

<sup>18</sup> Interview with Prof. Baskyn Oran, *Radikal*, 5 April, 2003, p. 6.

In this way, cooperation between Turkey and the Central Asian republics aimed at stemming religious extremism could be useful for the Central Asian countries and for Turkey (in view of the recent explosions in Istanbul). Investigations carried out by the Turkish security structures showed that the terrorist acts (which killed about 30 and wounded more than 100) were organized by radical Islamists, former members of Hizbullah and now members of Abu Hafez Al-Misri Brigade connected with al-Qa'eda. This organization issued several statements that condemned Turkey's support of American policies and its participation in the counter-terrorist operations in Afghanistan and Iraq.<sup>19</sup> American sources point out that Abu Musad al Zarqawi, Jordanian citizen and founder of the Beyiat el Imam (Union of Imams) organization and one of the al-Qa'eda leaders, is responsible for the blasts.<sup>20</sup> These events demonstrated once more that a new threat of Islamic terrorism has appeared in Turkey. Previously, the country was threatened by the Kurdistan Workers' Party (PKK) and the Armenian Secret Army for the Liberation of Armenia (ASALA), separatist organizations operating in Kurdistan and Armenia. This new threat is forcing Turkey to become more actively involved in the international counter-terrorist coalition. Stronger ties between Turkey and the United States in this sphere will probably affect Turkey's role in Central Asia, where Washington needs Ankara's support both in Afghanistan and in Central Asia proper to help stem religious extremism. We should bear in mind that Turkey relies on its cultural and historical ties to develop bilateral and multilateral contacts with the Central Asian republics. In the wake of the blasts in Tashkent and the Batken events of 1999-2000, Ankara started preparing the ground for wider cooperation in the sphere of regional security.

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Turkey's involvement in strengthening security in Central Asia in the military-technical sphere, in keeping religious extremism within certain limits, and in the antiterrorist struggle is possible only with cooperation from the United States and with its support. This is explained by Ankara's desire to develop closer ties with the regional countries, as well as Washington's desire to demonstrate that a Muslim country can be democratic. Turkey's cooperation with Washington in strengthening regional security will be especially fruitful if Moscow cooperates with Washington and with other regional forces. If the events take a different course, that is, if America and Russia become opponents, a zero-sum game will be possible. This will negatively affect Turkey's relations with Russia and the Central Asian republics. To avoid this, Ankara is developing its contacts with the local countries and with Russia and China. The foreign ministers of Russia and Turkey signed a Plan of Action for Developing Cooperation between the Russian Federation and the Republic of Turkey. The document, which envisages in particular a mechanism of consultations in the form of a Joint Workgroup headed by foreign ministers, is an important step in developing relations between Moscow and Ankara. This mechanism is designed to resolve conflicts by political means, maintain stability, and create conditions for the region's sustainable development.<sup>21</sup> The sides pointed out that the antiterrorist struggle is the international community's main priority and confirmed their readiness to pool efforts<sup>22</sup> in order to create favorable conditions for further cooperation in the same sphere.

Possible alternatives of regional cooperation and the possibility of extending Turkey's military presence in Afghanistan, as well as the fact that Ankara and Tashkent have strengthened their ties with Washington in the antiterrorist struggle (in the wake of the recent terrorist acts in Uzbekistan) create favorable conditions for Turkey's involvement in the security-strengthening efforts in Central Asia, but only if Moscow and Beijing give their consent.

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<sup>19</sup> See: U. Özdağ, "İstanbul Bombaları," *Stratejik Analiz*, Cilt 4, Sayı 45, Ocak 2004, S. 34.

<sup>20</sup> *Ibid.*, S. 37.

<sup>21</sup> See: F. Moustakis, E. Ackerman, "September 11: A Dynamic for Russo-Turkish Cooperation or Conflict?" *Central Asian Survey*, No. 21 (4), 2002, p. 431.

<sup>22</sup> See: F. Moustakis, E. Ackerman, "September 11: A Dynamic for Russo-Turkish Cooperation or Conflict?" *Central Asian Survey*, No. 21 (4), 2002, p. 432.

## REGIONAL POLITICS

**THE SOUTHERN CAUCASUS:  
ROAD TO EUROPE**

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New geopolitical spaces formed by the new sovereign states, some of which are rich in natural resources and others a link in the trans-Asian transportation corridor of strategic importance, have filled the expanse formerly occupied by the Soviet Union.

The Southern Caucasus is one of the key elements in the newly formed geopolitical expanse, therefore its countries, while dealing with the economic and political problems of the transition period, had to address another, no less urgent problem of cooperation with the international community.

All three post-Soviet South Caucasian states are actively working to create mutually acceptable development patterns applied to their integration into the world community. They are all based on their advantageous geopolitical situation; they all want to create a stable system of international cooperation in order to reach political and economic security. In view of this, their foreign policy priorities are better bilateral mutually advantageous relations, stronger multisided contacts within international, European included, organizations and in-

stitutions, and involvement in military, financial, and social programs. Mere statements about their strategic course are not enough to achieve the desired aim—radical structural changes which would meet the requirements of the European Union, NATO, and other international organizations are needed.

It should be said that the West is still treating the South Caucasian countries with a certain degree of doubt, even though they have already covered part of the road leading to democracy. I do not mean human rights, freedom of the press, or economic liberalization issues. Europe is showing a certain cautiousness when dealing with the South Caucasian states because of the mentality problem. It is no secret that not all Western politicians agree that the Pontic coast is part of the old continent, for them it is a distant, or even alien, part of Europe. The road to the European community has been charted, yet it turned out to be a long and difficult one. At the same time, the local countries, which are seeking stronger sovereignty, political stability, and economic growth, have no alternatives.

## Georgia

Despite its domestic and foreign problems, Georgia managed to be the first country to set off on the road leading to its integration into Europe. It joined the Council of Europe as a full-fledged member, because it had established a democratic regime at home, achieved freedom of the press, well-protected human rights, political pluralism, etc. It was a sort of a trailblazer, which paved the way for Azerbaijan and Armenia.

The idea of joining Greater Europe was naturally formulated and is being realized by the country's leaders, yet the nation is actively supporting it. The very fact that at the latest presidential elections Mikhail Saakashvili was elected by a vast majority demonstrated that the nation is unanimous about our country's membership in the European structures. During his election campaign, the future president clearly stated that Georgia's future was related to its pro-Western foreign policy and integration with the West. We can agree with those who say that the reasons for the "revolution of roses" are much deeper rooted and less superficial, yet the people were driven into the streets to depose Shevardnadze because of economic stagnation. We can say that the former leaders demonstrated absolute impotence in the face of corruption (or an unwillingness to defeat it); all the progressive reforms that could have helped the country withdraw from the deep crisis were discontinued; and the state structures were weak, while recent appointments inadequate. All this ignited the revolution.

It should be said in all justice that the former president did a lot to strengthen Georgia's independence and realize the revived idea of the Silk Road; he repeatedly stated that his country was prepared to join NATO. His contribution to the trans-Asian transportation corridors (including the oil and gas export routes that cross our territory) cannot be overestimated. This was what finally shaped Tbilisi's pro-Western course. We should not forget that he took a firm stance when it came to the Russian military bases in Georgia. His position was reflected in the Istanbul documents and partly translated into reality (two of the four bases were closed down). There are two other bases still functioning in the republic, and there is no exact date for their withdrawal. Official Tbilisi repeatedly raised the Abkhazian issue in an effort to increase the West's role in settling the conflict. In this way our country acquired more weight on the world arena.

Naturally enough, no one can predict when Georgia will become an EU member, but it will probably follow its NATO membership. Today, 70 percent of its population is living below the poverty level; Georgia is one of the world's poorest countries. The new authorities are working hard to beat corruption, yet its level remains high; the education and health protection system and the country's micro- and macro-economy should be urgently and radically restructured. Better conditions in these and other spheres and a better life for the people are major demands and major prerequisites for our EU membership.

Over time the NATO umbrella will protect the South Caucasian countries, which will thus acquire real security. Georgia is successfully implementing the Partnership for Peace program; it was the only South Caucasian state to be invited to join the Individual Partnership Action Plan (IPAP). The Train and Equip Program (GTEP), paid for by the U.S. government, is being successfully implemented. Four battalions of the Georgian Armed Forces have already been trained; it should be added that for several years Georgia has been receiving the greater part of the aid the United States extends to the CIS countries. However, no matter how great Georgia's progress is in these respects the prospects for its NATO membership are still vague. They will remain vague until Russia removes its bases from Georgian territory. It should be added that recently Russia has been revising its approaches to the "near abroad:" the events in Ajaria (an autonomous republic within Georgia) are the best illustration. There is a Russian military base on its territory, yet the Russian military remained completely neutral while Tbilisi removed pro-Russian Ajarian leader Aslan Abashidze. At the height of the Ajarian crisis, Igor Ivanov, Secretary of the RF Security Council, arrived in the republic to negotiate its peaceful resolution. His positive contribution cannot be overestimated.

Recently we hosted a Russian-Georgian economic forum, after which the Georgian government offered privileges and broad rights to the Russian capital. The withdrawal of the Russian bases issue, which until recently was a linchpin of bilateral relations, lost its urgency and a great deal of its political importance. Today it is a purely technical issue. A Novorossiisk-Supsa oil pipeline across Abkhazian territory is being discussed. Later it can be joined to the Baku-Ceyhan pipeline. There are plans to restore the Moscow-Tbilisi railway that crosses Abkhazia.

The relations between the two states should be improved for the sake of better economic conditions in both countries. No matter how close their interests are they cannot alter Georgia's foreign policy course. The Georgian nation has resolved to join the EU, it is dedicated to Western ideological values; it remembers only too well our common "communist past." By voting for Mikhail Saakashvili, the Georgians voted for their future as part of united Europe.

## Azerbaijan

For Tbilisi cooperation with Baku is of strategic importance: Azerbaijan exports its oil to Europe across Georgian territory and uses its Black Sea ports. While Georgia is the most democratic state in the Southern Caucasus, Azerbaijan is the most politically stable state in the region, hence its economic success. The recent change of power never affected its domestic and foreign policies, even though the local opposition responded with rallies to the allegedly falsified results of presidential elections. I should say that the nation is all behind the present political course: this is what the late Heydar Aliiev achieved as president. Continuity of the country's political course is the main guarantee of the country's oil exports, which, in turn, attracts the West, the interest of which is heightened by the current Gulf instability and the skyrocketing oil and oil product prices. Europe is attracted by the relatively cheap Caspian hydrocarbons.

The republic lives on its oil revenue, therefore its relations with the West are vitally important. This explains why Azerbaijan is seeking integration with the European community and its structures, as well as NATO membership.

It should be said that the country has a long way to go to create a civil society, achieve freedom of the press, protect human rights, and plant other Western norms and principles in its soil.

At the same time, this is the only state that managed to remove the Russian bases from its territory and preserve warm relations with Moscow—an example Tbilisi should emulate. Azerbaijan's rational policy allowed it to reach balanced relations with Russia, while successfully looking after its own interests. The country on the Caspian shores looks forward to joining the European structures and embracing democratic values.

In the military sphere, Azerbaijan is successfully cooperating with NATO within the Partnership for Peace program; recently it announced that it was ready to join the IPAP program. Like Georgia, Azerbaijan is a member of the antiterrorist coalition: both countries opened their air space and land corridors to the coalition forces during the war in Afghanistan and after it; and they both dispatched limited contingents to Iraq.

Like Georgia, Azerbaijan has to cover a long and tortuous road before it finally reaches the EU.

## Armenia

Unlike its South Caucasian neighbors Armenia looks to Russia and is actively involved in the CIS. The Commonwealth of Independent States is Moscow's brainchild, set up to replace the disintegrated Soviet Union with the soul aim of keeping these states together under its control. Its main goal

is to prevent complete disintegration of the old ties among the republics. Armenia is a member of the Collective Security Treaty along with Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan, which envisaged close military-political cooperation. Georgia and Azerbaijan have chosen to remain outside it: they are convinced that stronger military contacts with Russia add to the region's militarization. The numerical strength of the Fourth Army of the RF deployed in Armenia is no less than twenty thousand. Erevan regards it as a guarantee of its security and as protection of its interests in the Karabakh conflict.

The Karabakh confrontation differs from the situation in Abkhazia and South Ossetia: it is an ethnic conflict between two states. Because of it Armenia found itself completely isolated; its border with Turkey remains closed because of the well-known events that took place in the Ottoman Empire early in the last century. The only land route that connects Armenia with the world crosses Georgia, which cannot use its transportation and transit potential to the full because of the conflict with Abkhazia. (So far, it has no railway connection with Russia.) Recently, the idea of resuming transport communication has been discussed; this will promote Armenia's development and increase its geopolitical value. In the southeast is Iran, which, while not favoring the West, remains Russia's partner.

Peaceful settlement of the Karabakh conflict will allow Armenia to open its borders with its closest neighbors—Turkey and Azerbaijan—and to join global transportation projects.

Armenia has remained outside GUUAM, an organization several post-Soviet states set up to ensure their security and promote economic cooperation. This is another sign of its alienation; the lack of interest in this structure can probably be explained by the fact that Moscow sees GUUAM as an encroachment on its undivided domination over the post-Soviet expanse. At the same time, Armenia has not rejected the possibility of its membership. The Great Silk Road and TRACECA are among GUUAM's goals. Armenia's membership could strengthen regional security.

Armenia is the only South Caucasian state that has never expressed a desire to join NATO; at the same time, Erevan is contemplating integration into Europe and the European structures. (Despite its close cooperation with Moscow, Erevan is looking at the West with heightened interest.) To secure its political aims, Armenia often enlists its huge and influential diasporas all over the world—their assistance is invaluable.

On the domestic front, Armenia faces the same problems and difficulties as its regional neighbors: low economic indices, a high level of corruption, and an unfavorable social background. Like in the neighboring countries, in Armenia the opposition called the people to depose the leaders, it accused the president of falsifying the election results. It is hard to say whether the entire nation supports the opposition; one thing is clear: the republican leadership survived the test.

Obviously, in Armenia, like in its neighbors, civil society is still undeveloped, human rights are violated, and there is still a dearth of alternative political ideas, even though society has recognized the value of Western democratic principles.

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

The South Caucasian states regard themselves as part of Europe and associate their future with their membership in the EU and the European structures. This is what the presidents of the three states express and what is confirmed by the three nations which fully approve of pro-Western orientation.

The three South Caucasian countries have to cope with the economic and political problems of the transition period. On top of this, from the very first days of their independence, they had to concentrate on ethnic issues, which Russia tried to exploit in the early 1990s to preserve its political and military presence. Its attempts to revive its power and hegemony failed; they caused ethnic conflicts in Abkhazia, South Ossetia, and Nagorny Karabakh, the main sources of regional instability. They interfere with regional cooperation and do not allow the South Caucasian states to be fully involved in international or-

ganizations and institutions, which, in turn, creates considerable problems when it comes to closer regional contacts.

The uneven economic and political development of the three states is caused by their unequal opportunities to develop and export the Caspian's natural resources. Armenia does not participate at all in the trans-Caucasian oil and gas transportation routes (where the key positions belong to Azerbaijan and Georgia). This has created social and economic imbalance in the region: regional integration is based on economic factors. Political stability alone, built on a firm economic foundation, may bring considerable advantages. We should bear in mind that Europe needs the states that have demonstrated their ability to cooperate, especially in their own region.

I regret to say that there is a deficit of mutual confidence and a shared understanding of democratic values. At the same time, it is impossible to fully integrate into the European community while paying lip service to the Western principles of civil society and violating them in practice. In the Southern Caucasus, civil society should be built in conformity with the local political, economic, historical, and cultural traditions and realities. This explains why democratic changes and economic reforms are proceeding at different paces. Their foreign policies differ, therefore no complete cooperation is possible so far. Tbilisi and Baku are looking to the West, while Erevan looks to Moscow. This means that there is no common Caucasian policy and that no shared political development pattern is possible.

Europe is developing its regional contacts, rather than establishing ties with individual states. The West is looking at the Southern Caucasus as a single whole—it prefers to ignore the foreign political and domestic specifics of each of the states. This approach is making EU membership an even more distant prospect, because it presupposes full-scale cooperation with the candidate rather than with its neighbors. If the EU concentrates on cooperation with each of the states separately, all the local states will become aware of their responsibility for complying with the demands the EU imposes on the candidates. Georgia has provided a relevant example: it joined the Council of Europe and helped Azerbaijan and Armenia join it. NATO, too, is widely using programs of individual cooperation because only two out of the three regional countries have expressed their desire to join it.

In summing up we can point to several important factors that make the prospect of EU membership dimmer: the different speeds of democratic development and different foreign policies; the region's conflict-prone nature; no economic cooperation and no prospects for economic integration; and Europe's inability to cooperate with each of the local states individually.

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The South Caucasian nations have chosen the West, its democratic pluralism, liberal economy, and free civil society as best suited to their security requirements. Europe should recognize that it will profit from admitting the local states into its large family, because this will strengthen its security.

Before all the South Caucasian and European states set off on the road of integration, the negative factors enumerated above must be eliminated. Obviously, the South Caucasian countries will be unable to cope with this task single-handedly; the West, and the EU, should be more actively involved in regional developments.



## ARMENIA: SPECIFICS OF CONTEMPORARY POLITICS

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### Results of Election-2003

Two rounds of presidential elections, a referendum on amendments to the Constitution and parliamentary elections took place in the republic in the first half of 2003. Foreign observers described both rounds of presidential elections (February-March) as “not corresponding to the international standards and during which unprecedented number of violations took place.” The leader of the Armenian delegation at the PACE A. Gegamian branded the elections as “an anti-constitutional coup.”<sup>1</sup>

According to the official figures supplied by the Central Election Committee of Armenia, in the second round the incumbent president Robert Kocharian got 67.44% of the votes, while his opponent Stepan Demirchian, leader of the opposition People's Party, 32.56%. Having studied the results, the Constitutional Court recognized Kocharian as the newly elected president but recommended the National Assembly to carry out a referendum on confidence in the authorities within the next 12 months. While commenting on this decision, Chairman of the Constitutional Court G. Arutiunian explained that the referendum would help overcome social confrontation and confirm the legitimacy of Kocharian's second presidency.

The parliamentary elections in May 2003 attracted more critical salvos from Western countries: the PACE and OSCE missions detected considerable violations of the vote counting procedure. Their joint statement said, in particular, that in certain key aspects these elections failed to comply with the international democratic standards: votes were bought while the voters had no faith in the election committees' honesty. As a result, according to the document, big businessmen won a large number of seats; many of them secured voters' support with services, money and commodities. The observers pointed out, however, that the parliamentary elections were much better organized and received much wider media coverage than the presidential elections.

These elections sent up political tension inside the country and damaged its image outside it. The turn out was the lowest in recent history; all political forces were caught at numerous abuses. This is all explained by the difficult and tortuous process of the emergence of civil society in the country (typical of all post-Soviet states).

Armenia inherited from the past inadequately developed democratic institutions—one should not expect that they, and the democratic development level, would reach the European standards in the near future. While analyzing the election campaigns we should bear in mind that the country is still trying to move away from an authoritarian to a Western type democratic system. As soon as we accept this, we shall be able to register obvious positive shifts in the desired direction.

R. Mirzakhanian, Chairman of the Ramkavar Azatakan Party of Armenia (RAPA), was very objective in his assessment of the elections and the political events that followed: “There were falsifications, yet they were not massive enough to distort the results. One more thing: in the past it was mainly the authorities that falsified elections and were engaged in other illegal deeds. This time we saw the so-called

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<sup>1</sup> A. Gegamian, leader of the opposition Natsional'noe edinenie (NE) (National Unity) party also ran for the president.

opposition doing the same even on a broader scale. There is no justification for those who were trying to upset the balance in the republic. In fact, this played into the hands of those outside forces who did not want a peaceful settlement in Karabakh, who were doing their best to build up tension around the republic and who insisted that democracy in Armenia, Azerbaijan and Georgia was at the same level. This is not true. Indeed, who is fond of quoting irresponsible statements of the so-called heroes of our rallies and manifestations? The Turkish and Azerbaijani press and their loyal disciples and followers by which I mean certain Armenian newspapers.”

The parliamentary elections left outside the parliament many political organizations loyal to the president: the five percent barrier proved insurmountable for the Popular-Liberal Alliance, the Moguchai Otchizna, RAPA, Dostoinstvo-Demokratia-Otchizna, the Progressive Communist Party and certain others. Despite this, the pro-presidential forces secured the majority of seats in the National Assembly (NA), while the formerly absolute majority of the opposition parties contracted. The Republican Party of Armenia (RPA) headed by Premier A. Markarian and Defense Minister S. Sarkisian used its administrative resources to obtain the largest number of votes and received over 40 seats in the NA (out of the total 131); the party preserved its domination in the parliament and the government. The Armenian Revolutionary Federation Dashnaktsutiun (ARFD), the Orinats Erkir (The Law-Governed State) and others accused the RPA of doctoring the election results; the Republican Party vehemently denied this. Still, the accusations raised even more doubts about the election results; Western observers voiced their doubts too. The opposition refused to recognize the results of the presidential and parliamentary elections and called on its supporters to organize mass protests to unseat the president and hold new elections. On 12 June twenty-five opposition deputies of the Artarutiun (Justice) bloc and the National Unity Party (NU) boycotted the first sitting of the newly elected parliament.

However, the opposition's efforts to build up tension failed. The political elite and society as a whole were aware of the danger of weakening the state still more; the public was sick and tired of political instability. In these circumstances the country's political future depended on how promptly society and politicians (both in power and opposition) would manage to return to the civilized methods of political struggle and abandon confrontation for the sake of addressing the urgent socioeconomic problems. Soon after the parliamentary elections the first signs of stabilization could be detected.

In June 2003 the president finally managed to stop discord in his political camp by distributing executive power among his allies. The Republican Party in the majority in the parliament, the Orinats Erkir and the Dashnaktsutiun formed a coalition, yet they found it hard to agree on the NA speaker, the second most important political figure after the president. The RPA leaders resolutely objected to the presidential candidate, 34-year-old A. Bagdasarian, Chairman of the Orinats Erkir Party, because of his sharp criticism of A. Markarian's cabinet on the eve of the elections. Still, the president managed to persuade them: under the agreement the RPA got the posts of the premier, six ministers and one of the vice speakers of the National Assembly. The second largest parliamentary party Orinats Erkir (22 seats) was given three ministerial posts, while its leader (A. Bagdasarian) was elected the NA speaker. The pro-presidential ARFD party with 11 seats got three ministerial posts and the post of the second vice speaker.

In this way, having abandoned part of its power to two other parties, the republicans preserved their control over six key ministries, including in the financial, energy and industrial spheres. Their coalition partners had to be satisfied with posts of secondary importance. People from the Orinats Erkir got the ministerial posts at the ministries of town planning, culture, youth, science and education. The ARFD got the most difficult of the ministries: agriculture, health and social security.

Robert Kocharian retained control over the appointments of heads of three key ministries—defense, foreign affairs and justice. He used it to appoint S. Sarkisian, V. Oskanian and D. Arutiunian, respectively, to the former posts. The president remained in control of the state security structures. The coalition government can be described as the president's great success because this strengthened his position in continued confrontation with the opposition.

The new cabinet joined together the election programs of Kocharian and of the three parties represented in the government to create a state development program for 2003-2007: it envisaged reforms in the economic and social spheres, in the system of state administration, and anti-corruption struggle. The

government was entrusted with the following tasks: to complete the already unfolding reforms in the administration sphere, radically cut down corruption in it; ensure an annual 6-8 percent growth of the GDP; hold inflation at the level of 3 percent a year; increase annual export volume by 10 percent; lower the poverty level to 35 percent of the total population and cut down the share of destitute to 12.5 percent; increase by not less than 2 percent of annual GDP state funding of the health system, the planned figure for the system of education being not less than 3.2 percent; family allowances should comprise 1.3 percent of GDP; raise teachers' monthly salaries to 60,000 drams (about \$120) by 2007.

## The Opposition

In the wake of parliamentary elections the opposition lost part of its political weight. The Justice bloc and the NU Party barely had themselves elected to the parliament, their factions being too small to affect voting in the National Assembly (Armenian analysts are convinced that the president can count on the desired outcome of voting in 99.9 percent of cases, which brings to mind the years of communist rule).

There is not a single opposition member in the government (in the past there were Communist and National-Democratic Alliance ministers). Today, no noisy anti-governmental actions and sharp criticism of the president and the government can produce any noticeable effect—at best the opposition can demonstrate its presence on the Armenian political scene.

In the post-election period the Justice bloc of 9 opposition parties (out of 16 acting in the country) led by S. Demirchian has remained the most influential opposition structure. Its leaders never tire of saying: "The republic has no longer a system of state administration: the controlling block belongs to Kocharian and Sarkisian who are supervising the key administrative spheres. There is no controlling structure above them."

The Justice bloc enjoys the strong support of the protest voters even though it can offer no single ideological platform; it is disunited and inclined to spontaneous actions. The leaders described its aim as "restoration of the constitutional system and establishment of legitimate power in the country in which the state system is impotent." This means that the bloc favors constitutional changes by trimming presidential powers, giving more power to the parliament and local self-administrations. The bloc agrees that removal of "illegitimate" power is its nearest aim, yet the leaders cannot agree on the means. Some want to remove the president by constitutional means (a national referendum); others want to use force (a popular uprising), still others want to combine "legitimate and revolutionary methods," which means a civil disobedience company, etc. There is a lot of talk in the opposition ranks that the bloc has "tangible resource" to remove the president in the near future, which "should not be disclosed before the decisive moment comes." Despite continued disagreements inside the bloc, it is kept together by its members' categorical rejection of Robert Kocharian as the head of state; its desire to undermine political influence of the parties represented in the cabinet and recover the level of executive power lost after the elections.

As distinct from the Justice bloc, the NU Party hopes to remove the president by politically isolating him and by convincing the ruling coalition parties to side with the opposition. According to its chairman A. Gegamian, "Armenia cannot develop not because of disagreements inside the coalition or because of very real contradictions between the coalition and the opposition, but because the illegitimate authorities have resolved to reproduce their own power." In the fall of 2003 he addressed the three coalition parties with the following words: "You have not yet tarnished your reputation with dirty deals; it is not yet late to come to your senses. The road chosen by the Kocharian-Sarkisian tandem is perilous for the Armenian state. It is not important who of them will come to power: their aim is to create the vacuum in which they will be able to reproduce their power. Kocharian will then entrust leadership to Serzh Sarkisian. This policy is perilous for the country."

Gegamian has also criticized the Justice's position in relation to the coalition parties because, he thinks, it splits society and play into the hands of Robert Kocharian who "usurped" power. The NU leader has pointed out that none of the coalition parties were responsible for anti-national acts (the 27 October

terrorist act<sup>2</sup> and barbarous actions that followed it); their activity cannot be described as anti-national, says Gegamian. So far, there has been no response to Gegamian's addresses: the coalition and the opposition betrayed no intention to side with the NU.

Political disagreements make it hard to achieve cooperation among the opposition forces; they prefer different methods of work and enjoy different degrees of influence in the country. The Justice members want to remove the unacceptable president. Having suffered a crushing defeat at the parliamentary elections (they got under 1 percent of the votes), the National Radicals (the Armenian National Movement (ANM) and its allies) want a radical change of the social and state order according to the Western values. The NU and the Communist Party (left outside the parliament for the first time in post-Soviet history) also want changes according to socialist (left) ideology. The opposition is fractured: the Justice, NU and other parties cannot agree on the majority of drafts presented to the parliament (on death penalty abolition, on the media, etc.).

In fact, the presence or absence of the opposition members in the parliament and the way they vote (or abstain from voting) produce little effect on the results. Being aware of their impotence, the Justice and NU factions deliberately boycott the sittings. M. Gasparian is the only opposition deputy who disapproves of this form of protest and regularly appears in the parliament. He is convinced that by avoiding parliamentary activity the opposition confronts not only the ruling elite but also the entire nation: "It is hard to understand why the opposition does not attend the sittings and does not question the cabinet. They were elected by people."

The authorities can ignore the opposition, yet the country's leaders continue inviting it to cooperation in dealing with most important national issues and ask it to be "constructive" when discussing other problems. The attempts to start a dialog have failed—the opposition continues insisting that the president lacks legitimacy.

Weakness of the opposition created a political vacuum of sorts: social discontent of a considerable section of the population finds no reflection in what the parliament is doing. The authorities may imagine that this is all to the best, yet the situation is fraught with serious political troubles. The overripe social issues are not discussed and not addressed within the framework of legitimate political activity, thus widening the gap between the nation and its leaders.

According to vice speaker T. Torosian of the RPA, the parliament needs an opposition; according to his colleague V. Ovannisian of the ARFD, "any country will fall to pieces without an opposition." It seems that the president who during the elections did his best to cut down the number of opposition deputies has realized that the situation in the parliament is far from normal. He has repeatedly expressed his regret about the opposition factions' boycott and pointed out that no government can function normally in a country where there is no opposition.

## Fighting Corruption

Protectionism, nepotism, bribes and other illegal acts are still widely practiced among the bureaucrats and still remain a serious problem that so far has eluded solution. Bureaucrats are paid to ignore tax evasion, not to open criminal cases (or to decide them in favor of a more generous briber), speed up bureaucratic decisions, help avoid conscription, etc.

Corruption is damaging to the investment climate; some of the most lucrative businesses (especially the import of fuel and basic foodstuffs) are still state-controlled, which encourages malfeasance. Businessmen continue complaining about the abuses in the tax and customs structures steeped in corruption. The IMF and other Western donors are increasing their pressure on the state by their demands to put an end to corruption.

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<sup>2</sup> On 27 October, 1999 a group of seven terrorists penetrated the parliament building and shot point blank at premier Vazgen Sarkisian, speaker Karen Demirchian, vice speakers of the National Assembly Iury Bakhshian and Ruben Miroian, Minister for Operational Issues Leonard Petrosian, deputies Armenak Armenakian, Genrikh Abramian, and Mikael Kotanian. The opposition points to Kocharian as the mastermind behind the crime.

It should be said in all justice that recently the laws related to business activities have been simplified in the conviction that this will cut down corruption. The government, however, is obviously avoiding radical measures: none of the highly placed bureaucrats lost his post and was taken to court for bribery or corruption. Bureaucratic abuses undermine public morale and society's confidence in the state structures that invariably favor the rich and influential. The opposition leaders are convinced that the presidential administration will not pluck up enough courage to apply the recently adopted "anti-corruption" plan.

Kocharian's opponents describe corruption as one of the pillars of the present social system which they define as "oligarchic." A. Gegamian, the NU leader, says: "The laws of a civilized market are not observed in Armenia; there is no free enterprise here. A handful of people has monopolized the key economic spheres and strangles any initiative of aliens. No more or less able person can start a business unless he is patronized by Kocharian and his clan."

Even so the situation in Armenia is much better than in other post-Soviet states. In its report the Transparency International described Armenia as the least corrupted among all other post-Soviet states<sup>3</sup>; the IMF agrees with this. James McHugh, permanent IMF representative in Erevan, relied on the results of independent research of international crediting organizations when he concluded that in recent years the government had achieved considerable successes in fighting corruption, especially in the banking and energy sectors. Said he: "Some people believe that Armenia is a highly corrupted country, yet there is information that this opinion is probably too negative and that the situation is improving." Still, the IMF representatives are convinced that "the Armenian government has to work hard to achieve the rule of law in the country."

## Poverty, Destitution and Unemployment

Official economic and social statistics is another cause of bitter political disagreements: the opposition leaders insist that the figures are doctored and intentionally inflated. International financial organizations (the World Bank and the IMF) disagree with this: in their opinion, the official figures are fairly reliable. They class Armenia among the most rapidly developing countries: in the last seven years its GDP has been demonstrating sustainable growth. Some members of the ruling elite compare their country with Southeast Asia and even call it a "potential Caucasian tiger." This is probably too optimistic: in 2002 the Armenian GDP was about \$2.4 billion in absolute figures, a very modest figure for the country of three million people.

The World Bank believes that Armenia is one of the world's 49 poorest countries: 80 percent of its population is poor. According to the National Service of Statistics, 1.5 million of the country population rely on bread and potato for survival (they comprise 70 percent of their daily food consumption); 73 percent barely consumes 2,100 kilocalories a day, the international absolute minimum.

There is no economic growth outside the more or less affluent Erevan; at least half of the country's population is struggling beyond the poverty level or can barely make both ends meet. In August 2003 there were 123,200 registered jobless people; 152,800 more were looking for jobs and were registered with the state employment structures. According to unofficial figures, the unemployment level is much higher: about 40 percent of the able-bodied population. In the last 10 years unemployment drove away a considerable part of able-bodied people; recently the outflow has somewhat diminished. According to the Migration and Refugees Administration at the RA government, in January-June 2003, the number of those who left the republic was 24,800 more than the number of those who came into the republic. This is a decrease of 29.5 percent, or 10,400 as compared with the same period in 2002.

In 2003 the demographic situation somewhat improved. The *Aykakan zhamanak* newspaper published the following birthrate dynamics:

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<sup>3</sup> According to the Transparency International report, Azerbaijan and Georgia, as well as the Central Asian states are the world's most corrupted countries. In its 2003 report "Corruption Perception Index" Armenia was the 7th (out of 133 states); the RF, 86th; Kazakhstan and Uzbekistan shared the 100th place, Kyrgyzstan was the 118th; while Azerbaijan, Georgia and Tajikistan shared the 124th place. Bangladesh was the most corrupted, while Finland the least corrupted state.

in 1992, 70,581 births;  
in 1993, 59,041;  
in 1994, 51,143;  
in 1995, 48,960;  
in 1996, 48,134;  
in 1997, 43,929;  
in 1998, 39,366;  
in 1999, 36,502;  
in 2000, 34,300;  
in 2001, 32,100.

In other words, the number of births decreased by 38,481 in 2001 as against 1992 (a 54 percent decrease). However, the situation is gradually improving. According to the National Service of Statistics, in 2002 the birthrate began to grow; the process continued in 2003. In January-June positive natural population growth was registered: the number of births was larger than the number of deaths: as compared with the analogous period of 2002 the number of births increased by 8.9 percent, while the number of deaths dropped by 1.6 percent.

In recent years impoverishment has somewhat slowed down. According to the U.N. World Food Program, in 2001 in Armenia the share of those living beyond the poverty level dropped from 55 to 50 percent; the share of the destitute dropped from 23 to 16 percent.

In August 2003 the government adopted a strategic program of fighting poverty for 2003-2015 that concentrates on social issues and on improving the systems of education and health protection. It is planned, in particular, to cut down the share of the poor from 50.1 to 38 percent by 2006, and to 19 percent, by 2015; it is planned to reduce the share of the destitute to 4 percent. The state budget of 2004 orientates toward this program. In addition, the government will try to increase budget revenues by about 35 billion drams (as compared with 2003) through better tax administration and collection. The collected money will be sent to the educational, health and social spheres. As a result, it is expected that the government will spend 7,420 billion drams more on education; 3,913 billion drams more on health protection; 4,230 billion drams more will be sent to the social services; the teachers' average wages will be increased by 70 percent to reach the figure of 30,951 drams. The minimum (planned) wages will exceed the poverty level and make 13,000 drams; average pensions will go up from 5,750 drams in 2003 to 7,661 in 2004; in 2004 the family allowances are expected to be increased by 25 percent to reach the figure of 9,649 drams.

Being fully aware of the rising social tension caused by higher food prices and its threats, the government tries to defuse the "tense psychological situation" by raising social allowances to the poorest sections. The main task is to outstrip inflation.

## Possible Echo of the Events in Georgia

Armenia's political and economic development may suffer because of the change of leadership in neighboring Georgia. When commenting on the Georgian events, A. Rustamian, head of the parliamentary foreign relations committee, pointed out that his republic wanted that "alarming anti-Armenian calls would no longer be voiced in Tbilisi, that there would be no statements about closing the borders and that no serious damage would be done to communication lines. We have already discussed this, on a preliminary basis, with the forces that came to power. The impression is that they want to defuse the tension and conduct free and just elections."

The Armenian politicians are inclined to look at political instability in Georgia as a long-term factor; they are convinced that the danger of complete discontinuation of transportation across its territory is very real if the pressure builds up. Erevan has its doubts about resumed railway connection with Russia across Georgia; therefore it intends to speed up the realization of alternative transportation projects across Iran (by widening the network of highways, building a railway, etc.), as well as to more actively negotiate with Ankara the conditions of de-blocking the Armenian-Turkish border.

The Georgian events added vigor to the local opposition that intends to use the Georgian pattern to remove Kocharian. Today, however, it is too divided to act together. In fact, the disagreements are aggravating: the radical ANM accuses the leaders of the other opposition parties (Demirchian who heads the Justice bloc in the first place) of passivity and inability to organize massive protest rallies; it goes as far as hinting at the bloc's secret deal with the authorities. The ANM intends to head the "popular resistance to the illegitimate regime."

In the wake of the Georgian events the Armenian opposition is obviously counting on Western (American, in the first place) political and financial support. But one can hardly expect American interference if the situation remains under control: in the election year the Bush Administration will keep away from Armenia so as not to strain its relations with the nearly million-strong Armenian American community and the influential Armenian lobby in the Congress. The White House will probably limit itself to cutting down financial aid to Armenia to demonstrate its displeasure with Erevan's "too independent" and too pro-Moscow policies. It may even increase its aid to that part of the opposition that wants wide cooperation with the West and integration into the Euro-Atlantic structures at the expense of good relations with Russia.

The United States is seeking stronger political, military and economic positions in Azerbaijan and Georgia and tries to squeeze Russia out of these countries. Washington will probably try to extend its military presence there and will put greater pressure on Moscow so as to promptly remove the Russian bases from the Georgian territory. As soon as this is completed, Washington will step up its involvement in Armenia (this will probably be connected with the further developments in Iran and Iraq, two countries that neighbor on the Southern Caucasus).

One cannot exclude a possibility that domestic, rather than foreign, factors may aggravate the situation in Armenia. The food prices had already climbed up; the government announced that the gas, water, electric power and communal services prices would also be increased "to ensure more effective functioning and improve the services." This will send other prices up. "Optimization of the system of education" cost 5,000 teachers their jobs; before the end of 2004, 8,000 more will be made redundant. The government hopes, however, that more money poured into the social system and more systematic support of the vulnerable groups will save the country from popular discontent.

The energy fuel prices were raised at the time scheduled for the referendum of confidence in Kocharian (February 2004): the factor that could have triggered events unfavorable for the government. The opposition did not conceal its intention to insist on the referendum in order to translate social discontent into the Tbilisi scenario. It received a heavy blow from the Constitutional Court, the chairman of which, G. Arutunian, declared that political stability had made the referendum unnecessary. The majority of the local experts agree that the situation cannot be destabilized to the extent that will require Kocharian's resignation. However, if the government fails to fulfill the promised social programs, destabilization will become possible.

Today, Erevan sees no reasons to alter the nature of its relations with Moscow; it should be borne in mind, however, that the pro-Russian orientation is not eternal. There are several factors that may decrease sympathies for Russia among the public and the political elite. I refer, in particular, to the repeated statements of the Foreign Ministry of Russia to the effect that it intends to step up its efforts to settle the Karabakh conflict within the OSCE Minsk Group (its representatives, too, made several statements to this effect). The Armenian public and the political community may become disenchanted with Russia if its positions are not pro-Armenian enough (as seen from Erevan): the issue is too painful for the nation.

I have already written that higher fuel prices have caused a lot of dissatisfaction in the popular masses. If associated with Russia's ownership of the energy-producing objects and with the Russian managers at the sector's joint ventures, the idea of economic cooperation between the two countries may die. On top of this, the media never stop reporting about youth organizations of fascist type that beat up or even murder Ar-

menians and people of other “unacceptable nationalities and races.” This and official Moscow’s inability to suppress these groups make a negative impression on the public. People become disenchanted with the Russian state and are gradually losing their former sympathies for Russia. It is quite obvious that stepping up the struggle against racism, ethnic intolerance and extremism is one of the most urgent tasks of the Kremlin.

It seems that the regime of “special privileges” extended to Armenia as the strategic ally of Russia would be the right answer to the increasing negative trends. This would offer Armenia a better position as compared with other “problem” CIS countries. The economic situation will improve if Russia introduces privileges into the energy and foodstuff spheres; improved Russia’s image will extend the social base of Moscow-oriented republic’s political leaders. These measures might also make a great impression on other CIS countries.

When analyzing Armenia’s prospects we should take into account not only the formal constitutional activities going on in the parliament and realized through elections and party activity that everybody can see. There is also the state mechanism. One should bear in mind that after the 2003 elections the country acquired (or rather strengthened) the authoritarian form of government that came after post-Soviet “liberalism” (read: a period of anarchy and shameless plundering of the country by the party of power, that is, the Armenian National Movement).

Authoritarian power relies mostly on military and civil bureaucracy. We all know from world experience that similar regimes may ensure political stability (which is especially important for the country encircled by enemies) and successful economic development. Today Armenia is a multi-sided structure with no social consensus and no homogeneous civil society. This explains why the Western model highly efficient in integrated civil society cannot be promptly planted in the Armenian soil. The period of authoritarian rule may prove to be a long one; the state structure will probably contain a large share of military and power structures: its manifestations are better adjusted to the nation’s ideas and to this specific historical period. It is expected to guarantee domestic political stability at the early period of the country’s independence.

Those of the international organizations (EU, PACE, OSCE) and Western leaders who are stubbornly insisting on the republic’s (and other post-Soviet states’) prompt democratization demonstrate their ignorance of the local specifics and possible negative repercussions of the “big leap.” In this way the authoritarian rule in Armenia makes it harder for the country to integrate into “the united Europe,” yet it does not prevent (or even helps establish) relations with Russia itself coping with similar problems.

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## GEOPOLITICAL LANDMARKS OF KYRGYZSTAN

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### I. Introduction

The 21st century is an age of new technologies, geopolitical decisions that echo across the world, and an unprecedented pace of globalization synchronously felt in all corners of the world. The size of a country is no longer all-important; its economic and political might alone is not enough to claim geopolitical influence—history has become another geopolitical factor. The Kyrgyz statehood rooted in a



millennium-long history of the nation has been recognized by the U.N. as a sign of its ancient history that started at the time when the genetic roots of the Chinese, Indians, Jews, Armenians, Turkmens and Tajiks were formed.

Without the Soviet Union the superpower confrontation came to an end, yet we are still facing other no less acute contradictions and challenges. The world remains divided into the great powers' spheres of influence; the struggle among them is accelerating. These processes are not limited to the great powers themselves—the developing nations are also affected. Regional cooperation is coming to the fore, while the states are looking for worthy partners and new markets.

The new doctrines, ideological schemes and development conceptions can be equally applied to large and small countries; the struggle between the maritime powers and the heartland and their allies determined the geopolitical landmarks of each entity of international law. The role of individual in history is increasing again. The nation cannot remain indifferent when its country is turning into an arena of geopolitical games and struggle for resources. The system of its relations with other states depends on its domestic political climate and the state course. The classical geopolitical concepts—soil, relief, climate, national character, political regime, East or West orientation—have acquired new meaning.

## II. About the Country

Kyrgyzstan is a landlocked mountainous country with the extreme continental climate. Today, people of over 80 nationalities are living side by side in the republic, the core being formed by the Kyrgyz (about two-thirds of the total population). The country belongs to the Eurasian social type where its culture, history and the nature of state order are concerned; the system of social relations is mainly traditionalist.

The range of common consciousness varies from the feudal clan and relict communist ideas to virtual post-modernism. On the one hand, the nation favors the authoritarian system, on the other, the democratic ideas are very popular. This explains why certain groups of the political elite and common people still miss Stalin and his methods and why the bourgeois ideas (the market, capital, business, financial and industrial groups) are still defective. The layer of right liberals is very thin indeed. Contrary to what can be expected the nation has acquired a solid foundation of its new statehood rooted in the liberal-democratic principles of the relations between power and society. This patchy picture is determining the nature of new ethnogenesis and the country's future geopolitical aims.

Kyrgyzstan is the place where three world religions—Islam, Buddhism and Christianity—meet; therefore, correct development strategies will turn the country into a link between the West and the East. The 2200th anniversary of the Kyrgyz statehood widely celebrated on the basis of a U.N. decision in 2003 is directly related to the best achievements of contemporary political and social thought. Each nation should be aware of its origins, of its historic nature, its ethnogenetic roots in order to create an integral picture of the present and acquire a clear idea of the future.

Everybody concerned with the future of his country knows that it is highly ambiguous, patchy, multisided and varied. We cannot escape the coming shock of new reality and possible struggle for survival. At the same time, reliance on tradition with the aim of preserving national identity cannot help the nation to move toward a new national identity.

Kyrgyzstan has identified three main shells (atomic orbits) of its state policies on the international and domestic scene. The outer (outside) shell is strategic orientation toward three forces: the U.S., Russia and China. We should bear in mind that the multi-vector foreign policy of our republic is closely connected with domestic developments. Kyrgyzstan was the first among the CIS countries to join the WTO; it was one of the first to join the U.N. We are members of other international structures and are actively cooperating with the IMF, WB, EBRD, and the IDB. The international financial foundations have created a dense network of efficient structures in the republic, thus helping us develop a civil society. The country has a favorable investment climate in tourism, industry, agriculture, telecommunications and technologies. USAID helped us develop a marketing strategy designed to attract direct foreign investments (DFI) and realize the Investment Matrix. It has been calculated that in 2004 alone foreign investments will reach

\$200 million. The trade turnover with China, Southeast and Central Asia, and the West is growing, yet it cannot cover the local needs in capital investments in economy and the services. Kyrgyzstan is developing a favorable investment climate to attract more private and state investments: this is a clear sign that the country is devoted to democracy, the market, and human rights.

The second shell is the Eurasian one. In a broad sense Eurasia is a semicircle formed by Turkey, the South Caucasian states, Ukraine, Russia's regions, Europe, Central Asia and Mongolia. This is a fascinating and unpredictable territory especially attractive for small countries, such as Kyrgyzstan. The vast Eurasian cultural-historical expanse contains important world civilizations: Turkism, Sino-ism, Slavism, Hinduism, Europe-ism, and Atlanticism. Its historical transfers from one formation to another have taught Kyrgyzstan to adequately respond to the most unpredictable developments. This left its imprint on the nation's political behavior; the recent social and political transformations are obviously changing the nation's psychology.

The Eurasianism understood as a synthesis of cultures, historical destinies, and as a geoeconomic system is one of the post-Soviet achievements. Very soon Bishkek will host an international forum "Eurasia in the 21st Century: A Dialog of Cultures or a Clash of Civilizations?" aimed at generalizing all contemporary conceptions of and approaches to Eurasianism as the cornerstone of geopolitical efforts of the tellurian countries in the face of the preeminence of the thalassic states, of which America is the leader. The forum is expected to discuss once more and assess the Russian, Kazakhstani, Iranian, Turkish and European variants of the Eurasian conception as applied to our country's democratic future as a Eurasian country. For the Central Asian nations Eurasianism is a new and highly interesting subject, one of the aspects of their regional development: they are all involved in building up their regional geopolitics.

Regional orientation is the third shell: Iran, Afghanistan, Central Asia, Turkey, some of the Caspian states, as well as Mongolia and Russia represented by Tyva serve as our regional landmarks. Life has shown that economy cannot develop as an autarchic and purely regional structure or be oriented toward one "eternal friend" or "comrade." For example, Iran's geopolitical initiatives to set up peaceful regional security system deserve special attention. Our republic should have a closer look at the Iranian and Indian experience in the field of economy. It should be said that the Central Asian countries, especially Kyrgyzstan, would have profited from Ukrainian presence in the region: I have in mind further development of civil short-range aviation that could help us improve our transportation system. Civil short-range aviation is especially effective in a mountainous country.

The materials of the Mountainous Summit held in Bishkek in the fall of 2002 demonstrated that all mountain civilizations share several features: their economies are of a mixed type and they have a common special sociocultural type of relationships. Their transport infrastructure belongs to new geoeconomics. This will be taken into account. On the other hand, cooperation with China in the agricultural and industrial spheres (in the form of using Chinese experts as advisors) will help us boost these economic branches. We can profit from the experience accumulated in the northwestern corner of China and its mountainous areas, in the first place.

### III. Landed Property—New Type of Property

People in Kyrgyzstan have acquired the right to own property; the republic is switching to market economy and this proved to be the test of the nation's humanity. People have realized that in real democracy and social liberalism it is not the state that sets the rules but the economic entities themselves. Certain novel democratic institutions (some of them appeared in the country for the first time)—the ombudsman, local self-administrations, free elections and new election rules, NGOs, courts of elders, independent media, and political parties—played an important role in the new processes. In the new conditions the traditional family and the state have acquired new dimensions.

The country acquired its national currency (som) in 1993 that bridled galloping inflation (reaching 1000 percent) and prevented a complete ruin of national economy. The som was supported by the World Bank and the International Monetary Fund. Later when Kyrgyzstan joined the WTO it acquired excellent

perspectives because the world market is supervised by international trade and financial institutions. At the same time, the country was confronted with another problem of national genesis: how the real economic sector should be developed in order to find a niche in the highly competitive market of commodities and intellectual property. President Akaev spoke about the process of forming a single Kyrgyz nation in one of his addresses to the nation and the parliament. It was another angle of the country's geopolitical self-determination as a sovereign state.

The law that turned land into private property changed people's ideas about themselves: a landowner is a key entity of a novel approach to man as a creator of new values. The state stops being the omnipotent structure ordering passive and obedient vassals about—it becomes a real partner of property owners. It starts regulating the relations between the authorities and citizens and ensures the right of ownership for all without exception. This was entered into the republic's constitution after the referendum of 2 February, 2003.

In the philosophical context land is a multisided and universal category; it has concentrated economic, political and spiritual traditions; the nation is interested in it as the repository of its historic memories and its hopes for the future. Happiness today and in future is possible only when people live on their native land. The land makes man a true master of his future and an equal citizen of his country; the land is the guarantor of social stability and consolidation for the sake of unity.

## IV. New Doctrines

Democracy begins when human rights are reliably protected, when man has an opportunity to vote so as to decide the future of his country and society. Kyrgyzstan was declared to be a country of human rights—a geopolitical decision for the sake of the country's future. The human dimension in the state's policy comprises human rights; people's involvement in decision-making through voting; health and education. The human dimension of geopolitics means that people are looked at as the main instrument of the country's international influence. This, in turn, molds individuals into citizens. The natural laws of social development begin where freedom begins. This is a difficult ethical, psychological and political task for all post-Soviet states and nations. Our future depends on how well we can use our newly acquired freedom today.

It has been said many times that in politics there are no eternal allies—there are only eternal interests. If countries share interests one may hope that they will establish stable and reliable allied relations. Geopolitics is rooted in the profound knowledge of the country's nature and ethnic specifics; it takes account of ethnic psychology that reflects the main trends of novel ethnic features and the country's geographic location.

Those who refuse to treat geopolitics seriously will be inevitably caught unawares by barely perceptible shifts of big politics and sudden moves of partners. Unreliable partners are not a cause but a result of inadequate attention to political and economic relationships. The Central Asian and Caucasian countries are being gradually drawn into rapidly unfolding events and are developing into the entities of the international distribution of ideological doctrines. Adequate attention to geopolitics will bring success but in a region devoid of a single economic expanse the countries are limited in their geopolitical moves. In such regions it is signally important to prevent (or overcome) the threat of "Afghanization" or "Balkanization" prescribed by the "world grand masters" of mondialism and the great powers' "spheres of interest."

We should say that Academician and President of the Kyrgyz Republic Askar Akaev, one of the prominent politicians of the world, is also a successful geopolitician. The Great Silk Road doctrine he formulated back in 1998 is a document of worldwide importance. Peacekeeping and counter-terrorist efforts closely connected with the ideology of integration have become part and parcel of our country's diplomacy and geopolitical efforts. Supported by Russia, Japan, Turkey and China this doctrine determined the long-term perspectives of cooperation between Kyrgyzstan and other countries.

There is another no less important doctrine of the president of Kyrgyzstan. This is the "And-And" doctrine, which means that the interests of all countries that coincide with the interests of our country are equally important and needed. This is an alternative to the traditional "Either-Or" idea ("if I have this country for an ally there is no place for others in our alliance"). This is best illustrated by two military bases—an airbase at the international airport Manas used by the counter-terrorist coalition, and the Rus-

sian airbase in the town of Kant, close to the Chinese border—a unique phenomenon in international practice because the interests of the three giants do not clash there. They are mutually complementary. In this way the “And-And” doctrine supplied the multi-vector foreign policy of our country with an ideological and conceptual foundation in the form of a communicative “know-how,” it added several more layers to it and can serve as a graphic example of political synergism.

## V. Hard Roads Leading to Integration

Social and political transformations of the post-Cold War period are changing, to a great extent, the development patterns of the post-Soviet nations by offering people unexpected thinking patterns and economic coordinates. Sometimes people are carried away by their own enthusiasm only to be shocked by hardships these new patterns and coordinates cause. Yet nothing is unexpected—everything is predetermined, both joy and grief. They are all caused by people themselves. This is why the seemingly close aim suddenly disappears: more often than not reality pushes us back to the original positions. Politics and dreams are unlikely bedfellows.

Dialog and integration have at least several stages to cover before the conditions for a genuine dialog and genuine integration are ripe. The levels can be described in the following way: (1) optimism at the level of emotional contacts (eternal friendship agreements and fraternal feelings); (2) different assessments of reality (interests of states are rarely identical); (3) conflict of interests (caused, for example, by different national laws on customs and transborder procedures, legal aspects of cooperation and security issues); (4) realization that the sides need each other and that their positions should inevitably be drawn closer; (5) a dialog developing into integration. At the fifth, highest, level of mutual understanding a system of practical decisions between states is formed. Having lost their euphoria, having lived through numerous hardships they themselves create, people surmount these artificial obstacles to finally grasp the science of state-by-stage development; gradualness and consistency of social and political reforms. This is rooted in Oriental wisdom and all reforms should follow this pattern.

Askar Akaev's definitive work *Perekhodnaia ekonomika glazami fizika* (A Physicist's View of Transitional Economy) has added to the world's treasure-trove of management skills. Its practical importance is obvious today when all possible forecasts of future developments are obviously needed. On the ruins of the Soviet empire (that was keeping the union republics under pressure) the choice of the most rational variant of our relations with the closest neighbors and the world as a whole is intimately connected with our country's choice of domestic policies. The geopolitical value of the ideas our leaders and civil society have been recently offering is rooted in the past of the Kyrgyz statehood; in the economic theories of the past two centuries, the philosophy of nation formation (a single nation of Kyrgyzstan), as well as in the communications projects (transborder roads, technological breakthroughs in various fields, satellite communication, in particular).

The country's national development strategy depends, to a great extent, for its realization on the republic's geopolitical landmarks in the multi-vector and multi-level contexts. For example, the Integrated Development program for 2001-2010 envisages active cooperation with large and small states; we have selected the trade, economic, information, technological and humanitarian priorities and preferable vectors of such cooperation—the EU, U.N., the SCO, the EurAsEc, the Collective Security Treaty—that are developing together with the NATO Partnership for Peace program. On the whole, the geostrategy of the future looks like a foreign policy system the realization of which will depend on the degree of involvement of small and large nations in regional relationships.

Despite our relatively small territory and the present economic situation described as “geopolitical dualism” (some people believe that Kyrgyzstan is locked in a transportation cul-de-sac, while others are convinced that our mountainous country is a crossroads of civilizations and cultures where communication routes meet) some of the leaders of large political parties of Russia believe that our republic is developing into a geopolitical center and a “key partner” of the Russian Federation.

There is the expert opinion that if the country manages to escape from the “transportation cul-de-sac” mentioned above and if it acquires state-of-the-art communication means it will become a transcontinental country. Bishkek has already scored several foreign policy victories by establishing good-neighborly relations with Beijing, Tashkent and Astana. Its liberal-democratic principles and its Eurasian location create freedom of geopolitical maneuvering that uses the entire range of contemporary means—people’s diplomacy, flexible foreign policy and political psychology—to identify its priorities and describe them to the world community.

The Central Asian states now living through a period of disintegration objectively need a common market and, hence, new regional economy and new regional politics. The five states should pool together their production potential. This process will be a gradual one and will probably be completed by the mid-2030s. By that time they will probably create the Central Asian Common Market.

To be able to achieve this the Central Asian republics have to create a formula of their future unity: so far they have not yet reached an adequate level of democratic thinking and management. This is the task for the intellectuals who are expected to develop into the “conscience of the nation” and help the leaders of the five republics to find the genuinely democratic road. The futurological congress “Asia-2050” that is being convened with the help of the intellectual elite of the Central Asian countries is expected to contribute to their democratic choice. The epoch of globalization calls for unity—not disunity. The centrifugal tendencies of disintegrated policies are a temporary phenomenon. There is still hope for the region’s better future. The five integration stages described above can be speedily negotiated to alleviate possible negative consequences. To achieve this the local politicians and all those concerned with the region’s future should demonstrate their political will.

Deep-cutting economic and social reforms cannot be partial reforms. It has become abundantly clear that half-measures will never bring the desired results because the contemporary challenges are of an integral, global and cardinal nature. For example, the Integrated Development program mentioned above should receive a logical continuation in the form of a long-term national strategy to cover several next decades. Without this power will stagnate, while the state programs lacking concrete achievements will prove unreal. The absence of any component or a link from the system of transformations or, worse still, tactical errors will never let us progress—they will trigger economic losses.

## VI. The Democratic Code: Quo Vadis?

In March 2003, our republic acquired a Public Democratic Security Council (PDSC) made of the most respected academics and public figures. It had elaborated a Democratic Code (Social Contract) of the nation of Kyrgyzstan adopted in August 2003 by the World Kurultay of the Kyrgyz. The document, which is essentially a code of moral principles, is intended as a source of the global rules of democracy to be applied in this country and all over the world. Kyrgyzstan is developing into a model state in which the democratic principles are strictly observed and in which power is completely accountable to the nation.

I have already written that in the globalizing world the country’s size is no longer all-important; at the same time, the importance of the country’s choice of its position in the world is increasing. The role of the individual in history is more important than ever. At the same time, globalization favors economically and politically strong countries that have enough money to control others. The world hegemony’s monetary policies became the decisive factor any more or less developing country has to bear in mind when choosing partners and friends. The global game at democracy knows no victors and no losers, since democracy itself is an enigma for a rank-and-file analyst.

Indeed, democracy today is in trouble: large states that have made it their business to teach others democracy do not demonstrate their devotion to its principles. The mondialists look like dictators, while globalization sometimes produces more totalitarianism than we could see in the Soviet Union. In fact, upon the downfall of this most aggressive empire the world, no longer threatened with a global clash of two systems, has become more united than before. The Atlantists who are seeking a unipolar world are

destroying this unity. Hence international terrorism and its aggressive response to progress that shock the civilized world community. International terrorism is a product of the world religions' different philosophical worldviews responsible for civilization's development pace and its quality. The inadequate philosophical assessment by the developing countries with strong religious traditions of themselves and their place in the world caused by their ideological opposition to the industrial-information powers are responsible for international terrorism and domestic extremism.

The religions are complementing each other; they teach societies tolerance and wisdom, yet one tends to agree with certain contemporary thinkers who say that the confessions are no longer a universal means of moral transformation of man and society and that they should transform themselves. Like national chauvinism, religious chauvinism and pan-confessionalism are fraught with more troubles. Religious pluralism is preached in Kyrgyzstan: each of the confessions can prove its worth, while competing for the minds and hearts by peaceful means. For example, there are two opposite opinions about Hizb ut-Tahrir: some people say that this party should be banned, while others are convinced that its noble ideas should be widely promoted.

Extreme domestic phenomena—political confrontation, religious and ethnic intolerance—will spread abroad to cause regional instability. Stability in one country strengthens stability in its neighbors, therefore explosive situation in one country causes social instability in others. I regret to say that such explosions are inevitable in the countries in which power tries to put a lid on democracy: popular pressure is building up under the lid. The self-styled dictators who try to rule with fear under the guise of democracy have chosen a dangerous road. Popular discontent cannot be kept in check for long. If certain Central Asian republics fail to follow the road of true democracy, their leaders will find themselves in hot water despite their countries' huge natural riches.

International community supports Kyrgyzstan's democratic initiatives at all important global forums. The Democratic Code of our country has registered: "The public of Kyrgyzstan believes that, by way of an international, moral and legal initiative, it should invite the world community to elaborate the International Democratic Code the cornerstone of which was laid at the World Parliamentary Congress in Santiago (Chili)." In July 2003 the Kyrgyz Press information agency reported that the members of the parliament of Kyrgyzstan formulated an idea of an International Democratic Security Council approved by the World Parliamentary Congress. As soon as a new ideology—Kyrgyzstan is the Human Rights Country—had been formulated the country acquired a Public Democratic Security Council. It discussed the Democratic Code in detail. The new structure is designed to coordinate the efforts of all parliaments to monitor potential violations of the principles of democracy, to supply information about such violations, to assess what the political institutions of power are doing, and provide recommendations on conflict prevention and settlement (the Democratic Code of the People of Kyrgyzstan). In April 2004 the participants in the international conference "Importance of the Democratic Code of the People of the Kyrgyz Republic for Democratic Developments and Human Rights" invited the president of Kyrgyzstan, international organizations and the neighboring states to start working on the Central Asian Democratic Code.

The republic moved further on the road of democracy and market reforms by setting up the Council of Conscientious Management, an anti-corruption structure that attracted a lot of attention. There are first positive results: 2004 was announced the Year of Conscientious Management and Social Mobilization that increases the state's responsibility for its actions. The republic's public politics was reflected in some other documents related to suffrage, judicial reform, and the nation's involvement in decision-making. Kyrgyzstan has openly declared that it was prepared to face the contemporary challenges in the sphere of national self-organization and nation-formation while relying on worldwide democratic experience.

## VII. On Terralogy and Global Federation

Political integration of Eurasia is a quest for *terra communis*—there is no place for the struggle of tellurian against thalassic states (according to A. Dugin) in it. A new discipline is developing in contemporary geopolitics—it is called terralogy and studies regional problems in the geopolitical context. The

chance of enlisting Europe as its ally that the Soviet political leaders let to slip between their fingers should be recovered in the form of the new democratic order built along the lines of the International Democratic Code (Global Social Contract).

The nation-state is interpreted in Kyrgyzstan as an embodiment of traditionalism and modernism. We are watching a new national entity appearing in Eurasia in the melting pot of a single geopolitical expanse. The Bishkek forum mentioned above is expected to create a new conception of Eurasianism. The conference will be attended by leaders of many countries, a great number of former foreign ministers and political scientists. We can expect that they will produce a conception of terrapolitics, a promised land politics for each country. Globalization has given rise to “geopolitical instincts” of even small states guided by ideocratic development ideas. I should say that our republic, for example, possesses huge amounts of fresh water and that it is ruled by an idea. The market-oriented organizations are capable of promptly responding to any change in the most adequate way. Kyrgyzstan has found its own method of interacting with the world.

Since the Kyrgyz land is described as the source of fresh water (Ala-Too), ideas and water are two factors that go hand in hand with dynamic progress. They can help the country overcome its economic difficulties and join the ranks of stronger states. Having overcome its present dubious positions our republic will be able to influence Eurasian geopolitical strategies by contributing to regional stability and being guided by the ideas of domestic consolidation. With regional contradictions removed Kyrgyzstan stands a good chance of becoming a country of average development by the 2050s. We cannot cope with the task on our own. An intellectual club The Futurological Congress Asia-2050 based on the Bishkek Institute of Social and Political Studies set up in the Kyrgyz capital is designed to comprehend the region’s prospects if its countries acquire equal opportunities for their dynamic development (by this I mean that the nations of the region should do away with material- and labor-consuming production methods and discontinue the large states’ habit of using force when confronted with international problems). The government of our republic should more actively look for alternative energy sources; it should create and offer the world original information technologies; tap the nature’s healing potential and organize water marketing.

The water and climatic resources of Ala-Too, the mountainous region with unique ecology rich in mineral and energy resources, is one of the republic’s geopolitical and geoeconomic development factors. The main water resources of the region are concentrated in Kyrgyzstan; this gives us the opportunity to strengthen our international positions by creating a bilateral or multilateral water and energy consortium. These strategic aims go far beyond the limits of one country: Kyrgyzstan will be able not only to supply its neighbors (Uzbekistan, Kazakhstan and China) with ecologically pure water but also to sell it to other countries (the Middle Eastern states, Pakistan, Turkey and Israel). As the number of sources of fresh water will be diminishing the price will go up. Very soon, by the middle of the 2020s, it will become much more expensive than oil. Today, Bishkek could sign contracts on building water pipelines to export fresh water to water-deficit countries.

The road from an empire to a global federation lies through the International Democratic Code that should teach democracy to all Eurasian nations. Much time will be required to adapt to democracy: traditionalist societies find it hard to embrace democratic principles. Kyrgyzstan’s initiative to create the Democratic Code (Social Contract) has translated into reality the ideas of the great thinkers of the past: Confucius, Socrates, Empedocles, ibn Rushd, Hugo Grotius, Bacon, Spinoza, Rousseau, Marx, Popper and others. Kyrgyzstan has a good chance of becoming the ideological trailblazer for the sake of the United Democratic Flag of the World.

## REGIONAL ECONOMIES

**KAZAKHSTAN:  
CAPITAL FORMATION PROBLEMS  
ON THE WAY TO A MARKET ECONOMY**

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**Difficult Choice  
at the Start of Reforms**

Countries that have taken the road of transition from a planned economy to a market economy encounter roughly similar problems, which have by now been thoroughly studied. Initially, politicians and researchers were concerned about such problems as social stability during the transition crisis, budget execution, the pace of liberalization and advance toward an open economy and, naturally, the character of emerging property relations. One can hardly dispute that at this stage it is extremely difficult to take a systems approach to the creation of market institutions. Naturally, we understand these institutions in the modern sense of the word, as a combination of formal legal framework and effective norms, including rules of conduct of market agents actually observed in practice. In the early 1990s, it was assumed (in most cases tacitly) that the formation of a private (preferably competitive) economy would result in a rapid revival of economic activity. In the countries of Central and Eastern Europe, the turn toward the marketplace took about five years, and growth was first recorded in the mid-1990s. The recession in the former socialist countries has been analyzed time and again, but some of the earliest studies already gave a sufficiently clear explanation of the gener-



al causes of the transition crisis. As regards Russia and Kazakhstan, these causes were justly listed as follows: manufacture of unneeded goods, inefficient production and irrational allocation of resource inputs.<sup>1</sup>

In Kazakhstan, additional problems were created by the "planned" domination of heavy industry, formerly geared to meet the needs of the U.S.S.R., the low development level of many consumer goods and service industries, and territorial isolation. Industries and enterprises under Union jurisdiction accounted for over 90% of total output in the republic. The breakup of the U.S.S.R., the introduction of inconvertible currencies in the newly formed countries, and the abolition of the system of state orders naturally led to the disintegration of existing supply and marketing mechanisms, to the disappearance of sources of productive resources and markets. A high degree of production integration with Union enterprises prevented a quick reorientation of enterprises in Kazakhstan toward new markets. Adjustment at the microlevel proceeded in chaotic macroeconomic conditions. Cessation of the centralized inflow of funds was a typical situation throughout the post-Soviet space. Budget subsidies from the U.S.S.R. and then credits from Russia came to an end, which struck a heavy blow at the republic's chemical and petrochemical industry, engineering, ferrous metallurgy and other basic industries.

The economic recession bottomed out in 1995, when GDP was down by 38.6% (compared with 1990) and industrial output by 52%. GDP growth resumed only in 1996, but was interrupted in 1998 in view of the crisis in world commodity and financial markets (notably in Russia). Despite an average annual GDP growth rate of 9% from 1999 to 2003, Kazakhstan's economy has not yet reached the pre-crisis level of GDP (94.5%). But in 2004 one can expect the republic (in the wake of Poland) to pass the critical point for transition economy countries and reach the 1990 level of GDP.

Moreover, the pattern of annual growth rates in the post-crisis period and the progress made in market and institutional transformations give reason to expect a doubling of GDP (compared with 2000) by 2008, although the target year for this is 2010 (by the time of completion of the first ten-year plan developed under the Strategy-2030 program proclaimed by the country's president in 1997).

Having evaluated the degree of dependence of GDP growth on an increase in capital investment, the state is now planning to achieve a higher rate of accumulation (capital formation),<sup>2</sup> which in 1996-1998 fell sharply (to an average of 15.8%), but then rose to 27% in 2001-2002. This level roughly corresponds to accumulation levels recorded over the past 50 years in countries that have achieved a major breakthrough in their development (given high efficiency of such investment).

Economic trends in transition economy countries show that so-called recovery growth can to a certain extent occur without any new large-scale capital investment. The trivial explanation here is that enterprises (production facilities) that prove to be competitive in the conditions of a new equilibrium at the given level of demand and foreign competition (with due regard for exchange rates) can increase output. Reality has turned out to be more complicated, because the increase in output with an adjustment to the new relative prices and demand structure started from a significantly reduced, crisis level. This means that up to a point there was no tight link between the increase in output and production facilities (capacity underutilization decreased) or labor. The turn toward an increase in consumption was ensured both by an increase in the production of consumer goods and services and by imports.

Needless to say, such growth is limited by its very nature. From a certain point in time, it is necessary to make new investments in the renovation of old and creation of new production facilities. Investments in agriculture, transport, the service industry and trade are partly provided by small businesses. This usually takes place right after a liberalization of economic activity and prices, naturally given the

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<sup>1</sup> See: J. Williamson, *The Eastern Transition to a Market Economy: A Global Perspective*. LSE, Occasional Paper #2, 1992.

<sup>2</sup> "In order to maintain a steadily high rate of economic growth, ... it is necessary over the next four or five years to bring gross fixed capital formation as a percentage of GDP up to the level of 28%." *Address by the President of the Republic of Kazakhstan to the People of Kazakhstan for 2004*, April 2003.

creation of minimally acceptable conditions, including access to land and real estate, protection of property rights and an appropriate tax regime (or in circumvention thereof). However, development requires investment both in the general infrastructure, in a renovation of large enterprises, and in the construction of new facilities and efforts to enhance the competitiveness of the country's industry as a whole. This implies the need not only for an appropriate macroeconomic climate, but also for adequate behavior of enterprises as regards capital formation, which should be based on the development of institutions, especially financial institutions (with long-term liabilities and instruments), including capital formation incentives for the new property owners.

The transition to a recovery in output goes hand in hand with an increase in economic efficiency, but this does not mean that the goals of transition to the market have been achieved. Economic growth does not as yet amount to modernization. It is much more difficult to bring about a change in economic proportions, both sectoral and territorial, to raise labor productivity and create new competitive enterprises in the conditions of globalization. Unless this is done, there can be no qualitative change in productivity levels, in the country's competitiveness or in the people's living standards.

As a matter of fact, herein lies one of the essential difficulties of the transition period: the problem of combining development and transformation, the need to create market-economy institutions and, at the same time, to resolve major economic problems facing any country. The dilemma here is fairly obvious: either to create conditions for capital accumulation or to opt for more pragmatic attempts to resolve the existing problems with the use of tools at the disposal of the state. In the first case, the state withdraws from the sphere of accumulation on the assumption that its own activities in this sphere are ineffective and that favorable conditions can quickly be created for capital formation by private businesses (investment climate). The main risk here is the time factor: many problems may remain unresolved for long periods and result in higher current costs (for example, expenditures on repairs instead of renovation). The risk of the second approach is long-drawn-out construction of an appropriate "climate," which may lead to an aggravation of a number of problems, for example, to wear and tear of the physical infrastructure, a sharp worsening of regional imbalances in development, and a shortage of private financial resources required to implement large investment projects.

The "poverty trap" can bring development to a halt (as we find in some CIS countries) before market institutions have taken shape, and a lack of positive changes in the economy can have an adverse effect on the formation of the very institutions that are designed to create the prerequisites for a recovery. The two processes—creation of prerequisites for development and solution of economic problems—cannot be isolated from each other, but must run parallel or in stages. In other words, there can be no development or significant increase in capital formation without a sufficiently solid groundwork, just as a transition to more complex and long-term projects in manufacturing or the high-technology sphere requires adequate institutions. Naturally, successes in development, including economic growth and capital investment, help to shape market institutions, creating demand for high-quality institutions. These two processes intertwine, and an end to stagnation as such is important for a transition to economic modernization. In real life we find a contradictory picture reflecting the difficulty of choice and the risks of each approach, including the sequence of stages: the better the climate and the sounder the institutions, the more reason there is to rely on business itself for a solution of national problems. It is important to note that accumulation risks in a private economy are transferred to the level of the firm and often do not coincide with the notions of the state, as represented either by officials or by reformers, about when and how to risk one's funds.

The large package of measures carried out in Kazakhstan in the mid-1990s to achieve macroeconomic stabilization and ensure conditions for development is sufficiently well known. Thus, the economy was privatized and liberalized, a foundation was laid for the operation of a market-based banking system and, during the acute crisis of 1998, the authorities carried out a radical budget audit, reducing the budget deficit to a minimum. The implementation of structural reforms was also promoted by a policy aimed at attracting foreign investment to the oil industry.

## Accumulation Dynamics and the Role of Oil Revenue

The sharp drop in GDP and industrial output in 1991-1995 was coupled with a decline in capital investment. In 1996, investment in fixed capital was down to one-tenth of the 1990 figure, with a steady decline in fixed capital formation as a percentage of GDP. Inflation, which in the early 1990s reached four-digit figures, exacerbated the slump in investment activity, which in turn led to a collapse in output. In view of unpredictable price behavior and lower confidence in the advisability of long-term investment in the republic's economy, there was a massive outflow of capital from the country, which limited the possibilities even for its simple reproduction. The problem of capital outflow was aggravated when the state liberalized foreign trade and exchange rate policy while retaining control over domestic prices for the key raw materials. When it became necessary to review the prices of electric power, oil and oil products in order to enable their producers to operate cost-effectively, business entities that were consumers of energy resources were faced with a sharp rise in prices. The "price adjustment" process became continuous and doomed the economy to a higher rate of inflation, a slump in production and an unprecedented decline in investment activity. According to estimates made at the time, the amount of investment required for the economy was 15-20 times higher than the actual level, whereas the amount required for structural transformations in the economy over the following five or six years was close to \$20 billion. The situation was in many respects similar to that in Russia: a sharp slump in industrial production, inflation, the transformation of enterprises and the rupture of traditional economic ties, a shortage of credit and capital for new investment, low income levels, growing unemployment and tensions in the regions. The economy was faced with the problem of restoring capital investment as a factor that would enable it to overcome the crisis and continue its development.

In the early 1990s, the republic began to pursue an effective policy aimed at attracting foreign investment, because it was clear that an economic upturn was only possible based on foreign (mostly private) capital investment. It was also clear that economic restructuring with the use of foreign direct investment could only be achieved in competition with other states also seeking to attract capital. For a new country, albeit with abundant mineral and raw material resources but without a "credit history," even a very high expected return could prove to be inadequate to induce investors to put their money into concrete production projects. A key decision here was to reduce the uncertainty factor and provide guarantees for foreign investment. In December 1994, a Law on Foreign Investment was adopted in the republic, and in 1997, a Law on State Support for Direct Investment.<sup>3</sup> These documents established the necessary legal framework for attracting foreign direct investment (providing guarantees against expropriation, nationalization and unlawful acts by government agencies or officials, guarantees for repatriation of profits in convertible currency, etc.).

Apart from that, foreign investors were accorded most favored nation treatment, aimed at protecting their rights and bringing the national legal norms of the contracting parties as close together as possible. In the oil producing industry, the state also resorted to wide use of production sharing agreements (PSAs), which have now reached a peak of cost recovery and will soon begin to generate large profits.

Naturally, at the initial stage Kazakhstan's negotiating positions in its talks with major foreign companies were constrained by the economic crisis. Later on the country could have probably obtained more favorable terms for PSA contracts in the oil industry (just as Russia in Sakhalin). But it could not afford to lose any more time required for development. In addition, had the negotiations lasted one or two years longer, low oil prices (1998) could have hindered the attraction of investment to an even greater extent. In the mid-1990s, foreign investments accounted for only 2% of total fixed capital investment.<sup>4</sup> After that their inflow reached a total amount comparable (when adjusted for population) with the countries of Central and Eastern Europe. In 10 years (1993-2003), foreign direct investment exceeded \$25.8 billion, with more

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<sup>3</sup> In 2003, these laws were combined into a single Law on Investment.

<sup>4</sup> According to data from the Statistics Agency of the Republic of Kazakhstan.

than half the total attracted in 2001-2003 (the annual average comes to \$4 billion, which is almost twice as high as the figure for Russia). In Russia, something similar may be expected in Sakhalin over the next few years in connection with a rapid increase in investment under production sharing agreements concluded in the same period as those in Kazakhstan.<sup>5</sup>

Table 1

**Volume of Production**  
(% of previous year)

	1998	1999	2000	2001	2002	2003*
<b>Industry, total</b>	<b>97.6</b>	<b>102.7</b>	<b>115.5</b>	<b>113.8</b>	<b>110.5</b>	<b>108.8</b>
<b>including:</b>						
<b>Mining</b>	<b>98.5</b>	<b>109.6</b>	<b>121</b>	<b>114</b>	<b>115.9</b>	<b>108.8</b>
<b>of which:</b>						
<b>Production of crude oil and associated gas</b>	<b>101.8</b>	<b>114.4</b>	<b>115.8</b>	<b>115.1</b>	<b>117.4</b>	<b>108.2</b>
<b>Production of natural gas</b>	<b>95.6</b>	<b>135</b>	<b>125</b>	<b>101.5</b>	<b>121.2</b>	<b>122.1</b>
<b>Manufacturing</b>	<b>96</b>	<b>102</b>	<b>117.4</b>	<b>115</b>	<b>108.1</b>	<b>108.9</b>
<b>of which:</b>						
<b>Food and drink industry</b>	<b>98.7</b>	<b>91.4</b>	<b>116.1</b>	<b>108.2</b>	<b>108.7</b>	<b>109.4</b>
<b>Textile and clothing industry</b>	<b>89.6</b>	<b>103.1</b>	<b>121.7</b>	<b>125.6</b>	<b>115.7</b>	<b>98.6</b>
<b>Oil products</b>	<b>92.6</b>	<b>71.2</b>	<b>103.8</b>	<b>123.7</b>	<b>109.8</b>	<b>112.4</b>
<b>Chemical industry</b>	<b>61</b>	<b>105.9</b>	<b>118.6</b>	<b>161.3</b>	<b>113.4</b>	<b>116.3</b>
<b>Metallurgy</b>	<b>100.5</b>	<b>116.7</b>	<b>116.3</b>	<b>108.4</b>	<b>106.4</b>	<b>102.1</b>
<b>Ferrous metallurgy</b>	<b>87.5</b>	<b>134.9</b>	<b>118.9</b>	<b>101.8</b>	<b>107.9</b>	<b>110.5</b>
<b>Nonferrous metallurgy</b>	<b>110.6</b>	<b>103.7</b>	<b>113.9</b>	<b>113.6</b>	<b>105</b>	<b>92.9</b>
<b>Engineering</b>	<b>69.5</b>	<b>113.6</b>	<b>179.9</b>	<b>141.2</b>	<b>109.6</b>	<b>120.7</b>
<b>Production and distribution of electric power, gas and water</b>	<b>96.1</b>	<b>95.7</b>	<b>105.8</b>	<b>108.6</b>	<b>101.9</b>	<b>107.1</b>
<b>of which:</b>						
<b>production and distribution of electric power</b>	<b>94.5</b>	<b>98.5</b>	<b>108.1</b>	<b>105.9</b>	<b>103.4</b>	<b>108.9</b>
<i>Source:</i> Statistics Agency of the Republic of Kazakhstan.						
* Estimate.						

<sup>5</sup> Today Russia has only three projects (Sakhalin-1, Sakhalin-2 and Kharyaga) being implemented under PSAs signed before the entry into force in 1995 of the Law on PSAs (amendments and addenda to that law were introduced in 1999 and 2001). These three agreements have a "special status:" under the Law on PSAs they are "to be executed in accordance with the terms and conditions specified in these agreements." The PSA pioneer firms have got down to the second stage of development and have announced the second phase of their investment programs (about \$20 billion).

Oil production and exports increased in the wake of the boom in real foreign investment in 1998-2001. Kazakhstan proved to be one of the unique countries in the developing world: the Asian crisis of 1997-1999 went hand in hand with a sharp increase in gross investment in the republic. Accordingly, by the time of the rise in oil prices in 2000-2003 the republic had become a significant exporter of oil. Thus, in 2003 it produced 45.3m tons of oil and exported 38.7m tons, or 85% of the total (for comparison, in 1995 the figures were 18.1m and 9.8m tons, respectively). With the development of the Kazakhstan sector of the Caspian Sea, oil production in the country is expected to increase to 61.2m tons (exports, to 51.6m tons) in 2005, 118.6m tons (103.7m tons) in 2010, and 179.2m tons (160.6m tons) by 2015. Investments in this area are projected at \$4.4bn in 2003-2005, \$8.6bn in 2006-2010, and \$13.5bn in 2011-2015.<sup>6</sup>

In relative terms, from 1998 to 2003 production of oil and associated gas increased by 94%, and that of natural gas multiplied 2.5 times, whereas output in manufacturing rose by 62%, and in the food industry, by only 36% (see Table 1).

Growing oil exports naturally boosted oil revenue and helped to resolve de facto the budget crisis typical of transition economy countries in that period (over the past few years, the republic's budget has doubled). The net effect of oil revenue is around 4% of GDP, and in the next few years it is expected to reach 6%. This puts Kazakhstan among the countries in which a huge share of industrial output, exports and budget revenue is traditionally connected with oil production. Estimates show that the share of fuel exports in the republic (around 60%) is moving from the level of Indonesia (25%) to that of Venezuela (80%), while the share of manufacturing exports (20%) is moving in the opposite direction.<sup>7</sup> In fact, over the past eight years mineral resources have accounted for more than 50% of total exports, and over the past four years this figure has averaged about 60%. A point to note here is that the raw material bias in exports has markedly increased not only in connection with external factors (the rise in world oil prices), but also under the impact of domestic factors: growing oil production, development of new fields and commissioning of new infrastructure facilities, such as the Caspian Pipeline Consortium (CPC) system with a throughput capacity of 28m tons per year.<sup>8</sup>

In effect, a two-sector model of the economy has taken shape in the country, where a single industry assimilates most of the industrial investments, turns out most of the export products, is localized in a definite part of the country, and generates huge revenues for the state budget (but revenues dependent on the situation in the world market). The rest of the economy, especially manufacturing and infrastructure industries, remain depressed in terms of investment and unattractive to private capital.

The situation in the mid-1990s (that is, before the Asian crisis) was marked by an increase in foreign investment in the developing countries. In order to gain time, which was of critical importance for the republic's efforts to get development going and for a solution of urgent economic problems, the only way to take advantage of the situation was to offer adequate conditions to foreign firms. Kazakhstan was able to escape from the trap of stagnation during the transition crisis, but its development became heavily dependent on the oil factor.

The newly established two-sector model of development carries considerable risks, and it is extremely important for the state to ensure, first, that progressive development of the oil industry does not entail an increase in current wasteful consumption, given the pressing need for capital formation and for a recovery in other sectors of the economy. Second, it is extremely important to ensure that a reallocation of resources from the oil industry to manufacturing (through more active government investment) does not lead to a loss of private sector incentives to create new and develop traditional lines of production with higher value added.

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<sup>6</sup> According to data from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

<sup>7</sup> Estimates by the World Bank and the Ministry of Economics and Budget Planning of the Republic of Kazakhstan.

<sup>8</sup> In the coming years, the CPC system is to be expanded to 67m tons of oil per year.

## Economic Structure and Accumulation

A restructuring of the economy in the conditions of reforms naturally engenders the problem of a price revolution, especially after long years of underpricing of raw materials and energy products under the planned economy in the U.S.S.R. (at that time, artificial competitive advantages enabled the manufacturing sector to occupy sufficiently solid positions in the overall production structure).

Table 2

**Structure of Industrial Production and Investment by Industry:**  
1st line—production, 2nd line—investment (% of total)

	1991	1995	1997	2001	2003
Electric power industry	4.8	14.7	13.8	8.8	8.1
	10.6	14.4	4.1	5.1	6.7
Oil production	2.2	10	17.5	36.1	40.1
	31.5	35.8	33.2	70.5	72.8
Oil refining	2	5.4	5	3.9	4.4
	n/d*	3.8	1.2	1.8	1.3
Coal industry	3	7.2	3.5	1.7	1.4
	10.4	7.8	6.2	1	1.3
Ferrous metallurgy	5.8	13.6	11.9	6.7	8
	5.1	9.9	5.1	4.4	1.8
Nonferrous metallurgy	9.1	11.5	13.8	11	8.2
	11.8	16.8	6.8	5.4	4.2
Chemical and petrochemical industry	6.3	3.7	2.2	1.5	1.8
	6.2	1.3	0.4	0.8	0.4
Engineering and metalworking	11.6	7.4	5.3	3.4	3.2
	5.4	1.1	0.5	0.9	1.2
Light industry	18.5	2.5	2.1	2.1	1.9
	2.7	0.1	0	0.3	0.1
Food industry	22.3	13	17	12.6	10.2
	7.4	2	3.4	3.9	3

*Source:* Statistics Agency of the Republic of Kazakhstan.  
\* n/d—no data.

But a sudden opening up of the economy to the outside world, loss of markets and rupture of ties objectively worsened the problem of a shift in production toward upstream products. To this must be added the weakness of integration initiatives within the CIS framework and the different-vector economic policies of the FSU republics, factors which still hinder effective economic development in the newly independent states. In 12 years, the share of engineering and the light and food industries, i.e., industries facing high import competition, fell from 52.4% to 15.3% (see Table 2). The “lost” percentage points were gained by the oil producing industry. An even more important thing here is that over the past two years the share of the primary industries has continued to grow. Of course, this reflects the specifics of the oil industry, but also the structure and amount of investment. A state of affairs where roughly 73% of total industrial investment goes into oil production poses a serious threat to balanced development in the future.

Investments in recent years have increased unevenly, creating, in particular, regional inequalities. Statistics for 2001-2003 show that more than half (52.6%) of all fixed capital investments go to enterprises in the western part of the republic (Atyrau, Western Kazakhstan, Aktyubinsk and Mangistau regions), where there is a high concentration of large oil and gas fields. It is precisely the implementation of investment projects in these regions that has ensured a huge increase in overall fixed capital investment, which has been growing steadily since 1997 at an average rate of 28.7% a year. But such a one-sided flow of funds into primary (mostly mining) industries raises the question of investment efficiency on the scale of the whole economy. The need to develop the country and to renovate its physical infrastructure (especially roads and water supply system) objectively requires the creation of effective mechanisms for a reallocation of resources.

In addition, such a high level of investment activity in the oil and gas sector entails a significant increase in imports of goods and services. A substantial part of these goods and services is imported for the implementation of large construction projects by enterprises in that sector and is funded out of foreign direct investment. Of course, the development of the oil industry spurs the development of a number of manufacturing industries, but import figures—primarily for producer goods and construction services—are very high (over the past four years, the average annual figure has exceeded \$10 billion, rising by about \$1.5-2 billion a year).<sup>9</sup> Together with credit payments to direct investors (considering that direct investments mostly flow into the republic in the form of debt capital or so-called intercompany debt transactions between strategic investors and affiliated companies in Kazakhstan), such a situation puts colossal pressure on the current account balance, which has been negative over the past four years (a surplus was recorded only in 2000).

But on the whole the current movement of fixed capital renewal indicators (see Table 3) is fairly optimistic, although in the conditions of rapid changes in the production structure these data are not too reliable. Nevertheless, the depreciation of fixed assets in the republic's economy in recent years has stabilized, and renewal indicators have markedly increased.

However, there is a clear awareness in the country of the need to resolve the main problems in the sphere of investment policy.<sup>10</sup> These include, first, the low level of investment in processing industries and, second, the insignificant amount of private investment in priority sectors, primarily the infrastructure, the agriculture-and-food complex, transport and communications.

## Financial Sector and Private Accumulation

The development of the investment process on a private basis depends both on general macroeconomic factors and on the structure of demand and prices, which determine the profitability of investments

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<sup>9</sup> Data for total imports of goods and services from the National Bank of the Republic of Kazakhstan and balances of payments for the respective years.

<sup>10</sup> Indicative Plan of Social and Economic Development of the Republic of Kazakhstan for 2004-2006.

Table 3

## Renewal of Fixed Capital

Rate of renewal (commissioning of fixed assets as a percentage of their total stock at year-end)						
	1996	1998	1999	2000	2001	2002
<b>All fixed assets, including:</b>	5.8	6.6	8	13.8	13.2	12.6
<b>Agriculture, hunting and services in this sector</b>	1.9	1.3	5.9	4.3	3.9	5.1
<b>Mining</b>	n/d*	n/d*	11.4	22.3	12	13.6
<b>Manufacturing</b>	n/d*	n/d*	8.4	13.1	13.3	13.4
<b>Production and distribution of electric power, gas and water</b>	n/d*	n/d*	5.4	3.6	4.9	4.5
<b>Transportation</b>	3.7	2.5	5	7.4	9.1	10.5
<b>Communications</b>	n/d*	n/d*	13.8	13	22.6	16.4
Depreciation of fixed assets at year-end (%)						
	1995	1998	1999	2000	2001	2002
<b>All fixed assets, including:</b>	n/d*	32	33.1	29.7	33.1	30.1
<b>Industrial enterprises</b>	n/d*	41.7	35.7	32.7	31.3	31.6
<b>Agricultural enterprises</b>	n/d*	49.7	46.8	44.5	42.5	29.1
<b>Construction organizations</b>	n/d*	43.1	38.1	39.5	29.9	30.5
<b>Transportation organizations</b>	n/d*	42.6	41.2	36.6	39.7	36.1
<i>Source:</i> Statistics Agency of the Republic of Kazakhstan.						
* n/d—no data.						

and projects. Kazakhstan's problem is that rapid development implies the need for a rapid "enlistment" of the necessary institutions and mechanisms in the solution of vital problems. In actual fact, as we saw above, the oil industry and the budget have been growing due to foreign investments and revenue generated by them. Considering the real conditions in the country (particularly the "oil bias"), the need for huge investments in the infrastructure—roads, transportation, communications and water supply—can hardly be met in the immediate future by the private sector, which means this will require considerable government intervention.

At the same time, given the existing biases, it is important that all sectors of the economy which can be cost-effective with private investment should have an opportunity for independent development. Table 4 shows a fairly complicated picture of internal profitability in the various industries. Thus, against the background of naturally high profitability of the export-oriented oil and gas industry and metallurgy all other industries are in the zone of low or negative profitability. With a gradual strengthening of the national currency (as in Russia), the republic's light and food industries are subjected to heavy pressure



from imports, although they are a particularly attractive investment destination for domestic private capital. One of the possible solutions here is to reduce the tax burden on the non-oil sector in order to create incentives or to introduce diverse forms of stimulating priority investments. As it happens, active work is now underway in the republic to develop appropriate instruments in this area.

Table 4

## Industry Profitability\* (%)

	1991	1993	1995	1997	1999	2000	2001	2002
Electric power industry	11.9	3.7	4.5	-4.2	-12.6	-12.7	-9.2	7.1
Oil production	13	36.3	31.1	2.6	35.1	49.2	48.8	37.4
Oil refining	12.2	28.8	34.4	1.4	19.1	25	11.9	12.3
Coal industry	40.9	46.2	33	-1.7	0.9	-5.6	0.9	n/d**
Ferrous metallurgy	32.3	68.8	24.9	5.5	39.5	40.4	16.4	41.2
Nonferrous metallurgy	29.4	39.5	18.6	24.9	26.4	45.6	37.3	41.3
Chemical and petrochemical industry	20.7	21.2	-4	-16.9	-12.3	-29.6	-29.1	-7.4
Engineering and metalworking	22.8	29.8	11.2	-0.8	n/d**	0.7	2.1	n/d**
Building materials industry	26.1	18.7	6.3	0.3	-12.9	-4.9	6.8	n/d**
Light industry	24.4	32.2	2	-4.6	-6.8	-19.6	-2.9	-3.2
Food industry	19	24.1	9.4	6.2	3.3	...	2.8	0.2

*Source:* Statistics Agency of the Republic of Kazakhstan.

\* Profitability is calculated as the ratio of profit on sales of products (works, services) (since 1998, total pretax income) to production and selling costs.

\*\* n/d—no data.

Yet another imbalance in the development of Kazakhstan's economy is the shortage of reliable and "liquid" projects which could be of interest to investors, especially private investors. This is precisely what limits the role of the financial sector, whose development level in Kazakhstan is estimated to be the best in the post-Soviet space (see Table 5).

The gist of Kazakhstan's economic development problem is that "surplus" oil revenues in Kazakhstan are flowing into the country's budget in conditions where the degree of concentration of private capital and the existing incentive system prevent such capital from engaging in large-scale project funding. For the second time in less than 10 years, the republic is faced with a difficult choice: how to employ its oil wealth, considering the existence of several groups of risks.

- First, there are large uncertainties in the projections of future government revenue and economic growth (given that oil prices could range from \$13 to \$22 per barrel).<sup>11</sup> The decision

<sup>11</sup> According to the Indicative Plan of Social and Economic Development of the Republic of Kazakhstan, the annual rate of growth in 2004-2006 could be 7.2% if the average world price of oil (Brent crude) is \$22 per barrel, and 4.4% if it is \$13.3 per barrel.

Table 5

**Some Indicators of  
the Financial System**

	1995	1998	2000	2001	2002	2003
<b>Deposits in banking system, \$bn</b>	1.06	0.95	2.03	2.96	3.88	5.1
<b>Assets of accumulative pension funds, \$bn</b>	—	—	0.79	1.24	1.77	2.6
<b>Deposits in banking system as % of GDP</b>	6.7	4.6	11.3	13.7	16	17
<b>Deposits per capita, \$</b>	12.6	24.1	41.1	82.9	108.5	351
<b>Assets of accumulative pension funds as % of GDP</b>	—	—	4.3	5.6	7.2	8.7
<b>Total assets of banking system, \$bn</b>	2.55	2.34	3.65	5.44	7.36	11.7
<b>Bank lending to the economy, \$bn</b>	0.67	1.11	1.91	3.26	4.32	6.82
<b>Bank lending to the economy as % of GDP</b>	4.2	5.4	10.6	15.1	17.8	22.9
<b>Bank lending as % of gross investment</b>	17	n/d*	58	55	64	78

*Source:* National Bank of the Republic of Kazakhstan.  
\* n/d—no data.

has to be made in a situation where prices in the world oil market can change abruptly and significantly.

- Second, the republic has to make a critical choice between investment of new revenue and a rise in personal incomes (social and budget sphere). Most oil producing countries have not resisted the temptation to raise the living standards of their population (which are usually low) out of oil revenue, with the result that external price fluctuations are factored into budget receipts.

Yet another aspect is the distribution of consumption over time, that is, between the present and future generations of citizens. This largely depends on the opportunities for using uncommitted funds in world financial markets. The currently low level of interest rates in the U.S. and the EU hinders effective portfolio investment of public funds abroad in order to “put aside” this money for future productive use without reducing its eventual purchasing power.

Finally, the key problem is how to transfer the available funds to business agents. The list of options is not too long: direct government investment, government development instruments (guarantees, credits, etc.), financial sector and tax measures. In effect, the government is now trying (quite successfully) to make simultaneous use of all these methods in an attempt to accomplish the main task: to create a system of compensatory measures for the solution of a new—and totally different—set of development problems. We are referring to a large package of measures aimed at removing the distortions in the investment structure and paving the way for a diversification of the economy.

One should note that Kazakhstan was the first CIS country to set up a National Stabilization Fund, which at the end of 2003 had a total of around \$3.6 billion. That year the republic also developed and adopted a Strategy of Industrial-Innovative Development for 2003-2015, whose main purpose is to achieve sustainable development by diversifying the economy and so to overcome its raw material bias. The main priorities designed to ensure a solution of these problems have been selected as follows: oil and gas refining, use of biotechnology in medicine, agriculture and the food industry; domestic development and manufacture of pharmaceuticals; production of super-pure and high-technology materials; creation of a basis for the state's information infrastructure; and engineering.

The tasks which the state seeks to accomplish in the medium-term perspective are sufficiently ambitious: to raise the average annual rate of growth in manufacturing to 8.4%, to triple labor productivity by 2015 compared with 2000, to reduce the energy intensity of GDP by half, and to raise the productivity of fixed assets. The state also plans to create a business climate and a structure and content of social institutions such as would stimulate the private sector to produce and build up a competitive advantage and to master new elements in the value added chain in concrete lines of production, advancing toward elements with the highest value added; to stimulate the development of science-intensive and high-technology lines of production oriented toward exports; to diversify the country's export potential in favor of high value added goods and services; to go over to world quality standards; and to make more active efforts to integrate into the regional economy and the world economic system with inclusion in international scientific, technological and innovation processes.<sup>12</sup>

With the implementation of this strategy, gross capital formation is projected to reach 25-32% of GDP (final consumption approach), and large amounts of government investment are to go into manufacturing, science and education.<sup>13</sup> The country's leadership is aware that these plans can be carried out only provided there is purposeful training of managerial, engineering, technical and, most importantly, industrial production personnel.

As regards government investment, an important point to note is that in order to accomplish these tasks the republic's authorities have set up specialized state development institutions (Investment Fund, Innovation Fund and Export Insurance Corporation), and have also opened a Marketing Research Center and a Center for Engineering and Technology Transfer. Together with the authorized capital of the Development Bank, established back in 2001, the authorized capital of these organizations is close to \$625 million. All these structures are designed to form a system whose stable operation would be based on the principles of decentralization, specialization, internal and external competition and, most important of all, provision of incentives to private sector innovation, because the country's authorities are well aware that the activities of government institutions could dampen private initiative and generate excessive dependence on the state in the use of government funds.

Naturally, one of the main lines of stimulating investment activity by the private sector is a reasonable tax policy. Starting from 2004, the rate of value added tax in Kazakhstan has been reduced by 15%, and the payroll tax burden has markedly decreased as a result of cuts in the rate of individual income tax and the introduction of a regressive scale for the social tax.<sup>14</sup> For enterprises operating in special economic zones, the amounts of assessed corporate income tax have been considerably reduced, and these enterprises are fully exempt from VAT, property tax and land tax. So far the republic has three such zones: Aktau Seaport, Alatau Information Technology Park and Astana-New City, that is, in spheres which have been designated as priority spheres for the development of the country's economy.

In order to promote a renewal of fixed assets, the tax legislation of Kazakhstan (like that of Russia) has repealed the investment allowance, but provides for a double rate of depreciation for new fixed assets

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<sup>12</sup> Strategy of Industrial-Innovative Development of the Republic of Kazakhstan for 2003-2015. Decree of the President of the Republic of Kazakhstan of 17 May, 2003.

<sup>13</sup> See: Ye.A. Utembaev, "Promyshlennaia politika i administrativnaia reforma. Dolgosrochnye priority," in: *Promyshlennaia politika i administrativnaia reforma*, Presidential Administration, Republic of Kazakhstan, Borovoye, November 2003, p. 215.

<sup>14</sup> The social tax was introduced in 1999, incorporating social payments into extrabudgetary funds. From 1 July, 2001, its rate was reduced from 26% to 21%, and from 1 January, 2004, this tax was switched to a regressive scale (from 20% to 7%).

in the first year of their use. In order to create new and to renovate and expand existing production facilities, the country's legislation envisages a mechanism for investment tax preferences under which taxpayers concluding contracts with an authorized government agency are entitled to deduct the cost of new fixed assets in equal shares, depending on the preference period. In addition, this mechanism provides for a simultaneous exemption from property tax on new fixed assets under investment projects and for an exemption from tax on land parcels acquired and used to implement such projects.

On the whole, provisions on corporate income tax, including depreciation policy, are conducive to a renewal of fixed assets, as indicated above. From 1 January, 2004, maximum rates of depreciation were increased for categories of fixed assets for which a comparative analysis had revealed deviations from the standard rates. In the event, the established procedure for calculating depreciation charges for tax purposes has been retained and higher differentiated limits have been established for deducting repair expenses for fixed asset categories subject to faster wear.

Without going into the details of innovations in the taxation of subsoil users, let us emphasize that Kazakhstan, having introduced (from 1 January, 2004) a new rental tax on exported oil,<sup>15</sup> has retained provisions that prohibit a toughening of legislation as regards taxpayers operating under the PSA model. The tax treatment for such contracts has remained the same over the entire period of implementation of investment projects (naturally, unless the parties have made an agreed decision to change the tax practice). Consequently, there is renewed emphasis on stability guarantees, which helps to enhance the industry's investment attractiveness.

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

By 1995-1996, the economy of Kazakhstan was confronted with a real threat of stagnation, given the lack of financial possibilities for development and the long-drawn out general crisis in the post-Soviet space. That is why in solving the problems of accumulation and modernization at the first stage the republic addressed a pragmatic task: to create a "locomotive of growth" on the basis of new capital investment. The oil sector became such a locomotive, and today it can be said that the country has made fairly good use of this opportunity.

In the process of fostering a favorable investment climate, creating conditions for modernization and implementing plans for large-scale regeneration of the economy, the republic has passed two turning points. At the first stage, in 1994-1996, active measures were taken to attract foreign investment, which helped to resolve the problems of development and stabilization and to overcome the budget crisis through a privatization of state property and attraction of strategic investors. And in 2001-2003, building on the solution of macrostabilization problems and growing revenue from oil exports, the authorities took steps to increase the rate of accumulation and to implement large-scale development problems of the classical type aimed at creating state development institutions and increasing public investment.

Today the country seeks to make effective use of the new financial opportunities for sustainable development. Kazakhstan with its 15 million population, remote ports and huge resources should make rational use of its oil revenues so as to find the right balance between consumption and capital formation, which will make it possible to modernize the economy and ensure effective development and use of human capital. The laws of globalization are quite harsh. Unless they are offset by reasonable economic policy, the country may be left to cope with the classical problems of the oil and gas "Dutch disease." The growth of GDP after its doubling based on oil revenue will require the development of high value added lines of production and the creation of markets for new products. Today's economic policy is in effect geared to continue market reforms, harmonize legislation with the European Union, liberalize monetary relations, prepare the country for WTO accession and carry out other structural transformations. Their

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<sup>15</sup> Under the rental tax on exported crude oil, the object of taxation is the amount of exported crude oil calculated in value terms based on market prices with due regard for the qualitative characteristics of crude oil net of transportation expenses.

purpose is to create an institutional environment for sustainable development based on foreign investment in the field of costly long-term projects in the mining industry and an increase in government funding of infrastructure projects whose profitability and scope of investment make them prohibitive for the private sector and private funding at their current stage of development.

In the process, a special effort should be made to ensure that foreign capital and the state sector do not suppress the investment activity of private businesses, which already produce, as a result of the reforms, over 75% of the country's GDP and which should play the leading role in enhancing the efficiency and competitiveness of national production. Hence the need for new solutions to the problems of upgrading market institutions and the machinery of government so as to remove administrative barriers and reduce the transaction costs of doing business.

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## CHECHNIA: PROBLEMS OF SOCIOECONOMIC REVIVAL AND DEVELOPMENT PROSPECTS

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In the early 1990s, Chechnia had a most powerful production, technological and socioeconomic potential. It had a unique educational, scientific and technical conglomerate for the production, processing and use of oil and gas, which was of great importance for world science and practice. In 1991, oil production in the republic was around 5m tonnes (in 1972, the figure was 21.6m, and in 2002, 1.5m tonnes), refining was close to 19m tonnes, and employment in the oil sector (including in related areas of activity) was around 200,000 people, dropping to less than 3,000 in 2002. In addition, the republic had more than 20 enterprises operating in other industries and a powerful agroindustrial complex. There was an effective system for training highly skilled workers, engineers and technicians built up in the preceding decades, an intensively developing social sphere, science, education, health care, culture, etc.

But in the early 1990s the situation in Chechnia, just as in virtually all other regions of the former U.S.S.R., was already affected by the early results of the reforms launched by Mikhail Gorbachev in the mid-1980s and known as perestroika. Whereas its political prerequisites were connected with the necessity of changing the sociopolitical system of the Soviet Union, its socioeconomic prerequisites were conditioned by the imperative need to go over from the administrative-command system of economic governance to market mechanisms.

These processes engendered a number of negative phenomena: a deep economic crisis; a crisis of the outgoing administrative system and formation of a new economic mechanism; a political crisis, largely caused by the disintegration of the Communist Party of the U.S.S.R. and transfer of power to the So-

viets (far from voluntarily); and an ideological crisis connected with the difficulties of shedding old dogmas, with the inertia of society's political consciousness, and with the collapse of faith in the social justice of the Soviet state.

In that period, the Chechen Republic (just as the whole country) was a scene for the emergence of a host of opposing political parties and movements. Democracy at that time was not only young but, so to speak, ill-mannered. Respectable people—party leaders, government officials and public figures—sometimes behaved like teenagers, unabashedly slinging mud at each other in the mass media and demonstrating such “endearing” features of the awkward age as lack of a constructive approach, incompetence, arrogance, irresponsibility and envy. Unfortunately, some of these features are still in evidence today, especially in the sphere of intellectual activity.

The situation in the sociopolitical sphere had an adverse effect on the economy, manifested in a sharp drop in the production of goods and services in all industries, a rupture of traditional economic ties between the republic's enterprises and other regions of the former U.S.S.R., and a massive outflow of material and human resources from Chechnia. Entire factory buildings, shops and sections were in fact devastated, and some plants ground to a halt altogether. That was coupled with wide-spread abuses and irregularities, especially in the oil complex, with the result that the republic's economy became hostage to politics, crime and impunity.

As the crisis phenomena in politics and the economy deepened, Russian-Chechen relations took a sharper turn, spurring the slide into a war, which was officially started in December 1994 (although armed clashes between Russia and Chechnia were recorded earlier). Many years later, President Vladimir Putin said at a press conference: “It is the fault of the Federal Center that the Chechen people were left to the mercy of fate... The state proved incapable of protecting the interests of the Chechen people” (see *Rossiyskaia gazeta*, 25 June, 2002). During his visit to Bulgaria in early March 2003, the Russian president emphasized: “War is a last resort. During a war, people die, the population suffers” (1 March, 2003, TV). Such a characteristic (albeit belated) of Russian-Chechen relations and military action in the republic corresponds to reality. Had an awareness of such characteristics preceded the search for militants “in the outhouse” or the showing of a combination of three fingers into the TV camera so as to say that would-be negotiators could “whistle for it” (1999), thousands of human lives could have been saved on either side, as well as immense material and spiritual values.

Whereas before the war the depth of the economic crisis was measured by the decline in production, the drop in living standards and the rise in unemployment and crime, during the war all production and social spheres not only ceased to operate altogether, but were also looted and destroyed. In essence, the war of 1994-1996 was a brutally punitive, barbaric and predatory war.

In the first half of 1995, men in uniform and looters in civilian clothes plundered abandoned homes, stealing property by the truckload (many people had fled their homes to escape the fighting), and pillaged canneries, meat packing plants and other institutions, department stores and warehouses. Hundreds of trucks loaded with loot headed west from the north of the republic. In Grozny, the military had even organized special stations for collecting and dispatching the property of the population.

Of course, at the beginning of the second stage of the war (September 1999) there was no such abundance of property, either private or public. That is why looters switched to other material values, pillaging equipment from enterprises, nonferrous metals (including aluminum wire), etc. Graphic examples here are provided by devastated oil refineries, chemical works and the Krasny Molot plant. Incidentally, up until recently even those whose professional duty is to fight crime were themselves involved in that kind of plunder.

Economic development indicators in the republic now come to about 7-10% of the figures for 1990. There is some production of oil and gas and marginal activity in the forest sector, in the use of thermal and mineral waters and in wine growing. Such plants as Transmash, Orgtekhnik and the Gudermes Medical Instruments Plant have to some extent remained intact, whereas other plants lie in ruins. True, an effort has recently been made to restore facilities in education, health care, culture, etc.

At every stage in the development of human society, the main factor of the postwar period is rehabilitation of the economy, which provides a material basis for stabilization and recovery in other spheres,

helping to create new jobs and reduce crime. This process should not amount to the adoption of stopgap measures, but should proceed on a new technical and technological basis.

It goes without saying that the oil complex has a special role to play in regenerating the republic's economy. However, there can be no question of restoring this complex on its former scale, and the target for production and refining should be around 1.5-2m tonnes of oil. This requires the construction of new refineries with an annual capacity of around 2m tonnes of oil, which should be fitted out with the latest equipment. The main criterion here should be a shift toward downstream processing of oil in order to extract all its useful components in the form of intermediate and final products. This is primarily connected with the fact that over the past decade most of the oil produced in Chechnia was legally (and to an even greater extent illegally) shipped out of the republic. Unfortunately, this process continues to date, which not only causes great damage to the economy at the present stage, but will also affect its future development.

According to the RF Ministry of Economic Development and Trade, in 2002 the republic produced roughly 1.5m tonnes of oil (see the newspaper *Severny Kavkaz*, No. 7, February 2003). A part of this oil was exported (export earnings exceeded \$230 million). In 2003, exports came to around 1.7m tonnes. Given that the cost of oil production was 987 rubles per ton and the sale price (for the republic) was 1,501 rubles, Chechnia received (net of production costs) 514 rubles per ton. At that time, the world price of oil was close to \$200 per ton (a very significant difference). The company Rosneft is carrying on production in the republic from 50 flowing wells, whereas over 600 wells (pumpers) are out of service and nothing is being done to bring them back on stream. In addition, a considerable amount of oil is produced illegally, with a part of that oil just as illegally shipped to neighboring regions and another part refined in the republic with the use of home-grown methods. Thousands of people are involved in this illegal business. In effect, the whole republic is covered with primitive filling stations.

A point to note in this context is that the current revival of the oil complex and other sectors of the economy cannot be compared with the revival of 1995-1996. At that time, the process was rapid and large-scale, considering that the RF authorities allocated the necessary financial resources. Today, by contrast, they have taken a passive stand. One is naturally tempted to ask why the Federal Center exhibits such activity when other regions of the country get into trouble or, in similar situations, comes to the aid of foreign states. Thus, in 1999 Russia allocated \$150 million to Yugoslavia for the rehabilitation of three oil refineries destroyed by NATO air strikes, while the fate of three oil refineries in Grozny, wrecked and looted, appears to be of little interest to Moscow.

In order to restore the oil complex and other sectors of the economy, it is necessary to develop a special program that would not only contain a list of priorities, but would also specify the sequence of solution of other problems. As regards sources of funding, these should include:

- First, investments by the Federal Center taking into account the amount of inflicted damage, variously assessed at \$250-300 billion.
- Second, former Union republics, which are now independent states, should be drawn into this process. After all, for more than 70 years Chechnia supplied them with oil products in huge quantities (it would make sense to hold a special CIS forum on this issue).
- Third, investments by Far Abroad states could be another major source of funds. A big role in this respect could be played by economic forums, say, in Rostov or Moscow (similar to the London forum on Bosnia or the Tokyo forum on Afghanistan).
- Fourth, a significant contribution could be made by some regions of Russia, which could take charge of the rehabilitation of various facilities in such areas as education, health care, communications, etc.
- Fifth, if industrial enterprises in the republic, primarily the oil complex, were brought back into operation, this would generate internal sources of finance.

However, as noted above, concrete strategic tasks have not been formulated for any of these facilities, which slows down the economic recovery and leads to colossal abuses.

In order to achieve these far-reaching goals, it would make sense to establish a mobile agency for the transition period, vesting it with authority to exercise control over the designated-purpose and rational use of all material and financial resources allocated for the rehabilitation of the republic's economy.

All these measures should be aimed to rid the Chechen people of the long-standing oppression and troubles and enable them to take the road of building a peaceful life.

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